UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended

June 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 1-15371

iStar Inc.
(Exact name of registrant as specified in its charter)

Maryland	**95-6881527**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1114 Avenue of the Americas, 39th Floor	
New York , NY	**10036**
(Address of principal executive offices)	(Zip code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	STAR	New York Stock Exchange
8.00% Series D Cumulative Redeemable Preferred Stock, $0.001 par value	STAR-PD	New York Stock Exchange
7.65% Series G Cumulative Redeemable Preferred Stock, $0.001 par value	STAR-PG	New York Stock Exchange
7.50% Series I Cumulative Redeemable Preferred Stock, $0.001 par value	STAR-PI	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	Smaller Reporting Company	Emerging Growth Company
☒	☐	☐	☐	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of August 2, 2022, there were 85,377,094 shares, $0.001 par value per share, of iStar Inc. common stock outstanding.

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PART I. CONSOLIDATED FINANCIAL INFORMATION

Item 1. Financial Statements

iStar Inc.
Consolidated Balance Sheets
(In thousands, except per share data)[1]
(unaudited)

	As of	
	June 30, 2022	December 31, 2021
ASSETS		
Real estate		
Real estate, at cost	$ 111,909	$ 113,510
Less: accumulated depreciation	(21,678)	(21,360)
Real estate, net	90,231	92,150
Real estate available and held for sale	1,970	301
Total real estate	92,201	92,451
Real estate and other assets available and held for sale and classified as discontinued operations[2]	11,518	2,299,711
Net investment in leases ($380 and $0 of allowances as of June 30, 2022 and December 31, 2021, respectively)	31,999	43,215
Land and development, net	259,718	286,810
Loans receivable and other lending investments, net ($3,033 and $4,769 of allowances as of June 30, 2022 and December 31, 2021, respectively)	204,252	332,844
Loans receivable held for sale	—	43,215
Other investments	1,556,792	1,297,281
Cash and cash equivalents	1,400,658	339,601
Accrued interest and operating lease income receivable, net	1,601	1,813
Deferred operating lease income receivable, net	2,941	3,159
Deferred expenses and other assets, net	48,940	100,434
Total assets	$ 3,610,620	$ 4,840,534
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 140,791	$ 236,732
Liabilities associated with real estate held for sale and classified as discontinued operations[2]	5,715	968,419
Liabilities associated with properties held for sale	—	3
Debt obligations, net	1,833,250	2,572,174
Total liabilities	1,979,756	3,777,328
Commitments and contingencies (refer to Note 11)		
Equity:		
iStar Inc. shareholders' equity:		
Preferred Stock Series D, G and I, liquidation preference $25.00 per share	12	12
Common Stock, $0.001 par value, 200,000 shares authorized, 83,303 and 68,870 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	84	69
Additional paid-in capital	3,406,422	3,100,015
Accumulated deficit	(1,774,069)	(2,227,213)
Accumulated other comprehensive loss	(17,872)	(21,587)
Total iStar Inc. shareholders' equity	1,614,577	851,296
Noncontrolling interests	16,287	211,910
Total equity	1,630,864	1,063,206
Total liabilities and equity	$ 3,610,620	$ 4,840,534

(1) Refer to Note 2 for details on the Company's consolidated variable interest entities ("VIEs").
(2) Refer to Note 3 - Net Lease Sale and Discontinued Operations.

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Operating lease income	$ 3,182	$ 4,792	$ 6,291	$ 9,723
Interest income	4,221	8,084	9,169	17,874
Interest income from sales-type leases	376	157	732	157
Other income	15,881	8,903	24,521	21,917
Land development revenue	24,403	32,318	39,303	64,567
Total revenues	48,063	54,254	80,016	114,238
Costs and expenses:				
Interest expense	24,149	28,641	53,392	57,450
Real estate expense	13,016	11,317	23,133	20,035
Land development cost of sales	24,095	30,803	38,591	60,126
Depreciation and amortization	1,338	1,573	2,695	3,974
General and administrative	(5,179)	30,394	(3,804)	51,833
Provision for (recovery of) loan losses	22,578	(2,158)	22,713	(5,800)
Provision for losses on net investment in leases	99	779	380	780
Impairment of assets	1,768	—	1,768	257
Other expense	1,523	211	2,453	463
Total costs and expenses	83,387	101,560	141,321	189,118
Income from sales of real estate	—	96	492	708
Loss from operations before earnings from equity method investments and other items	(35,324)	(47,210)	(60,813)	(74,172)
Loss on early extinguishment of debt, net	(116,563)	—	(117,991)	—
Earnings from equity method investments	19,393	11,098	44,425	22,866
Net loss from continuing operations before income taxes	(132,494)	(36,112)	(134,379)	(51,306)
Income tax (expense) benefit	—	(619)	(3)	79
Net loss from continuing operations	(132,494)	(36,731)	(134,382)	(51,227)
Net income from discontinued operations[1]	—	25,315	797,688	47,800
Net income (loss)	(132,494)	(11,416)	663,306	(3,427)
Net (income) loss from continuing operations attributable to noncontrolling interests	(117)	20	(99)	65
Net (income) from discontinued operations attributable to noncontrolling interests	—	(2,273)	(179,089)	(4,838)
Net income (loss) attributable to iStar Inc.	(132,611)	(13,669)	484,118	(8,200)
Preferred dividends	(5,874)	(5,874)	(11,748)	(11,748)
Net income (loss) allocable to common shareholders	$ (138,485)	$ (19,543)	$ 472,370	$ (19,948)
Per common share data:				
Net income (loss) allocable to common shareholders				
Basic and diluted	$ (1.70)	$ (0.27)	$ 6.28	$ (0.27)
Net loss from continuing operations and allocable to common shareholders:				
Basic and diluted	$ (1.70)	$ (0.59)	$ (1.94)	$ (0.86)
Net income from discontinued operations and allocable to common shareholders:				
Basic and diluted	$ —	$ 0.32	$ 8.22	$ 0.59
Weighted average number of common shares:				
Basic and diluted	81,442	72,872	75,274	73,374

(1) Refer to Note 3 - Net Lease Sale and Discontinued Operations.

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

iStar Inc.
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(unaudited)

	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Net income (loss)	$ (132,494)	$ (11,416)	$ 663,306	$ (3,427)
Other comprehensive income:				
Reclassification of losses on cash flow hedges into earnings upon realization(1)	580	2,486	1,201	4,824
Unrealized gains (losses) on available-for-sale securities	(1,610)	657	(4,623)	(374)
Unrealized gains (losses) on cash flow hedges	4,382	(764)	7,137	11,211
Other comprehensive income	3,352	2,379	3,715	15,661
Comprehensive income (loss)	(129,142)	(9,037)	667,021	12,234
Comprehensive (income) attributable to noncontrolling interests(2)	(117)	(2,765)	(179,188)	(7,744)
Comprehensive income (loss) attributable to iStar Inc.	$ (129,259)	$ (11,802)	$ 487,833	$ 4,490

(1) Reclassified to “Net income from discontinued operations” in the Company’s consolidated statements of operations for the three and six months ended June 30, 2021 is $2,029 and $4,133, respectively. Reclassified to “Earnings from equity method investments” in the Company’s consolidated statements of operations for the three months ended June 30, 2022 and 2021 are $580 and $457 respectively. Reclassified to “Earnings from equity method investments” in the Company’s consolidated statements of operations for the six months ended June 30, 2022 and 2021 are $1,201 and $691, respectively.

(2) For the three months ended June 30, 2021, $2.8 million of comprehensive income attributable to noncontrolling interests was from discontinued operations. For the six months ended June 30, 2022 and 2021, $179.1 million and $7.8 million, respectively, of comprehensive income attributable to noncontrolling interests was from discontinued operations.

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

iStar Inc.
Consolidated Statements of Changes in Equity
(In thousands)
(unaudited)

	iStar Inc. Shareholders' Equity						
	Preferred Stock(1)	Common Stock at Par	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance as of March 31, 2022	$ 12	$ 69	$ 3,100,665	$ (1,625,086)	$ (21,224)	$ 330,514	$ 1,784,950
Dividends declared—preferred	—	—	—	(5,874)	—	—	(5,874)
Dividends declared—common ($0.125 per share)	—	—	—	(10,498)	—	—	(10,498)
Issuance of stock/restricted stock unit amortization, net(2)	—	1	8,236	—	—	1,077	9,314
Issuance of common stock in connection with 3.125% convertible notes	—	14	297,521	—	—	—	297,535
Net income (loss)	—	—	—	(132,611)	—	117	(132,494)
Change in accumulated other comprehensive income (loss)	—	—	—	—	3,352	—	3,352
Distributions to noncontrolling interests	—	—	—	—	—	(315,421)	(315,421)
Balance as of June 30, 2022	$ 12	$ 84	$ 3,406,422	$ (1,774,069)	$ (17,872)	$ 16,287	$ 1,630,864
Balance as of March 31, 2021	$ 12	$ 73	$ 3,204,862	$ (2,309,763)	$ (41,858)	$ 197,681	$ 1,051,007
Dividends declared—preferred	—	—	—	(5,874)	—	—	(5,874)
Dividends declared—common ($0.125 per share)	—	—	—	(9,148)	—	—	(9,148)
Issuance of stock/restricted stock unit amortization, net(2)	—	—	1,199	—	—	168	1,367
Net income (loss)	—	—	—	(13,669)	—	2,253	(11,416)
Change in accumulated other comprehensive income (loss)	—	—	—	—	6,034	512	6,546
Repurchase of stock	—	(1)	(19,978)	—	—	—	(19,979)
Contributions from noncontrolling interests	—	—	—	—	—	794	794
Distributions to noncontrolling interests	—	—	(335)	—	—	(4,256)	(4,591)
Balance as of June 30, 2021	$ 12	$ 72	$ 3,185,748	$ (2,338,454)	$ (35,824)	$ 197,152	$ 1,008,706

	iStar Inc. Shareholders' Equity						
	Preferred Stock[(1)]	Common Stock at Par	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance as of December 31, 2021	$ 12	$ 69	$ 3,100,015	$ (2,227,213)	$ (21,587)	$ 211,910	$ 1,063,206
Dividends declared—preferred	—	—	—	(11,748)	—	—	(11,748)
Dividends declared—common ($0.25 per share)	—	—	—	(19,226)	—	—	(19,226)
Issuance of stock/restricted stock unit amortization, net[(2)]	—	1	8,886	—	—	2,427	11,314
Issuance of common stock in connection with 3.125% convertible notes	—	14	297,521	—	—	—	297,535
Net income	—	—	—	484,118	—	179,188	663,306
Change in accumulated other comprehensive income (loss)	—	—	—	—	3,715	—	3,715
Contributions from noncontrolling interests	—	—	—	—	—	7,893	7,893
Distributions to noncontrolling interests	—	—	—	—	—	(385,131)	(385,131)
Balance as of June 30, 2022	$ 12	$ 84	$ 3,406,422	$ (1,774,069)	$ (17,872)	$ 16,287	$ 1,630,864
Balance as of December 31, 2020	$ 12	$ 74	$ 3,240,535	$ (2,316,972)	$ (52,680)	$ 193,414	$ 1,064,383
Impact from adoption of new accounting standards	—	—	(25,869)	15,850	—	—	(10,019)
Dividends declared—preferred	—	—	—	(11,748)	—	—	(11,748)
Dividends declared—common ($0.235 per share)	—	—	—	(17,384)	—	—	(17,384)
Issuance of stock/restricted stock unit amortization, net[(2)]	—	—	3,771	—	—	1,538	5,309
Net income (loss)	—	—	—	(8,200)	—	4,773	(3,427)
Change in accumulated other comprehensive income (loss)	—	—	—	—	16,856	2,970	19,826
Repurchase of stock	—	(2)	(32,354)	—	—	—	(32,356)
Contributions from noncontrolling interests	—	—	—	—	—	857	857
Distributions to noncontrolling interests	—	—	(335)	—	—	(6,400)	(6,735)
Balance as of June 30, 2021	$ 12	$ 72	$ 3,185,748	$ (2,338,454)	$ (35,824)	$ 197,152	$ 1,008,706

(1) Refer to Note 13 for details on the Company's Preferred Stock.
(2) Net of payments for withholding taxes upon vesting of stock-based compensation.

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

iStar Inc.
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	For the Six Months Ended June 30, 2022	2021
Cash flows from operating activities:		
Net income (loss)	$ 663,306	$ (3,427)
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Provision for (recovery of) loan losses	22,713	(6,057)
Provision for losses on net investment in leases	380	(1,866)
Impairment of assets	3,260	1,785
Depreciation and amortization	2,695	30,115
Non-cash interest income from sales-type leases	(1,706)	(18,808)
Stock-based compensation (income) expense	(30,350)	20,299
Amortization of discounts/premiums and deferred financing costs on debt obligations, net	5,278	3,957
Amortization of discounts/premiums and deferred interest on loans, net	(5,398)	(7,459)
Deferred interest on loans received	4,738	23,703
Earnings from equity method investments	(171,305)	(25,466)
Distributions from operations of other investments	130,245	18,193
Deferred operating lease income	(2,267)	(5,211)
Income from sales of real estate	(684,229)	(2,822)
Land development revenue in excess of cost of sales	(712)	(4,441)
Loss on early extinguishment of debt, net	159,399	—
Other operating activities, net	(9,958)	(2,148)
Changes in assets and liabilities:		
Origination and fundings of loans receivable held for sale	—	(62,525)
Changes in accrued interest and operating lease income receivable	1,937	3,572
Changes in deferred expenses and other assets, net	(8,921)	(1,637)
Changes in accounts payable, accrued expenses and other liabilities	(51,724)	(4,719)
Cash flows provided by (used in) operating activities	27,381	(44,962)
Cash flows from investing activities:		
Originations and fundings of loans receivable, net	(4,762)	(65,208)
Capital expenditures on real estate assets	(858)	(4,287)
Capital expenditures on land and development assets	(10,165)	(8,382)
Acquisitions of real estate, net investments in leases and land assets	(34,115)	(42,000)
Repayments of and principal collections on loans receivable and other lending investments, net	57,273	209,779
Net proceeds from sales of loans receivable	145,583	79,560
Net proceeds from sales of real estate	1,981,599	3,259
Net proceeds from sales of land and development assets	38,004	61,945
Net proceeds from sales of net investment in leases	572,251	12,825
Distributions from other investments	153,629	22,996
Contributions to and acquisition of interest in other investments	(273,179)	(91,419)
Other investing activities, net	(138)	4,910
Cash flows provided by investing activities	2,625,122	183,978
Cash flows from financing activities:		
Borrowings from debt obligations	50,000	25,000
Repayments and repurchases of debt obligations	(1,037,079)	(35,900)
Purchase of marketable securities in connection with the defeasance of mortgage notes payable	(252,571)	—
Preferred dividends paid	(11,748)	(11,748)
Common dividends paid	(19,385)	(17,304)
Repurchase of stock	—	(32,556)
Payments for deferred financing costs	—	(75)
Payments for withholding taxes upon vesting of stock-based compensation	(10,428)	(2,181)
Contributions from noncontrolling interests	7,893	64
Distributions to noncontrolling interests	(351,005)	(6,401)
Payments for debt prepayment or extinguishment costs	(16,289)	—
Cash flows used in financing activities	(1,640,612)	(81,101)
Effect of exchange rate changes on cash	(50)	(111)
Changes in cash, cash equivalents and restricted cash	1,011,841	57,804
Cash, cash equivalents and restricted cash at beginning of period	393,996	150,566
Cash, cash equivalents and restricted cash at end of period	$ 1,405,837	$ 208,370

	For the Six Months Ended June 30,	
	2022	2021
Reconciliation of cash and cash equivalents and restricted cash presented on the consolidated statements of cash flows		
Cash and cash equivalents	$ 1,400,658	$ 154,941
Restricted cash included in deferred expenses and other assets, net	5,179	53,429
Total cash and cash equivalents and restricted cash	$ 1,405,837	$ 208,370
Supplemental disclosure of non-cash investing and financing activity:		
Fundings and (repayments) of loan receivables and loan participations, net	$ —	$ (42,501)
Distributions to noncontrolling interests	34,467	—
Defeasance of mortgage notes payable	230,452	—
Marketable securities transferred in connection with the defeasance of mortgage notes payable	252,571	—
Accounts payable for capital expenditures on land and development and real estate assets	2,839	930
Assumption of mortgage by third party	62,825	—

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

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Note 1—Business and Organization

Business—iStar Inc. (the "Company") finances, invests in and develops real estate and real estate related projects as part of its fully-integrated investment platform. The Company also manages entities focused on ground lease investments (refer to Note 8). The Company has invested capital over the past two decades and is structured as a real estate investment trust ("REIT") with a diversified portfolio focused on larger assets located in major metropolitan markets. The Company's primary reportable business segments are net lease (refer to Note 3 - Net Lease Sale and Discontinued Operations), real estate finance, operating properties and land and development (refer to Note 17).

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

Note 2—Basis of Presentation and Principles of Consolidation

Basis of Presentation—The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States of America ("GAAP") for complete financial statements. These unaudited consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Annual Report").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. Such operating results may not be indicative of the expected results for any other interim periods or the entire year. Certain prior year amounts have been reclassified in the Company's consolidated financial statements and the related notes (refer to Note 3 – Net Lease Sale and Discontinued Operations) to conform to the current period presentation.

Principles of Consolidation—The consolidated financial statements include the financial statements of the Company, its wholly owned subsidiaries, controlled partnerships and VIEs for which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation. The Company's involvement with VIEs affects its financial performance and cash flows primarily through amounts recorded in "Net income from discontinued operations," "Operating lease income," "Interest income," "Earnings from equity method investments," "Real estate expense" and "Interest expense" in the Company's consolidated statements of operations. The Company has provided no financial support to those VIEs that it was not previously contractually required to provide.

Consolidated VIEs—The Company consolidates VIEs for which it is considered the primary beneficiary. The liabilities of these VIEs are non-recourse to the Company and can only be satisfied from each VIE's respective assets. The Company did not have any unfunded commitments related to consolidated VIEs as of June 30, 2022 and December 31,

2021. The following table presents the assets and liabilities of the Company's consolidated VIEs as of June 30, 2022 and December 31, 2021 ($ in thousands):

	As of June 30, 2022	As of December 31, 2021
ASSETS		
Real estate		
Real estate, at cost	$ 93,835	$ 93,477
Less: accumulated depreciation	(16,518)	(14,987)
Real estate, net	77,317	78,490
Real estate and other assets available and held for sale and classified as discontinued operations	198	886,845
Land and development, net	153,044	176,833
Cash and cash equivalents	21,318	23,908
Deferred operating lease income receivable, net	7	3
Deferred expenses and other assets, net	5,061	5,001
Total assets	$ 256,945	$ 1,171,081
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	$ 26,151	$ 24,744
Liabilities associated with real estate held for sale and classified as discontinued operations	291	493,739
Total liabilities	26,442	518,483

Unconsolidated VIEs—The Company has investments in VIEs where it is not the primary beneficiary and accordingly the VIEs have not been consolidated in the Company's consolidated financial statements. As of June 30, 2022, the Company's maximum exposure to loss from these investments does not exceed the sum of the $57.5 million carrying value of the investments, which are classified in "Other investments" on the Company's consolidated balance sheets, and $2.2 million of related unfunded commitments.

Note 3—Summary of Significant Accounting Policies

Net Lease Sale and Discontinued Operations—A discontinued operation represents: (i) a component of the Company or group of components that has been disposed of or is classified as held for sale in a single transaction and represents a strategic shift that has or will have a major effect on the Company's operations and financial results or (ii) an acquired business that is classified as held for sale on the date of acquisition.

Net Lease Sale—In March 2022, the Company, through certain subsidiaries of and entities managed by the Company, closed on a definitive purchase and sale agreement to sell a portfolio of net lease properties owned and managed by such subsidiaries and entities to a third party for an aggregate gross sales price of approximately $3.07 billion and recognized a gain of $663.7 million in "Net income from discontinued operations" in the Company's consolidated statements of operations. The Company refers to this transaction as the "Net Lease Sale" in this report. The Net Lease Sale is consistent with the Company's stated corporate strategy which is to grow its Ground Lease and Ground Lease adjacent businesses (refer to Note 8) and simplify its portfolio through sales of other assets.

The portfolio sold consisted of office, entertainment and industrial properties located in the United States comprising approximately 18.3 million square feet. It included assets wholly-owned by the Company and assets owned by two joint ventures (see Net Lease Venture and Net Lease Venture II below) managed by the Company and in which it owned 51.9% interests. At the time of closing, the portfolio was encumbered by an aggregate of $702 million of mortgage indebtedness, including indebtedness from equity method investments, which was repaid with proceeds from the sale. After repayment of the mortgage indebtedness and prepayment penalties, a senior term loan secured by certain of the assets (refer to Note 10), payments to terminate derivative contracts, payments to joint venture partners, and payments of promotes, transaction expenses and amounts due under employee incentive plans, the Company retained net cash proceeds of $1.2 billion from the transaction. In addition, as part of the transaction, the buyer sold three of the properties to Safehold

Inc. (“SAFE”) for $122.0 million and entered into three Ground Leases with SAFE. Two net lease properties were sold to different third parties in the first quarter of 2022 and the Company’s net lease assets associated with its Ground Lease businesses were not included in the sale. The Company received net cash proceeds of $33.9 million from the sale of the two net lease properties and recognized a gain of $23.9 million in “Net income from discontinued operations” in the Company’s consolidated statements of operations.

Net Lease Venture—In February 2014, the Company partnered with a sovereign wealth fund to form a venture to acquire and develop net lease assets (the “Net Lease Venture”) and gave a right of first offer to the venture on all new net lease investments. The Company was responsible for sourcing new opportunities and managing the venture and its assets in exchange for a management fee and incentive fee. Several of the Company’s senior executives whose time was substantially devoted to the Net Lease Venture owned a total of 0.6% equity ownership in the venture via co-investment. These senior executives were also entitled to an amount equal to 50% of any incentive fee received based on the 47.5% external partner’s interest. Net Lease Venture was part of the Net Lease Sale. As of June 30, 2022, $3.2 million of “Noncontrolling interests” was attributable to the Net Lease Venture and represented proceeds from the Net Lease Sale that were not yet distributed to the Company’s partners in the venture as of June 30, 2022.

Net Lease Venture II—In July 2018, the Company entered into a new venture (the “Net Lease Venture II”) with an investment strategy similar to the Net Lease Venture. The Company was responsible for managing the venture in exchange for a management fee and incentive fee. During the six months ended June 30, 2022, the Company recorded $0.4 million of management fees from Net Lease Venture II in “Net income from discontinued operations” in the Company’s consolidated statements of operations. During the three and six months ended June 30, 2021, the Company recorded $0.4 million and $0.8 million, respectively, of management fees from Net Lease Venture II in “Net income from discontinued operations” in the Company’s consolidated statements of operations. Net Lease Venture II was part of the Net Lease Sale. As of June 30, 2022, $2.0 million of “Real estate and other assets available and held for sale and classified as discontinued operations” was attributable to the Net Lease Venture II and represented proceeds from the Net Lease Sale that were not yet distributed to the Company as of June 30, 2022.

Discontinued Operations—The Company’s net lease assets and liabilities associated with the Net Lease Sale and the Company’s other two net lease assets are classified as “Real estate and other assets available and held for sale and classified as discontinued operations” and “Liabilities associated with real estate held for sale and classified as discontinued operations,” respectively, on the Company’s consolidated balance sheets as of June 30, 2022 and December 31, 2021. For the three months ended June 30, 2021 and the six months ended June 30, 2022 and 2021, the operations of such assets are classified in “Net income from discontinued operations” in the Company’s consolidated statements of operations.

The following table presents the Company's consolidated assets and liabilities recorded in "Real estate and other assets available and held for sale and classified as discontinued operations" and "Liabilities associated with real estate held for sale and classified as discontinued operations," respectively, on the Company's consolidated balance sheets as of June 30, 2022 and December 31, 2021 ($ in thousands).

	As of	
	June 30, 2022	**December 31, 2021**
ASSETS		
Real estate		
Real estate, at cost	$ —	$ 1,537,655
Less: accumulated depreciation	—	(271,183)
Total real estate, net	—	1,266,472
Net investment in leases	—	486,389
Loans receivable held for sale	—	48,675
Other investments	1,972	103,229
Finance lease right of use assets	—	150,099
Accrued interest and operating lease income receivable, net	548	2,997
Deferred operating lease income receivable, net	—	63,156
Deferred expenses and other assets, net	8,998	178,694
Total real estate and other assets available and held for sale and classified as discontinued operations	**$ 11,518**	**$ 2,299,711**
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	$ 5,715	$ 92,865
Finance lease liabilities	—	161,258
Debt obligations, net	—	714,296
Total liabilities associated with real estate held for sale and classified as discontinued operations	**$ 5,715**	**$ 968,419**

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The transaction described above involving the Company's net lease business qualified for discontinued operations and the following table summarizes net income from discontinued operations for the three and six months ended June 30, 2022 and 2021 ($ in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Operating lease income	$ —	$ 40,752	$ 35,596	$ 83,265
Interest income	—	889	885	1,749
Interest income from sales-type leases	—	8,532	8,803	17,159
Other income	—	1,161	4,292	2,436
Total revenues	—	51,334	49,576	104,609
Costs and expenses:				
Interest expense(1)	—	10,776	7,484	21,530
Real estate expense	—	6,972	5,072	15,148
Depreciation and amortization(1)	—	13,087	—	26,141
Recovery of loan losses	—	(105)	—	(257)
Recovery of losses on net investment in leases	—	(1,044)	—	(2,646)
Impairment of assets(2)	—	—	1,492	1,528
Other expense(3)	—	—	(5,669)	—
Total costs and expenses	—	29,686	8,379	61,444
Income from sales of real estate	—	2,114	683,738	2,114
Income from discontinued operations before earnings from equity method investments and other items	—	23,762	724,935	45,279
Earnings from equity method investments	—	1,599	127,129	2,600
Loss on early extinguishment of debt, net	—	—	(41,408)	—
Net income from discontinued operations before income taxes	—	25,361	810,656	47,879
Income tax expense	—	(46)	(12,968)	(79)
Net income from discontinued operations	—	25,315	797,688	47,800
Net (income) from discontinued operations attributable to noncontrolling interests	—	(2,273)	(179,089)	(4,838)
Net income from discontinued operations attributable to iStar Inc.	$ —	$ 23,042	$ 618,599	$ 42,962

(1) For the six months ended June 30, 2022, the Company recorded $1.3 million of "Interest expense" in its consolidated statements of operations from its Ground Leases with SAFE. For the three and six months ended June 30, 2021, the Company recorded $2.1 million and $4.1 million, respectively, of "Interest expense" and $0.4 million and $0.7 million, respectively, of "Depreciation and amortization" in its consolidated statements of operations from its Ground Leases with SAFE.

(2) During both the six months ended June 30, 2022 and 2021, the Company sold assets and recognized aggregate impairments of $1.5 million in connection with the sales.

(3) Represents the reversal of other expenses recognized in connection with the settlement of interest rate hedges during the six months ended June 30, 2022.

The following table presents cash flows provided by operating activities and cash flows used in investing activities from discontinued operations for the six months ended June 30, 2022 and 2021 ($ in thousands):

	For the Six Months Ended June 30,	
	2022	2021
Cash flows provided by operating activities	$ 119,950	$ 43,934
Cash flows provided by investing activities	2,660,531	4,845

Note 4—Real Estate

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

	As of June 30, 2022	As of December 31, 2021
Land, at cost	$ 7,125	$ 6,831
Buildings and improvements, at cost	104,784	106,679
Less: accumulated depreciation	(21,678)	(21,360)
Real estate, net	90,231	92,150
Real estate available and held for sale(1)	1,970	301
Total real estate	$ 92,201	$ 92,451

(1) As of June 30, 2022 and December 31, 2021, the Company had $2.0 million and $0.3 million, respectively, of residential homes/condominiums available for sale in its operating properties portfolio.

Dispositions—Refer to Note 3 - Net Lease Sale and Discontinued Operations.

Impairments—During the three and six months ended June 30, 2022, the Company recognized an impairment of $1.8 million on an operating property based on the expected cash flows to be received.

Tenant Reimbursements—The Company receives reimbursements from tenants for certain facility operating expenses including common area costs, insurance, utilities and real estate taxes. Tenant expense reimbursements were $0.7 million and $1.4 million for the three and six months ended June 30, 2022, respectively, and $0.8 million and $1.4 million for the three and six months ended June 30, 2021, respectively. These amounts are included in "Operating lease income" in the Company's consolidated statements of operations.

Allowance for Doubtful Accounts—As of June 30, 2022 and December 31, 2021, the allowance for doubtful accounts related to real estate tenant receivables was $0.1 million and $0.1 million, respectively. These amounts are included in "Accrued interest and operating lease income receivable, net" on the Company's consolidated balance sheets.

Future Minimum Operating Lease Payments—Future minimum operating lease payments to be collected under non-cancelable operating leases, excluding customer reimbursements of expenses, in effect as of June 30, 2022, are as follows by year ($ in thousands):

Year	Operating Properties
2022 (remaining six months)	$ 3,236
2023	6,322
2024	6,206
2025	5,600
2026	5,125
Thereafter	4,361

Note 5—Net Investment in Leases

In June 2021, the Company acquired two parcels of land for $42.0 million each and simultaneously entered into two Ground Leases with the respective tenants. Each Ground Lease also provides for a leasehold improvement allowance up to a maximum of $83.0 million. The Company also concurrently entered into an agreement pursuant to which SAFE would acquire the Ground Leases from the Company. If certain construction conditions are not met within a specified time period, SAFE will have no obligation to acquire the Ground Leases or fund the leasehold improvement allowances. The Company classified one of the Ground Leases as a sales-type lease and it was recorded in "Net investment in leases" on the

Company's consolidated balance sheet at the time of acquisition. In January 2022, the Company sold the Ground Lease to an investment fund in which the Company owns a 53% noncontrolling interest (refer to Note 8 – Ground Lease Plus Fund). One Ground Lease was entered into with the seller of the land and did not qualify for sale leaseback accounting, and as such, was accounted for as a financing transaction and $42.0 million was recorded in "Loans receivable held for sale" on the Company's consolidated balance sheet at the time of acquisition. There can be no assurance that the conditions to closing will be satisfied and that SAFE will acquire the properties and Ground Leases from the Company. In January 2022, the Company sold the Ground Lease to the Ground Lease Plus Fund (refer to Note 8).

In January 2022, the Company entered into a commitment to acquire land for $36.0 million and simultaneously structured and entered into a Ground Lease as part of the Ground Lease tenant's recapitalization of an existing multifamily property. As of June 30, 2022, the Company had funded $32.0 million of this commitment. SAFE (refer to Note 8) waived its right of first refusal on this investment but entered into an agreement with the Company pursuant to which SAFE would acquire the land and related Ground Lease when certain construction related conditions are met. SAFE acquired the Ground Lease from the Company in July 2022.

The Company's net investment in leases were comprised of the following as of June 30, 2022 and December 31, 2021 ($ in thousands):

	June 30, 2022	December 31, 2021
Total undiscounted cash flows	$ 356,302	$ 524,712
Unguaranteed estimated residual value	21,750	42,000
Present value discount	(345,673)	(523,497)
Allowance for losses on net investment in leases	(380)	—
Net investment in leases(1)	$ 31,999	$ 43,215

(1) As of June 30, 2022 and December 31, 2021, the Company's net investment in lease was current in its payment status and performing in accordance with the terms of the lease.

Future Minimum Lease Payments under Sales-type Leases—Future minimum lease payments to be collected under sales-type leases, excluding lease payments that are not fixed and determinable, in effect as of June 30, 2022, are as follows by year ($ in thousands):

	Amount
2022 (remaining six months)	$ 520
2023	1,056
2024	1,204
2025	1,240
2026	1,264
Thereafter	351,018
Total undiscounted cash flows	$ 356,302

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Allowance for Losses on Net Investment in Leases—Changes in the Company's allowance for losses on net investment in leases for the three and six months ended June 30, 2022 and 2021 were as follows ($ in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Allowance for losses on net investment in leases at beginning of period(1)	$ 281	$ 9,270	$ —	$ 10,871
Provision for (recovery of) losses on net investment in leases (2)	99	(265)	380	(1,866)
Allowance for losses on net investment in leases at end of period(1)	$ 380	$ 9,005	$ 380	$ 9,005

(1) All 2021 amounts were for net investment in leases included in the Net Lease Sale (refer to Note 3 – Net Lease Sale and Discontinued Operations).
(2) During the three and six months ended June 30, 2022, the Company recorded a provision for losses on net investment in leases of $0.1 million and $0.4 million, respectively, due primarily to the macroeconomic forecast on commercial real estate markets. During the three and six months ended June 30, 2021, the Company recorded a recovery of losses on net investment in leases of $0.3 million and $1.9 million (both of which are included in "Net income from discontinued operations"), respectively, due primarily to an improving macroeconomic forecast on commercial real estate markets since December 31, 2020.

Note 6—Land and Development

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

	As of	
	June 30, 2022	December 31, 2021
Land and land development, at cost	$ 270,978	$ 297,621
Less: accumulated depreciation	(11,260)	(10,811)
Total land and development, net	$ 259,718	$ 286,810

Dispositions—During the six months ended June 30, 2022 and 2021, the Company sold land parcels and residential lots and units and recognized land development revenue of $39.3 million and $64.6 million, respectively. During the six months ended June 30, 2022 and 2021, the Company recognized land development cost of sales of $38.6 million and $60.1 million, respectively, from its land and development portfolio.

Note 7—Loans Receivable and Other Lending Investments, net

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

	As of	
	June 30, 2022	December 31, 2021
Construction loans		
Senior mortgages	$ 133,555	$ 184,643
Corporate/Partnership loans	—	618
Subtotal - gross carrying value of construction loans[(1)]	133,555	185,261
Loans		
Senior mortgages	2,590	14,965
Subordinate mortgages	12,886	12,457
Subtotal - gross carrying value of loans	15,476	27,422
Other lending investments		
Held-to-maturity debt securities	35,000	96,838
Available-for-sale debt securities	23,254	28,092
Subtotal - other lending investments	58,254	124,930
Total gross carrying value of loans receivable and other lending investments	207,285	337,613
Allowance for loan losses	(3,033)	(4,769)
Total loans receivable and other lending investments, net	$ 204,252	$ 332,844

(1) As of June 30, 2022, 100% of gross carrying value of construction loans had completed construction.

Allowance for Loan Losses—Changes in the Company's allowance for loan losses were as follows for the three months ended June 30, 2022 and 2021 ($ in thousands):

	General Allowance				
Three Months Ended June 30, 2022	Construction Loans	Loans	Held to Maturity Debt Securities	Specific Allowance	Total
Allowance for loan losses at beginning of period	$ 1,252	$ 674	$ 2,415	$ 591	$ 4,932
Provision for (recovery of) loan losses[(1)]	(391)	(224)	23,599	117	23,101
Charge-offs[(1)]	—	—	(25,000)	—	(25,000)
Allowance for loan losses at end of period	$ 861	$ 450	$ 1,014	$ 708	$ 3,033
Three Months Ended June 30, 2021					
Allowance for loan losses at beginning of period	$ 2,893	$ 1,815	$ 2,685	$ 667	$ 8,060
(Recovery of) provision for loan losses[(1)]	(1,253)	(196)	(292)	(77)	(1,818)
Allowance for loan losses at end of period	$ 1,640	$ 1,619	$ 2,393	$ 590	$ 6,242

(1) During the three months ended June 30, 2022 and 2021, the Company recorded a provision for (recovery of) loan losses of $22.6 million and ($2.2) million, respectively, in its consolidated statements of operations. The provision in 2022 was due primarily to a $25.0 million charge-off on the Company's held-to-maturity debt security, which is now recorded at its expected repayment proceeds. The recovery in 2021 was due primarily to the repayment of loans during the three months ended June 30, 2021 and an improving macroeconomic forecast on commercial real estate markets since March 31, 2021. Of this amount, $0.4 million related to a provision for loan losses for unfunded loan commitments and is recorded as a reduction to "Accounts payable, accrued expenses and other liabilities."

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Changes in the Company's allowance for loan losses were as follows for the six months ended June 30, 2022 and 2021 ($ in thousands):

	General Allowance				
Six Months Ended June 30, 2022	Construction Loans	Loans	Held to Maturity Debt Securities	Specific Allowance	Total
Allowance for loan losses at beginning of period	$ 1,213	$ 676	$ 2,304	$ 576	$ 4,769
Provision for (recovery of) loan losses(1)	(352)	(226)	23,710	132	23,264
Charge-offs(1)	—	—	(25,000)	—	(25,000)
Allowance for loan losses at end of period	$ 861	$ 450	$ 1,014	$ 708	$ 3,033
Six Months Ended June 30, 2021					
Allowance for loan losses at beginning of period	$ 6,541	$ 1,643	$ 3,093	$ 743	$ 12,020
Recovery of loan losses(1)	(4,901)	(24)	(700)	(153)	(5,778)
Allowance for loan losses at end of period	$ 1,640	$ 1,619	$ 2,393	$ 590	$ 6,242

(1) During the six months ended June 30, 2022 and 2021, the Company recorded a provision for (recovery of) loan losses of $22.7 million and ($5.8) million, respectively, in its consolidated statements of operations. The provision in 2022 was due primarily to a $25.0 million charge-off on the Company's held-to-maturity debt security, which is now recorded at its expected repayment proceeds. The recovery in 2021 was due primarily to the repayment of loans during the six months ended June 30, 2021 and an improving macroeconomic forecast on commercial real estate markets since December 31, 2020.

The Company's investment in loans and other lending investments and the associated allowance for loan losses were as follows as of June 30, 2022 and December 31, 2021 ($ in thousands):

	Individually Evaluated for Impairment(1)	Collectively Evaluated for Impairment	Total
As of June 30, 2022			
Construction loans(2)	$ 60,256	$ 73,299	$ 133,555
Loans(2)	—	15,476	15,476
Held-to-maturity debt securities	—	35,000	35,000
Available-for-sale debt securities(3)	—	23,254	23,254
Less: Allowance for loan losses	(708)	(2,325)	(3,033)
Total	$ 59,548	$ 144,704	$ 204,252
As of December 31, 2021			
Construction loans(2)	$ 59,640	$ 125,621	$ 185,261
Loans(2)	—	27,422	27,422
Held-to-maturity debt securities	—	96,838	96,838
Available-for-sale debt securities(3)	—	28,092	28,092
Less: Allowance for loan losses	(576)	(4,193)	(4,769)
Total	$ 59,064	$ 273,780	$ 332,844

(1) The carrying value of this loan includes an amortized exit fee of $0.8 million and $0.8 million as of June 30, 2022 and December 31, 2021, respectively. The Company's loans individually evaluated for impairment represent loans on non-accrual status and the unamortized amounts associated with these loans are not currently being amortized into income.
(2) The carrying value of these loans includes unamortized discounts, premiums, deferred fees and costs totaling net premiums (discounts) of $0.3 million and ($0.2) million as of June 30, 2022 and December 31, 2021, respectively.
(3) Available-for-sale debt securities are evaluated for impairment under ASC 326-30 – Financial Instruments-Credit Losses.

Credit Characteristics—As part of the Company's process for monitoring the credit quality of its loans, it performs a quarterly loan portfolio assessment and assigns risk ratings to each of its performing loans. Risk ratings, which range from 1 (lower risk) to 5 (higher risk), are based on judgments which are inherently uncertain, and there can be no assurance that actual performance will be similar to current expectation. The Company designates loans as non-performing at such time as: (1) interest payments become 90 days delinquent; (2) the loan has a maturity default; or (3) management determines it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan. All non-performing loans are placed on non-accrual status and income is only recognized in certain cases upon actual cash receipt.

The Company's amortized cost basis in performing senior mortgages, corporate/partnership loans and subordinate mortgages, presented by year of origination and by credit quality, as indicated by risk rating, as of June 30, 2022 were as follows ($ in thousands):

	Year of Origination						
	2022	2021	2020	2019	2018	Prior to 2018	Total
Senior mortgages							
Risk rating							
1.0	$ —	$ —	$ —	$ —	$ —	$ —	$ —
1.5	—	—	—	—	—	2,590	2,590
2.0	—	—	—	—	—	—	—
2.5	—	—	—	—	—	—	—
3.0	—	—	—	—	64,323	—	64,323
3.5	—	—	—	—	8,976	—	8,976
4.0	—	—	—	—	—	—	—
4.5	—	—	—	—	—	—	—
5.0	—	—	—	—	—	—	—
Subtotal(1)	$ —	$ —	$ —	$ —	$ 73,299	$ 2,590	$ 75,889
Subordinate mortgages							
Risk rating							
1.0	$ —	$ —	$ —	$ —	$ —	$ —	$ —
1.5	—	—	—	—	—	—	—
2.0	—	—	—	—	—	—	—
2.5	—	—	—	—	—	—	—
3.0	—	—	—	—	—	12,886	12,886
3.5	—	—	—	—	—	—	—
4.0	—	—	—	—	—	—	—
4.5	—	—	—	—	—	—	—
5.0	—	—	—	—	—	—	—
Subtotal	$ —	$ —	$ —	$ —	$ —	$ 12,886	$ 12,886
Total	**$ —**	**$ —**	**$ —**	**$ —**	**$ 73,299**	**$ 15,476**	**$ 88,775**

(1) As of June 30, 2022, excludes $60.3 million for one loan on non-accrual status.

The Company's amortized cost basis in loans, aged by payment status and presented by class, was as follows ($ in thousands):

	Current	Less Than or Equal to 90 Days	Greater Than 90 Days	Total Past Due	Total
As of June 30, 2022					
Senior mortgages	$ 75,889	$ —	$ 60,256	60,256	$ 136,145
Subordinate mortgages	12,886	—	—	—	12,886
Total	$ 88,775	$ —	$ 60,256	$ 60,256	$ 149,031
As of December 31, 2021					
Senior mortgages	$ 139,968	$ —	$ 59,640	59,640	$ 199,608
Corporate/Partnership loans	618	—	—	—	618
Subordinate mortgages	12,457	—	—	—	12,457
Total	$ 153,043	$ —	$ 59,640	$ 59,640	$ 212,683

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Impaired Loans—The Company's impaired loan was as follows ($ in thousands):

	As of June 30, 2022			As of December 31, 2021		
	Amortized Cost	Unpaid Principal Balance	Related Allowance	Amortized Cost	Unpaid Principal Balance	Related Allowance
With an allowance recorded:						
Senior mortgages[(1)]	$ 60,256	$ 59,505	$ (708)	$ 59,640	$ 58,888	$ (576)
Total	$ 60,256	$ 59,505	$ (708)	$ 59,640	$ 58,888	$ (576)

(1) The Company has one non-accrual loan as of June 30, 2022 and December 31, 2021 that is considered impaired and included in the table above. The Company did not record any interest income on impaired loans for the three and six months ended June 30, 2022 and 2021.

Loans receivable held for sale—In March 2021, the Company acquired land and simultaneously structured and entered into with the seller a Ground Lease on which a multi-family project will be constructed. The Company funded $16.1 million at closing and the Ground Lease documents provided for future funding obligations to the Ground Lease tenant of approximately $11.9 million of deferred purchase price and $52.0 million of leasehold improvement allowance upon achievement of certain milestones. At closing, the Company entered into an agreement with SAFE pursuant to which, subject to certain conditions being met, SAFE would acquire the ground lessor entity from the Company. The Company determined that the transaction did not qualify as a sale leaseback transaction and recorded the Ground Lease in "Loans receivable held for sale" on the Company's consolidated balance sheet. Subsequent to closing, the Company funded approximately $6.0 million of the deferred purchase price to the Ground Lease tenant. The Company sold the ground lessor entity (and SAFE assumed all future funding obligations to the Ground Lease tenant) to SAFE in September 2021 for $22.1 million and recorded no gain or loss on the sale.

In June 2021, the Company acquired a parcel of land for $42.0 million and simultaneously entered into a Ground Lease (refer to Note 5). The Company also concurrently entered into an agreement pursuant to which SAFE would acquire the Ground Lease from the Company. The Ground Lease was entered into with the seller of the land and did not qualify for sale leaseback accounting, and as such, was accounted for as a financing transaction and $42.0 million was recorded in "Loans receivable held for sale" on the Company's consolidated balance sheet at the time of acquisition. In January 2022, the Company sold its loan receivable held for sale to the Ground Lease Plus Fund (refer to Note 8).

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

	Face Value	Amortized Cost Basis	Net Unrealized Gain (Loss)	Estimated Fair Value	Net Carrying Value
As of June 30, 2022					
Available-for-Sale Securities					
Municipal debt securities	$ 23,640	$ 23,640	$ (386)	$ 23,254	$ 23,254
Held-to-Maturity Securities					
Debt securities[(1)]	35,000	35,000	—	35,000	35,000
Total	$ 58,640	$ 58,640	$ (386)	$ 58,254	$ 58,254
As of December 31, 2021					
Available-for-Sale Securities					
Municipal debt securities	$ 23,855	$ 23,855	$ 4,237	$ 28,092	$ 28,092
Held-to-Maturity Securities					
Debt securities	100,000	96,838	—	96,838	96,838
Total	$ 123,855	$ 120,693	$ 4,237	$ 124,930	$ 124,930

(1) During the three months ended June 30, 2022, the Company received a $40.0 million repayment, reduced the maturity date by six months to December 30, 2022 and recorded a $25.0 million provision in 'Provision for (recovery of) loan losses" in its consolidated statements of operations on its debt security.

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As of June 30, 2022, the contractual maturities of the Company's securities were as follows ($ in thousands):

	Held-to-Maturity Debt Securities		Available-for-Sale Debt Securities	
	Amortized Cost Basis	Estimated Fair Value	Amortized Cost Basis	Estimated Fair Value
Maturities				
Within one year	$ 35,000	$ 35,000	$ —	$ —
After one year through 5 years	—	—	—	—
After 5 years through 10 years	—	—	—	—
After 10 years	—	—	23,640	23,254
Total	$ 35,000	$ 35,000	$ 23,640	$ 23,254

Note 8—Other Investments

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

	Carrying Value as of		Earnings (Losses) from Equity Method Investments For the Three Months Ended June 30,		Earnings (Losses) from Equity Method Investments For the Six Months Ended June 30,	
	June 30, 2022	December 31, 2021	2022	2021	2022	2021
Real estate equity investments						
Safehold Inc. ("SAFE")(1)	$ 1,405,985	$ 1,168,532	$ 14,720	$ 9,703	$ 31,749	$ 21,115
Ground Lease Plus Fund	65,068	17,630	520	—	1,289	—
Other real estate equity investments	38,458	44,349	3,773	(1,461)	7,384	(2,063)
Subtotal	1,509,511	1,230,511	19,013	8,242	40,422	19,052
Other strategic investments(2)	47,281	66,770	380	2,856	4,003	3,814
Total	$ 1,556,792	$ 1,297,281	$ 19,393	$ 11,098	$ 44,425	$ 22,866

(1) As of June 30, 2022, the Company owned 40.1 million shares of SAFE common stock which, based on the closing price of $35.37 on June 30, 2022, had a market value of $1.4 billion. Pursuant to ASC 323-10-40-1, an equity method investor shall account for a share issuance by an investee as if the investor had sold a proportionate share of its investment. Any gain or loss to the investor resulting from an investee's share issuance shall be recognized in earnings. For the six months ended June 30, 2022 and 2021, equity in earnings includes dilution gains of $0.9 million and $0.5 million, respectively, resulting from SAFE equity offerings.

(2) During the six months ended June 30, 2021, the Company identified observable price changes in an equity security held by the Company as evidenced by orderly private issuances of similar securities by the same issuer. In accordance with ASC 321 – Investments – Equity Securities, the Company remeasured its equity investment at fair value and recognized a mark-to-market gain of $5.1 million in "Other income" in the Company's consolidated statements of operations. The Company's equity security was redeemed at its carrying value in the fourth quarter of 2021.

Safehold Inc.—SAFE is a publicly-traded company formed by the Company primarily to acquire, own, manage, finance and capitalize ground leases. Ground leases generally represent ownership of the land underlying commercial real estate projects that is net leased by the fee owner of the land to the owners/operators of the real estate projects built thereon ("Ground Leases"). During the six months ended June 30, 2022, the Company purchased 0.2 million shares of SAFE's common stock for $10.5 million, for an average cost of $66.83 per share, in open market purchases made in accordance with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended. In March 2022, the Company acquired 3,240,000 shares of SAFE's common stock in a private placement for $191.2 million. As of June 30, 2022, the Company owned approximately 64.7% of SAFE's common stock outstanding.

In January 2019, the Company purchased 12.5 million newly designated limited partnership units (the "Investor Units") in SAFE's operating partnership ("SAFE OP"), at a purchase price of $20.00 per unit, for a total purchase price of $250.0 million. In May 2019, after the approval of SAFE's shareholders, the Investor Units were exchanged for shares of SAFE's common stock on a one-for-one basis. Following the exchange, the Investor Units were retired.

In connection with the Company's purchase of the Investor Units, it entered into a Stockholder's Agreement with SAFE on January 2, 2019. The Stockholder's Agreement:

- limits the Company's discretionary voting power to 41.9% of the outstanding voting power of SAFE's common stock until its aggregate ownership of SAFE common stock is less than 41.9%; and
- provides the Company certain preemptive rights.

A wholly-owned subsidiary of the Company is the external manager of SAFE and is entitled to a management fee. In addition, the Company is also the external manager of a venture in which SAFE is a member. Following are the key terms of the management agreement with SAFE:

- The Company receives a fee equal to 1.0% of total SAFE equity (as defined in the management agreement) up to $1.5 billion; 1.25% of total SAFE equity (for incremental equity of $1.5 billion - $3.0 billion); 1.375% of total SAFE equity (for incremental equity of $3.0 billion - $5.0 billion); and 1.5% of total SAFE equity (for incremental equity over $5.0 billion);
- Fee to be paid in cash or in shares of SAFE common stock, at the discretion of SAFE's independent directors;
- The stock is locked up for two years, subject to certain restrictions;
- There is no additional performance or incentive fee;
- The management agreement is non-terminable by SAFE through June 30, 2023, except for cause; and
- Automatic annual renewals thereafter, subject to non-renewal upon certain findings by SAFE's independent directors and payment of termination fee equal to three times the prior year's management fee.

During the three months ended June 30, 2022 and 2021, the Company recorded $5.2 million and $3.5 million, respectively, of management fees pursuant to its management agreement with SAFE. During the six months ended June 30, 2022 and 2021, the Company recorded $9.7 million and $7.0 million, respectively, of management fees pursuant to its management agreement with SAFE.

The Company is also entitled to receive certain expense reimbursements, including for the allocable costs of its personnel that perform certain legal, accounting, due diligence tasks and other services that third-party professionals or outside consultants otherwise would perform. Historically, pursuant to the Company's option under the management agreement, the Company has elected to not seek reimbursement for certain expenses. This historical election is not a waiver of reimbursement for similar expenses in future periods and the Company has started to elect to seek, and may further seek in the future, reimbursement of such additional expenses that it has not previously sought, including, without limitation, rent, overhead and certain personnel costs.

During the three months ended June 30, 2022 and 2021, the Company recognized $3.1 million and $1.9 million, respectively, of expense reimbursements pursuant to its management agreement with SAFE. During the six months ended June 30, 2022 and 2021, the Company recognized $6.3 million and $3.8 million, respectively, of expense reimbursements pursuant to its management agreement with SAFE.

The Company has an exclusivity agreement with SAFE pursuant to which it agreed, subject to certain exceptions, that it will not acquire, originate, invest in, or provide financing for a third party's acquisition of, a Ground Lease unless it has first offered that opportunity to SAFE and a majority of its independent directors has declined the opportunity.

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Following is a list of investments that the Company has transacted with SAFE for the periods presented, all of which were approved by the Company's and SAFE's independent directors:

In October 2017, the Company closed on a 99-year Ground Lease and a $80.5 million construction financing commitment to support the ground-up development of a to-be-built luxury multi-family project. The transaction included a combination of: (i) a newly created Ground Lease and a $7.2 million leasehold improvement allowance, which was fully funded; and (ii) an $80.5 million leasehold first mortgage. The Company sold the Ground Lease to SAFE in September 2020 for $34.0 million and in January 2021 sold the leasehold first mortgage to an entity in which the Company has a 53% noncontrolling equity interest (refer to "Other strategic investments" below) for $63.3 million.

In June 2020, Net Lease Venture II (see Note 3) acquired the leasehold interest in an office laboratory property in Honolulu, HI and simultaneously entered into a 99-year Ground Lease with SAFE. In November 2021, the Company acquired the property from Net Lease Venture II. The Company paid $0.6 million to its partner to acquire its equity interest in the property and assumed a $44.4 million mortgage on the property. The Company sold the property in the first quarter of 2022. Prior to the sale, SAFE paid $0.3 million to terminate a purchase option that allowed the Company to purchase the land at the expiration of the Ground Lease.

In February 2021, the Company provided a $50.0 million loan to the ground lessee of a Ground Lease originated at SAFE. The loan was for the Ground Lease tenant's recapitalization of a hotel property. The Company received $1.9 million of consideration from SAFE in connection with this transaction. The Company sold the loan in July 2021 and recorded no gain or loss on the sale.

In March 2021, the Company acquired land and simultaneously structured and entered into with the seller a Ground Lease on which a multi-family project will be constructed. At closing, the Company entered into an agreement with SAFE pursuant to which, subject to certain conditions being met, SAFE would acquire the ground lessor entity from the Company. The Company sold the ground lessor entity to SAFE in September 2021 and recognized no gain or loss on the sale (refer to Note 7 - Loans receivable held for sale). The Company also committed to provide a $75.0 million construction loan to the Ground Lease tenant. The Company received $2.7 million of consideration from SAFE in connection with this transaction. In September 2021, the construction loan commitment and the $2.7 million of consideration was transferred to the Loan Fund (refer to "Other strategic investments" below).

In June 2021, the Company sold to SAFE its rights under a purchase option agreement for $1.2 million. The Company had previously acquired such purchase option agreement from a third-party property owner for $1.0 million and incurred $0.2 million of expenses. Under the option agreement, upon certain conditions being met by an outside developer who may become the Ground Lease tenant, SAFE has the right to acquire for $215.0 million a property and hold a Ground Lease under approximately 1.1 million square feet of office space that may be developed on the property. No gain or loss was recognized by the Company as a result of the sale.

In June 2021, the Company and SAFE entered into two agreements pursuant to each of which SAFE would acquire land and a related Ground Lease originated by the Company when certain construction related conditions are met by a specified time period. The purchase price to be paid for each is $42.0 million, plus an amount necessary for the Company to achieve the greater of a 1.25x multiple and a 9% return on its investment. In addition, each Ground Lease provides for a leasehold improvement allowance up to a maximum of $83.0 million, which obligation would be assumed by SAFE upon acquisition. If certain construction conditions are not met within a specified time period, SAFE will have no obligation to acquire the Ground Leases or fund the leasehold improvement allowances. In January 2022, the Company sold the Ground Leases to the Ground Lease Plus Fund (see below). There can be no assurance that the conditions to closing will be satisfied and that SAFE will acquire the properties and Ground Leases from the Ground Lease Plus Fund.

In November 2021, the Company and SAFE entered into an agreement pursuant to which SAFE would acquire land and a related Ground Lease originated by the Company when certain construction related conditions are met by a specified time period. The purchase price to be paid is $33.3 million, plus an amount necessary for the Company to achieve the greater of a 1.25x multiple and a 12% return on its investment. In addition, the Ground Lease provides for a leasehold improvement allowance up to a maximum of $51.8 million, which obligation would be assumed by SAFE upon acquisition. If certain construction conditions are not met within a specified time period, SAFE will have no obligation to acquire the Ground Lease or fund the leasehold improvement allowance. There can be no assurance that the conditions to closing will be satisfied and that SAFE will acquire the land and Ground Lease from the Ground Lease Plus Fund (refer to Ground Lease Plus Fund below).

In December 2021, the Company's partner in a venture recapitalized an existing multifamily property, which included a Ground Lease provided by SAFE. As part of the recapitalization, the Company's partner acquired its 50% equity interest in the entity and the mezzanine loan held by the Company was repaid in full. During the three and six months ended June 30, 2021, the Company recorded $0.6 million and $1.1 million, respectively, of interest income on the mezzanine loan.

In January 2022, the Company and SAFE entered into an agreement pursuant to which SAFE would acquire land and a related Ground Lease originated by the Company when certain construction related conditions are met. The purchase price to be paid is a maximum of $36.0 million (refer to Note 5), plus an amount necessary for the Company to achieve the greater of a 1.05x multiple and a 10% return on its investment. There can be no assurance that the conditions to closing will be satisfied and that SAFE will acquire the land and Ground Lease from the Company.

In February 2022, the Loan Fund (refer to Other Strategic Investments below) committed to provide a $130.0 million loan to the ground lessee of a Ground Lease originated at SAFE. The loan is for the Ground Lease tenant's recapitalization of a life science property. The Loan Fund received $9.0 million of consideration from SAFE in connection with this transaction.

In April 2022, the Company sold a Ground Lease on a hotel property to SAFE for $9.0 million. The Company previously owned a 50% equity interest in a venture that owned the hotel property. The Company did not recognize any gain or loss on the sale.

In June 2022, the Loan Fund (refer to Other Strategic Investments below) committed to provide a $105.0 million loan to the ground lessee of a Ground Lease originated at SAFE. The loan is for the Ground Lease tenant's recapitalization of a mixed-use property. The Loan Fund received $5.0 million of consideration from SAFE in connection with this transaction.

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Ground Lease Plus Fund—The Company formed and manages an investment fund that targets the origination and acquisition of Ground Leases for commercial real estate projects that are in a pre-development phase (the “Ground Lease Plus Fund”). The Company owns a 53% noncontrolling equity interest in the Ground Lease Plus Fund. The Company does not have a controlling interest in the Ground Lease Plus Fund due to the substantive participating rights of its partner and accounts for this investment as an equity method investment. In addition, the Ground Lease Plus Fund has first look rights through December 2023 on qualifying pre-development projects that SAFE has elected to not originate.

In November 2021, the Company acquired land for $33.3 million and simultaneously structured and entered into a Ground Lease on which a multi-family project will be constructed. In December 2021, the Company sold the Ground Lease to the Ground Lease Plus Fund and recognized no gain or loss on the sale. The Company and SAFE entered into an agreement pursuant to which SAFE would acquire the land and related Ground Lease from the Ground Lease Plus Fund when certain construction related conditions are met by a specified time period (refer to “Safehold Inc.” above).

In January 2022, the Company sold two Ground Leases to the Ground Lease Plus Fund (refer to Note 5) and recognized an aggregate $0.5 million of gains in “Income from sales of real estate” on the sale. The Company and SAFE entered into an agreement pursuant to which SAFE would acquire the land properties and related Ground Leases from the Ground Lease Plus Fund when certain construction related conditions are met by a specified time period (refer to “Safehold Inc.” above).

Other real estate equity investments—As of June 30, 2022, the Company’s other real estate equity investments include equity interests in real estate ventures ranging from 48% to 95%, comprised of investments of $38.2 million in operating properties and $0.3 million in land assets. As of December 31, 2021, the Company’s other real estate equity investments included $43.3 million in operating properties and $1.1 million in land assets.

Other strategic investments—As of June 30, 2022 and December 31, 2021, the Company also had investments in real estate related funds and other strategic investments in real estate entities.

In January 2021, the Company sold two loans for $83.4 million to a newly formed entity in which the Company owns a 53.0% noncontrolling equity interest (the “Loan Fund”). The Company did not recognize any gain or loss on the sales. In September 2021, the Company transferred a $75.0 million construction loan commitment to the Loan Fund. The Company does not have a controlling interest in the Loan Fund due to the substantive participating rights of its partner. The Company accounts for this investment as an equity method investment and receives a fixed annual fee in exchange for managing the entity.

In February 2022, the Loan Fund committed to provide a $130.0 million loan to the ground lessee of a Ground Lease originated at SAFE. The loan was for the Ground Lease tenant’s recapitalization of a life science property.

In June 2022, the Loan Fund committed to provide a $105.0 million loan to the ground lessee of a Ground Lease originated at SAFE. The loan was for the Ground Lease tenant’s recapitalization of a mixed-use property.

Summarized investee financial information—The following table presents the investee level summarized financial information for the Company’s equity method investment that was significant as of June 30, 2022 ($ in thousands):

	Revenues	Expenses	Net Income Attributable to Parent
For the Six Months Ended June 30, 2022			
SAFE	$ 125,247	$ 82,157	$ 47,551
For the Six Months Ended June 30, 2021			
SAFE	$ 87,720	$ 57,536	$ 31,640

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Note 9—Other Assets and Other Liabilities

Deferred expenses and other assets, net, consist of the following items ($ in thousands):(1)

	As of	
	June 30, 2022	December 31, 2021
Other assets(2)	$ 19,006	$ 16,040
Operating lease right-of-use assets(3)	18,101	20,437
Restricted cash	5,179	54,395
Other receivables	3,739	5,054
Corporate furniture, fixtures and equipment, net(4)	1,696	1,852
Leasing costs, net(5)	665	818
Intangible assets, net(6)	350	1,209
Deferred financing fees, net	204	629
Deferred expenses and other assets, net	$ 48,940	$ 100,434

(1) Certain items have been reclassified to "Real estate and other assets available and held for sale and classified as discontinued operations" (refer to Note 3).
(2) Other assets primarily includes prepaid expenses, deposits for certain real estate assets and management fees and expense reimbursements due from SAFE (refer to Note 8).
(3) Right-of-use lease assets relate primarily to the Company's leases of office space. Right-of use lease assets initially equal the lease liability. For operating leases, rent expense is recognized on a straight-line basis over the term of the lease and is recorded in "General and administrative" and "Real estate expense" in the Company's consolidated statements of operations. During the three months ended June 30, 2022 and 2021, the Company recognized $1.2 million and $1.2 million, respectively, in "General and administrative" and $0.3 million and $0.2 million, respectively, in "Real estate expense" in its consolidated statements of operations relating to operating leases. During the six months ended June 30, 2022 and 2021, the Company recognized $2.4 million and $2.5 million, respectively, in "General and administrative" and $0.4 million and $0.3 million, respectively, in "Real estate expense" in its consolidated statements of operations relating to operating leases.
(4) Accumulated depreciation on corporate furniture, fixtures and equipment was $12.0 million and $14.8 million as of June 30, 2022 and December 31, 2021, respectively.
(5) Accumulated amortization of leasing costs was $0.4 million and $1.1 million as of June 30, 2022 and December 31, 2021, respectively.
(6) Intangible assets, net includes above market and in-place lease assets and lease incentives related to the acquisition of real estate assets. Accumulated amortization on intangible assets, net was $0.1 million and $10.2 million as of June 30, 2022 and December 31, 2021, respectively. These intangible lease assets are amortized over the remaining term of the lease. The amortization expense for in-place leases for the three and six months ended June 30, 2021 was $0.1 million and $0.7 million, respectively. This amount is included in "Depreciation and amortization" in the Company's consolidated statements of operations. As of June 30, 2022, the weighted average remaining amortization period for the Company's intangible assets was approximately 5.4 years.

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

	As of	
	June 30, 2022	December 31, 2021
Accrued expenses	$ 65,760	$ 151,810
Accrued interest payable	27,556	31,293
Other liabilities(1)	27,120	30,362
Operating lease liabilities (see table above)	20,355	23,267
Accounts payable, accrued expenses and other liabilities	$ 140,791	$ 236,732

(1) As of June 30, 2022 and December 31, 2021, other liabilities includes $20.2 million and $20.1 million, respectively, of deferred income. As of December 31, 2021, other liabilities includes $0.1 million of expected credit losses for unfunded loan commitments.

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Note 10—Debt Obligations, net

The Company's debt obligations were as follows ($ in thousands):

	Carrying Value as of June 30, 2022	Carrying Value as of December 31, 2021	Stated Interest Rates	Scheduled Maturity Date
Secured credit facilities:				
Revolving Credit Facility	$ —	$ —	LIBOR + 2.00 % (1)	September 2022
Senior Term Loan	—	491,875	LIBOR + 2.75 % (2)	—
Total secured credit facilities	—	491,875		
Unsecured notes:				
3.125% senior convertible notes(3)	93,110	287,500	3.125 %	September 2022
4.75% senior notes(4)	767,941	775,000	4.75 %	October 2024
4.25% senior notes(5)	550,000	550,000	4.25 %	August 2025
5.50% senior notes(6)	346,906	400,000	5.50 %	February 2026
Total unsecured notes	1,757,957	2,012,500		
Other debt obligations:				
Trust preferred securities	100,000	100,000	LIBOR + 1.50 %	October 2035
Total debt obligations	1,857,957	2,604,375		
Debt discounts and deferred financing costs, net	(24,707)	(32,201)		
Total debt obligations, net(7)	$ 1,833,250	$ 2,572,174		

(1) The Revolving Credit Facility bears interest at the Company's election of either: (i) a base rate, which is the greater of (a) prime, (b) federal funds plus 0.50% or (c) LIBOR plus 1.0% and subject to a margin ranging from 1.00% to 1.50%; or (ii) LIBOR subject to a margin ranging from 2.00% to 2.50%. At maturity, the Company may convert outstanding borrowings to a one year term loan which matures in quarterly installments through September 2023.
(2) The loan accrued interest at the Company's election of either: (i) a base rate, which is the greater of (a) prime, (b) federal funds plus 0.50% or (c) LIBOR plus 1.0% and subject to a margin of 1.75%; or (ii) LIBOR subject to a margin of 2.75%.
(3) The Company's 3.125% senior convertible fixed rate notes due September 2022 ("3.125% Convertible Notes") are convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding September 15, 2022. The conversion rate as of June 30, 2022 was 72.8554 shares per $1,000 principal amount of 3.125% Convertible Notes, which equals a conversion price of $13.73 per share. The conversion rate is subject to adjustment from time to time for specified events. Upon conversion, the Company will pay or deliver, as the case may be, a combination of cash and shares of its common stock. During the three months ended June 30, 2022 and 2021, the Company recognized $0.9 million and $2.2 million, respectively, of contractual interest on the 3.125% Convertible Notes. During the six months ended June 30, 2022 and 2021, the Company recognized $3.2 million and $4.5 million, respectively, of contractual interest on the 3.125% Convertible Notes.
(4) The Company can prepay these senior notes without penalty beginning July 1, 2024.
(5) The Company can prepay these senior notes without penalty beginning May 1, 2025.
(6) The Company can prepay these senior notes without penalty beginning August 15, 2024.
(7) The Company capitalized interest relating to development activities of $0.4 million and $0.2 million during the three months ended June 30, 2022 and 2021, respectively, and $0.7 million and $0.4 million during the six months ended June 30, 2022 and 2021, respectively.

Future Scheduled Maturities—As of June 30, 2022, future scheduled maturities of outstanding debt obligations are as follows ($ in thousands):

	Unsecured Debt	Secured Debt	Total
2022 (remaining six months)	$ 93,110	$ —	$ 93,110
2023	—	—	—
2024	767,941	—	767,941
2025	550,000	—	550,000
2026	346,906	—	346,906
Thereafter	100,000	—	100,000
Total principal maturities	1,857,957	—	1,857,957
Unamortized discounts and deferred financing costs, net	(24,707)	—	(24,707)
Total debt obligations, net	$ 1,833,250	$ —	$ 1,833,250

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Senior Term Loan—The Company had a $650.0 million senior term loan (the "Senior Term Loan") that accrued interest at LIBOR plus 2.75% per annum and matured in June 2023. The Senior Term Loan was secured by pledges of equity of certain subsidiaries that own a defined pool of assets. The Senior Term Loan permitted substitution of collateral, subject to overall collateral pool coverage and concentration limits, over the life of the facility. The Company repaid the Senior Term Loan in full in March 2022 using proceeds from the Net Lease Sale (refer to Note 3 - Net Lease Sale and Discontinued Operations). During the six months ended June 30, 2022, the Company incurred a "Loss on extinguishment of debt" of $1.4 million in connection with the repayment of the Senior Term Loan.

Revolving Credit Facility—The Company has a secured revolving credit facility with a maximum capacity of $350.0 million that matures in September 2022 (the "Revolving Credit Facility"). Outstanding borrowings under the Revolving Credit Facility are secured by pledges of the equity interests in the Company's subsidiaries that own a defined pool of assets. Borrowings under this credit facility bear interest at a floating rate indexed to one of several base rates plus a margin which adjusts upward or downward based upon the Company's corporate credit rating, ranging from 1.0% to 1.5% in the case of base rate loans and from 2.0% to 2.5% in the case of LIBOR loans. In addition, there is an undrawn credit facility commitment fee that ranges from 0.25% to 0.45%, based on corporate credit ratings. At maturity, the Company may convert outstanding borrowings to a one year term loan which matures in quarterly installments through September 2023. As of June 30, 2022, based on the Company's borrowing base of assets, the Company had the ability to draw $35.2 million without pledging any additional assets to the facility.

Unsecured Notes—As of June 30, 2022, the Company has senior unsecured notes outstanding with varying fixed-rates and maturities ranging from September 2022 to February 2026. In connection with the Net Lease Sale, in the fourth quarter 2021, the Company obtained the consents of holders of its outstanding 4.75% senior notes due 2024, 4.25% senior notes due 2025 and 5.50% senior notes due 2026 to certain amendments to the indentures governing the notes intended to align the indentures with the sale of the Company's net lease assets. The Company paid holders consent fees ranging from 0.75% to 1.00% of the principal amount of consenting notes, depending on the relevant series. The Company's senior unsecured notes are interest only, are generally redeemable at the option of the Company and contain certain financial covenants (see below).

In April 2022, the Company completed separate, privately-negotiated transactions with holders of $194 million aggregate principal amount of the Company's 3.125% Convertible Notes in which the noteholders exchanged their convertible notes with the Company for 13.75 million newly issued shares of the Company's common stock and aggregate cash payments of $14 million. The 3.125% Convertible Senior Notes received by the Company were retired. The Company recognized a net increase in shareholders' equity of $180.6 million inclusive of a $118.1 million loss on extinguishment of debt in connection with these transactions.

In April 2022, the Company redeemed $7.1 million principal amount of its 4.75% senior notes due October 2024 for $7.2 million. The Company recognized a $0.2 million loss on extinguishment of debt in connection with these transactions.

In June 2022, the Company redeemed $53.1 million principal amount of its 5.50% senior notes due February 2026 for $50.6 million. The Company recognized a $1.7 million net gain on extinguishment of debt in connection with these transactions.

Debt Covenants—The Company's outstanding unsecured debt securities contain corporate level covenants that include a covenant to maintain a ratio of unencumbered assets to unsecured indebtedness, as such terms are defined in the indentures governing the debt securities, of at least 1.3x and a covenant restricting certain incurrences of debt based on a fixed charge coverage ratio. If any of the Company's covenants are breached and not cured within applicable cure periods, the breach could result in acceleration of its debt securities unless a waiver or modification is agreed upon with the requisite percentage of the bondholders.

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The Company's Revolving Credit Facility contains certain covenants, including covenants relating to collateral coverage, restrictions on fundamental changes, transactions with affiliates, matters relating to the liens granted to the lenders and the delivery of information to the lenders. The Revolving Credit Facility is secured by a borrowing base of assets and requires the Company to maintain both borrowing base asset value of at least 1.5x outstanding borrowings on the facility and a consolidated ratio of cash flow to fixed charges of at least 1.5x. The Revolving Credit Facility does not require that proceeds from the borrowing base be used to pay down outstanding borrowings provided the borrowing base asset value remains at least 1.5x outstanding borrowings on the facility. To satisfy this covenant, the Company has the option to pay down outstanding borrowings or substitute assets in the borrowing base. Under the Revolving Credit Facility the Company is permitted to pay dividends provided that no material default (as defined in the relevant agreement) has occurred and is continuing or would result therefrom and the Company remains in compliance with its financial covenants after giving effect to the dividend.

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

Note 11—Commitments and Contingencies

Unfunded Commitments—The Company generally funds construction and development loans and build-outs of space in real estate assets over a period of time if and when the borrowers and tenants meet established milestones and other performance criteria. The Company refers to these arrangements as Performance-Based Commitments. In addition, the Company has committed to invest capital in several real estate funds and other ventures. These arrangements are referred to as Strategic Investments.

As of June 30, 2022, the maximum amount of fundings the Company may be required to make under each category, assuming all performance hurdles and milestones are met under the Performance-Based Commitments and that 100% of its capital committed to Strategic Investments is drawn down, are as follows ($ in thousands):

	Loans and Other Lending Investments	Real Estate	Other Investments	Total
Performance-Based Commitments	$ 1,877	$ 4,271	$ 149,502	$ 155,650
Strategic Investments	—	3,161	2,249	5,410
Total	$ 1,877	$ 7,432	$ 151,751	$ 161,060

Other Commitments—Future minimum lease obligations under non-cancelable operating leases as of June 30, 2022 are as follows ($ in thousands):[1]

2022 (remaining six months)	$ 3,237
2023	6,295
2024	6,178
2025	6,166
2026	142
Thereafter	162
Total undiscounted cash flows	22,180
Present value discount[1]	(1,825)
Lease liabilities	$ 20,355

(1) The lease liability equals the present value of the minimum rental payments due under the lease discounted at the rate implicit in the lease or the Company's incremental secured borrowing rate for similar collateral. For operating leases, lease liabilities were discounted at the Company's weighted average incremental secured borrowing rate for similar collateral estimated to be 4.7% and the weighted average remaining lease term is 4.2 years. During the three months ended June 30, 2022 and 2021, the Company made payments of $1.7 million and $0.4 million, respectively, related to its operating leases and during the three months ended June 30, 2021 made payments of $1.4 million related to finance leases with SAFE. During the six months ended June 30, 2022 and 2021, the Company made payments of $3.4 million and $1.2 million, respectively, related to its operating leases and $1.3 million and $2.7 million, respectively, related to finance leases with SAFE.

Legal Proceedings—The Company and/or one or more of its subsidiaries is party to various pending litigation matters that are considered ordinary routine litigation incidental to the Company's business as a finance and investment company focused on the commercial real estate industry, including foreclosure-related proceedings. The Company believes it is not a party to, nor are any of its properties the subject of, any pending legal proceeding that would have a material adverse effect on the Company's consolidated financial statements.

Note 12—Derivatives

The Company's use of derivative financial instruments has historically been limited to the utilization of interest rate swaps, interest rate caps and foreign exchange contracts. The principal objective of such financial instruments is to minimize the risks and/or costs associated with the Company's operating and financial structure and to manage its exposure to interest rates and foreign exchange rates. The Company may have derivatives that are not designated as hedges because they do not meet the strict hedge accounting requirements. Although not designated as hedges, such derivatives are entered into to manage the Company's exposure to interest rate movements and other identified risks.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets as of June 30, 2022 and December 31, 2021 ($ in thousands):(1)

	Derivative Liabilities	
As of June 30, 2022	**Balance Sheet Location**	**Fair Value**
Derivatives Designated in Hedging Relationships		
Interest rate swaps	Liabilities associated with real estate held for sale and classified as discontinued operations	$ —
Total		$ —
As of December 31, 2021		
Derivatives Designated in Hedging Relationships		
Interest rate swaps	Liabilities associated with real estate held for sale and classified as discontinued operations	$ 8,395
Total		$ 8,395

(1) Over the next 12 months, the Company expects that $2.4 million related to its proportionate share of cash flow hedges held by SAFE will be reclassified from "Accumulated other comprehensive income (loss)" as a decrease to earnings from equity method investments.

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The table below presents the effect of the Company's derivative financial instruments, including the Company's share of derivative financial instruments at certain of its equity method investments, in the consolidated statements of operations and the consolidated statements of comprehensive income (loss) ($ in thousands):

Derivatives Designated in Hedging Relationships	Location of Gain (Loss) When Recognized in Income	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Earnings
For the Three Months Ended June 30, 2022			
Interest rate swaps	Earnings from equity method investments	$ 4,382	$ (580)
For the Three Months Ended June 30, 2021			
Interest rate swaps	Net income from discontinued operations	$ (764)	$ (2,029)
Interest rate swaps	Earnings from equity method investments	—	(457)
For the Six Months Ended June 30, 2022			
Interest rate swaps	Earnings from equity method investments	$ 7,138	$ (1,201)
For the Six Months Ended June 30, 2021			
Interest rate swaps	Net income from discontinued operations	$ 2,573	$ (4,133)
Interest rate swaps	Earnings from equity method investments	8,638	(691)

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Note 13—Equity

Preferred Stock—The Company had the following series of Cumulative Redeemable Preferred Stock outstanding as of June 30, 2022 and December 31, 2021:

			Cumulative Preferential Cash Dividends(1)(2)			
Series	Shares Issued and Outstanding (in thousands)	Par Value	Liquidation Preference(3)	Rate per Annum	Annual Dividend per share	Carrying Value (in thousands)
D	4,000	$ 0.001	$ 25.00	8.00 %	$ 2.00	$ 89,041
G	3,200	0.001	25.00	7.65 %	1.91	72,664
I	5,000	0.001	25.00	7.50 %	1.88	120,785
Total	12,200					$ 282,490

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

(2) The Company declared and paid dividends of $4.0 million, $3.1 million and $4.7 million on its Series D, G and I Cumulative Redeemable Preferred Stock during both the six months ended June 30, 2022 and 2021. The character of the 2021 dividends was 100% capital gain distribution, of which 18.31% represented unrecaptured section 1250 gain.

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

Dividends—To maintain its qualification as a REIT, the Company must annually distribute, at a minimum, an amount equal to 90% of its taxable income, excluding net capital gains, and must distribute 100% of its taxable income (including net capital gains) to eliminate corporate federal income taxes payable by the REIT. The Company has recorded NOLs and may record NOLs in the future, which may reduce its taxable income in future periods and lower or eliminate entirely the Company's obligation to pay dividends for such periods in order to maintain its REIT qualification. As of December 31, 2021, the Company had $614.6 million of NOL carryforwards at the corporate REIT level that can generally be used to offset both ordinary taxable income and capital gain net income in future years. The NOL carryforwards will begin to expire in 2032 and will fully expire in 2036 if unused, except for $154 million of NOL which never expires. Because taxable income differs from cash flow from operations due to non-cash revenues and expenses (such as depreciation and certain asset impairments), in certain circumstances, the Company may generate operating cash flow in excess of its dividends, or alternatively, may need to make dividend payments in excess of operating cash flows. The Senior Term Loan and the Revolving Credit Facility permit the Company to pay common dividends with no restrictions so long as the Company is not in default on any of its debt obligations. The Company declared common stock dividends of $19.2 million, or $0.25 per share, for the six months ended June 30, 2022 and $17.4 million, or $0.235 per share, for the six months ended June 30, 2021. The character of the 2021 dividends was 100% capital gain distribution, of which 18.31% represented unrecaptured section 1250 gain.

Stock Repurchase Program—The Company may repurchase shares in negotiated transactions or open market transactions, including through one or more trading plans. The Company did not repurchase any shares of its common stock during the six months ended June 30, 2022. During the six months ended June 30, 2021, the Company repurchased 1.8 million shares of its outstanding common stock for $32.4 million, for an average cost of $17.57 per share. The Company is generally authorized to repurchase up to $50.0 million in shares of its common stock and in February 2022, the Company's Board of Directors authorized an increase to the stock repurchase program to $50.0 million. As of June 30, 2022, the Company had remaining authorization to repurchase up to $50.0 million of common stock under its stock repurchase program.

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

	As of	
	June 30, 2022	December 31, 2021
Unrealized (losses) gains on available-for-sale securities	$ (386)	$ 4,237
Unrealized losses on cash flow hedges	(17,486)	(25,824)
Accumulated other comprehensive loss	$ (17,872)	$ (21,587)

Note 14—Stock-Based Compensation Plans and Employee Benefits

Stock-Based Compensation—The Company recorded stock-based compensation, including the expense related to performance incentive plans (see below), of ($17.9) million and $14.8 million for the three months ended June 30, 2022 and 2021, respectively, and ($30.4) million and $20.3 million for the six months ended June 30, 2022 and 2021, respectively, in "General and administrative" in the Company's consolidated statements of operations.

Performance Incentive Plans—The Company's Performance Incentive Plans ("iPIP") are designed to provide, primarily to senior executives and select professionals engaged in the Company's investment activities, long-term compensation which has a direct relationship to the realized returns on investments included in the plans. Awards vest over six years, with 40% being vested at the end of the second year and 15% each year thereafter. As of June 30, 2022, there are five iPIP Plans, each covering a two-year investment period beginning with the 2013-2014 Plan through the 2021-2022 Plan.

2019-2022 iPIP Plans—The Company's 2019-2020 and 2021-2022 iPIP plans are equity-classified awards which are measured at the grant date fair value and recognized as compensation cost in "General and administrative" in the Company's consolidated statements of operations and "Noncontrolling interests" in the Company's consolidated statements of changes in equity over the requisite service period. Investments in the 2019-2022 iPIP plans are held by consolidated subsidiaries of the Company and have two ownership classes, class A units and class B units. The Company owns 100% of the class A units and the class B units were issued to employees as long-term compensation. Except for certain clawback provisions, participants can retain vested class B units upon their termination of employment with the Company. The class B units are entitled to distributions from the net cash realized from the investments in the plan after the Company, through its ownership of the class A units, has received a specified return on its invested capital and a return of its invested capital. Distributions on the class B units are also subject to reductions under a total shareholder return ("TSR") adjustment. The fair value of the class B units was determined using a model that forecasts the underlying cash flows from the investments within the entity to which the class B units have ownership rights. During the six months ended June 30, 2022 and 2021, the Company recorded $2.4 million and $1.5 million, respectively, of expense related to the 2019-2022 iPIP plans. Distributions on the class B units are expected to be 50% in cash and 50% in shares of the Company's common stock; provided, however, that (a) the cash portion will be increased if the Company does not have sufficient shares available under shareholder approved equity plans; and (b) if the principal remaining material asset in a plan is unsold SAFE shares, the Company may elect to distribute SAFE shares in lieu of cash and Company stock.

The following is a summary of the status of the Company's equity-classified iPIP plans and changes during the six months ended June 30, 2022.

	iPIP Investment Pool	
	2019-2020	2021-2022
Points at beginning of period	95.20	84.75
Granted	—	7.95
Forfeited	—	(0.35)
Points at end of period	95.20	92.35

As of June 30, 2022, investments with an aggregate gross book value of $764 million, including 26.7 million shares of SAFE common stock acquired by the Company, were attributable to the 2019-2020 Plan and investments with an aggregate gross book value of $435 million, including 5.0 million shares of SAFE common stock acquired by the Company, were attributable to the 2021-2022 Plan.

2013-2018 iPIP Plans—The remainder of the Company's iPIP plans, as shown in the table below, are liability-classified awards and are remeasured each reporting period at fair value until the awards are settled. Certain employees will be granted awards that entitle employees to receive the residual cash flows from the investments in the plans after the Company has received a specified return on its invested capital and a return of its invested capital. Awards are also subject to reductions under a TSR adjustment. The fair value of awards is determined using a model that forecasts the Company's projected investment performance. Settlement of the awards will be 50% in cash and 50% in shares of the Company's common stock or in shares of SAFE's common stock owned by the Company.

The following is a summary of the status of the Company's liability-classified iPIP plans and changes during the six months ended June 30, 2022.

	iPIP Investment Pool		
	2013-2014	2015-2016[1]	2017-2018
Points at beginning of period	80.17	70.40	75.34
Granted	—	—	—
Points at end of period	80.17	70.40	75.34

(1) As of June 30, 2022, all awards under the 2015-2016 Plan had been paid.

During the six months ended June 30, 2022, the Company recorded a $37.1 million reduction of expense related to the 2013-2018 iPIP plans, primarily due to a decrease in the price per share of SAFE common stock. During the six months ended June 30, 2021, the Company recorded $15.1 million of expense related to the 2013-2018 iPIP plans.

As of June 30, 2022, investments with an aggregate gross book value of $13 million were attributable to the 2013-2014 Plan and investments with an aggregate gross book value of $238 million, including 7.6 million shares of SAFE common stock acquired by the Company, were attributable to the 2017-2018 Plan. As of June 30, 2022 there were no investments attributable to the 2015-2016 Plan.

During the six months ended June 30, 2022, the Company made distributions to participants in the 2013-2014 investment pool. The iPIP participants received total distributions in the amount of $19.6 million as compensation, comprised of cash and 412,041 shares of the Company's common stock with a fair value of $16.06 per share, which are fully-vested and issued under the 2009 LTIP. After deducting statutory minimum tax withholdings, a total of 215,657 shares of the Company's common stock were issued.

During the six months ended June 30, 2022, the Company made distributions to participants in the 2015-2016 investment pool. The iPIP participants received total distributions in the amount of $19.2 million as compensation, comprised of cash and 402,731 shares of the Company's common stock with a fair value of $16.06 per share, which are fully-vested and issued under the 2009 LTIP. After deducting statutory minimum tax withholdings, a total of 193,416 shares of the Company's common stock were issued.

During the six months ended June 30, 2021, the Company made distributions to participants in the 2015-2016 investment pool. The iPIP participants received total distributions in the amount of $3.2 million as compensation, comprised of cash and 97,881 shares of the Company's common stock with a fair value of $17.65 per share, which are fully-vested and issued under the 2009 LTIP. After deducting statutory minimum tax withholdings, a total of 57,920 shares of the Company's common stock were issued.

As of June 30, 2022 and December 31, 2021, the Company had accrued compensation costs relating to iPIP of $47.0 million and $116.6 million, respectively, which are included in "Accounts payable, accrued expenses and other liabilities" on the Company's consolidated balance sheets.

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Long-Term Incentive Plan—The Company's 2009 Long-Term Incentive Plan (the "2009 LTIP") is designed to provide incentive compensation for officers, key employees, directors and advisors of the Company. The 2009 LTIP provides for awards of stock options, shares of restricted stock, phantom shares, restricted stock units, dividend equivalent rights and other share-based performance awards. All awards under the 2009 LTIP are made at the discretion of the Company's Board of Directors or a committee of the Board of Directors. The Company's shareholders approved the 2009 LTIP in 2009 and approved the performance-based provisions of the 2009 LTIP, as amended, in 2014. In May 2021, the Company's shareholders approved an increase in the number of shares available for issuance under the 2009 LTIP from a maximum of 8.9 million to 9.9 million and extended the expiration date of the 2009 LTIP from May 2029 to May 2031.

As of June 30, 2022, an aggregate of 2.3 million shares remain available for issuance pursuant to future awards under the Company's 2009 LTIP.

Restricted Stock Unit Activity—A summary of the Company's stock-based compensation awards to certain employees in the form of long-term incentive awards for the six months ended June 30, 2022, is as follows (in thousands):

Nonvested at beginning of period	754
Granted	214
Vested	(283)
Forfeited	(13)
Nonvested at end of period	672

As of June 30, 2022, there was $7.7 million of total unrecognized compensation cost related to all unvested restricted stock units that are expected to be recognized over a weighted average remaining vesting/service period of 1.54 years.

Directors' Awards— During the six months ended June 30, 2022, the Company granted 38,953 restricted shares of common stock to non-employee Directors at a fair value of $16.33 at the time of grant for their annual equity awards and also issued 1,280 common stock equivalents ("CSEs") at a fair value of $17.97 per CSE in respect of dividend equivalents on outstanding CSEs. As of June 30, 2022, a combined total of 131,983 CSEs and restricted shares of common stock granted to members of the Company's Board of Directors remained outstanding under the Company's Non-Employee Directors Deferral Plan, with an aggregate intrinsic value of $1.8 million.

401(k) Plan— The Company made contributions of $0.1 million and $0.1 million for the three months ended June 30, 2022 and 2021, respectively, and $0.9 million and $0.7 million for the six months ended June 30, 2022 and 2021, respectively, to the Company's 401(k) Plan.

Note 15—Earnings Per Share

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

	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Net loss from continuing operations	$ (132,494)	$ (36,731)	$ (134,382)	$ (51,227)
Net (income) loss from continuing operations attributable to noncontrolling interests	(117)	20	(99)	65
Preferred dividends	(5,874)	(5,874)	(11,748)	(11,748)
Net loss from continuing operations and allocable to common shareholders for basic and diluted earnings per common share	$ (138,485)	$ (42,585)	$ (146,229)	$ (62,910)

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	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Earnings allocable to common shares:				
Numerator for basic and diluted earnings per share:				
Net loss from continuing operations and allocable to common shareholders	$ (138,485)	$ (42,585)	$ (146,229)	$ (62,910)
Net income from discontinued operations	—	25,315	797,688	47,800
Net (income) from discontinued operations attributable to noncontrolling interests	—	(2,273)	(179,089)	(4,838)
Net income (loss) allocable to common shareholders	$ (138,485)	$ (19,543)	$ 472,370	$ (19,948)
Denominator for basic and diluted earnings per share:				
Weighted average common shares outstanding for basic and diluted earnings per common share	81,442	72,872	75,274	73,374
Basic and diluted earnings per common share:[(1)]				
Net loss from continuing operations and allocable to common shareholders	$ (1.70)	$ (0.59)	$ (1.94)	$ (0.86)
Net income from discontinued operations and allocable to common shareholders	—	0.32	8.22	0.59
Net income (loss) allocable to common shareholders	$ (1.70)	$ (0.27)	$ 6.28	$ (0.27)

(1) For the three and six months ended June 30, 2022 and 2021, the effect of certain of the Company's restricted stock awards were anti-dilutive due to the Company having a net loss from continuing operations and allocable to common shareholders for the period. For the three months ended June 30, 2022 and 2021, 1,787,708 and 4,700,805 shares, respectively, of the 3.125% Convertible Notes were antidilutive based upon the conversion price for such periods. For the six months ended June 30, 2022 and 2021, 5,308,491 and 3,797,296 shares, respectively, of the 3.125% Convertible Notes were antidilutive based upon the conversion price for such periods.

Note 16—Fair Values

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

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

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

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

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

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

		Fair Value Using		
	Total	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of June 30, 2022				
Recurring basis:				
Available-for-sale securities[1]	$ 23,254	$ —	$ —	$ 23,254
Non-recurring basis:				
Real estate, net[2]	811	—	—	811
Held-to-maturity securities[3]	35,000	—	—	35,000
As of December 31, 2021				
Recurring basis:				
Derivative liabilities[1]	$ 8,395	$ —	$ 8,395	$ —
Available-for-sale securities[1]	28,092	—	—	28,092

(1) The fair value of the Company's derivatives are based upon widely accepted valuation techniques utilized by a third-party specialist using observable inputs such as interest rates and contractual cash flow and are classified as Level 2. The fair value of the Company's available-for-sale securities are based upon unadjusted third-party broker quotes and are classified as Level 3.
(2) The Company recorded a $1.8 million impairment on an operating property with an estimated fair value of $0.8 million. The estimated fair value is based on the cash flows expected to be received.
(3) In the second quarter 2022, the Company received a $40.0 million repayment on a held-to-maturity security. The Company then recorded a $25.0 million charge-off (refer to Note 7) on the held-to-maturity security to record the security at the expected future cash flows to be received.

The following table summarizes changes in Level 3 available-for-sale securities reported at fair value on the Company's consolidated balance sheets for the six months ended June 30, 2022 and 2021 ($ in thousands):

	2022	2021
Beginning balance	$ 28,092	$ 25,274
Purchases	—	3,375
Repayments	(215)	(201)
Unrealized losses recorded in other comprehensive income	(4,623)	(374)
Ending balance	$ 23,254	$ 28,074

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Fair values of financial instruments—The following table presents the carrying value and fair value for the Company's financial instruments ($ in millions):

	As of June 30, 2022 Carrying Value	As of June 30, 2022 Fair Value	As of December 31, 2021 Carrying Value	As of December 31, 2021 Fair Value
Assets				
Net investment in leases (refer to Note 5)(1)	$ 32	$ 32	$ 43	$ 43
Loans receivable and other lending investments, net(1)	204	204	333	345
Loans receivable held for sale(1)	—	—	43	43
Cash and cash equivalents(2)	1,401	1,401	340	340
Restricted cash(2)	5	5	54	54
Liabilities				
Debt obligations, net(1)(3)				
Level 1	1,734	1,717	2,473	2,799
Level 3	99	101	99	104
Total debt obligations, net	1,833	1,818	2,572	2,903

(1) The fair value of the Company's net investment in leases, loans receivable and other lending investments, net, loans receivable held for sale and certain debt obligations are classified as Level 3 within the fair value hierarchy.
(2) The Company determined the carrying values of its cash and cash equivalents and restricted cash approximated their fair values. Restricted cash is recorded in "Deferred expenses and other assets, net" on the Company's balance sheet. The fair value of the Company's cash and cash equivalents and restricted cash are classified as Level 1 within the fair value hierarchy.
(3) As of June 30, 2022 and December 31, 2021, the fair value of the Company's unsecured notes is classified as Level 1 in the fair value hierarchy. As of June 30, 2022 and December 31, 2021, the fair value of the Company's 3.125% Senior Convertible Notes was $99.6 million and $527.5 million, respectively (refer to Note 10).

Note 17—Segment Reporting

The Company has determined that it has four reportable segments based on how management reviews and manages its business. These reportable segments include: Net Lease, Real Estate Finance, Operating Properties and Land and Development. The Net Lease segment (refer to Note 3 - Net Lease Sale and Discontinued Operations) includes the Company's investments in SAFE and its Ground Lease adjacent businesses (refer to Note 8). The Real Estate Finance segment includes all of the Company's activities related to senior and mezzanine real estate loans and real estate related securities. The Operating Properties segment includes the Company's activities and operations related to its commercial and residential properties. The Land and Development segment includes the Company's activities related to its developable land portfolio.

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

	Net Lease	Real Estate Finance	Operating Properties	Land and Development	Corporate/ Other(1)	Company Total
Three Months Ended June 30, 2022						
Operating lease income	$ —	$ —	$ 3,082	$ 100	$ —	$ 3,182
Interest income	—	4,221	—	—	—	4,221
Interest income from sales-type leases	376	—	—	—	—	376
Other income	5,219	26	7,592	1,318	1,726	15,881
Land development revenue	—	—	—	24,403	—	24,403
Earnings (losses) from equity method investments	15,240	769	3,673	100	(389)	19,393
Income from sales of real estate	—	—	—	—	—	—
Total revenue and other earnings	20,835	5,016	14,347	25,921	1,337	67,456
Real estate expense	(461)	—	(8,261)	(4,294)	—	(13,016)
Land development cost of sales	—	—	—	(24,095)	—	(24,095)
Other expense	(521)	(40)	—	(238)	(724)	(1,523)
Allocated interest expense	(13,162)	(2,196)	(1,139)	(2,745)	(4,907)	(24,149)
Allocated general and administrative(2)	(3,838)	(1,226)	(625)	(2,114)	(4,941)	(12,744)

Segment profit (loss)[3]	$ 2,853	$ 1,554	$ 4,322	$ (7,565)	$ (9,235)	$ (8,071)
Other significant items:						
Provision for loan losses	$ —	$ 22,578	$ —	$ —	$ —	$ 22,578
Provision for losses on net investment in leases	99	—	—	—	—	99
Impairment of assets	—	—	1,750	—	18	1,768
Depreciation and amortization	—	—	969	227	142	1,338
Capitalized expenditures	—	—	320	5,813	—	6,133
Three Months Ended June 30, 2021						
Operating lease income	$ —	$ —	$ 4,703	$ 89	$ —	$ 4,792
Interest income	299	7,785	—	—	—	8,084
Interest income from sales-type leases	157	—	—	—	—	157
Other income	3,529	52	3,953	1,315	54	8,903
Land development revenue	—	—	—	32,318	—	32,318
Earnings (losses) from equity method investments	9,703	755	(2,935)	1,474	2,101	11,098
Income from sales of real estate	—	—	96	—	—	96
Total revenue and other earnings	13,688	8,592	5,817	35,196	2,155	65,448
Real estate expense	(12)	—	(6,256)	(5,049)	—	(11,317)
Land development cost of sales	—	—	—	(30,803)	—	(30,803)
Other expense	—	(87)	—	—	(124)	(211)
Allocated interest expense	(14,566)	(3,828)	(2,030)	(3,864)	(4,353)	(28,641)
Allocated general and administrative[2]	(6,120)	(1,242)	(664)	(2,367)	(5,210)	(15,603)
Segment profit (loss) [3]	(7,010)	$ 3,435	$ (3,133)	$ (6,887)	$ (7,532)	$ (21,127)
Other significant non-cash items:						
Provision for (recovery of) loan losses	$ —	$ (2,158)	$ —	$ —	$ —	$ (2,158)
Provision for losses on net investment in leases	779	—	—	—	—	779
Depreciation and amortization	1	—	1,221	228	123	1,573
Capitalized expenditures	—	—	432	4,571	—	5,003
Six Months Ended June 30, 2022						
Operating lease income	$ —	$ —	$ 6,056	$ 235	$ —	$ 6,291
Interest income	75	9,094	—	—	—	9,169
Interest income from sales-type leases	732	—	—	—	—	732
Other income	9,680	37	10,255	2,635	1,914	24,521
Land development revenue	—	—	—	39,303	—	39,303
Earnings from equity method investments	33,038	1,783	3,718	3,665	2,221	44,425
Income from sales of real estate	492	—	—	—	—	492
Total revenue and other earnings	44,017	10,914	20,029	45,838	4,135	124,933
Real estate expense	(657)	—	(14,133)	(8,343)	—	(23,133)
Land development cost of sales	—	—	—	(38,591)	—	(38,591)
Other expense	(992)	(159)	—	(320)	(982)	(2,453)
Allocated interest expense	(29,377)	(5,336)	(2,480)	(6,988)	(9,211)	(53,392)
Allocated general and administrative[3]	(8,854)	(2,350)	(1,103)	(4,369)	(9,870)	(26,546)
Segment profit (loss)[4]	$ 4,137	$ 3,069	$ 2,313	$ (12,773)	$ (15,928)	$ (19,182)
Other significant items:						
Provision for loan losses	$ —	$ 22,713	$ —	$ —	$ —	$ 22,713
Provision for losses on net investment in leases	380	—	—	—	—	380
Impairment of assets	—	—	1,750	—	18	1,768
Depreciation and amortization	—	—	1,955	456	284	2,695
Capitalized expenditures	—	—	540	10,524	—	11,064
Six Months Ended June 30, 2021						
Operating lease income	$ —	$ —	$ 9,540	$ 183	$ —	$ 9,723
Interest income	317	17,557	—	—	—	17,874
Interest income from sales-type leases	157	—	—	—	—	157
Other income	7,007	151	6,291	2,704	5,764	21,917
Land development revenue	—	—	—	64,567	—	64,567
Earnings (losses) from equity method investments	21,115	1,220	(6,682)	4,619	2,594	22,866
Income from sales of real estate	—	—	708	—	—	708
Total revenue and other earnings	28,596	18,928	9,857	72,073	8,358	137,812
Real estate expense	(468)	—	(10,055)	(9,512)	—	(20,035)
Land development cost of sales	—	—	—	(60,126)	—	(60,126)
Other expense	—	(153)	—	—	(310)	(463)
Allocated interest expense	(28,891)	(8,406)	(4,073)	(7,802)	(8,278)	(57,450)

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Allocated general and administrative[3]	(12,057)	(2,701)	(1,324)	(4,795)	(10,657)	(31,534)
Segment profit (loss)[4]	$ (12,820)	$ 7,668	$ (5,595)	$ (10,162)	$ (10,887)	$ (31,796)
Other significant items:						
Recovery of loan losses	$ —	$ (5,800)	$ —	$ —	$ —	$ (5,800)
Provision for losses on net investment in leases	780	—	—	—	—	780
Impairment of assets	—	—	257	—	—	257
Depreciation and amortization	—	—	3,208	446	320	3,974
Capitalized expenditures	—	—	489	9,311	—	9,800
As of June 30, 2022						
Real estate, net	$ —	$ —	$ 90,231	$ —	$ —	$ 90,231
Real estate available and held for sale	—	—	1,970	—	—	1,970
Total real estate	—	—	92,201	—	—	92,201
Real estate and other assets available and held for sale and classified as discontinued operations[1]	11,518	—	—	—	—	11,518
Net investment in leases	31,999	—	—	—	—	31,999
Land and development, net	—	—	—	259,718	—	259,718
Loans receivable and other lending investments, net	—	204,252	—	—	—	204,252
Loan receivable held for sale	—	—	—	—	—	—
Other investments	1,471,053	23,219	38,168	290	24,062	1,556,792
Total portfolio assets	1,514,570	227,471	130,369	260,008	24,062	2,156,480
Cash and other assets						1,454,140
Total assets						$ 3,610,620
As of December 31, 2021						
Real estate, net	$ —	$ —	$ 92,150	$ —	$ —	$ 92,150
Real estate available and held for sale	—	—	301	—	—	301
Total real estate	—	—	92,451	—	—	92,451
Real estate and other assets available and held for sale and classified as discontinued operations[1]	2,299,711	—	—	—	—	2,299,711
Net investment in leases	43,215	—	—	—	—	43,215
Land and development, net	—	—	—	286,810	—	286,810
Loans receivable and other lending investments, net	—	332,844	—	—	—	332,844
Loan receivable held for sale	43,215	—	—	—	—	43,215
Other investments	1,186,162	48,862	43,252	1,096	17,909	1,297,281
Total portfolio assets	$ 3,572,303	$ 381,706	$ 135,703	$ 287,906	$ 17,909	4,395,527
Cash and other assets						445,007
Total assets						$ 4,840,534

(1) Refer to Note 3 – Net Lease Sale and Discontinued Operations.
(2) Corporate/Other represents all corporate level and unallocated items including any intercompany eliminations necessary to reconcile to consolidated Company totals. This caption also includes the Company's joint venture investments and strategic investments that are not included in the other reportable segments above.
(3) General and administrative excludes stock-based compensation of ($17.9) million and $14.8 million for the three months ended June 30, 2022 and 2021, respectively, and ($30.4) million and $20.3 million for the six months ended June 30, 2022 and 2021, respectively.
(4) The following is a reconciliation of segment profit to net income (loss) ($ in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Segment loss	$ (8,071)	$ (21,127)	$ (19,182)	$ (31,796)
Less: (Provision for) recovery of loan losses	(22,578)	2,158	(22,713)	5,800
Less: Provision for losses on net investment in leases	(99)	(779)	(380)	(780)
Less: Impairment of assets	(1,768)	—	(1,768)	(257)
Less: Stock-based compensation income (expense)	17,923	(14,791)	30,350	(20,299)
Less: Depreciation and amortization	(1,338)	(1,573)	(2,695)	(3,974)
Less: Income tax (expense) benefit	—	(619)	(3)	79
Less: Loss on early extinguishment of debt, net	(116,563)	—	(117,991)	—
Less: Net income from discontinued operations	—	25,315	797,688	47,800
Net income (loss)	$ (132,494)	$ (11,416)	$ 663,306	$ (3,427)

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Note 18 – Subsequent Events

In July and August 2022, the Company completed a series of privately-negotiated exchange transactions with holders of approximately $47.9 million aggregate principal amount of the Company's 3.125% Convertible Notes due 2022 (refer to Note 10) in which the noteholders exchanged their convertible notes with the Company for an aggregate of approximately 2.0 million newly issued shares of the Company's common stock and aggregate cash payments of approximately $24.3 million. The convertible notes received by the Company were retired. The Company will recognize a net increase in shareholders' equity of $24.2 million inclusive of a $6.1 million loss on extinguishment of debt in connection with these transactions.

In July 2022, the Company sold a Ground Lease to SAFE for $36.0 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are included with respect to, among other things, iStar Inc.'s (the "Company's") current business plan, business strategy, portfolio management, prospects and liquidity. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results or outcomes to differ materially from those contained in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In assessing all forward-looking statements, readers are urged to read carefully all cautionary statements contained in this Form 10-Q and the uncertainties and risks described in Item 1A—"Risk Factors" in our 2021 Annual Report, all of which could affect our future results of operations, financial condition and liquidity. For purposes of Management's Discussion and Analysis of Financial Condition and Results of Operations, the terms "we," "our" and "us" refer to iStar Inc. and its consolidated subsidiaries, unless the context indicates otherwise.

The discussion below should be read in conjunction with our consolidated financial statements and related notes in this quarterly report on Form 10-Q and our 2021 Annual Report. These historical financial statements may not be indicative of our future performance.

Executive Overview

Corporate Strategy. We continue to execute our stated corporate strategy which is to grow our Ground Lease and Ground Lease adjacent businesses and simplify our portfolio through sales of other assets. In March 2022, we, through certain subsidiaries of ours and entities managed by us, sold our portfolio of net lease assets for an aggregate gross sales price of $3.07 billion (the "Net Lease Sale").

The portfolio sold consisted of office, entertainment and industrial properties located in the United States comprising approximately 18.3 million square feet. It included assets wholly-owned by us and assets owned by two joint ventures managed by us and in which we owned 51.9% interests. At the time of the sale, the portfolio was encumbered by an aggregate of $702 million of mortgage indebtedness, including indebtedness of equity method investments, which was repaid with proceeds from the sale. After repayment of the mortgage indebtedness and prepayment penalties, repayment of our Senior Term Loan (refer to Note 10 to the consolidated financial statements), payments to terminate derivative contracts, payments to joint venture partners, and payments of promotes, transaction expenses and amounts due under employee incentive plans, we retained net cash proceeds of $1.2 billion from the transaction. Two net lease properties were not included in the sale but were sold to other third parties in the first quarter 2022. Our net lease assets associated with our Ground Lease businesses were not included in the sale.

In April 2022, we completed separate, privately-negotiated transactions with holders of $194 million aggregate principal amount of our 3.125% Convertible Notes (refer to Note 10 to the consolidated financial statements) in which the noteholders exchanged their convertible notes with us for 13.75 million newly issued shares of our common stock and aggregate cash payments of $14 million. The 3.125% Convertible Senior Notes received by us were retired. We recognized a net increase in shareholders' equity of $180.6 million inclusive of a $118.1 million loss on extinguishment of debt in connection with these transactions. The exchanges will strengthen our balance sheet and allow us to save interest expense, preserve cash on hand, reduce our outstanding debt and mitigate volatility on the trading price of our common stock as we approach the maturity of the remaining outstanding 3.125% Convertible Notes in September 2022.

Portfolio Overview

As of June 30, 2022, based on our book value, our total investment portfolio has the following property/collateral type and geographic characteristics ($ in thousands):

Property/Collateral Types	Net Lease	Real Estate Finance	Operating Properties	Land & Development	Corporate	Total	% of Total
Ground Leases	$ 1,503,347	$ —	$ —	$ —	$ —	$ 1,503,347	70.1 %
Land and Development	—	—	—	222,391	—	222,391	10.4 %
Multifamily	—	77,026	39,838	—	—	116,864	5.4 %
Hotel	—	46,498	62,881	—	—	109,379	5.1 %
Retail	—	62,062	12,620	8,340	—	83,022	3.9 %
Condominium	—	8,871	301	29,277	—	38,449	1.8 %
Office	—	9,761	—	—	—	9,761	0.5 %
Other Property Types	—	23,254	14,436	—	24,061	61,751	2.9 %
Total	$ 1,503,347	$ 227,472	$ 130,076	$ 260,008	$ 24,061	$ 2,144,964	100.0 %
Percentage of Total	70%	11%	6%	12%	1%	100%	

Geographic Region	Net Lease	Real Estate Finance	Operating Properties	Land & Development	Corporate	Total	% of Total
Northeast	$ 598,402	$ 105,076	$ 77,318	$ 157,644	$ —	$ 938,440	43.8 %
West	354,842	49,627	32,013	8,960	—	445,442	20.8 %
Mid-Atlantic	217,385	—	6,438	93,114	—	316,937	14.8 %
Southeast	156,524	29,913	—	290	—	186,727	8.7 %
Southwest	136,858	—	—	—	—	136,858	6.4 %
Central	39,336	8,871	14,307	—	—	62,514	2.9 %
Various	—	33,985	—	—	24,061	58,046	2.7 %
Total	$ 1,503,347	$ 227,472	$ 130,076	$ 260,008	$ 24,061	$ 2,144,964	100.0 %

Net Lease

Prior to the Net Lease Sale, our net lease business created stable cash flows through long-term net leases primarily to single tenants on our properties. We targeted mission-critical facilities leased on a long-term basis to tenants, offering structured solutions that combined our capabilities in underwriting, lease structuring, asset management and build-to-suit construction. Leases typically provide for expenses at the facility to be paid by the tenant on a triple net lease basis. Under a typical net lease agreement, the tenant agrees to pay a base monthly operating lease payment and most or all of the facility operating expenses (including taxes, utilities, maintenance and insurance).

After the Net Lease Sale, the net lease segment includes our Ground Lease investments made primarily through SAFE and our Ground Lease adjacent businesses.

As of June 30, 2022, our net lease portfolio consisted primarily of our equity method investments in SAFE and the Ground Lease Plus Fund. The table below provides certain statistics for our net lease portfolio.

	Wholly-Owned	SAFE	Ground Lease Plus Fund
Ownership %	100.0 %	64.7 %	53.0 %
Book value (millions)(1)	$ 32	$ 1,406	$ 65
% Leased	100.0 %	100.0 %	100.0 %
Weighted average lease term (years)(2)	98.7	91.2	104.8
Weighted average yield(3)	5.2 %	4.8 %	5.7 %

(1) Wholly-owned includes amounts recorded as net investment in leases (refer to Note 5 to the consolidated financial statements). SAFE includes its pro rata share of its unconsolidated equity method investments.
(2) Weighted average lease term is calculated using GAAP rent and the initial maturity and does not include extension options. SAFE includes its pro rata share of its unconsolidated equity method investments.
(3) Yield for SAFE is calculated over the trailing twelve months and excludes dilution gains (refer to Note 8 to the consolidated financial statements) and management fees earned by us.

SAFE—SAFE is a publicly-traded company that originates and acquires Ground Leases in order to generate attractive long-term risk-adjusted returns from its investments. We believe its business has characteristics comparable to a high-grade fixed income investment business, but with certain unique advantages. Relative to alternative fixed income investments generally, SAFE's Ground Leases typically benefit from built-in growth derived from contractual rent escalators that may compound over the duration of the lease. These rent escalators may be based on fixed increases, a CPI lookback or a combination thereof, and may also include a participation in the gross revenues of the property. SAFE also has the opportunity to realize value from its right to regain possession of the buildings and other improvements on its land upon expiration or earlier termination of the lease at no additional cost. We believe that these features offer us the opportunity through our ownership in SAFE to realize superior risk-adjusted total returns when compared to certain alternative highly-rated investments. As of June 30, 2022, we owned approximately 64.7% of SAFE's common stock outstanding.

We account for our investment in SAFE as an equity method investment (refer to Note 8 to the consolidated financial statements). We act as SAFE's external manager pursuant to a management agreement, and we have an exclusivity agreement with SAFE pursuant to which we agreed, subject to certain exceptions, that we will not acquire, originate, invest in, or provide financing for a third party's acquisition of, a Ground Lease unless we have first offered that opportunity to SAFE and a majority of its independent directors has declined the opportunity.

Ground Lease Plus Fund—The Company formed and manages an investment fund that targets the origination and acquisition of Ground Leases for commercial real estate projects that are in a pre-development phase (the "Ground Lease Plus Fund"). We own a 53% noncontrolling interest in the Ground Lease Plus Fund. We do not have a controlling interest in the Ground Lease Plus Fund due to the substantive participating rights of our partner and account for this investment as an equity method investment. In addition, the Ground Lease Plus Fund has first look rights on qualifying pre-development projects through December 2023.

Real Estate Finance

Our real estate finance business targets sophisticated and innovative owner/operators of real estate and real estate related projects by providing one-stop capabilities that encompass financing alternatives ranging from full envelope senior loans to mezzanine and preferred equity capital positions. Our real estate finance portfolio consists of leasehold loans to Ground Lease tenants, including tenants of SAFE, senior mortgage loans that are secured by commercial and residential real estate assets where we are the first lien holder, subordinated mortgage loans that are secured by second lien or junior interests in commercial and residential real estate assets, and corporate/partnership loans, which represent mezzanine or subordinated loans to entities for which we do not have a lien on the underlying asset, but may have a pledge of underlying equity ownership of such assets. Our real estate finance portfolio includes Ground Leases, loans on stabilized and transitional properties and ground-up construction projects. In addition, we also own loans through equity method investments and have preferred equity investments and debt securities classified as other lending investments.

The tables below shows certain statistics for our real estate finance portfolio ($ in thousands):

	June 30, 2022					
	Number of Loans	Gross Book Value	Allowance for Loan Losses	Net Book Value	% of Total	Allowance for Loan Losses as a % of Gross Book Value
Performing loans[1]	7	$ 88,775	$ (1,310)	$ 87,465	42.8%	1.5%
Non-performing loans	1	60,256	(708)	59,548	29.2%	1.2%
Other lending investments	2	58,254	(1,015)	57,239	28.0%	1.7%
Total	10	$ 207,285	$ (3,033)	$ 204,252	100.0%	1.5%

(1) As of June 30, 2022, our performing loans had a weighted average maturity of 5.5 years and, excluding one performing loan with a maturity of September 2057, had a weighted average maturity of 0.4 years.

	December 31, 2021					
	Number of Loans	Gross Book Value	Allowance for Loan Losses	Net Book Value	% of Total	Allowance for Loan Losses as a % of Gross Book Value
Performing loans	8	$ 153,043	$ (1,888)	$ 151,155	45.4%	1.2%
Non-performing loans	1	59,640	(576)	59,064	17.7%	1.0%
Other lending investments	2	124,930	(2,305)	122,625	36.8%	1.8%
Total	11	$ 337,613	$ (4,769)	$ 332,844	100.0%	1.4%

Performing Loans—The table below summarizes our performing loans exclusive of allowances ($ in thousands):

	June 30, 2022	December 31, 2021
Senior mortgages	$ 75,889	$ 139,968
Corporate/Partnership loans	—	618
Subordinate mortgages	12,886	12,457
Total	$ 88,775	$ 153,043
Weighted average LTV	57%	60%
Yield - year to date[1]	7.1%	8.4%

(1) Yields presented are for the six months ended June 30, 2022 and 2021 and represent the yields on performing loans and other lending investments.

Non-Performing Loans—We designate loans as non-performing at such time as: (1) interest payments become 90 days delinquent; (2) the loan has a maturity default; or (3) management determines it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan. All non-performing loans are placed on non-accrual status and income is only recognized in certain cases upon actual cash receipt. As of June 30, 2022 and December 31, 2021, we had one non-performing loan with a carrying value of $59.5 million and $59.1 million, respectively. We expect that our level of non-performing loans will fluctuate from period to period.

Allowance for Loan Losses—The allowance for loan losses was $3.0 million as of June 30, 2022, or 1.5% of total loans and other lending investments, compared to $4.8 million, or 1.4%, as of December 31, 2021. We expect that our level of Expected Losses will fluctuate from period to period. Due to the volatility of the commercial real estate market, the process of estimating collateral values and Expected Losses requires the use of significant judgment. We currently believe there is adequate collateral and allowances to support the carrying values of the loans and other lending investments.

The allowance for loan losses includes an asset-specific component and a formula-based component. An asset-specific allowance is established for an impaired loan when the estimated fair value of the loan's collateral less costs to sell is lower than the carrying value of the loan. As of June 30, 2022 and December 31, 2021, asset-specific allowances were $0.7 million and $0.6 million, respectively.

We estimate the formula-based component based on historical realized losses experienced within our portfolio and take into account current economic conditions affecting the commercial real estate market. In addition, we use third-party market data that includes forecasted economic trends, including unemployment rates.

The Expected Loss decreased to $2.3 million, or 1.6%, of performing loans and other lending investments as of June 30, 2022, compared to $4.2 million, or 1.5%, of performing loans and other lending investments as of December 31, 2021. The decrease was due primarily to the repayment of loans during the six months ended June 30, 2022.

Operating Properties

Our operating properties represent a pool of assets across a broad range of geographies and property types including hotel, multifamily, retail, condominium and entertainment/leisure properties. As of June 30, 2022, the book value of our operating property portfolio, including the carrying value of our equity method investments, totaled $129.9 million.

Land and Development

The following table presents a land and development portfolio rollforward for the six months ended June 30, 2022.

	Land and Development Portfolio Rollforward (in millions)			
	Asbury Ocean Club and Asbury Park Waterfront	Magnolia Green	All Others	Total Segment
Beginning balance[1]	$ 137.8	$ 95.8	$ 53.2	$ 286.8
Asset sales[2]	(27.1)	(8.9)	(0.5)	(36.5)
Capital expenditures	3.4	7.3	—	10.7
Other	—	(1.2)	(0.1)	(1.3)
Ending balance[1]	$ 114.1	$ 93.0	$ 52.6	$ 259.7

(1) As of June 30, 2022, and December 31, 2021, Total Segment excludes $0.3 million and $1.1 million, respectively, of equity method investments.
(2) Represents gross book value of the assets sold, rather than proceeds received.

Results of Operations for the Three Months Ended June 30, 2022 compared to the Three Months Ended June 30, 2021

	For the Three Months Ended June 30,		
	2022	2021	$ Change
		(in thousands)	
Operating lease income	$ 3,182	$ 4,792	$ (1,610)
Interest income	4,221	8,084	(3,863)
Interest income from sales-type leases	376	157	219
Other income	15,881	8,903	6,978
Land development revenue	24,403	32,318	(7,915)
Total revenue	48,063	54,254	(6,191)
Interest expense	24,149	28,641	(4,492)
Real estate expense	13,016	11,317	1,699
Land development cost of sales	24,095	30,803	(6,708)
Depreciation and amortization	1,338	1,573	(235)
General and administrative	(5,179)	30,394	(35,573)
Provision for (recovery of) loan losses	22,578	(2,158)	24,736
Provision for losses on net investment in leases	99	779	(680)
Impairment of assets	1,768	—	1,768
Other expense	1,523	211	1,312
Total costs and expenses	83,387	101,560	(18,173)
Income from sales of real estate	—	96	(96)
Loss on early extinguishment of debt, net	(116,563)	—	(116,563)
Earnings from equity method investments	19,393	11,098	8,295
Income tax expense	—	(619)	619
Net income from discontinued operations	—	25,315	(25,315)
Net loss	$ (132,494)	$ (11,416)	$ (121,078)

Revenue—Operating lease income, which primarily includes income from commercial operating properties, decreased to $3.2 million during the three months ended June 30, 2022 from $4.8 million for the same period in 2021. The decrease was primarily due to the sale of assets, partially offset by an increase in rent at certain of our properties.

Interest income decreased to $4.2 million during the three months ended June 30, 2022 from $8.1 million for the same period in 2021. The decrease was due primarily to a decrease in the average balance of our performing loans and other lending investments, which was $242 million for the three months ended June 30, 2022 and $371 million for the three months ended June 30, 2021. The weighted average yield on our performing loans and other lending investments was 7.0% and 8.4%, respectively, for the three months ended June 30, 2022 and 2021.

Interest income from sales-type leases increased to $0.4 million for the three months ended June 30, 2022 from $0.2 million for the same period in 2021. The increase resulted from the acquisition of a Ground Lease that was classified as a sales-type lease (refer to Note 5 to the consolidated financial statements).

Other income increased to $15.9 million during the three months ended June 30, 2022 from $8.9 million for the same period in 2021. Other income during the three months ended June 30, 2022 consisted primarily of income from our hotel properties, management fees and other ancillary income from our land and development projects and operating properties. Other income during the three months ended June 30, 2021 consisted primarily of a management fees, income from our hotel properties, other ancillary income from our land and development projects and loan portfolio and interest income on our cash.

Land development revenue and cost of sales—During the three months ended June 30, 2022, we sold land parcels and residential lots and units and recognized land development revenue of $24.4 million which had associated cost of sales of $24.1 million. During the three months ended June 30, 2021, we sold residential lots and units and recognized land development revenue of $32.3 million which had associated cost of sales of $30.8 million.

Costs and expenses—Interest expense decreased to $24.1 million during the three months ended June 30, 2022 from $28.6 million for the same period in 2021. Our weighted average cost of debt was 5.0% for the three months ended June 30, 2022 compared to 4.4% for the three months ended June 30, 2021. The average balance of our outstanding debt was $1.92 billion for the three months ended June 30, 2022 and $2.58 billion for the same period in 2021.

Real estate expense increased to $13.0 million during the three months ended June 30, 2022 from $11.3 million for the same period in 2021. The increase was primarily due to an increase in expenses at certain of our hotel operating properties that have increased operations from the prior year, which was partially offset by asset sales.

Depreciation and amortization decreased to $1.3 million during the three months ended June 30, 2022 from $1.6 million for the same period in 2021.

General and administrative expense includes payroll and related costs, performance-based compensation, public company costs and occupancy costs. We recognized a net recovery of general and administrative expenses of ($5.2) million during the three months ended June 30, 2022 versus $30.4 million of expense for the same period in 2021. The decrease in 2022 was due primarily to a $35.5 million decrease in performance-based compensation. Our primary forms of performance-based compensation are our iPIP Plans and our annual bonus pool (refer to Note 14 to the consolidated financial statements for more information on the iPIP Plans). In addition, illustrative examples of our iPIP Plans may be found in our 2021 definitive proxy statement which is publicly available on the SEC's website.

The provision for loan losses was $22.6 million for the three months ended June 30, 2022 as compared to a recovery of loan losses of $2.2 million for the same period in 2021. The provision for loan losses for the three months ended June 30, 2022 resulted primarily from a $25.0 million provision on our held-to-maturity security, which is now recorded at its expected repayment proceeds. The recovery of loan losses for the three months ended June 30, 2021 resulted from the reversal of Expected Loss allowances on loans that repaid in full in the second quarter 2021 and from an improving macroeconomic forecast on commercial real estate markets since March 31, 2021.

The provision for losses on net investment in leases for the three months ended June 30, 2022 resulted from the macroeconomic forecast on commercial real estate markets. The provision for losses on net investment in leases for the three months ended June 30, 2021 resulted from the acquisition of two Ground Leases in June 2021 (refer to Note 5 to the consolidated financial statements).

During the three months ended June 30, 2022, we recognized an impairment of $1.8 million on an operating property based on the expected cash flows to be received.

Other expense was $1.5 million during the three months ended June 30, 2022 and $0.2 million for the same period in 2021. The increase in other expenses for the three months ended June 30, 2022 was due primarily to legal costs.

Income from sales of real estate—During the three months ended June 30, 2021, we recorded $0.1 million of income from sales of real estate from the sale of residential condominiums.

Loss on early extinguishment of debt, net—During the three months ended June 30, 2022, we incurred losses on early extinguishment of debt of $116.6 million resulting from the redemption of our unsecured notes (refer to Note 10 to the consolidated financial statements).

Earnings from equity method investments—Earnings from equity method investments increased to $19.4 million during the three months ended June 30, 2022 from $11.1 million for the same period in 2021. During the three months ended June 30, 2022, we recognized $14.7 million of income from our equity method investment in SAFE, $4.3 million primarily from the settlement of our interest in a venture and $0.4 million of net aggregate income from our remaining equity method investments. During the three months ended June 30, 2021, we recognized $9.7 million of income from our equity method investment in SAFE and $1.4 million of net aggregate income from our remaining equity method investments.

Income tax (expense) benefit—Income tax expense of $0.6 million was recorded for the three months ended June 30, 2021 and related primarily to a reduction in the amount of expected refund of alternative minimum taxes due us resulting from amended tax returns from prior periods net operating loss carrybacks.

Net income from discontinued operations—In March 2022, we closed on the sale of the majority of our net lease properties owned directly and through ventures. Our net lease assets were comprised of office, entertainment and industrial properties located in the United States. Our net lease assets associated with our Ground Lease businesses were not included in the sale. Net income from discontinued operations represents the operating results from the net lease assets that are not associated with our Ground Lease businesses (refer to Note 3 to the consolidated financial statements - Net Lease Sale and Discontinued Operations).

Results of Operations for the Six Months Ended June 30, 2022 compared to the Six Months Ended June 30, 2021

	For the Six Months Ended June 30, 2022	2021	$ Change
		(in thousands)	
Operating lease income	$ 6,291	$ 9,723	$ (3,432)
Interest income	9,169	17,874	(8,705)
Interest income from sales-type leases	732	157	575
Other income	24,521	21,917	2,604
Land development revenue	39,303	64,567	(25,264)
Total revenue	80,016	114,238	(34,222)
Interest expense	53,392	57,450	(4,058)
Real estate expense	23,133	20,035	3,098
Land development cost of sales	38,591	60,126	(21,535)
Depreciation and amortization	2,695	3,974	(1,279)
General and administrative	(3,804)	51,833	(55,637)
Provision for (recovery of) loan losses	22,713	(5,800)	28,513
Provision for losses on net investment in leases	380	780	(400)
Impairment of assets	1,768	257	1,511
Other expense	2,453	463	1,990
Total costs and expenses	141,321	189,118	(47,797)
Income from sales of real estate	492	708	(216)
Loss on early extinguishment of debt, net	(117,991)	—	(117,991)
Earnings from equity method investments	44,425	22,866	21,559
Income tax benefit (expense)	(3)	79	(82)
Net income from discontinued operations	797,688	47,800	749,888
Net income (loss)	$ 663,306	$ (3,427)	$ 666,733

Revenue—Operating lease income, which primarily includes income from commercial operating properties, decreased to $6.3 million during the six months ended June 30, 2022 from $9.7 million for the same period in 2021. The decrease was primarily due to the sale of assets, partially offset by an increase in rent at certain of our properties.

Interest income decreased to $9.2 million during the six months ended June 30, 2022 from $17.9 million for the same period in 2021. The decrease was due primarily to a decrease in the average balance of our performing loans and other lending investments, which was $259 million for the six months ended June 30, 2022 and $445 million for the six months ended June 30, 2021. The weighted average yield on our performing loans and other lending investments was 7.1% and 8.0%, respectively, for the six months ended June 30, 2022 and 2021.

Interest income from sales-type leases increased to $0.7 million for the six months ended June 30, 2022 from $0.2 million for the same period in 2021. The increase resulted from the acquisition of a Ground Lease that was classified as a sales-type lease (refer to Note 5 to the consolidated financial statements).

Other income increased to $24.5 million during the six months ended June 30, 2022 from $21.9 million for the same period in 2021. Other income during the six months ended June 30, 2022 consisted primarily of management fees, income from our hotel properties and other ancillary income from our land and development projects and operating properties. Other income during the six months ended June 30, 2021 consisted primarily of a mark-to-market gain on an equity investment, management fees, other ancillary income from our operating properties, land and development projects and loan portfolio, income from our hotel properties, lease termination fees and interest income on our cash.

Land development revenue and cost of sales—During the six months ended June 30, 2022, we sold land parcels and residential lots and units and recognized land development revenue of $39.3 million which had associated cost of sales of $38.6 million. During the six months ended June 30, 2021, we sold residential lots and units and recognized land development revenue of $64.6 million which had associated cost of sales of $60.1 million.

Costs and expenses—Interest expense decreased to $53.4 million during the six months ended June 30, 2022 from $57.5 million for the same period in 2021. Our weighted average cost of debt was 4.9% for the six months ended June 30, 2022 compared to 4.4% for the six months ended June 30, 2021. The average balance of our outstanding debt was $2.20 billion for the six months ended June 30, 2022 and $2.60 billion for the same period in 2021.

Real estate expense increased to $23.1 million during the six months ended June 30, 2022 from $20.0 million for the same period in 2021. The increase was primarily due to an increase in expenses at certain of our hotel operating properties that have increased operations from the prior year, which was partially offset by asset sales.

Depreciation and amortization decreased to $2.7 million during the six months ended June 30, 2022 from $4.0 million for the same period in 2021.

General and administrative expense includes payroll and related costs, performance-based compensation, public company costs and occupancy costs. We recognized a net recovery of general and administrative expenses of ($3.9) million during the three months ended June 30, 2022 versus $51.8 million of expense for the same period in 2021. The decrease in 2022 was due primarily to a $54.7 million decrease in performance-based compensation. Our primary forms of performance-based compensation are our iPIP Plans and our annual bonus pool (refer to Note 14 to the consolidated financial statements for more information on the iPIP Plans). In addition, illustrative examples of our iPIP Plans may be found in our 2021 definitive proxy statement which is publicly available on the SEC's website.

The provision for loan losses was $22.7 million for the six months ended June 30, 2022 as compared to a recovery of loan losses of $5.8 million for the same period in 2021. The provision for loan losses for the six months ended June 30, 2022 resulted primarily from a $25.0 million provision on our held-to-maturity security, which is now recorded at its expected repayment proceeds. The recovery of loan losses for the six months ended June 30, 2021 resulted from the reversal of Expected Loss allowances on loans that repaid in full during the period and from an improving macroeconomic forecast on commercial real estate markets since December 31, 2020.

The provision for losses on net investment in leases for the six months ended June 30, 2022 resulted from the macroeconomic forecast on commercial real estate markets. The provision for losses on net investment in leases for the three months ended June 30, 2021 resulted from the acquisition of two Ground Leases in June 2021 (refer to Note 5 to the consolidated financial statements).

During the six months ended June 30, 2022, we recognized an impairment of $1.8 million on an operating property based on the expected cash flows to be received. During the six months ended June 30, 2021, we recorded an aggregate impairment of $0.3 million in connection with the sale of residential condominiums.

Other expense was $2.5 million during the six months ended June 30, 2022 and $0.5 million for the same period in 2021. The increase in other expenses for the six months ended June 30, 2022 was due primarily to legal costs.

Income from sales of real estate—During the six months ended June 30, 2022, we recorded $0.5 million of income from sales of real estate primarily from the sale of Ground Leases. During the six months ended June 30, 2021, we recorded $0.7 million of income from sales of real estate from the sale of residential condominiums.

Loss on early extinguishment of debt, net—During the six months ended June 30, 2022, we incurred losses on early extinguishment of debt of $118.0 million resulting from the redemption of our unsecured notes (refer to Note 3 and Note 10 to the consolidated financial statements) and the repayment of our senior term loan in connection with our Net Lease Sale.

Earnings from equity method investments—Earnings from equity method investments increased to $44.4 million during the six months ended June 30, 2022 from $22.9 million for the same period in 2021. During the six months ended June 30, 2022, we recognized $31.7 million of income from our equity method investment in SAFE, $5.0 million primarily from the settlement of our interest in a venture and $7.7 million of net aggregate income from our remaining equity method investments. During the six months ended June 30, 2021, we recognized $21.1 million of income from our equity method investment in SAFE and $1.8 million of net aggregate income from our remaining equity method investments.

Income tax (expense) benefit—Income tax benefit of $0.1 million was recorded for the six months ended June 30, 2021 and related primarily to refunds due us for alternative minimum taxes paid in prior periods.

Net income from discontinued operations—In March 2022, we closed on the sale of the majority of our net lease properties owned directly and through ventures. Our net lease assets were comprised of office, entertainment and industrial properties located in the United States. Our net lease assets associated with our Ground Lease businesses were not included in the sale. Net income from discontinued operations represents the operating results from the net lease assets that are not associated with our Ground Lease businesses (refer to Note 3 to the consolidated financial statements - Net Lease Sale and Discontinued Operations).

Adjusted Earnings

In 2019, we announced a new business strategy that would focus our management personnel and our investment resources primarily on scaling our Ground Lease platform. As part of this strategy, we accelerated the monetization of legacy assets and deployed a substantial portion of the proceeds into additional investments in SAFE and new loan and net lease originations relating to the Ground Lease business. Adjusted earnings is a non-GAAP metric management uses to assess our execution of this strategy and the performance of our operations.

Adjusted earnings is used internally as a supplemental performance measure adjusting for certain items to give management a view of income more directly derived from operating activities in the period in which they occur. Adjusted earnings is calculated as net income (loss) allocable to common shareholders, prior to the effect of depreciation and amortization, including our proportionate share of depreciation and amortization from equity method investments and excluding depreciation and amortization allocable to noncontrolling interests, stock-based compensation expense, the non-cash portion of loss on early extinguishment of debt and the liquidation preference recorded as a premium above book value on the redemption of preferred stock ("Adjusted Earnings").

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Adjusted Earnings				
Net income (loss) allocable to common shareholders	$ (138,485)	$ (19,543)	$ 472,370	$ (19,948)
Add: Depreciation and amortization	3,900	16,712	7,901	34,341
Add: Stock-based compensation	(17,923)	14,791	(30,350)	20,299
Add: Non-cash portion of loss on early extinguishment of debt	118,303	—	123,413	—
Adjusted earnings (loss) allocable to common shareholders	$ (34,205)	$ 11,960	$ 573,334	$ 34,692

Liquidity and Capital Resources

As of June 30, 2022, we had unrestricted cash of $1.4 billion and $350.0 million of borrowing capacity available under the Revolving Credit Facility. Our primary cash uses over the next 12 months are expected to be funding of investments in our Ground Lease and Ground Lease adjacent businesses, repayment of debt obligations (refer to Note 10 to the consolidated financial statements), capital expenditures on legacy assets, distributions to shareholders through dividends and share repurchases and funding ongoing business operations, including operating lease payments (refer to Note 11 to the consolidated financial statements). The amount we actually invest will depend on the closing of asset sales, the continuing impact of the COVID-19 pandemic, inflation, interest rate increases, market volatility and other macroeconomic factors on our business.

In April 2022, we completed separate, privately-negotiated transactions with holders of $194 million aggregate principal amount of our 3.125% convertible notes (refer to Note 10 to the consolidated financial statements) in which the noteholders exchanged their convertible notes with us for 13.75 million newly issued shares of our common stock and aggregate cash payments of $14 million. Our remaining $94 million aggregate principal amount of our 3.125% convertible notes mature in September 2022, and we must repay them in a combination of cash and shares of our common stock. We also had approximately $161.1 million of maximum unfunded commitments associated with our investments as of June 30, 2022, of which we expect to fund the majority of over the next two years, assuming borrowers and tenants meet all milestones, performance hurdles and all other conditions to fundings (see "Unfunded Commitments" below). We also have approximately $108.3 million principal amount of scheduled real estate finance maturities over the next 12 months, exclusive of any extension options that can be exercised by our borrowers.

We expect that we will be able to meet our liquidity requirements over the next 12 months and for the reasonably foreseeable future. Our capital sources to meet such cash requirements are expected to include cash on hand, Revolving Credit Facility borrowings, income from our portfolio, loan repayments from borrowers and proceeds from asset sales. We cannot predict with certainty the specific transactions we will undertake to generate sufficient liquidity to meet our obligations as they come due. We will adjust our plans as appropriate in response to changes in our expectations and changes in market conditions.

We also have amounts due under our liability-classified and equity-classified iPIP Plans. We currently estimate the total amount due under our iPIP Plans to be $133 million, assuming SAFE is valued at a price of $35.37 per share and our other assets perform with current underwriting expectations. Of this amount, $60 million has been accrued in our financial statements (refer to Note 14 to the consolidated financial statements). Distributions on our iPIP Plans are expected to be 50% in cash and 50% in shares of our common stock; provided, however, that (a) the cash portion will be increased if we do not have sufficient shares available under shareholder approved equity plans; and (b) if the principal remaining material asset in a plan is unsold SAFE shares, we may elect to distribute SAFE shares in lieu of cash and our common stock. Additional information on our iPIP Plans can be found in our 2021 Annual Report and our 2021 Proxy Statement, both of which are available on our website.

The following table outlines our cash flows provided by operating activities, cash flows used in investing activities and cash flows provided by financing activities for the six months ended June 30, 2022 and 2021 ($ in thousands):

	For the Six Months Ended June 30,	
	2022	2021
Cash flows provided by (used in) operating activities	$ 27,381	$ (44,962)
Cash flows provided by investing activities	2,625,122	183,978
Cash flows used in financing activities	(1,640,612)	(81,101)

The increase in cash flows provided by operating activities during 2022 was due primarily to an increase in distributions of earnings from other investments in 2022, which was partially offset by iPIP Plan payments and a decrease in the amount of deferred interest on loans collected in 2022 versus 2021. The increases in cash flows provided by investing activities and cash flows used in financing activities during 2022 was due primarily to the Net Lease Sale (refer to Note 3 to the consolidated financial statements).

Debt Covenants—Our outstanding unsecured debt securities contain corporate level covenants that include a covenant to maintain a ratio of unencumbered assets to unsecured indebtedness, as such terms are defined in the indentures governing the debt securities, of at least 1.3x and a covenant restricting certain incurrences of debt based on a fixed charge coverage ratio. If any of our covenants are breached and not cured within applicable cure periods, the breach could result in acceleration of our debt securities unless a waiver or modification is agreed upon with the requisite percentage of the bondholders.

The Revolving Credit Facility contains certain covenants, including covenants relating to collateral coverage, restrictions on fundamental changes, transactions with affiliates, matters relating to the liens granted to the lenders and the delivery of information to the lenders. The Revolving Credit Facility is secured by a borrowing base of assets and requires us to maintain both borrowing base asset value of at least 1.5x outstanding borrowings on the facility and a consolidated ratio of cash flow to fixed charges of at least 1.5x. The Revolving Credit Facility does not require that proceeds from the borrowing base be used to pay down outstanding borrowings provided the borrowing base asset value remains at least 1.5x outstanding borrowings on the facility. To satisfy this covenant, we have the option to pay down outstanding borrowings or substitute assets in the borrowing base. Under the Revolving Credit Facility we are permitted to pay dividends provided that no material default (as defined in the relevant agreement) has occurred and is continuing or would result therefrom and we remain in compliance with our financial covenants after giving effect to the dividend. We declared common stock dividends of $19.2 million, or $0.25 per share, for the six months ended June 30, 2022.

Derivatives—Our use of derivative financial instruments, if necessary, has primarily been limited to the utilization of interest rate swaps, interest rate caps or other instruments to manage interest rate risk exposure and foreign exchange contracts to manage our risk to changes in foreign currencies. Refer to Note 12 to the consolidated financial statements.

Unfunded Commitments—We generally fund construction and development loans and build-outs of space in real estate assets over a period of time if and when the borrowers and tenants meet established milestones and other performance criteria. We refer to these arrangements as Performance-Based Commitments. In addition, we have committed to invest capital in several real estate funds and other ventures. These arrangements are referred to as Strategic Investments.

As of June 30, 2022, the maximum amount of fundings we may be obligated to make under each category, assuming all performance hurdles and milestones are met under the Performance-Based Commitments and assuming that 100% of our capital committed to Strategic Investments is drawn down, are as follows (in thousands):

	Loans and Other Lending Investments	Real Estate	Other Investments	Total
Performance-Based Commitments	$ 1,877	$ 4,271	$ 149,502	$ 155,650
Strategic Investments	—	3,161	2,249	5,410
Total	$ 1,877	$ 7,432	$ 151,751	$ 161,060

Stock Repurchase Program—We may repurchase shares in negotiated transactions or open market transactions, including through one or more trading plans. During the six months ended June 30, 2021, we repurchased 1.8 million shares of our outstanding common stock for $32.4 million, for an average cost of $17.57 per share. We are generally authorized to repurchase up to $50.0 million in shares of our common stock and in February 2022, our board of directors authorized an increase to the stock repurchase program to $50.0 million. As of June 30, 2022, we had remaining authorization to repurchase up to $50.0 million of common stock under our stock repurchase program.

Critical Accounting Estimates

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

For a discussion of our critical accounting policies, refer to Note 3 to the consolidated financial statements and our 2021 Annual Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risks

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

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

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

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

The following table quantifies the potential changes in annual net income, assuming no change in our interest earning assets or interest bearing liabilities, should interest rates decrease or increase by 10, 50 or 100 basis points, assuming no change in the shape of the yield curve (i.e., relative interest rates). The base interest rate scenario assumes the one-month LIBOR rate of 1.79% as of June 30, 2022. Actual results could differ significantly from those estimated in the table.

Estimated Change In Net Income
($ in thousands)

Change in Interest Rates	Net Income[(1)]
-100 Basis Points	$ (13,058)
-50 Basis Points	(6,529)
-10 Basis Points	(1,306)
Base Interest Rate	—
+10 Basis Points	1,306
+50 Basis Points	6,628
+100 Basis Points	13,523

(1) As of June 30, 2022, we have an overall net variable-rate asset position. In addition, as of June 30, 2022, $73.1 million of our floating rate loans have a weighted average interest rate floor of 2.2%.

Item 4. Controls and Procedures

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

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the disclosure committee and other members of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) or Rule 15d-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

There have been no changes in the Company's internal control over financial reporting during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company and/or one or more of its subsidiaries is party to various pending litigation matters that are considered ordinary routine litigation incidental to the Company’s business as a finance and investment company focused on the commercial real estate industry, including foreclosure-related proceedings. The Company believes it is not a party to, nor are any of its properties the subject of, any pending legal proceeding that would have a material adverse effect on the Company’s consolidated financial statements.

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our 2021 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

We did not purchase any shares of our common stock during the three months ended June 30, 2022. As of June 30, 2022, we had remaining authorization to repurchase up to $50.0 million of common stock under our stock repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

In July and August 2022, the Company completed a series of privately-negotiated exchange transactions with holders of approximately $47.9 million aggregate principal amount of the Company's 3.125% Convertible Notes due 2022 in which the noteholders exchanged their convertible notes with the Company for an aggregate of approximately 2.0 million newly issued shares of the Company's common stock and aggregate cash payments of approximately $24.3 million.

Item 6. Exhibits

INDEX TO EXHIBITS

Exhibit Number	Document Description
31.0	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act.
32.0	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act.
101*	The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2022 is formatted in Inline XBRL ("eXtensible Business Reporting Language"): (i) the Consolidated Balance Sheets (unaudited) as of June 30, 2022 and December 31, 2021, (ii) the Consolidated Statements of Operations (unaudited) for the three and six months ended June 30, 2022 and 2021, (iii) the Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three and six months ended June 30, 2022 and 2021, (iv) the Consolidated Statements of Changes in Equity (unaudited) for the three and six months ended June 30, 2022 and 2021, (v) the Consolidated Statements of Cash Flows (unaudited) for six months ended June 30, 2022 and 2021 and (vi) the Notes to the Consolidated Financial Statements (unaudited).
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

iStar Inc.
Registrant

Date: August 4, 2022

/s/ JAY SUGARMAN
Jay Sugarman
Chairman of the Board of Directors and Chief Executive Officer (principal executive officer)

iStar Inc.
Registrant

Date: August 4, 2022

/s/ BRETT ASNAS
Brett Asnas
Chief Financial Officer
(principal financial officer)

iStar Inc.
Registrant

Date: August 4, 2022

/s/ GARETT ROSENBLUM
Garett Rosenblum
Chief Accounting Officer

CERTIFICATION

I, Jay Sugarman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iStar Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

By: /s/ JAY SUGARMAN
Name: Jay Sugarman
Title: *Chief Executive Officer*

CERTIFICATION

I, Brett Asnas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iStar Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

By: /s/ BRETT ASNAS
Name: Brett Asnas
Title: *Chief Financial Officer (principal financial officer)*

Exhibit 32.0

Certification of Chief Executive Officer

Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of iStar Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	August 4, 2022	By:	/s/ JAY SUGARMAN
			Name: Jay Sugarman
			Title: *Chief Executive Officer*

Certification of Chief Financial Officer

Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

The undersigned, the Chief Financial Officer of iStar Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	August 4, 2022	By:	/s/ BRETT ASNAS
			Name: Brett Asnas
			Title: *Chief Financial Officer (principal financial officer)*