

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark
One)

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

For the quarterly period ended March 31, 2009

OR

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

For the transition period from _____ to _____

Commission File No. 1-15371

iSTAR FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

95-6881527

(I.R.S. Employer Identification Number)

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

(Address of principal executive offices)

10036

(Zip code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of April 30, 2009, there were 99,616,229 shares of common stock, \$0.001 par value per share of iStar Financial Inc., ("Common Stock") outstanding.

iStar Financial Inc.

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PART 1. CONSOLIDATED FINANCIAL INFORMATION

Item I. Financial Statements

iStar Financial Inc.

Consolidated Balance Sheets

(In thousands, except per share data)

(unaudited)

	As of March 31, 2009		As of December 31, 2008, As Adjusted(1)
ASSETS			
Loans and other lending investments, net	\$ 10,182,944	\$	10,586,644
Corporate tenant lease assets, net	3,015,009		3,044,811
Other investments	417,875		447,318
Other real estate owned	233,758		242,505
Cash and cash equivalents	541,289		496,537
Restricted cash	45,737		155,965
Accrued interest and operating lease income receivable, net	68,325		87,151
Deferred operating lease income receivable	114,533		116,793
Deferred expenses and other assets, net	181,627		119,024
Total assets	\$ 14,801,097	\$	15,296,748
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable, accrued expenses and other liabilities	\$ 281,227	\$	354,492
Debt obligations	12,167,539		12,486,404
Total liabilities	12,448,766		12,840,896
Commitments and contingencies	—		—
Redeemable noncontrolling interests	7,448		9,190
Equity:			
iStar Financial Inc. shareholders' equity:			
Series D Preferred Stock, \$0.001 par value, liquidation preference \$25.00 per share, 4,000 shares issued and outstanding at March 31, 2009 and December 31, 2008	4		4
Series E Preferred Stock, \$0.001 par value, liquidation preference \$25.00 per share, 5,600 shares issued and outstanding at March 31, 2009 and December 31, 2008	6		6
Series F Preferred Stock, \$0.001 par value, liquidation preference \$25.00 per share, 4,000 shares issued and outstanding at March 31, 2009 and December 31, 2008	4		4
Series G Preferred Stock, \$0.001 par value, liquidation preference \$25.00 per share, 3,200 shares issued and outstanding at March 31, 2009 and December 31, 2008	3		3
Series I Preferred Stock, \$0.001 par value, liquidation preference \$25.00 per share, 5,000 shares issued and outstanding at March 31, 2009 and December 31, 2008	5		5
High Performance Units	9,800		9,800
Common Stock, \$0.001 par value, 200,000 shares authorized, 137,830 issued and 102,462 outstanding at March 31, 2009 and 137,352 issued and 105,457 outstanding at December 31, 2008	138		137
Additional paid-in capital	3,773,277		3,768,772
Retained earnings (deficit)	(1,336,689)		(1,240,280)
Accumulated other comprehensive income (see Note 13)	2,372		1,707
Treasury stock, at cost, \$0.001 par value, 35,368 shares at March 31, 2009 and 31,895 shares at December 31, 2008	(129,884)		(121,159)
Total iStar Financial Inc. shareholders' equity	2,319,036		2,418,999
Noncontrolling interests	25,847		27,663
Total equity	2,344,883		2,446,662
Total liabilities and equity	\$ 14,801,097	\$	15,296,748

Explanatory Note:

- (1) On January 1, 2009, the Company adopted the provisions of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement)" and SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51." Both new standards require retroactive application for prior periods presented. See Notes 3 and 8 for further details.

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

	For the Three Months Ended March 31,	
	2009	2008, As Adjusted(1)
Revenue:		
Interest income	\$ 177,227	\$ 276,100
Operating lease income	78,650	78,199
Other income	2,513	58,025
Total revenue	258,390	412,324
Costs and expenses:		
Interest expense	131,165	169,779
Operating costs—corporate tenant lease assets	6,631	5,125
Depreciation and amortization	23,692	23,901
General and administrative	39,389	42,776
Provision for loan losses	258,096	89,500
Impairment of goodwill	4,186	—
Impairment of other assets	21,145	—
Other expense	6,998	3,800
Total costs and expenses	491,302	334,881
Income (loss) before losses from equity method investments and other items	(232,912)	77,443
Gain on early extinguishment of debt	154,377	—
Losses from equity method investments	(20,500)	(2,598)
Income (loss) from continuing operations	(99,035)	74,845
Income from discontinued operations	346	8,128
Gain from discontinued operations	11,617	2,056
Net income (loss)	(87,072)	85,029
Net (income) loss attributable to noncontrolling interests	1,243	(204)
Net income (loss) attributable to iStar Financial Inc.	(85,829)	84,825
Preferred dividend requirements	(10,580)	(10,580)
Net income (loss) attributable to iStar Financial Inc. and allocable to common shareholders, HPU holders and Participating Security holders(2)(3)(4)	\$ (96,409)	\$ 74,245
Per common share data(4):		
Income (loss) attributable to iStar Financial Inc. from continuing operations:		
Basic	\$ (1.00)	\$ (0.46)
Diluted	\$ (1.00)	\$ (0.46)
Net income (loss) attributable to iStar Financial Inc.:		
Basic	\$ (0.89)	\$ (0.53)
Diluted	\$ (0.89)	\$ (0.53)
Weighted average number of common shares—basic	105,606	134,262
Weighted average number of common shares—diluted	105,606	134,843
Per HPU share data(2)(4):		
Income (loss) attributable to iStar Financial Inc. from continuing operations:		
Basic	\$ (189.07)	\$ (86.87)
Diluted	\$ (189.07)	\$ (86.47)
Net income (loss) attributable to iStar Financial Inc.:		
Basic	\$ (168.20)	\$ (100.94)
Diluted	\$ (168.20)	\$ (100.47)
Weighted average number of HPU shares—basic and diluted	15	15

Explanatory Notes:

- (1) On January 1, 2009, the Company adopted the provisions of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement)," SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51," and FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." These new standards require retroactive application for prior periods presented. See Notes 3, 8, 9 and 12 for further details.
- (2) HPU holders are Company employees who purchased high performance common stock units under the Company's High Performance Unit Program (see Note 12).
- (3) Participating Security holders are Company employees and directors who hold unvested restricted stock units and common stock equivalents granted under the Company's Long Term Incentive Plan (see Notes 11 and 12).
- (4) See Note 12 for amounts attributable to iStar Financial Inc. for Income (loss) from continuing operations and further details on the calculation of Earnings Per Share.

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

iStar Financial Inc.

Consolidated Statement of Changes in Equity

For the Three Months Ended March 31, 2009

(In thousands)

(unaudited)

iStar Financial Inc. Shareholders' Equity													
	Series D Preferred Stock	Series E Preferred Stock	Series F Preferred Stock	Series G Preferred Stock	Series I Preferred Stock	Common Stock at Par	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Treasury Stock at cost	Noncontrolling Interest	Total	
Balance at December 31, 2008, As Adjusted(1)	\$ 4	\$ 6	\$ 4	\$ 3	\$ 5	\$9,800	\$ 137	\$3,731,379	\$(1,232,506)	\$ 1,707	\$(121,159)	\$ 27,663	\$2,417,043
Adoption of FSP APB 14-1 (see notes 3 and 8)	—	—	—	—	—	—	—	37,393	(7,774)	—	—	—	29,619
Adjusted beginning balance January 1, 2009	\$ 4	\$ 6	\$ 4	\$ 3	\$ 5	\$9,800	\$ 137	\$3,768,772	\$(1,240,280)	\$ 1,707	\$(121,159)	\$ 27,663	\$2,446,662
Dividends declared—preferred	—	—	—	—	—	—	—	—	(10,580)	—	—	—	(10,580)
Repurchase of stock	—	—	—	—	—	—	—	—	—	(8,725)	—	—	(8,725)
Issuance of stock—vested restricted stock units	—	—	—	—	—	—	1	4,505	—	—	—	—	4,506
Net loss for the period(2)	—	—	—	—	—	—	—	—	(85,829)	—	—	(1,242)	(87,071)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	2	2
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	(576)	(576)
Change in accumulated other comprehensive income	—	—	—	—	—	—	—	—	665	—	—	—	665
Balance at March 31, 2009	\$ 4	\$ 6	\$ 4	\$ 3	\$ 5	\$9,800	\$ 138	\$3,773,277	\$(1,336,689)	\$ 2,372	\$(129,884)	\$ 25,847	\$2,344,883

Explanatory Notes:

- On January 1, 2009, the Company adopted the provisions of SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51." The new standard requires retroactive application for prior periods presented. See Notes 3 and 9 for further details.
- For the three months ended March 31, 2009, net loss excludes \$1 attributable to redeemable noncontrolling interest.

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

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

	For the Three Months Ended March 31,	
	2009	2008, As Adjusted(1)
Cash flows from operating activities:		
Net income (loss)	\$ (87,072)	\$ 85,029
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Non-cash expense for stock-based compensation	5,551	4,609
Shares withheld for employee taxes on stock-based compensation arrangements	(530)	(2,548)
Impairment of goodwill	4,186	—
Impairment of other assets	21,145	—
Depreciation, depletion and amortization	23,759	28,009
Amortization of deferred financing costs	4,237	9,513
Amortization of discounts/premiums, deferred interest and costs on lending investments	(44,374)	(66,962)
Discounts, loan fees and deferred interest received	3,260	9,247
Losses of unconsolidated entities	20,500	2,598
Distributions from operations of unconsolidated entities	10,546	21,450
Deferred operating lease income receivable	(4,261)	(4,977)
Gain from discontinued operations	(11,617)	(2,056)
Gain on early extinguishment of debt	(154,377)	—
Provision for loan losses	258,096	89,500
Provision for deferred taxes	1,334	1,291
Other non-cash adjustments	4,961	1,492
Note receivable from investment redemption	—	(44,228)
Changes in assets and liabilities:		
Changes in accrued interest and operating lease income receivable, net	18,827	16,308
Changes in deferred expenses and other assets, net	7,391	(20,198)
Changes in accounts payable, accrued expenses and other liabilities	(25,565)	(30,346)
Cash flows from operating activities	<u>55,997</u>	<u>97,731</u>
Cash flows from investing activities:		
New investment originations	—	(10,953)
Add-on fundings under existing loan commitments	(375,860)	(962,424)
Repayments of and principal collections on loans	160,950	738,711
Net proceeds from sales of loans	212,129	158,700
Net proceeds from sales of discontinued operations	32,350	8,203
Net proceeds from sales of other real estate owned	73,324	—
Net proceeds from repayments and sales of securities	8,492	878
Contributions to unconsolidated entities	(10,149)	(17,520)
Distributions from unconsolidated entities	2,979	4,211
Capital improvements for build-to-suit facilities	(6,887)	(39,989)
Capital expenditures and improvements on corporate tenant lease assets	(1,096)	(7,856)
Other investing activities, net	(3,271)	(3,551)
Cash flows from investing activities	<u>92,961</u>	<u>(131,590)</u>
Cash flows from financing activities:		
Borrowings under revolving credit facilities	92,509	4,392,360
Repayments under revolving credit facilities	(113,030)	(4,035,232)
Borrowings under secured term loans	500,000	355,108
Repayments under secured term loans	(109,338)	(41,499)
Repayments under unsecured notes	(383,399)	(570,000)
Repurchases of unsecured notes	(132,317)	—
Contributions from noncontrolling interests	2	63
Distributions to noncontrolling interests	(576)	(484)
Changes in restricted cash held in connection with debt obligations	100,603	8
Payments for deferred financing costs/proceeds from hedge settlements, net	(39,355)	(11,195)
Common dividends paid	—	(33,551)
Preferred dividends paid	(10,580)	(10,580)
HPU dividends paid	—	(704)
HPUs redeemed	—	(11)
Purchase of treasury stock	(8,725)	(1,542)
Proceeds from exercise of options and issuance of DRIP/Stock purchase shares	—	6,015
Cash flows from financing activities	<u>(104,206)</u>	<u>48,756</u>
Changes in cash and cash equivalents	44,752	14,897
Cash and cash equivalents at beginning of period	496,537	104,507
Cash and cash equivalents at end of period	<u>\$ 541,289</u>	<u>\$ 119,404</u>

Explanatory Note:

- (1) On January 1, 2009, the Company adopted the provisions of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement)" and SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51." Both new standards require retroactive application for prior periods presented. See Notes 3 and 8 for further details.

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

iStar Financial Inc.

Notes to Consolidated Financial Statements

(unaudited)

Note 1—Business and Organization

Business—iStar Financial Inc., or the "Company" is a publicly-traded finance company focused on the commercial real estate industry. The Company primarily provides custom-tailored financing to high-end private and corporate owners of real estate, including senior and mezzanine real estate debt, senior and mezzanine corporate capital, as well as corporate net lease financing and equity. The Company, which is taxed as a real estate investment trust, or "REIT," seeks to generate attractive risk-adjusted returns on equity to shareholders by providing innovative and value-added financing solutions to its customers. The Company delivers customized financing products to sophisticated real estate borrowers and corporate customers who require a high level of flexibility and service. The Company's two primary lines of business are lending and corporate tenant leasing.

The lending business is primarily comprised of senior and mezzanine real estate loans that typically range in size from \$20 million to \$150 million and have maturities generally ranging from three to ten years. These loans may be either fixed-rate (based on the U.S. Treasury rate plus a spread) or variable-rate (based on LIBOR plus a spread) and are structured to meet the specific financing needs of the borrowers. The Company also provides senior and subordinated capital to corporations, particularly those engaged in real estate or real estate related businesses. These financings may be either secured or unsecured, typically range in size from \$20 million to \$150 million and have initial maturities generally ranging from three to ten years. As part of the lending business, the Company also acquires whole loans, loan participations and debt securities which present attractive risk-reward opportunities.

The Company's corporate tenant leasing business provides capital to corporations and other owners who control facilities leased to single creditworthy customers. The Company's net leased assets are generally mission critical headquarters or distribution facilities that are subject to long-term leases with public companies, many of which are rated corporate credits, and most of which provide for expenses at the facility to be paid by the corporate customer on a triple net lease basis. Corporate tenant lease, or "CTL," transactions have initial terms generally ranging from 15 to 20 years and typically range in size from \$20 million to \$150 million.

The Company's primary sources of revenues are interest income, which is the interest that borrowers pay on loans, and operating lease income, which is the rent that corporate customers pay to lease its CTL properties. A smaller and more variable source of revenue is other income, which consists primarily of prepayment penalties and realized gains that occur when borrowers repay their loans before the maturity date. The Company primarily generates income through the "spread" or "margin," which is the difference between the revenues generated from loans and leases and interest expense and the cost of CTL operations. The Company generally seeks to match-fund its revenue generating assets with either fixed or floating rate debt of a similar maturity so that changes in interest rates or the shape of the yield curve will have a minimal impact on earnings.

Organization—The Company began its business in 1993 through private investment funds. In 1998, the Company converted its organizational form to a Maryland corporation and the Company replaced its former dual class common share structure with a single class of common stock. The Company's common stock ("Common Stock") began trading on the New York Stock Exchange on November 4, 1999. Prior to this date, the Company's Common Stock was traded on the American Stock Exchange. Since that time, the Company has grown through the origination of new lending and leasing transactions, as well as through corporate acquisitions, including the acquisition of TriNet Corporate Realty Trust, Inc. in 1999, the acquisition of Falcon Financial Investment Trust and the acquisition of a significant non-controlling interest in Oak Hill Advisors, L.P. and affiliates in 2005, and the acquisition of the commercial real estate

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 1—Business and Organization (Continued)

lending business and loan portfolio ("Fremont CRE") of Fremont Investment and Loan ("Fremont"), a division of Fremont General Corporation, in 2007.

Note 2—Basis of Presentation and Principles of Consolidation

Basis of Presentation—The accompanying unaudited 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, 2008.

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 Company's consolidated financial position at March 31, 2009 and December 31, 2008, the results of its operations for the three months ended March 31, 2009 and 2008 and its changes in equity for the three months ended March 31, 2009 and 2008. 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 Consolidated Financial Statements and the related notes to conform to the 2009 presentation. In addition, the Company adopted three new accounting standards on January 1, 2009 which required retroactive application for presentation of prior periods' Consolidated Financial Statements (see Notes 3, 8, 9 and 12 for further details).

Principles of Consolidation—The Consolidated Financial Statements include the accounts of the Company, its qualified REIT subsidiaries, its majority-owned and controlled partnerships and other entities that are consolidated under the provisions of FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities," an interpretation of ARB 51 ("FIN 46R"). The following are variable interest entities for which the Company is a primary beneficiary and has consolidated for financial statement purposes:

During 2008, the Company made a \$49.0 million commitment to OHA Strategic Credit Fund Parallel I, LP ("OHA SCF"). OHA SCF was created to invest in distressed, stressed and undervalued loans, bonds, equities and other investments. The Fund intends to opportunistically invest capital following a period of credit market dislocation. The Company determined that OHA SCF is a variable interest entity ("VIE") and that the Company is the primary beneficiary. As such, the Company consolidates this entity for financial statement purposes. However, as the entity is managed by a third party, the Company does not have control over the entity's assets and liabilities. As of March 31, 2009, OHA SCF had \$19.1 million of total assets, no debt and \$0.1 million of noncontrolling interest. The investments held by this entity are presented in "Other investments" on the Company's Consolidated Balance Sheets. As of March 31, 2009, the Company had a total unfunded commitment of \$35.1 million related to this entity.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 2—Basis of Presentation and Principles of Consolidation (Continued)**

During 2007, the Company made a €100.0 million commitment to Moor Park Real Estate Partners II, L.P. Incorporated ("Moor Park"). Moor Park is a third-party managed fund that was created to make investments in European real estate as a 33% investor along-side a sister fund. The Company determined that Moor Park is a VIE and that the Company is the primary beneficiary. As such, the Company consolidates this entity for financial statement purposes. However, as the entity is managed by a third party, the Company does not have control over the entity's assets and liabilities. As of March 31, 2009, Moor Park had \$33.6 million of total assets, \$1.8 million of debt and \$1.0 million of noncontrolling interest. The investments held by this entity are presented in "Other investments" on the Company's Consolidated Balance Sheets. As of March 31, 2009, the Company had a total unfunded commitment of €63.5 million (or \$84.3 million) related to this entity.

During 2006, the Company made an investment in Madison Deutsche Andau Holdings, LP ("Madison DA"). Madison DA was created to invest in mortgage loans secured by real estate in Europe. The Company determined that Madison DA is a VIE and that the Company is the primary beneficiary. As such, the Company consolidates Madison DA for financial statement purposes. However, as the entity is managed by a third party, the Company does not have control over the entity's assets and liabilities. As of March 31, 2009, Madison DA had \$59.7 million of total assets, no debt and \$9.1 million of noncontrolling interest. The investments held by this entity are presented in "Loans and other lending investments" on the Company's Consolidated Balance Sheets.

Note 3—Summary of Significant Accounting Policies

As of March 31, 2009, the Company's significant accounting policies, which are detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, had not changed materially.

New accounting standards

On April 2, 2009, the FASB issued FASB Staff Position FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP FAS 157-4"), which offers additional guidance for determining whether the market for a security is inactive and whether transactions in inactive markets are or are not distressed. It also enhances the guidance and illustrations for how to value securities in an inactive market. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company will adopt the standard in the Consolidated Financial Statements for the period ending June 30, 2009 and is currently evaluating the impact on the Company's Consolidated Financial Statements.

On April 2, 2009, the FASB issued FASB Staff Positions FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP FAS 115-2"), changes the method for determining whether an other-than temporary impairment exists for debt securities and the amount of impairment charge to be recorded in earnings. To determine whether an other-than-temporary impairment exists, an entity will assess the likelihood of selling the security prior to recovering its cost basis, a change from the current requirements where an entity assesses whether it has the intent and ability to hold a security to recovery. If the criteria is met to assert that an entity will not have to sell the security before recovery, impairment charges related to credit losses would be recognized in earnings, while impairment charges related to non-credit loss (e.g. liquidity risk) would be reflected in other comprehensive income.

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 3—Summary of Significant Accounting Policies (Continued)

Upon adoption changes in assertions will require cumulative effect adjustments to the opening balance of retained earnings. FSP FAS 115-2 is effective for interim and annual reporting periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company will adopt the standard in the Consolidated Financial Statements for the period ending June 30, 2009 and is currently evaluating the impact on the Company's Consolidated Financial Statements.

On April 2, 2009, the FASB issued FASB Staff Positions FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-1"), which expands disclosures of fair value of financial instruments under FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments," to include interim financial statements. FSP FAS 107-1 is effective for interim and annual reporting periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company will adopt the standard in the Consolidated Financial Statements for the period ending June 30, 2009 and is currently evaluating the impact on the Company's Consolidated Financial Statements.

In February 2009, the FASB issued FASB Staff Position FAS 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies" ("FSP FAS 141(R)-1"), which amends provisions related to the initial recognition and measurement, subsequent measurement and disclosures of assets and liabilities arising from contingencies in a business combination under FASB No. 141(R), "Business Combinations" ("SFAS No. 141R"). The amendment carries forward the requirements for acquired contingencies under FASB No. 141, "Business Combinations," which recognizes contingencies at fair value on the acquisition date, if fair value can be reasonably estimated during the allocation period. Otherwise, companies would account for the acquired contingencies in accordance with FASB No. 5, "Accounting for Contingencies." In addition, the amendment eliminates the requirement to disclose an estimate of the range of outcomes for recognized contingencies at the acquisition date. FSP FAS 141(R)-1 is effective for all business combinations on or after January 1, 2009. Early adoption is not permitted. The Company adopted this Staff Position on January 1, 2009, as required, and it did not have a significant impact on the Company's Consolidated Financial Statements.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in calculating earnings per share under the two-class method as described in SFAS No. 128, "Earnings per Share." Under the guidance in FSP EITF 03-6-1, unvested share-based payment awards, that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented shall be adjusted retrospectively (including interim financial statements) to conform to the provisions of this FSP. Early application is not permitted. The Company adopted this standard on January 1, 2009, as required. See Note 12 for further details on the impact of the adoption of this Staff Position.

In May 2008, the FASB issued FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). This standard requires the initial proceeds from convertible debt that may be settled in cash be bifurcated between a liability component and an equity component. The objective of the guidance is to require the

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 3—Summary of Significant Accounting Policies (Continued)**

liability and equity components of convertible debt to be separately accounted for in a manner such that the interest expense recorded on the convertible debt would not equal the contractual rate of interest on the convertible debt, but instead would be recorded at a rate that would reflect the issuer's conventional non-convertible debt borrowing rate at the date of issuance. This is accomplished through the creation of a discount on the debt that would be accreted using the effective interest method as additional non-cash interest expense over the period the debt is expected to remain outstanding. The provisions of FSP APB 14-1 will be applied retrospectively to all periods presented for fiscal years beginning after December 31, 2008. The adoption of FSP APB 14-1 on January 1, 2009 resulted in a reduction of the carrying value of the debt and an increase to additional paid in capital (or equity) of \$37.4 million, representing the conversion feature. In addition, beginning retained earnings was reduced by \$7.8 million representing additional accretion of the new debt discount using the effective interest method of non-cash interest expense from inception to adoption. The Consolidated Statement of Operations for the three months ended March 31, 2008 was retroactively adjusted to include an additional \$1.6 million of interest expense from the adoption of the guidance. Earnings per share was not affected other than a change to net income attributable to iStar Financial Inc. See Notes 8 and 12 for further details on the impact of the adoption of this guidance.

In April 2008, the FASB issued FSP FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP FAS 142-3"). FSP FAS 142-3 removes the requirement of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142") for an entity to consider, when determining the useful life of an acquired intangible asset, whether the intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions associated with the intangible asset. FSP FAS 142-3 replaces the previous useful-life assessment criteria with a requirement that an entity considers its own experience in renewing similar arrangements. If the entity has no relevant experience, it would consider market participant assumptions regarding renewal. FSP FAS 142-3 is effective prospectively for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption was prohibited. The Company adopted this interpretation on January 1, 2009, as required and it did not have a significant impact on the Company's Consolidated Financial Statements.

In March 2008, the FASB issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" ("SFAS No. 161"). The Statement requires companies to provide enhanced disclosures regarding derivative instruments and hedging activities. It requires companies to better convey the purpose of derivative use in terms of the risks that the Company is intending to manage. Disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), and its related interpretations, and (c) how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows are required. This Statement retains the same scope as SFAS No. 133, is effective for fiscal years and interim periods beginning after November 15, 2008 and does not require comparative period disclosures in year of adoption. The Company adopted SFAS No. 161 on January 1, 2009, as required. See Note 10 for the disclosures required by the adoption of this standard.

In February 2008, the FASB issued a FASB Staff Position on Accounting for Transfers of Financial Assets and Repurchase Financing Transactions ("FSP FAS 140-3). This FSP addresses the issue of whether or not these transactions should be viewed as two separate transactions or as one "linked"

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 3—Summary of Significant Accounting Policies (Continued)

transaction. The FSP includes a "rebuttable presumption" that presumes linkage of the two transactions unless the presumption can be overcome by meeting certain criteria. The FSP became effective for fiscal years beginning after November 15, 2008 and applies only to original transfers made after that date; early adoption was not allowed. The Company adopted this interpretation on January 1, 2009, as required and it did not have a significant impact on the Company's Consolidated Financial Statements.

In February 2008, the FASB issued FASB Staff Position FSP 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"). FSP 157-2 provided a one-year deferral of the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. These non-financial items include assets and liabilities such as reporting units measured at fair value in a goodwill impairment test and non-financial assets acquired and liabilities assumed in a business combination. The Company adopted the provisions of FSP 157-2 on January 1, 2009, as required and made the appropriate fair value disclosures for non-recurring non-financial assets and non-financial liabilities (see Note 15 for further details).

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) expands the definition of transactions and events that qualify as business combinations, requires that the acquired assets and liabilities, including contingencies, be recorded at the fair value determined on the acquisition date and changes thereafter are reflected in revenue, not goodwill; changes the recognition timing for restructuring costs, and requires acquisition costs to be expensed as incurred. Adoption of SFAS No. 141(R) is required for combinations made in annual reporting periods on or after December 15, 2008. Early adoption and retroactive application of SFAS No. 141(R) to fiscal years preceding the effective date were not permitted. The Company adopted SFAS No. 141(R) on January 1, 2009, as required and it did not have a significant impact on the Company's Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 re-characterizes minority interests in consolidated subsidiaries as noncontrolling interests and requires the classification of minority interests as a component of equity. Under SFAS 160, a change in control will be measured at fair value, with any gain or loss recognized in earnings. The effective date for SFAS No. 160 is for annual periods beginning on or after December 15, 2008. Early adoption and retroactive application of SFAS No. 160 to fiscal years preceding the effective date are not permitted. The Company adopted this standard on January 1, 2009, as required and reclassified the carrying value of certain noncontrolling interests (previously referred to as minority interests) from the mezzanine section of the balance sheet to equity. Net income on the Consolidated Statements of Operations includes the operating results of both the Company and its related noncontrolling interest holders. In accordance with EITF Topic D-98, "Classification and Measurement of Redeemable Securities," subsidiaries where the noncontrolling interest holder has certain redemption rights have been classified as "Redeemable noncontrolling interest" on the Consolidated Balance Sheets and their related operating income or loss have been included in "Net (income) loss attributable to noncontrolling interests" on the Consolidated Statements of Operations. See Note 9 for additional disclosures required by the adoption of this standard.

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 4—Loans and Other Lending Investments, net

The following is a summary description of the Company's loans and other lending investments (\$ in thousands)(1):

Type of Investment	Underlying Property Type	# of Borrowers In Class	Principal Balances Outstanding	Carrying Value as of		Effective Maturity Dates	Contractual Interest Payment Rates(2)	Contractual Interest Accrual Rates(2)
				March 31, 2009	December 31, 2008			
Senior Mortgages(3)(4)(5)(6)	Residential/Retail/Land/Industrial, R&D/Mixed Use/Office/Hotel/Entertainment, Leisure/Other	244	\$ 9,172,647	\$ 9,101,257	\$ 9,261,424	2009 to 2026	Fixed: 5% to 20% Variable: LIBOR + 2% to LIBOR + 8.75%	Fixed: 6.5% to 20% Variable: LIBOR + 2% to LIBOR + 8.75%
Subordinate Mortgages(3)(4)(5)(6)	Residential/Retail/Land/Mixed Use/Office/Hotel/Entertainment, Leisure/Other	23	591,054	587,462	589,414	2009 to 2018	Fixed: 5% to 10.5% Variable: LIBOR + 2.85% to LIBOR + 11.5%	Fixed: 7.32% to 25% Variable: LIBOR + 2.85% to LIBOR + 11.5%
Corporate/Partnership Loans(3)(4)(5)(6)	Residential/Retail/Land/Industrial, R&D/Mixed Use/Office/Hotel/Other	39	1,382,434	1,367,305	1,435,941	2009 to 2046	Fixed: 4.5% to 15% to LIBOR + 7% Variable: LIBOR + 2%	Fixed: 8.5% to 15% Variable: LIBOR + 2% to LIBOR + 14%
Total Loans				11,056,024	11,286,779			
Reserve for Loan Losses				(1,136,349)	(976,788)			
Total Loans, net				9,919,675	10,309,991			
Other Lending Investments—Securities(3)	Retail/Industrial, R&D/Entertainment, Leisure/Other	6	447,154	263,269	276,653	2012 to 2023	Fixed: 6% to 9.25%	Fixed: 6% to 9.25%
Total Loans and Other Lending Investments, net				\$ 10,182,944	\$ 10,586,644			

Explanatory Notes:

- (1) Details (other than carrying values) are for loans outstanding as of March 31, 2009. Differences between principal and carrying value primarily relate to unamortized deferred fees on loans and impairments on securities.
- (2) Substantially all variable-rate loans are based on either 30-day LIBOR and reprice monthly or six-month LIBOR and reprice semi-annually. The 30-day LIBOR and six-month LIBOR rates on March 31, 2009 were 0.50% and 1.74%, respectively.
- (3) Certain loans require fixed payments of principal resulting in partial principal amortization over the term of the loan with the remaining principal due at maturity.
- (4) As of March 31, 2009, 76 loans with a combined carrying value of \$3.53 billion are on non-accrual status. As of December 31, 2008, 68 loans with a combined carrying value of \$3.11 billion were on non-accrual status.
- (5) As of March 31, 2009, 24 loans with a combined carrying value of \$906.5 million have a stated accrual rate that exceeds the stated pay rate. Of these, 16 loans with a combined carrying value of \$510.1 million have stated accrual rates of up to 25%, however, no interest is due until their scheduled maturities ranging from 2009 to 2017. One Corporate/Partnership loan, with a carrying value of \$49.5 million, has a stated accrual rate of 7.92% and no interest is due until its scheduled maturity in 2046.
- (6) As of March 31, 2009, balances include foreign denominated loans with combined carrying values of approximately £133.8 million, €158.3 million, CAD 59.1 million and SEK 101.0 million that have been converted to \$461.0 million based on exchange rates in effect at March 31, 2009.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 4—Loans and Other Lending Investments, net (Continued)**

During the three months ended March 31, 2009, the Company funded \$375.9 million under existing loan commitments and received gross principal repayments of \$490.7 million, a portion of which was allocable to the Fremont Participation (as defined below). During the three months ended March 31, 2008, the Company funded \$962.4 million under existing loan commitments, originated or acquired an aggregate of \$9.0 million in loans and other lending investments and received gross principal repayments of \$1.23 billion, a portion of which was allocable to the Fremont Participation.

During the three months ended March 31, 2009, the Company sold loans for net proceeds of \$258.1 million, for which it recorded no net realized gains or losses and recognized charge-offs of \$51.0 million. During the three months ended March 31, 2008, the Company sold loans for net proceeds of \$158.7 million, for which it recorded net realized gains of \$0.9 million. Gains and losses on sales of loans are reported in "Other income" on the Company's Consolidated Statements of Operations.

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

Reserve for loan losses, December 31, 2007	\$ 217,910
Provision for loan losses	1,029,322
Charge-offs	(270,444)
Reserve for loan losses, December 31, 2008	976,788
Provision for loan losses	258,096
Charge-offs	(98,535)
Reserve for loan losses, March 31, 2009	<u>\$1,136,349</u>

As of March 31, 2009 and December 31, 2008, respectively, the Company identified loans with carrying values of \$3.79 billion and \$3.37 billion and Managed Loan Values (as defined below) of \$4.21 billion and \$3.78 billion that were impaired in accordance with FASB Statement No. 114, "Accounting by Creditors for Impairments of a Loan (an amendment of FASB Statement No. 5 and 15)" ("SFAS No. 114"). As of March 31, 2009, the Company assessed each of the impaired loans for specific impairment and determined that non-performing loans with a Managed Loan Value of \$3.23 billion required specific reserves totaling \$938.5 million and that the remaining impaired loans did not require any specific reserves. This increase in impaired loans, particularly in the Company's residential land development and condominium construction portfolios, was driven by the worsening economy and the disruption of the credit markets throughout 2008 and the first quarter of 2009, which has adversely impacted the ability of the Company's borrowers to service their debt and refinance their loans at maturity. The provision for loan losses for the three months ended March 31, 2009 and 2008 were \$258.1 million and \$89.5 million, respectively. The increase in the provision for loan losses was primarily due to increased asset specific reserves required as a result of the increase in impaired loans. The total reserve for loan losses at March 31, 2009 and December 31, 2008, included SFAS No. 114 asset specific reserves of \$938.5 million and \$799.6 million, respectively, and general reserves of \$197.8 million and \$177.2 million, respectively, in accordance with FASB Statement No. 5, "Accounting Contingencies" ("SFAS No. 5").

The average Managed Loan Value of total impaired loans was approximately \$3.92 billion and \$983.1 million during the three months ended March 31, 2009 and 2008, respectively. The Company

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 4—Loans and Other Lending Investments, net (Continued)

recorded interest income on cash payments from impaired loans of \$3.0 million and \$1.9 million for the three months ended March 31, 2009 and 2008, respectively.

Managed Loan Value—Managed Loan Value represents the Company's carrying value of loans, gross of specific reserves, and the Fremont Participation interest (as defined below) outstanding on the Fremont CRE portfolio. The Fremont Participation receives 70% of all loan principal repayments, including repayments of principal that the Company has funded subsequent to the sale of the participation interest. Therefore, the Company is in the first loss position and believes that presentation of the total recorded investment is more relevant than a presentation of the Company's carrying value when assessing the Company's risk of loss on the loans in the Fremont CRE portfolio.

Securities—As of March 31, 2009, Other lending investments-securities included \$3.8 million of available-for-sale securities recorded at fair value. During the three months ended March 31, 2009, the Company sold available-for-sale securities with a cumulative carrying value of \$7.2 million, for which it recorded a net realized gain of \$0.5 million in "Other income" on the Company's Consolidated Statements of Operations.

In addition, as of March 31, 2009, the carrying value of Other lending investments-securities included \$257.4 million of held-to maturity securities with an aggregate fair value of \$257.5 million. As of March 31, 2009, held-to-maturity securities included \$0.1 million of gross unrealized gains and no unrealized losses.

During the three months ended March 31, 2009, the Company determined that unrealized losses on certain held-to-maturity and available-for-sale securities were other-than-temporary and recorded impairment charges totaling \$9.5 million.

As of March 31, 2009, \$221.1 million of held-to-maturity securities mature in one to five years and \$36.3 million of held-to-maturity securities and \$3.8 million of available-for-sale securities mature in five to ten years.

SOP 03-3 loans—AICPA Statement of Position 03-3 ("SOP 03-3") prescribes the accounting treatment for acquired loans with evidence of credit deterioration for which it is probable, at acquisition, that all contractually required payments will not be received. As of March 31, 2009 and December 31, 2008, the Company had SOP 03-3 loans with a cumulative principal balance of \$194.1 million and \$208.8 million, respectively, and a cumulative carrying value of \$167.0 million and \$175.1 million, respectively. The Company does not have a reasonable expectation about the timing and amount of cash flows expected to be collected on the SOP 03-3 loans and is recognizing income using the cash basis of accounting or applying cash to reduce the carrying value of the loans, using the cost recovery method. The majority of the Company's SOP 03-3 loans were acquired in the acquisition of Fremont CRE.

Fremont Participation—On July 2, 2007, the Company sold a \$4.20 billion participation interest ("Fremont Participation") in the \$6.27 billion Fremont CRE portfolio. Under the terms of the participation, the Company pays 70% of all principal collected from the Fremont CRE portfolio, including principal collected from amounts funded on the loans subsequent to the acquisition of the portfolio, until the participation is fully repaid. The Fremont CRE participation pays floating interest at LIBOR + 1.50%.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 4—Loans and Other Lending Investments, net (Continued)**

Changes in the outstanding Fremont CRE participation balance were as follows (in thousands):

Loan participation, December 31, 2008	\$1,297,944
Principal repayments(1)	(283,564)
Loan participation, March 31, 2009	<u>\$1,014,380</u>

Explanatory Note:

- (1) Includes \$91.9 million of principal repayments received by the Company as of March 31, 2009 that had not yet been remitted to the Fremont Participation holder and are reflected as a payable in "Accounts payable, accrued expenses and other liabilities" on the Company's Consolidated Balance Sheets.

Unfunded commitments—As of March 31, 2009, the Company had 159 loans with unfunded commitments totaling \$1.75 billion, of which \$146.9 million were discretionary and \$1.60 billion were non-discretionary.

Encumbered loans—As of March 31, 2009, loans and other lending investments with a cumulative carrying value of \$4.45 billion were pledged as collateral under the Company's secured indebtedness (see Note 8 for further detail).

Other Real Estate Owned—During the three months ended March 31, 2009 and 2008, the Company received titles to properties in satisfaction of senior mortgage loans with cumulative carrying values of \$117.5 million and \$191.5 million, respectively, for which those properties had served as collateral, and recorded charge-offs totaling \$47.5 million and \$36.5 million, respectively, related to these loans. During the three months ended March 31, 2009, the Company sold OREO assets for net proceeds of \$73.3 million, resulting in net losses of \$4.8 million. Capital expenditures related to OREO assets totaled \$1.6 million during the three months ended March 31, 2009.

During the three months ended March 31, 2009, the Company recorded impairment charges to existing OREO properties totaling \$1.8 million, resulting from changing market conditions. In addition, the Company recorded \$6.4 million and \$2.4 million of net expense related to holding costs for OREO properties for the three months ended March 31, 2009 and 2008, respectively.

Note 5—Corporate Tenant Lease Assets, net

During the three months ended March 31, 2009, the Company disposed of CTL assets for net proceeds of \$32.4 million, which resulted in gains of \$11.6 million. During the three months ended March 31, 2008, the Company acquired an aggregate of \$2.0 million of CTL assets and disposed of CTL assets for net proceeds of \$8.2 million, which resulted in gains of \$2.1 million.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 5—Corporate Tenant Lease Assets, net (Continued)**

The Company's investments in CTL assets, at cost, were as follows (in thousands):

	As of March 31, 2009	As of December 31, 2008
Facilities and improvements	\$2,814,668	\$2,828,747
Land and land improvements	668,665	669,320
Less: accumulated depreciation	(468,324)	(453,256)
Corporate tenant lease assets, net	<u>\$3,015,009</u>	<u>\$3,044,811</u>

Under certain leases, the Company is entitled to receive additional participating lease payments to the extent gross revenues of the corporate customer exceed a base amount. The Company did not earn additional participating lease payments on such leases during the three months ended March 31, 2009 and earned \$1.4 million for the three months ended March 31, 2008. In addition, the Company also receives reimbursements from customers for certain facility operating expenses including common area costs, insurance and real estate taxes. Customer expense reimbursements for the three months ended March 31, 2009 and 2008 were \$8.5 million and \$9.4 million, respectively, and are included as a reduction of "Operating costs—corporate tenant lease assets" on the Company's Consolidated Statements of Operations.

Capitalized interest—Capitalized interest was approximately \$0.2 million and \$4.0 million for the three months ended March 31, 2009 and 2008, respectively.

Allowance for doubtful accounts—As of March 31, 2009 and December 31, 2008, the total allowance for doubtful accounts was \$2.4 million and \$5.3 million, respectively.

Tenant credit characteristics—As of March 31, 2009, the Company's CTL assets had 97 different tenants, of which 66% were public companies and 34% were private companies. In addition, 28% of the tenants were rated investment grade by one or more national rating agencies, 6% of the tenants had implied investment grade ratings and 36% were rated non-investment grade and the remaining tenants were not rated.

Unfunded commitments—As of March 31, 2009, the Company had \$7.3 million of non-discretionary unfunded commitments related to four existing customers in the form of tenant improvements which were negotiated between the Company and the customers at the commencement of the leases.

In addition, the Company is subject to expansion option agreements with three existing customers which could require the Company to fund and to construct up to 171,000 square feet of additional adjacent space on which the Company would receive additional operating lease income under the terms of the option agreements. Upon exercise of such expansion option agreements, the corporate customers would be required to simultaneously extend their existing lease terms for additional periods ranging from six to ten years.

Encumbered CTL assets—As of March 31, 2009 and December 31, 2008, CTL assets with an aggregate net book value of \$2.05 billion and \$1.52 billion, respectively, were encumbered with mortgages or pledged as collateral securing the Company's debt (see Note 8 for further detail).

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 6—Other Investments**

Other investments consist of the following items (in thousands):

	As of March 31, 2009	As of December 31, 2008
Equity method investments	\$302,898	\$ 326,248
CTL intangibles, net(1)	56,228	58,499
Cost method investments	45,614	54,488
Marketable securities	13,135	8,083
Other investments	<u>\$417,875</u>	<u>\$ 447,318</u>

Explanatory Note:

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- (1) Accumulated amortization on CTL intangibles was \$26.4 million and \$24.1 million as of March 31, 2009 and December 31, 2008, respectively.

Equity method investments

Oak Hill—As of March 31, 2009, the Company owned 47.5% interests in Oak Hill Advisors, L.P., Oak Hill Credit Alpha MGP, LLC, Oak Hill Credit Opportunities MGP, LLC, OHA Finance MGP, LLC, OHA Capital Solutions MGP, LLC and OHA Strategic Credit Fund, LLC, and 48.1% interests in OHSF GP Partners II, LLC and OHSF GP Partners (Investors), LLC, (collectively, "Oak Hill"). Oak Hill engages in investment and asset management services. The Company has determined that all of these entities are variable interest entities and that an external member is the primary beneficiary. As such, the Company accounts for these ventures under the equity method. Upon acquisition of the original interests in Oak Hill there was a difference between the Company's book value of the equity investments and the underlying equity in the net assets of Oak Hill of approximately \$200.2 million. The Company allocated this value to identifiable intangible assets of approximately \$81.8 million and goodwill of \$118.4 million. The unamortized balance related to intangible assets for these investments was approximately \$49.7 million and \$51.2 million as of March 31, 2009 and December 31, 2008, respectively. The Company's carrying value in Oak Hill was \$173.3 million and \$181.1 million at March 31, 2009 and December 31, 2008, respectively. The Company recognized equity in earnings from these entities of \$2.1 million and \$3.6 million for the three months ended March 31, 2009 and 2008, respectively.

Madison Funds—As of March 31, 2009, the Company owned a 29.52% interest in Madison International Real Estate Fund II, LP, a 32.92% interest in Madison International Real Estate Fund III, LP and a 29.52% interest in Madison GP1 Investors, LP (collectively, the "Madison Funds"). The Madison Funds invest in illiquid ownership positions of entities that own real estate assets. The Company's carrying value in the Madison Funds was \$58.8 million and \$60.4 million at March 31, 2009 and December 31, 2008, respectively, and the Company recognized equity in losses from these investments of \$8.5 million and \$2.6 million for the three months ended March 31, 2009 and 2008, respectively.

Other equity method investments—The Company also had smaller investments in several other entities that were accounted for under the equity method where the Company has ownership interests up to 50.0%. The Company's aggregate carrying value in these investments was \$70.8 million and \$84.7 million as of March 31, 2009 and December 31, 2008, respectively. During the three months ended March 31, 2009, the

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 6—Other Investments (Continued)**

Company recognized a \$4.7 million non-cash impairment for an equity method investment that was determined to be impaired. The Company recognized cumulative net equity in losses in these investments of \$14.1 million and \$3.6 million for the three months ended March 31, 2009 and 2008, respectively.

The following table presents the investee level summarized financial information of the Company's equity method investments (in thousands):

	For the Three Months Ended March 31,	
	2009	2008
Income Statement		
Revenues	\$(278,346)	\$ 149,886
Costs and expenses	\$ 54,234	\$ 151,270
Net income (loss)	\$(332,580)	\$ (1,384)

During the three months ended March 31, 2009, the Company recorded a non-cash out-of-period charge of \$9.4 million to recognize additional losses from an equity method investment as a result of additional depreciation expense that should have been recorded at the equity method entity. This adjustment was recorded as a reduction to "Other investments" in the Company's Consolidated Balance Sheets and an increase to "Losses from equity method investments," in the Company's Consolidated Statements of Operations. The Company concluded that the amount of losses that should have been recorded in periods beginning in July 2007 were not material to any of its previously issued financial statements. The Company also concluded that the cumulative out-of-period charge is not material to the current quarter or estimated fiscal year. As such, the charge was recorded in the Company's Consolidated Statements of Operations for the three months ended March 31, 2009, rather than restating prior periods.

Unfunded commitments—As of March 31, 2009, the Company had \$56.4 million of non-discretionary unfunded commitments related to nine equity method investments.

CTL intangible assets, net—As of March 31, 2009 and December 31, 2008, the Company had \$56.2 million and \$58.5 million, respectively, of unamortized finite lived intangible assets primarily related to the acquisition of prior CTL facilities. The total amortization expense for these intangible assets was \$2.1 million and \$2.6 million for the three months ended March 31, 2009 and 2008, respectively.

Cost method investments

The Company has investments in several real estate related funds or other strategic investment opportunities within niche markets that are accounted for under the cost method and had cumulative carrying values of \$45.6 million and \$54.5 million as of March 31, 2009 and December 31, 2008, respectively.

During the three months ended March 31, 2008, the Company redeemed its interest in a profits participation that was originally received as part of a prior lending investment and carried as a cost method investment prior to redemption. As a result of the transaction, the Company received cash of \$44.2 million and recorded an equal amount of income in "Other income" on the Company's Consolidated Statements of Operations.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 6—Other Investments (Continued)**

Unfunded commitments—As of March 31, 2009, the Company had \$8.0 million of non-discretionary unfunded commitments related to two cost method investments.

Note 7—Other Assets and Other Liabilities

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

	<u>As of March 31, 2009</u>	<u>As of December 31, 2008</u>
Deferred financing fees, net(1)	\$ 59,770	\$ 25,387
Receivables due from asset sales	45,839	—
Other receivables	26,536	29,036
Corporate furniture, fixtures and equipment, net(2)	16,209	16,640
Leasing costs, net(3)	13,898	16,072
Derivative assets	2,534	3,872
Intangible assets, net(4)	2,353	2,687
Deferred tax asset	1,269	1,415
Goodwill	—	4,186
Other assets	13,219	19,729
Deferred expenses and other assets, net	<u>\$ 181,627</u>	<u>\$ 119,024</u>

Explanatory Notes:

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- (1) Accumulated amortization on deferred financing fees was \$29.0 million and \$24.1 million as of March 31, 2009 and December 31, 2008, respectively.
 - (2) Accumulated depreciation on corporate furniture, fixture and equipment was \$7.9 million and \$7.2 million as of March 31, 2009 and December 31, 2008, respectively.
 - (3) Accumulated amortization on leasing costs was \$9.2 million and \$8.7 million as of March 31, 2009 and December 31, 2008, respectively.
 - (4) Accumulated amortization on intangible assets was \$1.9 million and \$1.6 million as of March 31, 2009 and December 31, 2008, respectively.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 7—Other Assets and Other Liabilities (Continued)**

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

	As of March 31, 2009	As of December 31, 2008
Accrued interest payable	\$ 96,725	\$ 87,057
Fremont Participation payable (see Note 4)	93,874	141,717
Accrued expenses	21,741	41,745
Security deposits from customers	17,488	17,550
Unearned operating lease income	16,174	21,659
Deferred tax liabilities	8,088	6,900
Property taxes payable	4,580	5,187
Deferred income & liabilities	3,728	3,980
Other liabilities	18,829	28,697
Accounts payable, accrued expenses and other liabilities	<u>\$ 281,227</u>	<u>\$ 354,492</u>

iStar Financial Inc.
Notes to Consolidated Financial Statements (Continued)
(unaudited)
Note 8—Debt Obligations

As of March 31, 2009 and December 31, 2008, the Company had debt obligations under various arrangements with financial institutions as follows (in thousands):

	Maximum Amount Available	Carrying Value as of		Stated Interest Rates(2)	Scheduled Maturity Date(2)
		March 31, 2009	December 31, 2008, As Adjusted(1)		
Secured revolving credit facilities:					
Line of credit	\$ 350,000	\$ 202,931	\$ 306,867	LIBOR + 1% – 2%(3)	September 2009
Line of credit(4)	640,000	603,703	—	LIBOR + 1.50%(5)	June 2011
Line of credit	360,000	360,000	—	LIBOR + 1.50%(5)	June 2012
Unsecured revolving credit facilities:					
Line of credit(6)	500,818	495,533	2,122,904	LIBOR + 0.85%(5)	June 2011
Line of credit(7)	241,880	241,776	1,158,369	LIBOR + 0.85%(5)	June 2012
Total revolving credit facilities	\$ 2,092,698	1,903,943	3,588,140		
Secured term loans:					
Collateralized by investments in corporate debt		193,905	300,000	LIBOR + 4.5%	September 2009
Collateralized by CTL assets		947,862	947,862	Greater of 6.25% or LIBOR + 3.40%	April 2011
Collateralized by loans and CTL assets		1,055,000	—	LIBOR + 1.50%(5)	June 2011
Collateralized by loans and CTL assets(8)		589,608	—	LIBOR + 1.50%(5)	June 2012
Collateralized by loans and CTL assets	\$ 1,000,000	500,000	—	LIBOR + 2.50%(9)	June 2012
Collateralized by CTL assets		115,943	117,371	7.44%(10)	December 2020(10)
Collateralized by CTL assets		239,280	241,094	LIBOR + 1.65% 6.4% – 8.4%	Various through 2029
Total secured term loans		3,641,598	1,606,327		
Debt premium		4,860	5,322		
Total secured term loans		3,646,458	1,611,649		
Unsecured notes:					
4.875% senior notes		—	249,627	4.875%	January 2009
LIBOR + 0.55% senior notes		—	176,550	LIBOR + 0.55%	March 2009
LIBOR + 0.34% senior notes		458,850	465,000	LIBOR + 0.34%	September 2009
LIBOR + 0.35% senior notes		473,000	480,000	LIBOR + 0.35%	March 2010
5.375% senior notes		235,000	245,000	5.375%	April 2010
6.0% senior notes		326,885	334,820	6.0%	December 2010
5.80% senior notes		224,500	239,500	5.80%	March 2011
5.125% senior notes		234,150	241,150	5.125%	April 2011
5.650% senior notes		416,968	461,595	5.650%	September 2011
5.15% senior notes		587,768	603,768	5.15%	March 2012
5.500% senior notes		230,700	230,700	5.500%	June 2012
LIBOR + 0.50% senior notes		787,750	787,750	LIBOR + 0.50%	October 2012
8.625% senior notes		680,658	697,293	8.625%	June 2013
5.95% senior notes		780,432	795,227	5.95%	October 2013
6.5% senior notes		123,490	128,715	6.5%	December 2013
5.70% senior notes		291,849	295,099	5.70%	March 2014
6.05% senior notes		179,194	201,880	6.05%	April 2015
5.875% senior notes		375,488	407,748	5.875%	March 2016
5.850% senior notes		154,505	189,530	5.850%	March 2017
Total unsecured notes		6,561,187	7,230,952		
Debt discount, net(1)		(42,131)	(42,410)		
Total unsecured notes		6,519,056	7,188,542		
Other debt obligations		100,000	100,000	LIBOR + 1.5%	October 2035
Debt discount		(1,918)	(1,927)		
Total other debt obligations		98,082	98,073		
Total debt obligations		\$ 12,167,539	\$ 12,486,404		

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 8—Debt Obligations (Continued)****Explanatory Notes:**

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- (1) On January 1, 2009, the Company adopted the provisions of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement)." The standard requires retroactive application for prior periods presented. See Note 3 for further details.
 - (2) All interest rates and maturity dates are for debt outstanding as of March 31, 2009. Some variable-rate debt obligations are based on 30-day LIBOR and reprice monthly. Foreign variable-rate debt obligations are based on 30-day UK LIBOR for British pound borrowing, 30-day EURIBOR for euro borrowing and 30-day Canadian LIBOR for Canadian dollar borrowing. The 30-day LIBOR rate on March 31, 2009 was 0.50%. The 30-day UK LIBOR, EURIBOR and Canadian LIBOR rates on March 31, 2009 were 1.03%, 1.12% and 0.65%, respectively. Other variable-rate debt obligations are based on 90-day LIBOR and reprice every three months. The 90-day LIBOR rate on March 31, 2009 was 1.19%.
 - (3) This facility has an unused commitment fee of 0.25% on any undrawn amounts.
 - (4) As of March 31, 2009, included foreign borrowings of £65.9 million, €147.5 million, and CAD 35.0 million. Amounts in the table have been converted to U.S. dollars based on exchange rates in effect at March 31, 2009.
 - (5) These revolving and term loan commitments have an annual commitment fee of 0.20%.
 - (6) As of March 31, 2009, included foreign borrowings of £14.0 million, €31.4 million, and CAD 7.5 million. Amounts in the table have been converted to U.S. dollars based on exchange rates in effect at March 31, 2009.
 - (7) As of March 31, 2009, included foreign borrowings of £11.0 million and CAD 3.1 million. Amounts in the table have been converted to U.S. dollars based on exchange rates in effect at March 31, 2009.
 - (8) As of March 31, 2009, included foreign borrowings of £42.0 million and CAD 11.9 million. Amounts in the table have been converted to U.S. dollars based on exchange rates in effect at March 31, 2009.
 - (9) This term loan commitment has an annual commitment fee of 0.25%.
 - (10) This loan had an anticipated repayment date, as defined in the loan agreement, of April 1, 2009. The Company elected not to repay the loan on this date, and the interest rate increased to 11.438% effective April 1, 2009. The scheduled maturity date of the loan is December 31, 2020.

As discussed in Note 3, the Company adopted of the provisions of FSP APB 14-1 on January 1, 2009, as required. FSP APB 14-1 requires the Company to account for proceeds from the issuance of convertible notes separately between the liability component and the conversion option (or the equity component). This standard is applicable to the Company's issued \$800.0 million aggregate principal amount of convertible senior floating rate notes due October 2012 ("Convertible Notes"). The Convertible Notes are convertible at the option of the holders, into approximately 22.2 shares per \$1,000 principal amount of Convertible Notes, on or after August 15, 2012, or prior to that date if (1) the price of the Company's Common Stock trades above 130% of the conversion price for a specified duration, (2) the trading price of the Convertible Notes is below a certain threshold, subject to specified exceptions, (3) the Convertible Notes have been called for redemption, or (4) specified corporate transactions have occurred. None of the conversion triggers have been met as of March 31, 2009. The conversion rate is subject to certain adjustments and was \$45.05 per share as of March 31, 2009. If the conditions for conversion are met, the Company may choose to pay in cash and/or common stock; however, if this occurs, the Company has the intent and ability to settle this debt in cash.

As of March 31, 2009, the carrying value of the additional paid in capital, or equity component of the Convertible Notes, was \$37.4 million. As of March 31, 2009, the principal outstanding of the Convertible Notes was \$787.8 million, the unamortized discount was \$40.3 million and the net carrying amount of the liability was \$747.5 million. As required, the adoption was applied retrospectively to all periods presented for fiscal years beginning before December 31, 2008. For the three months ended March 31, 2009 and 2008, the Company recognized interest on the Convertible Notes of \$6.2 million and \$12.9 million, respectively, in "Interest expense" on its Consolidated Statements of Operations, of which \$2.4 million and \$2.3 million, respectively, related to the amortization of the debt discount. Earnings per share was not

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 8—Debt Obligations (Continued)**

affected other than a change to net income attributable to iStar Financial Inc. (see Note 12 for further details).

Unsecured/Secured Credit Agreements—In March 2009, the Company entered into a \$1.00 billion First Priority Credit Agreement with participating members of its existing bank lending group. The First Priority Credit Agreement will mature in June 2012. Amounts available under the First Priority Credit Agreement may be drawn down over a 364-day commitment period from the date of closing in up to eight borrowings of no less than \$100 million each. Borrowings will bear interest at the rate of LIBOR plus 2.50% per year, subject to adjustment based upon the Company's corporate credit ratings (see Ratings Triggers below) and will be secured by a pool of collateral consisting of loan assets, corporate tenant lease assets and securities. Pursuant to the agreement, collateral coverage of 1.2x or more of the principal amount of the aggregate borrowings under the First Priority Credit Agreement and the Second Priority Credit Agreements (as described below) must be maintained. As of March 31, 2009, there was \$500.0 million immediately available to draw under the First Priority Credit Agreement.

Also in March 2009, the Company restructured its two then existing unsecured revolving credit facilities by entering into two Second Priority Credit Agreements, \$1.70 billion maturing in 2011 and \$950.0 million maturing in 2012, with the same lenders participating in the First Priority Credit Agreement. Such lenders' commitments under the Company's unsecured facilities have been terminated and replaced by their commitments under the Second Priority Credit Agreements. Under these agreements, the participating lenders will have a second lien on the same collateral pool securing the First Priority Credit Agreement to secure their commitments. Borrowings will bear interest at the rate of LIBOR plus 1.50% per year, subject to adjustment based upon the Company's corporate credit ratings (see Ratings Triggers below). As of March 31, 2009, there was approximately \$2.61 billion outstanding under the Second Priority Credit Agreements in the form of \$1.06 billion in term loans due June 2011, \$589.6 million in term loans due June 2012 and \$963.7 million in revolving loans, of which \$603.7 million will expire in June 2011 and \$360.0 million will expire in June 2012. At March 31, 2009, the total carrying value of assets pledged as collateral to secure borrowings under the First and Second Priority Credit Agreements was approximately \$4.00 billion.

Concurrently with entering into the First and Second Priority Credit Agreements, the Company entered into amendments to its \$2.22 billion and \$1.20 billion unsecured revolving credit facilities. As of March 31, 2009, after giving effect to the amendments, outstanding balances on the unsecured credit facilities were \$495.5 million which will expire in June 2011, and \$241.8 million which will expire in June 2012. The amendments eliminated certain covenants and events of default. The unsecured revolving credit facilities may not be repaid prior to maturity while the First and Second Priority Credit Agreements remain outstanding. These facilities remain unsecured and no changes were made to the pricing terms of these facilities in connection with these amendments.

In connection with the First and Second Priority Credit agreements as well as the amendments of the unsecured revolving credit facilities, the Company paid an aggregate of \$37.7 million in fees to lenders and third party costs, which are recorded in "Deferred expenses and other assets, net", on the Company's Consolidated Balance Sheets and are being amortized to interest expense over the contractual term of the new and amended facilities.

Capital Markets Activity—During the three months ended March 31, 2009, the Company repurchased, through open market transactions, \$286.4 million par value of its senior unsecured notes with various

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 8—Debt Obligations (Continued)

maturities ranging from January 2009 to March 2017. In connection with these repurchases, the Company recorded an aggregate net gain on early extinguishment of debt of approximately \$154.4 million for the three months ended March 31, 2009.

During the three months ended March 31, 2009, the Company also repaid its 4.875% senior notes due January 2009 and its LIBOR + 0.55% senior notes due March 2009.

Other Financing Activity—In February 2009, the Company amended a secured term loan collateralized by investments in corporate debt. The term loan was extended to September 2009 and the interest rate was reset to LIBOR + 4.50% based on the Company's corporate credit ratings. In connection with this amendment, the Company also repaid \$88.5 million of the outstanding principal on this loan.

Debt Covenants—The Company's ability to borrow under its secured credit facilities depends on maintaining compliance with various covenants, including minimum net worth levels as well as specified financial ratios, such as fixed charge coverage, unencumbered assets to unsecured indebtedness, and leverage ratios. All of these covenants are maintenance covenants and, if breached, could result in an acceleration of the Company's facilities if a waiver or modification is not agreed upon with the requisite percentage of lenders. The Company's secured credit facilities also impose limitations on repayments, repurchases, refinancings and optional redemptions of its existing unsecured notes or secured exchange notes issued pursuant to the Company's exchange offer announced April 9, 2009, as well as limitations on repurchases of its Common Stock.

The Company's publicly held debt securities also contain covenants that include fixed charge coverage and unencumbered assets to unsecured indebtedness ratios. The fixed charge coverage ratio in its publicly held securities is an incurrence test. If the Company does not meet the fixed charge coverage ratio, its ability to incur additional indebtedness will be restricted. The unencumbered asset to unsecured indebtedness covenant is a maintenance covenant and, if breached and not cured within applicable cure periods, could result in acceleration of the Company's publicly held debt unless a waiver or modification is agreed upon with the requisite percentage of the bondholders. Based on the Company's unsecured credit ratings at March 31, 2009, the financial covenants in its publicly held debt securities, including the fixed charge coverage ratio and maintenance of unencumbered assets to unsecured indebtedness ratio, are operative.

The Company's secured credit facilities and its public debt securities contain cross-default provisions that allow the lenders and the bondholders 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. In addition, the Company's secured credit facilities, unsecured credit facilities and the indentures governing its public debt securities provide that the lenders and bondholders may declare an event of default and accelerate its indebtedness to them if there is a non-payment default under the Company's other recourse indebtedness in excess of specified thresholds and, if the holders of the other indebtedness are permitted to accelerate, in the case of the secured credit facilities, or accelerate, in the case of its unsecured credit facilities and the bond indentures, the other recourse indebtedness.

Ratings Triggers—The Company's First and Second Priority Secured Credit Agreements bear interest at LIBOR-based rates plus an applicable margin which varies between the First Priority Credit Agreement and the Second Priority Credit Agreement and is determined based on the Company's corporate credit ratings. The interest rate on borrowings under the Company's unsecured revolving credit facilities also

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 8—Debt Obligations (Continued)**

varies based upon its corporate credit ratings. At March 31, 2009, the Company's credit ratings were BB from S&P, B2 from Moody's and B- from Fitch. The Company's ability to borrow under its unsecured and revolving credit facilities is not dependent on its credit ratings. Based on the Company's current credit ratings, downgrades in the Company's credit ratings will have no effect on its borrowing rates under these facilities.

Future Scheduled Maturities—As of March 31, 2009, future scheduled maturities of outstanding long-term debt obligations are as follows (in thousands):

2009 (remaining nine months)	\$ 855,686
2010	1,040,368
2011	4,059,409
2012	3,297,602
2013	1,641,232
Thereafter	1,312,431
Total principal maturities	12,206,728
Unamortized debt discounts, net	(39,189)
Total long-term debt obligations	\$12,167,539

Unfunded Commitments—As of March 31, 2009 the Company had \$1.94 billion of unfunded commitments relating to loans, CTLs, and other investments, of which \$1.79 billion was non-discretionary and \$146.9 million was discretionary.

Note 9—Equity

DRIP/Stock Purchase Plan—During the three months ended March 31, 2009, the Company did not issue any Common Stock under the plan. During the three months ended March 31, 2008, the Company issued a total of approximately 25,100 shares of Common Stock resulting in net proceeds of approximately \$0.5 million. There are approximately 1.8 million shares available for issuance under the plan as of March 31, 2009.

Stock Repurchase Program—On March 13, 2009, the Company's Board of Directors authorized the repurchase of up to \$50 million of Common Stock from time to time in open market and privately negotiated purchases, including pursuant to one or more trading plans. During the three months ended March 31, 2009, the Company repurchased 3.5 million shares of its outstanding Common Stock under this program for a cost of approximately \$8.7 million at an average cost of \$2.51 per share. As of March 31, 2009, the Company had remaining \$41.4 million available to repurchase Common Stock under this authorized stock repurchase program. In addition, as of March 31, 2009, the Company had remaining \$1.0 million remaining available to repurchase Common Stock under a program previously approved in July 2008.

Noncontrolling Interest—The Company adopted SFAS No. 160, as required, on January 1, 2009, which requires the Company to report noncontrolling interests as a component of equity (see Note 3 for further details).

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 9—Equity (Continued)

Below is net income (loss) attributable to the iStar Financial Inc. allocable to common shareholders, HPU holders and Participating Security holders (in thousands):

	For the Three Months Ended March 31,	
	2009	2008
Amounts attributable to iStar Financial Inc. and allocable to common shareholders, HPU holders and Participating Security holders		
Income (loss) from continuing operations, net of noncontrolling interests	\$ (97,792)	\$ 74,641
Income from discontinued operations	346	8,128
Gain from discontinued operations	11,617	2,056
Net income (loss) attributable to iStar Financial Inc.	(85,829)	84,825
Preferred dividend requirements	(10,580)	(10,580)
Net income (loss) attributable to iStar Financial Inc. and allocable to common shareholders, HPU holders and Participating Security holders.	\$ (96,409)	\$ 74,245

The following table presents a reconciliation of the carrying amount of equity for the three months ended March 31, 2008 (in thousands):

	iStar Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2007, As Adjusted	\$ 2,899,481	\$ 36,175	\$2,935,656
Adoption of FSP APB 14-1	36,514	—	36,514
Adjusted beginning balance January 1, 2008(1)	\$ 2,935,995	\$ 36,175	\$2,972,170
Exercise of options	5,223	—	5,223
Dividends declared—preferred	(10,580)	—	(10,580)
Dividends declared—common	(116,040)	—	(116,040)
Dividends declared—HPU	(2,452)	—	(2,452)
Repurchase of stock	(1,542)	—	(1,542)
Issuance of stock—vested restricted stock units	2,689	—	2,689
Issuance of stock—DRIP/stock purchase plan	506	—	506
Net income for the period(2)	84,825	92	84,917
Contributions from noncontrolling interests	—	63	63
Distributions to noncontrolling interests	—	(456)	(456)
Change in accumulated other comprehensive (losses)	(11,932)	—	(11,932)
Balance at March 31, 2008	\$ 2,886,692	\$ 35,874	\$2,922,566

Explanatory Notes:

- (1) On January 1, 2009, the Company adopted the provisions of FSP 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement)" and SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51." These new standards require retroactive application for prior periods presented. See Notes 3 and 8 for further details.
- (2) For the three months ended March 31, 2008, net income excludes \$112 attributable to redeemable noncontrolling interests.

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 10—Risk Management and Derivatives

Risk management—In the normal course of its on-going business operations, the Company encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different points in time and potentially at different bases, than its interest-earning assets. Credit risk is the risk of default on the Company's lending investments that result from a property's, borrower's or corporate tenant's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of loans and other lending investments due to changes in interest rates or other market factors, including the rate of prepayments of principal and the value of the collateral underlying loans, the valuation of CTL facilities held by the Company and changes in foreign currency exchange rates.

Use of derivative financial instruments—The Company's use of derivative financial instruments is primarily limited to the utilization of interest rate hedges or other instruments to manage interest rate risk exposure and foreign exchange hedges to manage market risk exposure. The principal objective of such hedges are to minimize the risks and/or costs associated with the Company's operating and financial structure as well as to hedge specific anticipated debt issuances and to manage its exposure to foreign exchange rate movements.

Non-designated Hedges—Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements, foreign exchange rate movements, and other identified risks, but may not meet the strict hedge accounting requirements of SFAS No. 133. There were no designated hedges outstanding as of March 31, 2009. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and were \$0.6 million for the three months ended March 31, 2009.

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 March 31, 2009 and December 31, 2008 (in thousands):

	Asset Derivatives				Liability Derivatives			
	As of March 31, 2009		As of December 31, 2008		As of March 31, 2009		As of December 31, 2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments under SFAS No. 133								
Interest rate caps	Other Assets	\$ 286	Other Assets	\$ 726	Other Liabilities	\$ (54)	Other Liabilities	\$ (131)
Foreign exchange contracts	Other Assets	2,248	Other Assets	2,949	Other Liabilities	(163)	Other Liabilities	—
Fair value interest rate swap	Other Assets	—	Other Assets	197	N/A	—	N/A	—
Total		<u>\$2,534</u>		<u>\$ 3,872</u>		<u>\$ (217)</u>		<u>\$ (131)</u>

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 10—Risk Management and Derivatives (Continued)**

The tables below present the effect of the Company's derivative financial instruments on the Consolidated Statements of Operations for the three months ended March 31, 2009 (in thousands):

<u>Derivatives Not Designated as Hedging Instruments Under SFAS No. 133</u>	<u>Location of Gain or (Loss) Recognized in Income on Derivative</u>	<u>Amount of Gain or (Loss) Recognized in Income on Derivative</u>
Interest rate caps	Other expense	\$ (364)
Foreign exchange contracts	Other expense	955
Total		\$ 591

Foreign currency hedges—The following table presents the Company's foreign currency derivatives outstanding as of March 31, 2009 (in thousands):

<u>Derivative Type</u>	<u>Notional Amount</u>	<u>Notional (USD Equivalent)</u>	<u>Maturity</u>
Sell SEK/Buy USD forward	SEK 104,529	12,571	April 2009
Sell EUR/Buy USD forward	€ 14,000	18,491	June 2009
Buy USD/Sell INR forward	INR 521,743	10,000	November 2009

Interest rate caps—The following table represents the notional principal amounts of interest rate caps by class (in thousands):

	<u>As of</u>	
	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Interest rate cap bought	\$ 947,862	\$ 947,862
Interest rate cap sold	(947,862)	(947,862)
Total interest rate caps	\$ —	\$ —

Credit-risk-related Contingent Features—The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

Note 11—Stock-Based Compensation Plans and Employee Benefits

The Company's 2006 Long-Term Incentive Plan (the "LTIP Plan") is designed to provide equity-based incentive compensation for officers, key employees, directors, consultants and advisers of the Company. The LTIP Plan provides for awards of stock options, shares of restricted stock, phantom shares, dividend equivalent rights and other share-based performance awards. A maximum of 4,550,000 shares of Common Stock may be subject to awards under the LTIP Plan provided that the number of shares of Common Stock reserved for grants of options designated as incentive stock options is 1.0 million, subject to certain anti-dilution provisions in the LTIP Plan. All awards under the Plan are at the discretion of the Board of Directors or a committee of the Board of Directors. As of March 31, 2009, options to purchase approximately 529,000 shares of Common Stock were outstanding under a prior long-term incentive plan. A total of approximately 803,000 shares remain available for awards under the LTIP Plan as of March 31, 2009.

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 11—Stock-Based Compensation Plans and Employee Benefits (Continued)

Stock Options—Changes in options outstanding during the three months ended March 31, 2009, are as follows (shares and aggregate intrinsic value in thousands, except for weighted average strike price):

	Number of Shares			Weighted Average Strike Price	Aggregate Intrinsic Value
	Employees	Non- Employee Directors	Other		
Options Outstanding, December 31, 2008	396	86	47	\$ 19.43	
Issued in 2009	—	—	—	\$ —	
Exercised in 2009	—	—	—	\$ —	
Forfeited in 2009	—	—	—	\$ —	
Options Outstanding, March 31, 2009	<u>396</u>	<u>86</u>	<u>47</u>	<u>\$ 19.43</u>	<u>\$ —</u>

The following table summarizes information concerning outstanding and exercisable options as of March 31, 2009 (options, in thousands):

<u>Exercise Price</u>	<u>Options Outstanding and Exercisable</u>	<u>Remaining Contractual Life (Years)</u>
\$16.88	364	0.76
\$17.38	14	0.96
\$19.69	51	1.76
\$24.94	40	2.13
\$27.00	11	2.24
\$29.82	44	3.16
\$55.39	5	0.17
	<u>529</u>	<u>1.19</u>

Restricted Stock Units—Changes in non-vested restricted stock units during the three months ended March 31, 2009 are as follows (in thousands, except per share amounts):

<u>Non-Vested Shares</u>	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value Per Share</u>	<u>Aggregate Intrinsic Value</u>
Non-vested at December 31, 2008	14,987	\$ 3.32	
Granted	—	\$ —	
Vested	(577)	\$ 31.29	
Forfeited	(151)	\$ 1.52	
Non-vested at March 31, 2009	<u>14,259</u>	<u>\$ 2.73</u>	<u>\$40,068</u>

As of March 31, 2009, there were 10,164,000 market condition-based restricted stock units ("Units") outstanding, which were granted to executives and other officers of the Company on December 19, 2008. The Units will vest only if the employee is employed on the vesting dates and certain shareholder returns are achieved through meeting specified price targets for the Company's Common Stock, as follows: (a) if the Common Stock achieves a price of \$4.00 or more (average NYSE closing price over 20 consecutive trading days) during the first year following the grant date (i.e., prior to December 19, 2009), the Units will vest in three equal installments on January 1, 2010, January 1, 2011, and January 1, 2012; (b) if the Units do not achieve the price target in the first year, but the Common Stock achieves a price of \$7.00 or more

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 11—Stock-Based Compensation Plans and Employee Benefits (Continued)**

(average NYSE closing price over 20 consecutive trading days) prior to December 19, 2010, the Units will vest in two equal installments on January 1, 2011 and January 1, 2012; and (c) if the Units do not achieve the price target in the first or second year, but the Common Stock achieves a price of \$10.00 or more (average NYSE closing price over 20 consecutive trading days) prior to December 19, 2011, the Units will vest in one installment on January 1, 2012. If an applicable price target has been achieved, the Units will thereafter be entitled to dividend equivalent payments as dividends are paid on the Company's Common Stock. Upon vesting of the Units, holders will receive shares of the Company's Common Stock in the amount of the vested Units, net of applicable tax withholdings. The settlement of these Units using Common Stock is subject to shareholder approval of an increase in available awards under our equity compensation plans. If shareholder approval is not obtained, the Units will be settled by the Company in cash, which will vest and be paid only if one of the specified price targets is achieved within three years, in the same manner as shares as described above. Accordingly, per SFAS No. 123(R), the Company classified these grants as liability-based awards, measures the fair market value each reporting period and recorded \$0.9 million of compensation expense for the three months ended March 31, 2009. Should shareholder approval be obtained, the liability-based awards will be converted to equity-based awards.

As of March 31, 2009, there were 433,623 market condition-based restricted stock units outstanding, which were granted to employees on January 18, 2008 and cliff vest on December 31, 2010, only if the total shareholder return on the Company's Common Stock is at least 20% (compounded annually, including dividends) from the date of the award through the end of the vesting period. Total shareholder return will be based on the average NYSE closing prices for the Company's Common Stock for the 20 days prior to (a) the date of the award on January 18, 2008 (which was \$25.04) and (b) the vesting date. No dividends will be paid on these units unless and until they are vested.

The fair value of the market condition-based restricted stock units is based on the grant-date market value of the awards utilizing a Monte Carlo model to simulate a range of possible future stock prices for the Company's Common Stock. The following assumptions were used to estimate the fair value of market condition-based awards:

	Valued as of	
	January 18, 2008	March 31, 2009(1)
Risk-free interest rate	2.39%	1.07%
Expected stock price volatility	27.46%	113.13%
Expected annual dividend	—	\$ 1.00

Explanatory Note:

-
- (1) Liability-based awards granted on December 19, 2008 are re-measured at the end of each reporting period.

As of March 31, 2009, there were 3.7 million unvested service-based restricted stock units outstanding that are paid dividends as dividends are paid on shares of the Company's Common Stock and these dividends are accounted for as a reduction to retained earnings in a manner consistent with the Company's Common Stock dividends.

The Company recorded \$5.6 million and \$4.8 million of stock-based compensation expense in "General and administrative" on the Company's Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008, respectively. As of March 31, 2009, there was \$33.2 million of total unrecognized compensation cost related to non-vested restricted stock units. That cost is expected to be recognized over the remaining vesting/service period for the respective grants.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 11—Stock-Based Compensation Plans and Employee Benefits (Continued)**

401(k) Plan—The Company made gross contributions of \$0.7 million and \$0.9 million for the three months ended March 31, 2009 and 2008, respectively.

Note 12—Earnings Per Share

Pursuant to Emerging Issues Task Force 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share" ("EITF 03-6"), EPS is calculated using the two-class method. The two-class method allocates earnings among common stock and participating securities to calculate EPS when an entity's capital structure includes either two or more classes of common stock or common stock and participating securities. HPU holders are Company employees or former employees who purchased high performance common stock units under the Company's High Performance Unit (HPU) Program. The program is more fully described in the Company's annual proxy statement and in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. These HPU units have been treated as a separate class of common stock under EITF 03-6.

As discussed in Note 3, the Company adopted FSP EITF 03-6-1 on January 1, 2009. Under the standard, all unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are deemed a Participating Security and shall be included in the computation of earnings per share pursuant to the two-class method. Accordingly, the Company's unvested restricted stock units and common stock equivalents issued under its Long-Term Incentive Plans are considered participating securities and have been included in the two-class method when calculating EPS. As required, the Company adjusted all prior-period EPS data presented to conform to the provisions of this guidance.

The following table presents a reconciliation of the numerators of the basic and diluted EPS calculations for the three months ended March 31, 2009 and 2008 (in thousands, except for per share data):

	For the Three Months Ended March 31,	
	2009	2008
Income (loss) from continuing operations	\$ (99,035)	\$ 74,845
Net (income) loss attributable to noncontrolling interests	1,243	(204)
Preferred dividend requirements	(10,580)	(10,580)
Dividends paid to Participating Security holders (1)	—	(1,122)
Income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to common shareholders and HPU holders	<u>\$(108,372)</u>	<u>\$ 62,939</u>

Explanatory Note:

- (1) In accordance with Emerging Issues Task Force 07-4, "Application of the Two-Class Method under FASB Statement No. 128 to Master Limited Partnerships," ("EITF 07-4") the total dividends paid to Participating Security holders during the period have been deducted from income (loss) from continuing operations, because total dividends distributed by the Company exceeded earnings for the period.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 12—Earnings Per Share (Continued)**

	For the Three Months Ended March 31,	
	2009	2008
Earnings allocable to common shares:		
<i>Numerator for basic earnings per share:</i>		
Income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to common shareholders(1)	\$(105,537)	\$ 61,636
Income from discontinued operations	337	7,960
Gain from discontinued operations	11,314	2,013
Net income (loss) attributable to iStar Financial Inc. and allocable to common shareholders	<u>\$ (93,886)</u>	<u>\$ 71,609</u>
<i>Numerator for diluted earnings per share:</i>		
Income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to common shareholders(1)(2)	\$(105,537)	\$ 61,642
Income from discontinued operations	337	7,960
Gain from discontinued operations	11,314	2,014
Net income (loss) attributable to iStar Financial Inc. and allocable to common shareholders	<u>\$ (93,886)</u>	<u>\$ 71,616</u>
<i>Denominator (basic & diluted):</i>		
Weighted average common shares outstanding for basic earnings per common share	105,606	134,262
Add: effect of assumed shares issued under treasury stock method for stock options and restricted shares without non-forfeitable rights to dividends.	—	232
Add: effect of joint venture shares	—	349
Weighted average common shares outstanding for diluted earnings per common share	<u>105,606</u>	<u>134,843</u>
Basic earnings per common share:		
Income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to common shareholders(1)	\$ (1.00)	\$ 0.46
Income from discontinued operations	0.00	0.06
Gain from discontinued operations	0.11	0.01
Net income (loss) attributable to iStar Financial Inc. and allocable to common shareholders	<u>\$ (0.89)</u>	<u>\$ 0.53</u>
Diluted earnings per common share:		
Income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to common shareholders(1)	\$ (1.00)	\$ 0.46
Income from discontinued operations	0.00	0.06
Gain from discontinued operations	0.11	0.01
Net income (loss) attributable to iStar Financial Inc. and allocable to common shareholders	<u>\$ (0.89)</u>	<u>\$ 0.53</u>

Explanatory Notes:

- (1) Income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to common shareholders have been adjusted for net (income) loss attributable to noncontrolling interests and preferred dividend requirements. In addition, for the three months ended March 31, 2008, income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to common shareholders was adjusted for dividends paid to Participating Security holders (see preceding table).
- (2) For the three months ended March 31, 2008 includes the allocable portions of \$1 of joint venture income.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 12—Earnings Per Share (Continued)**

	For the Three Months Ended March 31,	
	2009	2008
Earnings allocable to High Performance Units:		
<i>Numerator for basic earnings per HPU share:</i>		
Income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to HPU holders(1)	\$ (2,836)	\$ 1,303
Income from discontinued operations	9	168
Gain from discontinued operations	304	43
Net income (loss) attributable to iStar Financial Inc. and allocable to HPU holders	<u>\$ (2,523)</u>	<u>\$ 1,514</u>
<i>Numerator for diluted earnings per HPU share:</i>		
Income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to HPU holders(1)(2)	\$ (2,836)	\$ 1,297
Income from discontinued operations	9	168
Gain from discontinued operations, net	304	42
Net income (loss) attributable to iStar Financial Inc. and allocable to HPU holders	<u>\$ (2,523)</u>	<u>\$ 1,507</u>
<i>Denominator (basic & diluted):</i>		
Weighted average High Performance Units outstanding for basic and diluted earnings per share	<u>15</u>	<u>15</u>
Basic earnings per HPU share:		
Income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to HPU holders(1)	\$(189.07)	\$ 86.87
Income from discontinued operations	0.60	11.20
Gain from discontinued operations	20.27	2.87
Net income (loss) attributable to iStar Financial Inc. and allocable to HPU holders	<u>\$(168.20)</u>	<u>\$ 100.94</u>
Diluted earnings per HPU share:		
Income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to HPU holders(1)	\$(189.07)	\$ 86.47
Income from discontinued operations	0.60	11.20
Gain from discontinued operations	20.27	2.80
Net income (loss) attributable to iStar Financial Inc. and allocable to HPU holders	<u>\$(168.20)</u>	<u>\$ 100.47</u>

Explanatory Notes:

-
- (1) Income (loss) from continuing operations attributable to iStar Financial Inc. and allocable to HPU holders have been adjusted for net (income) loss attributable to noncontrolling interests and preferred dividend requirements. In addition, for the three months ended March 31, 2008, income (loss) from continuing operations allocable attributable to iStar Financial Inc. and to HPU holders was adjusted for dividends paid to Participating Security holders (see preceding table).
- (2) For the three months ended March 31, 2008 includes the allocable portions of \$1 of joint venture income.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 12—Earnings Per Share (Continued)**

For the three months ended March 31, 2008, basic and diluted net income allocable to common shareholders and HPU holders per share were retroactively adjusted to reflect the adoption of FSP EITF 03-6-1. The Company reduced its diluted weighted average common shares outstanding for the reporting period, by unvested restricted stock units and common stock equivalents deemed to be Participating Securities. In addition, pursuant to EITF 07-4, as a result of dividends paid in excess of earnings during the period the Company allocated \$1.1 million of earnings from common shares and HPU shares to Participating Securities, representing dividends paid to the Participating Security holders for the three months ended March 31, 2008. This adoption, along with the adoption of FSP 14-1 (see Note 3 and 8), reduced basic and diluted net income allocable to common shareholders by (\$0.02) per share, and reduced basic and diluted net income allocable to HPU holders by (\$3.66) per share and (\$3.73) per share, respectively.

For the three months ended March 31, 2009 and 2008, the following shares were anti-dilutive (in thousands):

	For the Three Months Ended March 31,	
	2009	2008
Common stock equivalents	20	—
Joint venture shares	298	—
Stock options	529	104
Restricted stock units	10,598	490

In addition, as of March 31, 2009, the conditions for conversion related to the Company's Convertible Notes have not been met. If the conditions for conversion are met, the Company may choose to settle in cash and/or Common Stock, however, if this occurs the Company has the intent and ability to settle this debt in cash. Accordingly, there was no impact on the Company's diluted earnings per share, for any of the periods presented.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 13—Comprehensive Income (loss)**

The statement of comprehensive income (loss) attributable to iStar Financial Inc. is as follows (in thousands):

	For the Three Months Ended March 31,	
	2009	2008, As Adjusted ⁽¹⁾
Net income (loss)	\$(87,072)	\$ 85,029
Other comprehensive income:		
Reclassification of losses on available-for-sale securities into earnings upon realization	4,058	—
Reclassification of gains on cash flow hedges into earnings upon realization	(1,481)	(294)
Unrealized losses on available-for-sale securities	—	(360)
Unrealized losses on cash flow hedges	(30)	(11,278)
Unrealized losses on cumulative translation adjustment	(1,882)	—
Comprehensive income (loss)	(86,407)	73,097
Net (income) loss attributable to noncontrolling interests	1,243	(204)
Comprehensive income (loss) attributable to iStar Financial Inc.	<u>\$(85,164)</u>	<u>\$ 72,893</u>

Explanatory Note:

- (1) On January 1, 2009, the Company adopted the provisions of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement)" and SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51." Both new standards require retroactive application for prior periods presented. See Notes 3 and 8 for further details.

Accumulated other comprehensive income reflected in the Company's shareholders' equity is comprised of the following (in thousands):

	As of March 31, 2009	As of December 31, 2008
Unrealized losses on available-for-sale securities	\$ (1,225)	\$ (5,283)
Unrealized gains on cash flow hedges	7,033	8,544
Unrealized losses on cumulative translation adjustment	(3,436)	(1,554)
Accumulated other comprehensive income	<u>\$ 2,372</u>	<u>\$ 1,707</u>

During the three months ended March 31, 2009 and 2008, the Company reclassified \$0.3 million and \$0.4 million, respectively, of unrealized gains on cash flow hedges into earnings as a decrease to interest expense. The Company expects that \$1.1 million of unrealized gains on cash flow hedges will be reclassified into earnings as a decrease to interest expense over the next twelve months.

Note 14—Dividends

In order to maintain its election to qualify as a REIT, the Company must currently distribute, at a minimum, an amount equal to 90% of its taxable income and must distribute 100% of its taxable income to avoid paying corporate federal income taxes. The Company anticipates it will distribute all of its taxable

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 14—Dividends (Continued)

income to its shareholders. 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 be required to borrow to make sufficient dividend payments. The Company did not declare any Common Stock dividends for the first quarter ended March 31, 2009.

The Company declared and paid dividends aggregating \$2.0 million, \$2.8 million, \$2.0 million, \$1.5 million and \$2.3 million on its Series D, E, F, G, and I preferred stock, respectively, during the three months ended March 31, 2009. There are no dividend arrearages on any of the preferred shares currently outstanding.

Note 15—Fair Value of Financial Instruments

SFAS No. 157 defines fair value as 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. SFAS No. 157 establishes a fair value hierarchy which prioritizes the inputs into valuation techniques used to measure fair value into three levels as follows:

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;

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 as of March 31, 2009 and December 31, 2008. SFAS No. 157 requires disclosures for assets and liabilities that are measured on a recurring basis and on a nonrecurring 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. Other 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 nonrecurring basis.

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 15—Fair Value of Financial Instruments (Continued)

The following table summarizes the Company's assets and liabilities recorded at fair value on a recurring and non-recurring basis by the above categories as of March 31, 2009 and December 31, 2008 (in thousands):

	Total	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of March 31, 2009:				
Recurring basis:				
Financial Assets:				
Derivative assets	\$ 2,534	—	\$ 2,534	—
Other lending investments—available-for-sale debt securities	\$ 3,761	\$ 3,761	—	—
Marketable securities	\$ 13,135	\$ 13,135	—	—
Financial Liabilities:				
Derivative liabilities	\$ 217	—	\$ 217	—
Nonrecurring basis:				
Financial Assets:				
Impaired loans	\$1,146,667	—	—	\$1,146,667
Impaired other lending investments—held-to-maturity securities	\$ 1,639	\$ 1,639	—	—
Impaired equity method investments	\$ 879	\$ 879	—	—
Impaired cost method investments	\$ 351	—	—	\$ 351
Non-financial Assets:				
Impaired OREO	\$ 6,724	—	—	\$ 6,724
As of December 31, 2008:				
Recurring basis:				
Financial Assets:				
Derivative assets	\$ 3,872	\$ —	\$ 3,872	\$ —
Other lending investments—available-for-sale securities	\$ 10,856	\$ 10,856	\$ —	\$ —
Marketable securities	\$ 8,083	\$ 8,083	\$ —	\$ —
Financial Liabilities:				
Derivative liabilities	\$ 131	\$ —	\$ 131	\$ —
Nonrecurring basis:				
Financial Assets:				
Impaired loans	\$1,821,012	\$ —	\$ —	\$1,821,012
Impaired other lending investments—securities	\$ 10,128	\$ 10,128	\$ —	\$ —
Impaired cost method investments	\$ 3,888	\$ —	\$ —	\$ 3,888

The methods the Company used to estimate the fair values presented in the table are described more fully below for each type of asset and liability.

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 15—Fair Value of Financial Instruments (Continued)**

Derivatives—The Company uses interest rate swaps, interest rate caps and foreign currency derivatives to manage its interest rate and foreign currency risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities. To comply with the provisions of SFAS No. 157, the Company incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of March 31, 2009, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Securities—All of the Company's available-for-sale and impaired held-to-maturity debt and equity securities are actively traded in the secondary market and have been valued using quoted market prices.

Impaired loans—The Company's loans identified as being impaired under the provisions of SFAS No. 114 are collateral dependent loans and are evaluated for impairment by comparing the estimated fair value of the underlying collateral, less costs to sell, to the carrying value of each loan. Due to the nature of the individual properties collateralizing the Company's loans, the Company generally uses the income approach through internally developed valuation models to estimate the fair value of the collateral. This approach requires the Company to make significant judgments in respect to discount rates, capitalization rates and the timing and amounts of estimated future cash flows that are considered Level 3 inputs in accordance with SFAS No. 157. These cash flows include costs of completion, operating costs, and lot and unit sale prices.

Impaired OREO—The Company periodically evaluates its OREO assets to determine if events or changes in circumstances have occurred during the reporting period that may have a significant adverse effect on their fair value. Due to the nature of the individual properties in the OREO portfolio, the Company uses the income approach through internally developed valuation models to estimate the fair value of the assets. This approach requires the Company to make significant judgments in respect to discount rates, capitalization rates and the timing and amounts of estimated future cash flows that are considered Level 3 inputs in accordance with SFAS No. 157. These cash flows include costs of completion, operating costs, and lot and unit sale prices.

Equity method and cost method investments—The Company periodically evaluates its equity and cost method investments to determine if events or changes in circumstances have occurred in that period that

iStar Financial Inc.**Notes to Consolidated Financial Statements (Continued)****(unaudited)****Note 15—Fair Value of Financial Instruments (Continued)**

may have a significant adverse effect on the fair value of an investment. If an impairment indicator is present, the Company estimates the fair value of the investment using various techniques.

Note 16—Segment Reporting

The Company has determined that it has two reportable operating segments: Real Estate Lending and Corporate Tenant Leasing. The reportable segments were determined based on the management approach, which looks to the Company's internal organizational structure. These two lines of business require different support infrastructures. The Real Estate Lending segment includes all of the Company's activities related to senior and mezzanine real estate debt and senior and mezzanine corporate capital investment activities and the financing thereof. The Corporate Tenant Leasing segment includes all of the Company's activities related to the ownership and leasing of corporate facilities.

The Company evaluates performance based on the following financial measures for each segment (in thousands):

	Real Estate Lending	Corporate Tenant Leasing	Corporate/ Other(1)	Company Total
<u>Three months ended March 31, 2009</u>				
Total revenues(2)	\$ 176,869	\$ 79,010	\$ 2,511	\$ 258,390
Earnings (loss) from equity method investments	—	662	(21,162)	(20,500)
Total operating and interest expense(3)	286,626	55,403	149,273	491,302
Net operating income (loss)(4)	(109,757)	24,269	(167,924)	(253,412)
<u>Three months ended March 31, 2008</u>				
Total revenues(2)	\$ 332,856	\$ 78,250	\$ 1,218	\$ 412,324
Earnings (loss) from equity method investments	—	650	(3,248)	(2,598)
Total operating and interest expense(3)	95,431	28,669	210,781	334,881
Net operating income (loss)(4)	237,425	50,231	(212,811)	74,845
<u>As of March 31, 2009</u>				
Total long-lived assets(5)	\$10,182,944	\$3,015,009	\$ —	\$13,197,953
Total assets(6)	10,544,311	3,285,916	970,870	14,801,097
<u>As of December 31, 2008</u>				
Total long-lived assets(5)	\$10,586,644	\$3,044,811	\$ —	\$13,631,455
Total assets(6)(7)	11,037,624	3,330,907	928,217	15,296,748

Explanatory Notes:

- (1) Corporate/Other represents all corporate level items, including general and administrative expenses and any intercompany eliminations necessary to reconcile to the consolidated Company totals. This caption also includes the Company's timber operations, non-CTL related joint venture investments, strategic investments and marketable securities, which are not considered material separate segments.
- (2) Total revenue represents all revenue earned during the period from the assets in each segment. Revenue from the Real Estate Lending business primarily represents interest income and revenue from the Corporate Tenant Leasing business primarily represents operating lease income.
- (3) Total operating and interest expense primarily includes provision for loan losses for the Real Estate Lending business and operating costs on CTL assets for the Corporate Tenant Leasing business, as well as interest expense

iStar Financial Inc.

Notes to Consolidated Financial Statements (Continued)

(unaudited)

Note 16—Segment Reporting (Continued)

specifically related to each segment. Interest expense on unsecured notes, the interim financing facility, unsecured and secured revolving credit facilities and general and administrative expense are included in Corporate/Other for all periods. Depreciation and amortization of \$23.7 million and \$23.9 million for the three months ended March 31, 2009 and 2008, respectively, are included in the amounts presented above.

- (4) Net operating income represents income before gain on early extinguishment of debt, income from discontinued operations, gain from discontinued operations and gain on sale of joint venture interest.
- (5) Total long-lived assets are comprised of Loans and other lending investments, net and Corporate tenant lease assets, net for the Real Estate Lending and Corporate Tenant Leasing segments, respectively.
- (6) Intangible assets included in Corporate Tenant Leasing at March 31, 2009 and December 31, 2008 was \$56.2 million and \$58.5 million, respectively. Intangible assets included in Corporate/Other at March 31, 2009 and December 31, 2008 was \$2.4 million and \$2.7 million, respectively.
- (7) Goodwill included in Corporate Tenant Leasing at December 31, 2008 was \$4.2 million.

Note 17—Subsequent Events

Subsequent to quarter end, the Company completed a series of private offers through which \$1.01 billion aggregate principal amount of its senior unsecured notes of various series were exchanged for \$634.8 million aggregate principal amount of new second-lien senior secured notes issued by the Company and guaranteed by certain of its subsidiaries. Concurrent with the exchange offer, the Company purchased for cash \$12.5 million of the Company's outstanding senior floating rate notes due September 2009 pursuant to a cash tender offer. The transactions closed on May 8, 2009.

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 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are included with respect to, among other things, iStar Financial Inc.'s (the "Company's") current business plan, business strategy, portfolio management 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 2008 Annual Report (as defined below), 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 Financial 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 annual report on Form 10-K for the year ended December 31, 2008 (the "2008 Annual Report"). These historical financial statements may not be indicative of our future performance. We have reclassified certain items in our consolidated financial statements of prior periods to conform to our current financial statements presentation.

Introduction

iStar Financial Inc. is a publicly traded finance company focused on the commercial real estate industry. We primarily provide custom tailored financing to high-end private and corporate owners of real estate, including senior and mezzanine real estate debt, senior and mezzanine corporate capital, as well as corporate net lease financing and equity. We are taxed as a real estate investment trust, or "REIT," and seek to generate attractive risk-adjusted returns on equity to shareholders by providing innovative and value added financing solutions to our customers. We deliver customized financial products to sophisticated real estate borrowers and corporate customers who require a high level of flexibility and service. Our two primary lines of business are lending and corporate tenant leasing.

Our primary sources of revenues are interest income, which is the interest that borrowers pay on loans, and operating lease income, which is the rent that corporate customers pay to lease our CTL properties. A smaller and more variable source of revenue is other income, which consists primarily of prepayment penalties and realized gains that occur when borrowers repay their loans before the maturity date. We primarily generate income through the "spread" or "margin," which is the difference between the revenues generated from loans and leases and interest expense and the cost of CTL operations. We generally seek to match-fund our revenue generating assets with either fixed or floating rate debt of a similar maturity so that changes in interest rates or the shape of the yield curve will have a minimal impact on earnings.

Executive Overview

Financial market conditions, including the ongoing credit crisis and economic downturn, have continued to adversely affect the nation in early 2009, resulting in a negative impact on our business and

operating results during the first quarter of 2009. The market deterioration has led to a decline in commercial real estate values, and a lack of available debt financing for commercial real estate assets has limited borrowers' ability to repay or refinance their loans. The combination of these factors resulted in an increase in nonperforming assets during the first quarter. These factors and their affect on our operations have also resulted in increases in our financing costs, a continuing inability to access the unsecured debt markets, depressed prices for our Common Stock and continued suspension of quarterly Common Stock dividends.

During the first quarter of 2009, we incurred a net loss of \$85.8 million on \$258.4 million of revenue, resulting in \$(0.89) of diluted earnings (loss) per common share and \$(0.61) of adjusted diluted earnings (loss) per share. These financial results primarily resulted from a provision for loan losses of \$258.1 million and impairments of other assets of \$25.3 million, which were recognized during the quarter. The provision for loan losses was driven by an increase in nonperforming loans to \$3.93 billion, or 32.6% of Managed Loan Value (as defined below in "Risk Management"), as of March 31, 2009, from \$3.46 billion, or 27.5% of Managed Loan Value, at December 31, 2008. The increase in nonperforming loans resulted from the continued deterioration in the financial markets and weakened economic conditions impacting our borrowers, who continue to have difficulty refinancing or selling their projects in order to repay their loans in a timely manner. These losses were partially offset by the repurchase of \$286.4 million face amount of senior unsecured notes, resulting in the recognition of \$154.4 million in gains on the early extinguishment of debt. In addition, general and administrative expenses have declined 8% to \$39.4 million for the three months ended March 31, 2009 from \$42.8 million for the three months ended March 31, 2008. This was primarily achieved through reductions in head count and continued integration of our operations.

As liquidity in the capital markets has continued to be severely constrained and our repayments have become more uncertain, we have utilized asset sales and additional secured financing to supplement our liquidity. As part of this strategy we completed a new secured term loan facility and restructuring of our existing unsecured revolving credit facilities with participating members of our bank lending group during the first quarter of 2009. The new and restructured facilities also provide us with additional operating flexibility through the modification of certain financial covenants. As of March 31, 2009, we had \$1.0 billion of cash and available capacity under our credit facilities.

Key Performance Measures

We use the following metrics to measure our profitability:

- Adjusted Diluted EPS, calculated as adjusted diluted earnings allocable to common shareholders divided by diluted weighted average common shares outstanding. (See section captioned "Adjusted Earnings" for more information on this metric).
- Net Finance Margin, calculated as the rate of return on assets less the rate of cost on debt. The rate of return on assets is the sum of interest income and operating lease income, divided by the sum of the average book value of gross loans and other lending investments, corporate tenant lease assets, purchased intangibles and assets held for sale over the period. The rate of cost on debt is the sum of interest expense and operating costs for corporate tenant lease assets, divided by the average book value of gross debt obligations during the period.
- Return on Average Common Book Equity, calculated as net income allocable to common shareholders, HPU holders and Participating Security holders divided by average common book equity.
- Adjusted Return on Average Common Book Equity, calculated as adjusted basic earnings allocable to common shareholders, HPU holders and Participating Security holders divided by average common book equity.

The following table summarizes these key metrics:

	For the Three Months Ended March 31,	
	2009	2008, As Adjusted(1)
Adjusted Diluted EPS	\$ (0.61)	\$ 0.86
Net Finance Margin(2)	2.4%	4.1%
Return on Average Common Book Equity	(20.7)%	12.4%
Adjusted Return on Average Common Book Equity	(14.1)%	19.9%

Explanatory Notes:

- (1) On January 1, 2009, the Company adopted the provisions of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement)" and FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." These new standards require retroactive application for prior periods presented. See Notes 3, 8 and 12 of the Notes to the Company's Consolidated Financial Statements for further details.
- (2) For the three months ended March 31, 2009 and 2008, operating lease income used to calculate the net finance margin includes amounts from discontinued operations of \$490, and \$334, respectively. For the three months ended March 31, 2009 and 2008, operating costs—corporate tenant lease assets used to calculate the net finance margin includes amounts from discontinued operations of \$44 and \$(70), respectively.

Results of Operations for the Three Months Ended March 31, 2009 compared to the Three Months Ended March 31, 2008

	For the Three Months Ended March 31,		\$ Change	% Change
	2009 (in thousands)	2008, As Adjusted(1)		
Interest income	\$ 177,227	\$ 276,100	\$ (98,873)	(36)%
Operating lease income	78,650	78,199	451	1%
Other income	2,513	58,025	(55,512)	(96)%
Total revenue	\$ 258,390	\$ 412,324	\$ (153,934)	(37)%
Interest expense	\$ 131,165	\$ 169,779	\$ (38,614)	(23)%
Operating costs—corporate tenant lease assets	6,631	5,125	1,506	29%
Depreciation and amortization	23,692	23,901	(209)	(1)%
General and administrative	39,389	42,776	(3,387)	(8)%
Provision for loan losses	258,096	89,500	168,596	>100%
Impairment of goodwill	4,186	—	4,186	100%
Impairment of other assets	21,145	—	21,145	100%
Other expense	6,998	3,800	3,198	84%
Total costs and expenses	\$ 491,302	\$ 334,881	\$ 156,421	47%
Gain on early extinguishment of debt	\$ 154,377	\$ —	\$ 154,377	100%
Losses from equity method investments	\$ (20,500)	\$ (2,598)	\$ (17,902)	>100%
Income from discontinued operations	\$ 346	\$ 8,128	\$ (7,782)	(96)%
Gain from discontinued operations	\$ 11,617	\$ 2,056	\$ 9,561	>100%

Explanatory Note:

- (1) On January 1, 2009, the Company adopted the provisions of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement)" and SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51." Both new standards require retroactive application for prior periods presented. See Notes 3, 8 and 9 of the Notes to the Company's Consolidated Financial Statements for further details.

Revenue—The \$153.9 million decrease in total revenue during the first quarter of 2009 compared to the same period in 2008 was primarily due to lower interest income and other income. Interest income decreased primarily due to the increasing level of non-performing loans within the portfolio. In addition, interest income on our variable-rate lending investments decreased as a result of the interest rate environment, with the average one-month LIBOR rates decreasing to 0.46% in the first quarter of 2009, compared to 3.30% in the first quarter of 2008.

Other income was \$55.5 million lower during the first quarter of 2009 as compared to the same period of 2008. The decrease was primarily due to a \$44.2 million gain recognized from the redemption of a participation interest in a lending investment during the first quarter of 2008. In addition, other income from prepayment penalties was lower during the first quarter of 2009 as compared to the same period in 2008.

Costs and expenses—Total costs and expenses increased by approximately \$156.4 million primarily due to the increase in our provision for loan losses and non-cash asset impairment charges offset by decreases in interest expense and general and administrative expenses.

The \$168.6 million increase in our provision for loan losses was primarily due to additional asset-specific reserves that were required due to the increasing level of non-performing loans within the portfolio, resulting from the continued deterioration in the financial markets. The commercial real estate market has continued to experience weakened economic conditions which has negatively impacted our borrowers' ability to service their debt and refinance their loans at maturity. These changes are further described in the "Risk Management" and "Executive Overview" sections.

During the first quarter 2009, we recorded \$21.1 million of non-cash impairment charges composed of \$9.5 million for certain held-to-maturity and available-for-sale securities in our loans and other lending investments portfolio, \$5.0 million in our other investment portfolio and \$6.6 million for certain OREO assets.

In March 2009, due to the continued overall deterioration in the commercial real estate market, we determined our goodwill was impaired and recorded a non-cash impairment charge of \$4.2 million, eliminating goodwill in our corporate tenant leasing reporting unit.

Interest expense in the first quarter of 2009 decreased by 23% from the same period of 2008 primarily due to the repayment of the Company's outstanding interim financing facility and various bond maturities and debt repurchases throughout 2008 and the first quarter of 2009. In addition, lower average borrowing rates which decreased to 4.13% during the first quarter of 2009 as compared to 5.30% during the same period in 2008 contributed to the decrease in interest expense.

General and administrative expenses were reduced primarily due to lower payroll and payroll related costs, which declined 23% from the first quarter of 2008 to the same period in 2009. This was primarily the result of reductions in headcount.

Gain on early extinguishment of debt—During the first quarter of 2009, we retired \$286.4 million par value of our senior unsecured notes through open market repurchases, resulting in an aggregate net gain on early extinguishment of debt of \$154.4 million.

Losses from equity method investments—Losses from equity method investments increased \$17.9 million for the first quarter of 2009 compared to the same period of 2008 primarily due to a \$9.4 million non-cash out of period charge to recognize additional losses from an equity method investment as a result of additional depreciation expense that should have been recorded at the equity method entity in prior periods beginning in July 2007. We concluded the amount was not material to any of our previously issued financial statements, and as such recorded the charge during the three months ended March 31, 2009. Additional losses were primarily attributable to weaker market performance that affected our strategic investments during the first quarter of 2009.

Income from discontinued operations—For the three months ended March 31, 2009 and 2008, operating results for CTL and Timber Star assets sold during 2008 or 2009, are classified as discontinued operations. The decrease in income from discontinued operations is primarily due to the inclusion of more income in 2008 for CTL and TimberStar assets sold in 2008 and in 2009.

Gain from discontinued operations—We sold two CTL assets for net proceeds of \$32.4 million during the three months ended March 31, 2009 and recognized gains of approximately \$11.6 million. During the three months ended March 31, 2008, we sold two CTL assets for net proceeds of \$8.2 million and recognized gains of approximately \$2.1 million.

Adjusted Earnings

We measure our performance using adjusted earnings in addition to net income. Adjusted earnings represent net income allocable to common shareholders, HPU holders and Participating Security holders computed in accordance with GAAP, before depreciation, depletion, amortization, gain from discontinued operations, ineffectiveness on interest rate hedges, impairments of goodwill and intangible assets, extraordinary items and cumulative effect of change in accounting principle. Adjustments for joint ventures reflect our share of adjusted earnings calculated on the same basis.

We believe that adjusted earnings is a helpful measure to consider, in addition to net income, because this measure helps us to evaluate how our commercial real estate finance business is performing compared to other commercial finance companies, without the effects of certain GAAP adjustments that are not necessarily indicative of current operating performance. The most significant GAAP adjustments that we exclude in determining adjusted earnings are depreciation, depletion, amortization and impairments of goodwill and intangible assets, which are typically non-cash charges. We do not exclude non-cash impairment charges on tangible assets or provisions for loan loss reserves. As a commercial finance company that focuses on real estate lending and corporate tenant leasing, we record significant depreciation on our real estate assets, depletion on our timber assets, and amortization of deferred financing costs associated with our borrowings. Depreciation, depletion and amortization do not affect our daily operations, but they do impact financial results under GAAP. By measuring our performance using adjusted earnings and net income, we are able to evaluate how our business is performing both before and after giving effect to recurring GAAP adjustments such as depreciation, depletion and amortization (including earnings from joint venture interests on the same basis) and excluding impairments of goodwill and intangible assets and gains or losses from the sale of assets that will no longer be part of continuing operations.

Adjusted earnings is not an alternative or substitute for net income in accordance with GAAP as a measure of our performance. Rather, we believe that adjusted earnings is an additional measure that helps us analyze how our business is performing. This measure is also used to track compliance with covenants in certain of our material borrowing arrangements that have covenants based upon this measure. Adjusted earnings should not be viewed as an alternative measure of either our operating liquidity or funds available

for our cash needs or for distribution to our shareholders. In addition, we may not calculate adjusted earnings in the same manner as other companies that use a similarly titled measure.

	For the Three Months Ended March 31,	
	2009	2008, As Adjusted(1)
	(in thousands)	
Adjusted earnings:		
Net income (loss).	\$ (87,072)	\$ 85,029
Add: Depreciation, depletion and amortization	23,499	27,638
Add: Joint venture income	—	4
Add: Joint venture depreciation, depletion and amortization	10,688	8,625
Add: Amortization of deferred financing costs	5,160	9,914
Add: Impairment of goodwill	4,186	—
Less: Hedge ineffectiveness, net	—	1,491
Less: Gain from discontinued operations	(11,617)	(2,056)
Less: Preferred dividend requirement	(10,580)	(10,580)
Adjusted diluted earnings (loss) allocable to common shareholders, HPU holders and Participating Security holders(2)(3)	\$ (65,736)	\$ 120,065
Weighted average diluted common shares outstanding	105,606	134,843

Explanatory Notes:

- (1) On January 1, 2009, the Company adopted the provisions of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement)" and SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51." Both new standards require retroactive application for prior periods presented. See Notes 3, 8 and 9 of the Notes to the Company's Consolidated Financial Statements for further details.
- (2) HPU holders are Company employees who purchased high performance common stock units under the Company's High Performance Unit Program. Participating Security holders are Company employees and directors who hold unvested restricted stock units and common stock equivalents granted under the Company's Long Term Incentive Plan. For the three months ended March 31, 2009 and 2008, adjusted diluted earnings (loss) allocable to common shareholders, HPU holders and Participating Security holders includes \$(1,720) and \$2,475, respectively of adjusted earnings (loss) allocable to HPU holders.
- (3) For the three months ended March 31, 2008, amount excludes \$1,122 of dividends paid to Participating Securities.

Risk Management

Loan Credit Statistics—The table below summarizes our non-performing loans and details the reserve for loan losses associated with our loans (in thousands):

	As of March 31, 2009	As of December 31, 2008
Non-performing loans		
Carrying value	\$3,533,604	\$3,108,798
Participated portion	396,706	349,359
Managed Loan Value(1)	<u>\$3,930,310</u>	<u>\$3,458,157</u>
As a percentage of Managed Loan Value of total loans	32.6%	27.5%
Watch list loans		
Carrying value	\$1,164,463	\$1,026,446
Participated portion	121,553	238,450
Managed Loan Value	<u>\$1,286,016</u>	<u>\$1,264,896</u>
Reserve for loan losses	\$1,136,349	\$ 976,788
As a percentage of Managed Loan Value of total loans	9.4%	7.8%
As a percentage of Managed Loan Value of non-performing loans	28.9%	28.2%
Other real estate owned		
Carrying value	\$ 233,758	\$ 242,505

Explanatory Note:

- (1) Managed Loan Value of a loan is computed by adding iStar's carrying value of the loan and the participation interest sold on the Fremont CRE portfolio. The participation, receives 70% of all loan principal payments, including principal that we have funded. Therefore, we are in the first loss position and we believe that presentation of the Managed Loan Value is more relevant than a presentation of our carrying value when discussing our risk of loss on the loans in the Fremont CRE Portfolio.

Non-Performing Loans—We designate loans as non-performing at such time as: (1) management determines the borrower is incapable of, or has ceased efforts towards, curing the cause of an impairment; (2) the loan becomes 90 days delinquent; or (3) the loan has a maturity default. All non-performing loans are placed on non-accrual status and income is only recognized in certain cases upon actual cash receipt. As of March 31, 2009, we had non-performing loans with an aggregate carrying value of \$3.53 billion and an aggregate Managed Loan Value of \$3.93 billion, or 32.6% of the total Managed Loan Value of total loans. Our non-performing loans increased during the first quarter of 2009, particularly in our residential land development and condominium construction portfolios, due to the worsening economy and the continued disruption in the credit markets, which have adversely impacted the ability of many of our borrowers to service their debt and refinance our loans at maturity. Due to the continuing deterioration of the commercial real estate market, the process of estimating collateral values and reserves will continue to require significant judgment on the part of management. Management currently believes there is adequate collateral and reserves to support the book values of the loans.

Watch List Assets—We conduct a quarterly comprehensive credit review, resulting in an individual risk rating being assigned to each asset in our portfolio. This review is designed to enable management to evaluate and proactively manage asset-specific credit issues and identify credit trends on a portfolio-wide basis as an "early warning system." As of March 31, 2009, we had assets on the credit watch list, (excluding

non-performing loans), with an aggregate carrying value of \$1.16 billion and an aggregate Managed Loan Value of \$1.29 billion, or 10.7% of total managed loans.

Reserve For Loan Losses—During the three months ended March 31, 2009, the reserve for loan losses increased \$159.6 million, which was the result of \$258.1 million of provisioning for loan losses reduced by \$98.5 million of charge-offs. The reserve is increased through the provision for loan losses, which reduces income in the period recorded and is reduced through charge-offs.

The reserve for loan losses includes an asset-specific component and a formula-based component. An asset-specific reserve is established for an impaired loan when the estimated fair value of the loan's collateral less costs to sell is lower than the carrying value of the loan. As of March 31, 2009, we had \$938.5 million of asset-specific reserves compared to \$799.6 million of asset-specific reserves at December 31, 2008. The increase in asset-specific reserves during the three months ended March 31, 2009 was primarily due to the increase in non-performing loans as previously discussed. The increase was also due to additional reserves required for existing non-performing loans further impacted by the continued deterioration in the commercial real estate market.

The formula-based general reserve is derived from estimated probabilities of principal loss and loss given default severities assigned to the portfolio during our quarterly internal risk rating assessment. Probabilities of principal loss and severity factors are based on industry and/or internal experience and may be adjusted for significant factors that, based on our judgment, impact the collectability of the loans as of the balance sheet date. The general reserve was \$197.8 million as of March 31, 2009 and has increased from \$177.2 million at December 31, 2008.

Other Real Estate Owned (OREO)—During the three months ended March 31, 2009, we received titles to properties in satisfaction of senior mortgage loans with cumulative carrying values of \$117.5 million, for which those properties had served as collateral, and recorded charge-offs totaling \$47.5 million related to these loans. We recorded impairment charges totaling \$6.6 million during this same period due to changing market conditions as well as net losses on property sales. During the three months ended March 31, 2009, we sold OREO assets for net proceeds of \$73.3 million and recognized net losses of \$4.8 million which were included in "Impairment of other assets" on our Consolidated Statements of Operations.

Liquidity and Capital Resources

We require significant capital to fund our investment activities and operating expenses, including approximately \$864.1 million to fund outstanding loan commitments associated with our loan portfolio during the remainder of 2009. We expect these unfunded commitments to decline throughout the rest of the year, as most of the projects will be completed (from a construction perspective) by year end. In addition we have debt maturities totaling approximately \$0.9 million remaining in 2009.

Our capital sources in today's financing environment include repayments from our loan assets, asset sales, financings secured by our assets, additional term borrowings, borrowings under our lines of credit, cash flow from operations and potential joint ventures. Historically we have also issued unsecured corporate debt, convertible debt and preferred and common equity—however current market conditions have effectively eliminated our access to these sources of capital in the near term.

In March 2009, we obtained additional financing and consummated a restructuring of our existing unsecured revolving credit facilities by entering into new secured credit facilities (the "Secured Credit Facilities Transaction"). In connection with this transaction, we entered into a \$1.00 billion First Priority Credit Agreement which will mature in June 2012 and will be secured by a pool of collateral consisting of loan assets, corporate tenant lease assets and securities. We also entered into a \$1.70 billion Second Priority Credit Agreement maturing in June 2011 and a \$950.0 million Second Priority Credit Agreement

maturing in June 2012 with the same lenders participating in the First Priority Credit Agreement, who will have a second lien on the same collateral pool. Refer to the Unsecured/Secured Credit Agreements section below for further details on these transactions.

In addition, during the three months ended March 31, 2009 we received gross principal repayments from borrowers of approximately \$490.7 million and realized \$371.3 million in proceeds from strategic completed asset sales. We funded \$375.9 million of loan commitments during the quarter and repaid outstanding debt of \$383.4 million at maturity. We also repurchased \$286.4 million par value of senior unsecured notes during the first quarter, resulting in the recognition of \$154.4 million in gains on the early extinguishment of debt.

As of March 31, 2009, we had \$1.0 billion of cash and available capacity under our credit facilities comprised of \$513.9 million of available cash and \$500.0 million of available capacity. We actively manage our liquidity and continually work on initiatives to address both our debt covenant compliance and our liquidity needs. We expect proceeds from asset sales over the coming year to supplement loan repayments and borrowings under our credit facilities over the same period. We intend to continue to analyze additional asset sales and secured financing alternatives in order to maintain adequate liquidity for the balance of the year and position us for long-term future growth.

We believe our current liquidity plan is sufficient to meet our funding and liquidity requirements for the next twelve months. Our liquidity plan is dynamic and we expect to monitor the markets and adjust our plan as market conditions change. There is a risk that we will not be able to meet all of our funding and debt service obligations. Management's failure to successfully implement our liquidity plan could have a material adverse effect on our financial position and covenant compliance, results of operations and cash flows.

Our ability to obtain additional debt and equity financing will depend in part on our ability to comply with the financial covenants in our secured credit facilities and our publicly held debt securities, as further described in the Debt Covenants section below. In addition, any decision by our lenders and investors to provide us with additional financing will depend upon a number of other factors, such as our compliance with the terms of existing credit arrangements, our financial performance, our credit ratings, industry or market trends, the general availability of and rates applicable to financing transactions, such lenders' and investors' resources and policies concerning the terms under which they make capital commitments and the relative attractiveness of alternative investment or lending opportunities.

Subsequent to quarter end, we completed a series of private offers through which \$1.01 billion aggregate principal amount of our senior unsecured notes of various series were exchanged for \$634.8 million aggregate principal amount of new second-lien senior secured notes issued by us and guaranteed by certain of our subsidiaries. Concurrent with the exchange offer, we purchased for cash \$12.5 million of our outstanding senior floating rate notes due September 2009 pursuant to a cash tender offer. The transactions closed on May 8, 2009. We may from time to time seek to retire or repurchase additional outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise.

The following table outlines the contractual obligations related to our long-term debt agreements and operating lease obligations as of March 31, 2009. We have no other long-term liabilities that would constitute a contractual obligation.

	Principal And Interest Payments Due By Period					
	Total	Less Than 1 Year	2 – 3 Years	4 – 5 Years	6 – 10 Years	After 10 Years
	(In thousands)					
Long-Term Debt Obligations:						
Unsecured notes	\$ 5,773,437	\$ 931,850	\$ 2,025,271	\$ 2,107,129	\$ 709,187	\$ —
Convertible notes	787,750	—	—	787,750	—	—
Unsecured revolving credit facilities	737,309	—	495,533	241,776	—	—
Secured term loans	3,641,598	193,905	2,090,038	1,146,259	12,857	198,539
Secured revolving credit facility	1,166,634	202,931	603,703	360,000	—	—
Trust preferred	100,000	—	—	—	—	100,000
Total	12,206,728	1,328,686	5,214,545	4,642,914	722,044	298,539
Interest Payable(1)	1,721,913	462,967	753,775	349,700	114,856	40,615
Operating Lease Obligations						
Total(2)	\$ 14,208,316	\$ 1,812,412	\$ 6,009,720	\$ 5,030,680	\$ 931,274	\$ 424,230

Explanatory Notes:

- (1) All variable-rate debt assumes a 30-day LIBOR rate of 0.50% (the 30-day LIBOR rate at March 31, 2009).
- (2) We also have letters of credit outstanding totaling \$44.4 million, of which \$30.0 million serves as collateral on a secured revolving credit facility and \$14.4 million as additional collateral for four of our investments. See "Off-Balance Sheet Transactions" below, for a discussion of certain unfunded commitments related to our lending and CTL business.

Unsecured/Secured Credit Agreements—In March 2009, we entered into a \$1.00 billion First Priority Credit Agreement with participating members of our existing bank lending group. The First Priority Credit Agreement will mature in June 2012. Amounts available under the First Priority Credit Agreement may be drawn down over a 364-day commitment period from the date of closing in up to eight borrowings of no less than \$100 million each. Borrowings will bear interest at the rate of LIBOR plus 2.50% per year, subject to adjustment based upon our corporate credit ratings (see Ratings Triggers below) and will be secured by a pool of collateral consisting of loan assets, corporate tenant lease assets and securities. Pursuant to the agreement, collateral coverage of 1.2x or more of the principal amount of the aggregate borrowings under the First Priority Credit Agreement and the Second Priority Credit Agreements (as described below) must be maintained. As of March 31, 2009, there was \$500.0 million immediately available to draw under the First Priority Credit Agreement.

On March 13, 2009, we restructured our two then existing unsecured revolving credit facilities by entering into two Second Priority Credit Agreements, \$1.70 billion maturing in 2011 and \$950.0 million maturing in 2012, with the same lenders participating in the First Priority Credit Agreement. Such lenders' commitments under our unsecured facilities have been terminated and replaced by their commitments under the Second Priority Credit Agreements. Under these agreements, the participating lenders will have a second lien on the same collateral pool securing the First Priority Credit Agreement to secure their commitments. Borrowings will bear interest at the rate of LIBOR plus 1.50% per year, subject to adjustment based upon our corporate credit ratings (see Ratings Triggers below). As of March 31, 2009, there was approximately \$2.61 billion outstanding under the Second Priority Credit Agreements in the form of \$1.06 billion in term loans due June 2011, \$589.6 million in term loans due June 2012 and \$963.7 million in revolving loans, of which \$603.7 million will expire in June 2011 and \$360.0 million will expire in June 2012. At March 31, 2009, the total carrying value of assets pledged as collateral to secure borrowings under the First and Second Priority Credit Agreements was approximately \$4.00 billion. The First and Second Priority Credit Agreements prohibit us from issuing more than \$1.0 billion aggregate principal amount of new debt securities secured on a second priority basis by the collateral.

Concurrently with entering into the First and Second Priority Credit Agreements, we entered into amendments to our \$2.22 billion and \$1.20 billion unsecured revolving credit facilities. As of March 31, 2009, after giving effect to the amendments, outstanding balances on the unsecured credit facilities were \$495.5 million which will expire in June 2011, and \$241.8 million which will expire in June 2012. The amendments eliminated certain covenants and events of default. The unsecured revolving credit facilities may not be repaid prior to maturity while the First and Second Priority Credit Agreements remain outstanding. These facilities remain unsecured and no changes were made to the pricing terms of these facilities in connection with these amendments.

Unencumbered Assets/Unsecured Debt—The following table shows the ratio of unencumbered assets to unsecured debt at March 31, 2009 and December 31, 2008 (in thousands):

	As of March 31, 2009	As of December 31, 2008
Total Unencumbered Assets	\$9,519,492	\$13,540,138
Total Unsecured Debt(1)	\$7,398,496	\$10,612,225
Unencumbered Assets/Unsecured Debt	129%	128%

Explanatory Note:

- (1) See Note 8 of the Notes to Consolidated Financial Statements for a more detailed description of our unsecured debt.

Capital Markets Activity—During the three months ended March 31, 2009, we repurchased, through open market transactions, \$286.4 million par value of our senior unsecured notes with various maturities

ranging from January 2009 to March 2017. In connection with these repurchases, we recorded an aggregate net gain on early extinguishment of debt of approximately \$154.4 million for the three months ended March 31, 2009. We may repurchase additional debt securities that we have issued from time to time in open market transactions or privately negotiated purchases. There can be no assurance as to the timing or amount of any such repurchases or whether we will recognize gains from such repurchases.

During the three months ended March 31, 2009, we also repaid our 4.875% senior notes due January 2009 and our LIBOR + 0.55% senior notes due March 2009.

Other Financing Activity—In February 2009, we amended a secured term loan collateralized by investments in corporate debt. The term loan was extended to September 2009 and the interest rate was reset to LIBOR + 4.50% based on our corporate credit ratings. In connection with this amendment, we also repaid \$88.5 million of the outstanding principal on this loan.

As of March 31, 2009, future scheduled maturities of outstanding long-term debt obligations are as follows (in thousands):

2009 (remaining nine months)	\$ 855,686
2010	1,040,368
2011	4,059,409
2012	3,297,602
2013	1,641,232
Thereafter	1,312,431
Total principal maturities	12,206,728
Unamortized debt discounts, net	(39,189)
Total long-term debt obligations	<u>\$12,167,539</u>

Debt Covenants—Our ability to borrow under our secured credit facilities depends on maintaining compliance with various covenants, including minimum net worth levels as well as specified financial ratios, such as fixed charge coverage, unencumbered assets to unsecured indebtedness, and leverage ratios. All of these covenants are maintenance covenants and, if breached, could result in an acceleration of our facilities if a waiver or modification is not agreed upon with the requisite percentage of lenders. Our secured credit facilities also impose limitations on repayments, repurchases, refinancings and optional redemptions of our existing unsecured notes or secured exchange notes issued pursuant to our exchange offer announced on April 9, 2009, as well as limitations on repurchases of our Common Stock.

Our publicly held debt securities also contain covenants that include fixed charge coverage and unencumbered assets to unsecured indebtedness ratios. The fixed charge coverage ratio in our publicly held securities is an incurrence test. If we do not meet the fixed charge coverage ratio, our ability to incur additional indebtedness will be restricted. The unencumbered asset to unsecured indebtedness covenant is a maintenance covenant and, if breached and not cured within applicable cure periods, could result in acceleration of our publicly held debt unless a waiver or modification is agreed upon with the requisite percentage of the bondholders. Based on our unsecured credit ratings at March 31, 2009, the financial covenants in our publicly held debt securities, including the fixed charge coverage ratio and maintenance of unencumbered assets to unsecured indebtedness ratio, are operative.

Our secured credit facilities and our public debt securities contain cross-default provisions that allow the lenders and the bondholders to declare an event of default and accelerate our indebtedness to them if we fail to pay amounts due in respect of our other recourse indebtedness in excess of specified thresholds. In addition, the secured credit facilities, our unsecured credit facilities and the indentures governing our public debt securities provide that the lenders and bondholders may declare an event of default and accelerate our indebtedness to them if there is a non-payment default under our other recourse

indebtedness in excess of specified thresholds and, if the holders of the other indebtedness are permitted to accelerate, in the case of the secured credit facilities, or accelerate, in the case of our unsecured credit facilities and the bond indentures, the other recourse indebtedness.

Ratings Triggers—Our First and Second Priority Secured Credit Agreements bear interest at LIBOR-based rates plus an applicable margin which varies between the First Priority Credit Agreement and the Second Priority Credit Agreement and is determined based on our corporate credit ratings. The interest rate on borrowings under our unsecured revolving credit facilities also varies based upon our corporate credit ratings. At March 31, 2009, our credit ratings were BB from S&P, B2 from Moody's and B- from Fitch. Our ability to borrow under our secured and unsecured credit facilities is not dependent on its credit ratings. Based on our current credit ratings, downgrades in our credit ratings will have no effect on our borrowing rates under these facilities.

Hedging Activities—We have variable-rate lending assets and variable-rate debt obligations. These assets and liabilities create a natural hedge against changes in variable interest rates. This means that, as interest rates increase, we earn more on our variable-rate lending assets and pay more on our variable-rate debt obligations and, conversely, as interest rates decrease, we earn less on our variable-rate lending assets and pay less on our variable-rate debt obligations. When our variable-rate debt obligations differ significantly from our variable-rate lending assets, we utilize derivative instruments to limit the impact of changing interest rates on our net income. Our interest rate risk management policy requires that we enter into hedging transactions when it is determined, based on sensitivity models, that the impact of various increasing or decreasing interest rate scenarios could have a significant negative effect on our net interest income. We do not use derivative instruments for speculative purposes. The derivative instruments we use are typically in the form of interest rate swaps and interest rate caps. Interest rate swaps can effectively either convert variable-rate debt obligations to fixed-rate debt obligations or convert fixed-rate debt obligations into variable-rate debt obligations. Interest rate caps effectively limit the maximum interest rate payable on variable-rate debt obligations.

We also seek to match-fund our assets denominated in foreign currencies so that changes in foreign exchange rates will have a minimal impact on earnings. Foreign currency denominated assets and liabilities are presented in our financial statements in US dollars at current exchange rates each reporting period with changes related to foreign currency fluctuations flowing through earnings. For investments denominated in currencies other than British pounds, Canadian dollars and Euros, we primarily use forward contracts to hedge our exposure to foreign exchange risk.

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

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

The table below presents the fair value of our derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008 (in thousands):

Derivatives Not Designated as Hedging Instruments Under SFAS No. 133(1)	Asset Derivatives				Liability Derivatives			
	As of March 31, 2009		As of December 31, 2008		As of March 31, 2009		As of December 31, 2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate caps	Other Assets	\$ 286	Other Assets	\$ 726	Other Liabilities	\$ (54)	Other Liabilities	\$ (131)
Foreign exchange contracts	Other Assets	2,248	Other Assets	2,949	Other Liabilities	(163)	Other Liabilities	—
Fair value interest rate swap	Other Assets	—	Other Assets	197	N/A	—	N/A	—
Total		<u>\$2,534</u>		<u>\$ 3,872</u>		<u>\$(217)</u>		<u>\$(131)</u>

Explanatory Note:

(1) Pursuant to FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133").

The tables below present the effect of our derivative financial instruments on the Consolidated Statements of Operations for the three months ended March 31, 2009 (in thousands):

Derivatives Not Designated as Hedging Instruments Under SFAS No. 133	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Interest rate caps	Other income/(expense)	\$ (364)
Foreign exchange contracts	Other income/(expense)	955
Total		<u>\$ 591</u>

Foreign currency hedges—The following table presents our foreign currency derivatives outstanding as of March 31, 2009 (these derivatives outstanding as of March 31, 2009 (in thousands):

Derivative Type	Notional Amount	Notional (USD Equivalent)	Maturity	Fair Value
Sell SEK/Buy USD forward	SEK 104,529	12,571	April 2009	\$ (163)
Sell EUR/Buy USD forward	€ 14,000	18,491	June 2009	2
Buy USD/Sell INR forward	INR 521,743	10,000	November 2009	2,245

Interest rate caps—The following table represents the notional principal amounts and fair values of interest rate caps by class (in thousands):

	As of	
	March 31, 2009	December 31, 2008
Interest rate cap bought	\$ 947,862	\$ 947,862
Interest rate cap sold	(947,862)	(947,862)
Total interest rate caps	<u>\$ —</u>	<u>\$ —</u>

Off-Balance Sheet Transactions—We are not dependent on the use of any off-balance sheet financing arrangements for liquidity.

We have certain discretionary and non-discretionary unfunded commitments related to our loans, CTLs and other lending investments that we may be required to, or choose to, fund in the future. Discretionary commitments are those under which we have sole discretion with respect to future funding. Non-discretionary commitments are those that we are generally obligated to fund at the request of the borrower or upon the occurrence of events outside of our direct control. As of March 31, 2009, we had 159

loans with unfunded commitments totaling \$1.75 billion, of which \$146.9 million was discretionary and \$1.60 billion was non-discretionary. In addition, we had \$7.3 million of non-discretionary unfunded commitments related to four existing customers in the form of tenant improvements which were negotiated between us and the customers at the commencement of the leases. Further, we had 13 strategic investments with unfunded non-discretionary commitments of \$183.8 million.

Transactions with Related Parties—We have substantial investments in a non-controlling interest of Oak Hill Advisors, L.P., Oak Hill Credit Alpha MGP, OHSF GP Partners II, LLC, Oak Hill Credit Opportunities MGP, LLC, OHSF GP Partners (Investors), LLC, OHA Finance MGP, LLC, OHA Capital Solutions MGP, LLC, OHA Strategic Credit GenPar, LLC and OHA Leveraged Loan Portfolio GenPar, LLC (see Note 6 to the Company's Notes to Consolidated Financial Statements for more detail). In relation to our investment in these entities, we appointed to our Board of Directors a member that holds a substantial investment in these same nine entities. As of March 31, 2009, the carrying value in these ventures was \$173.6 million. We recorded equity in earnings from these investments of \$3.6 million for the three months ended March 31, 2009. We have also invested directly in seven funds managed by Oak Hill Advisors, L.P., which have a cumulative carrying value of \$1.8 million as of March 31, 2009.

DRIP/Stock Purchase Plans—During the three months ended March 31, 2009, we did not issue any Common Stock under the plan. During the three months ended March 31, 2008, we issued a total of approximately 25,100 shares of Common Stock under the plan resulting in net proceeds of approximately \$0.5 million. There are approximately 1.8 million shares available for issuance under the plan as of March 31, 2009.

Stock Repurchase Program—On March 13, 2009, our Board of Directors authorized the repurchase of up to \$50 million of Common Stock from time to time in open market and privately negotiated purchases, including pursuant to one or more trading plans. During the three months ended March 31, 2009, we repurchased 3.5 million shares of our outstanding Common Stock under this program for a cost of approximately \$8.7 million at an average cost of \$2.51 per share. As of March 31, 2009, we had remaining \$41.4 million available to repurchase Common Stock under this authorized stock repurchase programs. In addition, as of March 31, 2009, we had remaining \$1.0 million available to repurchase Common Stock under a program previously approved in July 2008.

Subsequent Events—Subsequent to quarter end, we completed a series of private offers through which \$1.01 billion aggregate principal amount of our senior unsecured notes of various series were exchanged for \$634.8 million aggregate principal amount of new second-lien senior secured notes issued by us and guaranteed by certain of our subsidiaries. Concurrent with the exchange offer, we purchased for cash \$12.5 million of our outstanding senior floating rate notes due September 2009 pursuant to a cash tender offer. The transactions closed on May 8, 2009.

Critical Accounting Policies

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.

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2008 in Management's Discussion and Analysis of Financial Condition. There have been no significant changes to our policies as of March 31, 2009.

Recently Issued Accounting Pronouncements—For a discussion of the impact of new accounting pronouncements on our financial condition or results of operations, see Note 3 of the Notes to Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in Quantitative and Qualitative Disclosures About Market Risk for the first three months of 2009 as compared to the disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2008. See discussion of quantitative and qualitative disclosures about market risk under Item 7a—"Quantitative and Qualitative Disclosures about Market Risk," included in our Annual Report on Form 10-K for the year ended December 31, 2008.

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 SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company has formed a disclosure committee that is responsible for considering the materiality of information and determining the disclosure obligations of the Company on a timely basis. The disclosure committee reports directly to the Company's Chief Executive Officer and Chief Financial Officer. The Chief Financial Officer is currently a member of the disclosure committee.

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. 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 Securities Exchange Act of 1934 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 during the last fiscal quarter in the Company's internal control over financial reporting 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.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Citiline Holdings, Inc., et al. v. iStar Financial, Inc., et al.

In April 2008, two putative class action complaints were filed in the United States District Court for the Southern District of New York naming the Company and certain of its current and former executive officers as defendants and alleging violations of the Securities Act of 1933, as amended. Both suits were purportedly filed on behalf of the same putative class of investors who purchased common stock in the Company's December 13, 2007 public offering (the "Company's Offering"). The two complaints were consolidated on April 30, 2008.

On November 17, 2008, Plumbers Union Local No. 12 Pension Fund and Citiline Holdings, Inc. were appointed Lead Plaintiffs to pursue the action. Plaintiffs filed a Consolidated Amended Complaint on February 2, 2009, purportedly on behalf of a putative class of investors who purchased iStar common stock between December 6, 2007 and March 6, 2008 (the "Complaint"). The Complaint named as defendants the Company, certain of its current and former executive officers, and certain investment banks who served as underwriters in the Company's Offering. The Complaint reasserted claims for alleged violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, as amended, and added claims for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended. Plaintiffs allege the defendants made certain material misstatements and omissions relating to the Company's continuing operations, including the value of the Company's loan portfolio and certain debt securities held by the Company. The Complaint seeks certification as a class action, unspecified compensatory damages plus interest and attorneys fees, and rescission of the public offering. No class has been certified and discovery has not begun. The Company and its current and former officers filed a motion to dismiss the Complaint on April 27, 2009.

The Company believes this action has no merit and intends to defend itself vigorously against it.

Lehman Commercial Paper Inc.

On February 27, 2009, Lehman Commercial Paper Inc. ("Lehman") filed a complaint with the United States Bankruptcy Court for the Southern District of New York (the "Court") seeking a declaratory judgment and injunctive relief to prevent the consummation by iStar and several lenders of a then-proposed \$1.0 billion senior secured credit facility and restructuring of the Company's then-existing unsecured revolving credit facilities. A hearing on the matter was held before the Court on March 5, 2009. By an order dated March 6, 2009, the Court denied as moot Lehman's request for injunctive relief and granted the Company's cross motion to modify the automatic stay applicable to Lehman under Section 362(a) of the United States Bankruptcy Code to permit the consummation of the transaction.

ITEM 1A. RISK FACTORS

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth the information with respect to purchases made by or on behalf of the Company of its common stock during the three months ended March 31, 2009:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plans
March 1 – March 31, 2009(1)	—	—	—	\$ 1,037,989
March 1 – March 31, 2009(2)	3,472,400	\$ 2.51	3,472,400	\$ 41,379,620

Explanatory Notes:

- (1) On July 31, 2008, the Company authorized the repurchase, from time to time, on the open market or otherwise, of up to \$50 million of its Common Stock at prevailing market prices or at negotiated prices. There is no fixed expiration date to this stock repurchase program. No repurchases were made under this stock repurchase program during the three months ended March 31, 2009.
- (2) On March 13, 2009, the Company authorized the repurchase, from time to time, on the open market or otherwise, of up to an additional \$50 million of its Common Stock at prevailing market prices or at negotiated prices, including pursuant to one or more trading plans. There is no fixed expiration date to this stock repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

- a. Exhibits

Exhibit Number	Document Description
4.1	Form of Global Note evidencing 8.0% Second-Priority Senior Secured Guaranteed Notes due March 2011 issued on May 8, 2009.
4.2	Form of Global Note evidencing 10.0% Second-Priority Senior Secured Guaranteed Notes due June 2014 issued on May 8, 2009.
4.3	Indenture dated May 8, 2009, by and between the Company, each of the Guarantors (as defined therein) and U.S. Bank National Association, as trustee.
10.1	First Priority Credit Agreement, dated as of March 13, 2009, among the Company and JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A. and Citicorp North America, Inc., as syndication agents, J.P. Morgan Securities Inc., Banc of America Securities LLC and Citigroup Global Markets Inc., as joint lead arrangers and joint bookrunners, and the bank lenders named therein (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on March 19, 2009).

Exhibit Number	Document Description
10.2	Second Priority Credit Agreement (2011 Maturities), dated as of March 13, 2009, among the Company and JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A. and Citicorp North America, Inc., as syndication agents, J.P. Morgan Securities Inc., Banc of America Securities LLC and Citigroup Global Markets Inc., as joint lead arrangers and joint bookrunners, and the bank lenders named therein (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on March 19, 2009).
10.3	Second Priority Credit Agreement (2012 Maturities), dated as of March 13, 2009, among the Company and JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A. and Citicorp North America, Inc., as syndication agents, J.P. Morgan Securities Inc., Banc of America Securities LLC and Citigroup Global Markets Inc., as joint lead arrangers and joint bookrunners, and the bank lenders named therein (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on March 19, 2009).
10.4	2006 Amendment and Commitment Transfer Agreement, dated as of March 13, 2009, among iStar Financial Inc. and Bank of America N.A., as syndication agent, JPMorgan Chase Bank, N.A., as administrative agent, and the bank lenders named therein (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed on March 19, 2009).
10.5	2007 Amendment and Commitment Transfer Agreement, dated as of March 13, 2009, among iStar Financial Inc. and Bank of America, N.A., as syndication agent, JPMorgan Chase Bank, N.A., as administrative agent, and the bank lenders named therein (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed on March 19, 2009).
31.0	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act.
32.0	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act.

SIGNATURES

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

iSTAR FINANCIAL INC.
Registrant

Date: May 8, 2009

/s/ JAY SUGARMAN

Jay Sugarman
*Chairman of the Board of Directors and
Chief
Executive Officer (Principal executive
officer)*

Date: May 8, 2009

/s/ JAMES D. BURNS

James D. Burns
*Chief Financial Officer (Principal
financial and accounting officer)*

THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

- (I) REPRESENTS THAT (A) IT (I) IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB") AND (II) IS ACQUIRING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB OR (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS SECURITY FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT,
- (II) AGREES THAT IT WILL NOT, WITHIN THE APPLICABLE TIME PERIOD REFERRED TO UNDER RULE 144(d)(1) (TAKING INTO ACCOUNT THE OTHER PROVISIONS OF RULE 144(d) UNDER THE SECURITIES ACT, IF APPLICABLE) UNDER THE SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS SECURITY, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) IN THE UNITED STATES, TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (B) OUTSIDE THE UNITED STATES, IN A TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (E) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND
- (III) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (2)(C) OR 2(D) ABOVE) A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

EACH PURCHASER OR TRANSFEREE OF THIS SECURITY OR ANY INTEREST HEREIN WILL BE DEEMED BY ITS ACQUISITION AND HOLDING OF THIS SECURITY TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT, AND NO PORTION OF THE ASSETS USED TO ACQUIRE OR HOLD THIS SECURITY OR AN INTEREST HEREIN CONSTITUTES THE ASSETS OF, AN "EMPLOYEE BENEFIT PLAN" WITHIN THE MEANING OF SECTION 3(42) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") WHICH IS SUBJECT TO TITLE I OF ERISA, A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE (COLLECTIVELY, "SIMILAR LAW"), OR ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT (EACH, A "PLAN") OR (II) THE ACQUISITION AND HOLDING OF THIS SECURITY OR ANY INTEREST HEREIN WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY OR ANY INTEREST HEREIN WITHIN THE APPLICABLE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

CUSIP 45031U BH3 (144A) / CUSIP U4500V AG0 (REG S)
ISIN US45031UBH32 (144A) / ISIN USU4500VAG06 (REG S)

8.0% Second-Priority Senior Secured Guaranteed Notes due 2011

No.

\$155,253,000

iSTAR FINANCIAL INC.

promises to pay to CEDE & Co., or registered assigns, the principal sum of \$155,253,000 on March 15, 2011.

Interest Payment Dates: March 15 and September 15

iSTAR FINANCIAL INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Financial Officer and Treasurer
Executive Vice-President, Chief

This is one of the Notes referred to
in the within-mentioned Indenture:

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: /s/ Gagendra Hiralal
Authorized Signatory

Dated: May 8, 2009

[Back of Note]
8.0% Second-Priority Senior Secured Guaranteed Notes due 2011

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. **Interest.** iStar Financial Inc., a Maryland corporation (the "Company"), promises to pay interest on the principal amount of this Note at 8.0% per annum from May 8, 2009 until Maturity. The Company will pay interest semi-annually in arrears on March 15 and September 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from May 8, 2009; provided that the first Interest Payment Date shall be September 15, 2009. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. **Method of Payment.** The Company will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the March 1 or September 1 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, if any, and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, and premium, if any, on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Company reserves the right to pay interest to Holders of Notes by check mailed to such Holders at their registered addresses or by wire transfer to Holders of at least \$5 million aggregate principal amount of Notes.

3. **Paying Agent and Registrar.** Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. **Indenture.** The Company issued the Notes under an Indenture dated as of May 8, 2009 (the "Indenture") among the Company, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code §§ 77aaa-77bbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are obligations of the Company. The Company is issuing \$155,253,000 in aggregate principal amount of 2011 Notes and \$479,548,000 in aggregate principal amount of 2014 Notes on the Issue Date and may issue Additional Notes in accordance with the terms of the Indenture.

5. **Optional Redemption.** The Notes of any series may be redeemed, in whole or in part, at the Company's option at any time prior to Maturity at a price equal to 100% of the principal amount thereof plus accrued but unpaid interest, if any (the "Redemption Price"), to, but not including, the date of the redemption (the "Redemption Date") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date).

6. **Mandatory Redemption.** Except as set forth in paragraph 7, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

7. **Repurchase at Option of Holder.** Upon the occurrence of a Change of Control Triggering Event with respect to a series of Notes, the Company will be required to offer to purchase all of the outstanding Notes of such series at a principal price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date of purchase.

8. Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than \$1,000 may be redeemed in part but only in whole multiples of \$1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the Redemption Date interest ceases to accrue on Notes or portions thereof called for redemption.

9. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in denominations of \$1,000 and integral multiples of \$1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company and the Trustee may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Company need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

10. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

11. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture, the Notes or the Guarantees may be amended or supplemented with the written consent of the Holders of at least a majority in principal amount of the Notes of all series then outstanding which are affected by such amendment voting as a single class, and any existing Default or compliance with any provision of the Indenture, the Notes or the Guarantees may be waived with the written consent of the Holders of a majority in principal amount of the Notes of all series then outstanding which are affected by such waiver voting as a single class. Without the consent of any Holder of a Note, the Indenture, the Notes or the Guarantees may be amended or supplemented: (a) to cure any ambiguity, omission, defect or inconsistency; (b) to provide for the assumption by a Surviving Entity of the obligations of the Company or the assumption by a Successor Person of the obligations of any Guarantor under the Indenture; (c) to provide for uncertificated Notes in addition to or in place of certificated Notes; provided, however, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code; (d) to add Guarantees with respect to the Notes; (e) to add to the covenants of the Company, the Guarantors or any of their Subsidiaries for the benefit of the Holders or to surrender any right or power conferred upon the Company, the Guarantors or any of their Subsidiaries; (f) to provide for a successor Trustee in accordance with the terms of the Indenture or to otherwise comply with any requirement of the Indenture; (g) to make

any change that does not materially adversely affect the rights of any Holder; (h) to comply with any requirement of the Commission in connection with qualifying or maintaining the qualification of the Indenture under the Trust Indenture Act; (i) to release a Guarantor from its obligations under its Guarantee or the Indenture, in each case in accordance with the applicable provisions of the Indenture; or (j) to conform the text of the Indenture or the Notes or the Guarantees to any provision of the "Description of the New Notes" section in the Offering Memorandum to the extent that such provision in the "Description of the New Notes" was intended to be a verbatim recitation of a provision of this Indenture, the Notes or the Guarantees.

12. Defaults and Remedies. Events of Default are set forth in the Indenture. If any Event of Default occurs with respect to a series of Notes and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes of such series may declare all the Notes of such series to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes of such series will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in writing in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Notes of a series by written notice to the Trustee may on behalf of the Holders of all of the Notes of such series waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

13. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

14. Security Documents. The obligations of the Company and the Guarantors under the Indenture, the Notes and the Guarantees are secured by a Lien on the Collateral pursuant to the Security Documents. The provisions of the Indenture and the other Security Documents are subject to the Collateral Trust and Intercreditor Agreement.

15. No Recourse Against Others. A director, officer, employee, incorporator or stockholder, of the Company, as such, shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

16. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

18. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. Additional Rights of Holders of Transfer Restricted Securities. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transfer Restricted Securities shall have all the rights set forth in the Registration Rights Agreement dated as of May 8, 2009, among the Company, the Guarantors and the parties named on the signature pages thereof (the "Registration Rights Agreement").

20. Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS NOTE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture, the Security Agreement, the Collateral Trust and Intercreditor Agreement and/or the Registration Rights Agreement. Requests may be made to:

iStar Financial Inc.
1114 Avenue of the Americas, 39th Floor
New York, NY 10036
Attention: Investor Relations

NOTATION OF GUARANTEE

For value received, each Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of May 8, 2009 (the "Indenture") among iStar Financial Inc. (the "Company"), each of the Guarantors party thereto and U.S. Bank National Association, as Trustee (the "Trustee"), (a) the due and punctual payment of the principal of, premium and Additional Interest, if any, and interest on, the Notes, whether at Maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration or otherwise. The obligations of the Guarantors to the Holders of Notes and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article IX of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

11TH AVENUE B PARTICIPATION LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

ASTAR FRR TX1 LP

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

ASTAR FRR TX1 GENPAR LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

ASTAR G1A NH1, LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

AUTOSTAR F FUNDING LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

CTL 1 MARYLAND INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

FLORIDA 2005 THEATERS LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR BLUES LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR BOWLING CENTERS I LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR BOWLING CENTERS I LP

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR BOWLING CENTERS II LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR BOWLING CENTERS II LP

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR COLUMBUS CIRCLE LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR CTL I GENPAR, INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR CTL I, L.P.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR HQ I GENPAR INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR HQ I, L.P.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR TARA HOLDINGS LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR TARA LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

MSK RESORT FINANCE LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

SFI I, LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

SFT II, INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

TRINET ESSENTIAL FACILITIES X, INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

TRINET ESSENTIAL FACILITIES XXVII,
INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____

(Insert assignee's legal name)

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: _____

Your Signature:

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 of the Indenture, check the following box:

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 of the Indenture, state the amount you elect to have purchased.

\$

Date: _____

Your Signature:

(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized signatory of Trustee or Note Custodian

THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

- (I) REPRESENTS THAT (A) IT (I) IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB") AND (II) IS ACQUIRING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB OR (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS SECURITY FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT,
- (II) AGREES THAT IT WILL NOT, WITHIN THE APPLICABLE TIME PERIOD REFERRED TO UNDER RULE 144(d)(1) (TAKING INTO ACCOUNT THE OTHER PROVISIONS OF RULE 144(d) UNDER THE SECURITIES ACT, IF APPLICABLE) UNDER THE SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS SECURITY, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) IN THE UNITED STATES, TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (B) OUTSIDE THE UNITED STATES, IN A TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (E) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND
- (III) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (2)(C) OR 2(D) ABOVE) A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

EACH PURCHASER OR TRANSFEREE OF THIS SECURITY OR ANY INTEREST HEREIN WILL BE DEEMED BY ITS ACQUISITION AND HOLDING OF THIS SECURITY TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT, AND NO PORTION OF THE ASSETS USED TO ACQUIRE OR HOLD THIS SECURITY OR AN INTEREST HEREIN CONSTITUTES THE ASSETS OF, AN "EMPLOYEE BENEFIT PLAN" WITHIN THE MEANING OF SECTION 3(42) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") WHICH IS SUBJECT TO TITLE I OF ERISA, A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE (COLLECTIVELY, "SIMILAR LAW"), OR ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT (EACH, A "PLAN") OR (II) THE ACQUISITION AND HOLDING OF THIS SECURITY OR ANY INTEREST HEREIN WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY OR ANY INTEREST HEREIN WITHIN THE APPLICABLE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

CUSIP 45031U BJ9 (144A) / CUSIP U4500V AH8 (REG S)
ISIN US45031UBJ97 (144A) / ISIN USU4500VAH88 (REG S)

10.0% Second-Priority Senior Secured Guaranteed Notes due 2014

No.

\$479,548,000

iSTAR FINANCIAL INC.

promises to pay to CEDE & Co., or registered assigns, the principal sum of \$479,548,000 on June 15, 2014.

Interest Payment Dates: June 15 and December 15

iSTAR FINANCIAL INC.

By: /s/ James D. Burns

Name: James D. Burns

Title: Executive Vice-President, Chief Financial Officer and
Treasurer

This is one of the Notes referred to
in the within-mentioned Indenture:

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: /s/ Gagendra Hiralal
Authorized Signatory

Dated: May 8, 2009

[Back of Note]

10.0% Second-Priority Senior Secured Guaranteed Notes due 2014

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. **Interest.** iStar Financial Inc., a Maryland corporation (the "Company"), promises to pay interest on the principal amount of this Note at 10.0% per annum from May 8, 2009 until Maturity. The Company will pay interest semi-annually in arrears on June 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from May 8, 2009; provided that the first Interest Payment Date shall be December 15, 2009. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. **Method of Payment.** The Company will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the June 1 or December 1 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, if any, and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, and premium, if any, on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Company reserves the right to pay interest to Holders of Notes by check mailed to such Holders at their registered addresses or by wire transfer to Holders of at least \$5 million aggregate principal amount of Notes.

3. **Paying Agent and Registrar.** Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. **Indenture.** The Company issued the Notes under an Indenture dated as of May 8, 2009 (the "Indenture") among the Company, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code §§ 77aaa-77bbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are obligations of the Company. The Company is issuing \$155,253,000 in aggregate principal amount of 2011 Notes and \$479,548,000 in aggregate principal amount of 2014 Notes on the Issue Date and may issue Additional Notes in accordance with the terms of the Indenture.

5. **Optional Redemption.** The Notes of any series may be redeemed, in whole or in part, at the Company's option at any time prior to Maturity at a price equal to 100% of the principal amount thereof plus accrued but unpaid interest, if any (the "Redemption Price"), to, but not including, the date of the redemption (the "Redemption Date") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date).

6. **Mandatory Redemption.** Except as set forth in paragraph 7, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

7. **Repurchase at Option of Holder.** Upon the occurrence of a Change of Control Triggering Event with respect to a series of Notes, the Company will be required to offer to purchase all of the outstanding Notes of such series at a principal price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date of purchase.

8. Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than \$1,000 may be redeemed in part but only in whole multiples of \$1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the Redemption Date interest ceases to accrue on Notes or portions thereof called for redemption.

9. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in denominations of \$1,000 and integral multiples of \$1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company and the Trustee may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Company need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

10. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

11. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture, the Notes or the Guarantees may be amended or supplemented with the written consent of the Holders of at least a majority in principal amount of the Notes of all series then outstanding which are affected by such amendment voting as a single class, and any existing Default or compliance with any provision of the Indenture, the Notes or the Guarantees may be waived with the written consent of the Holders of a majority in principal amount of the Notes of all series then outstanding which are affected by such waiver voting as a single class. Without the consent of any Holder of a Note, the Indenture, the Notes or the Guarantees may be amended or supplemented: (a) to cure any ambiguity, omission, defect or inconsistency; (b) to provide for the assumption by a Surviving Entity of the obligations of the Company or the assumption by a Successor Person of the obligations of any Guarantor under the Indenture; (c) to provide for uncertificated Notes in addition to or in place of certificated Notes; provided, however, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code; (d) to add Guarantees with respect to the Notes; (e) to add to the covenants of the Company, the Guarantors or any of their Subsidiaries for the benefit of the Holders or to surrender any right or power conferred upon the Company, the Guarantors or any of their Subsidiaries; (f) to provide for a successor Trustee in accordance with the terms of the Indenture or to otherwise comply with any requirement of the Indenture; (g) to make

any change that does not materially adversely affect the rights of any Holder; (h) to comply with any requirement of the Commission in connection with qualifying or maintaining the qualification of the Indenture under the Trust Indenture Act; (i) to release a Guarantor from its obligations under its Guarantee or the Indenture, in each case in accordance with the applicable provisions of the Indenture; or (j) to conform the text of the Indenture or the Notes or the Guarantees to any provision of the "Description of the New Notes" section in the Offering Memorandum to the extent that such provision in the "Description of the New Notes" was intended to be a verbatim recitation of a provision of this Indenture, the Notes or the Guarantees.

12. Defaults and Remedies. Events of Default are set forth in the Indenture. If any Event of Default occurs with respect to a series of Notes and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes of such series may declare all the Notes of such series to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes of such series will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in writing in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Notes of a series by written notice to the Trustee may on behalf of the Holders of all of the Notes of such series waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

13. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

14. Security Documents. The obligations of the Company and the Guarantors under the Indenture, the Notes and the Guarantees are secured by a Lien on the Collateral pursuant to the Security Documents. The provisions of the Indenture and the other Security Documents are subject to the Collateral Trust and Intercreditor Agreement.

15. No Recourse Against Others. A director, officer, employee, incorporator or stockholder, of the Company, as such, shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

16. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

18. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. Additional Rights of Holders of Transfer Restricted Securities. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transfer Restricted Securities shall have all the rights set forth in the Registration Rights Agreement dated as of May 8, 2009, among the Company, the Guarantors and the parties named on the signature pages thereof (the "Registration Rights Agreement").

20. Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS NOTE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture, the Security Agreement, the Collateral Trust and Intercreditor Agreement and/or the Registration Rights Agreement. Requests may be made to:

iStar Financial Inc.
1114 Avenue of the Americas, 39th Floor
New York, NY 10036
Attention: Investor Relations

NOTATION OF GUARANTEE

For value received, each Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of May 8, 2009 (the "Indenture") among iStar Financial Inc. (the "Company"), each of the Guarantors party thereto and U.S. Bank National Association, as Trustee (the "Trustee"), (a) the due and punctual payment of the principal of, premium and Additional Interest, if any, and interest on, the Notes, whether at Maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration or otherwise. The obligations of the Guarantors to the Holders of Notes and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article IX of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

11TH AVENUE B PARTICIPATION LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

ASTAR FRR TX1 LP

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

ASTAR FRR TX1 GENPAR LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

ASTAR G1A NH1, LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

AUTOSTAR F FUNDING LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

CTL 1 MARYLAND INC.

By: /s/ James D. Burns
Name: James D. Burns

Title: Executive Vice-President, Chief
Financial Officer and Treasurer

FLORIDA 2005 THEATERS LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR BLUES LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR BOWLING CENTERS I LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR BOWLING CENTERS I LP

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR BOWLING CENTERS II LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR BOWLING CENTERS II LP

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR COLUMBUS CIRCLE LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR CTL I GENPAR, INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR CTL I, L.P.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR HQ I GENPAR INC.

By: /s/ James D. Burns

Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR HQ I, L.P.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR TARA HOLDINGS LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

iSTAR TARA LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

MSK RESORT FINANCE LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

SFI I, LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

SFT II, INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

TRINET ESSENTIAL FACILITIES X, INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

TRINET ESSENTIAL FACILITIES XXVII, INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice-President, Chief
Financial Officer and Treasurer

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____
(Insert assignee's legal name)

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 of the Indenture, check the following box:

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 of the Indenture, state the amount you elect to have purchased.

\$ _____

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized signatory of Trustee or Note Custodian

iSTAR FINANCIAL INC.

AND EACH OF THE GUARANTORS FROM TIME TO TIME PARTY HERETO

8.0% SECOND-PRIORITY SENIOR SECURED GUARANTEED NOTES DUE 2011

10.0% SECOND-PRIORITY SENIOR SECURED GUARANTEED NOTES DUE 2014

INDENTURE

Dated as of May 8, 2009

U.S. BANK NATIONAL
ASSOCIATION

Trustee

CROSS-REFERENCE TABLE*

Trust Indenture Act Section	Indenture Sections
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(b)	7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.05
(b)	13.03
(c)	13.03
313(a)	7.06
(b)(2)	7.07
(c)	7.06;13.02
(d)	7.06
314(a)	4.03;13.02
(c)(1)	13.04
(c)(2)	13.04
(c)(3)	N.A.
(e)	13.05
(f)	N.A.
315(a)	7.01
(b)	7.05,13.02
(c)	7.01
(d)	7.01
(e)	6.11
316(a) (last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.07
(c)	2.13
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318(a)	13.01
(b)	N.A.
(c)	13.01

N.A. means not applicable.

* This cross-reference table is not part of the Indenture.

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INDENTURE dated as of May 8, 2009 among iStar Financial Inc., a Maryland corporation (the “Company”), each of the Guarantors (as defined herein) and U.S. Bank National Association, a national banking association, as trustee (the “Trustee”).

The Company, the Guarantors and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the Notes:

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. Definitions.

“144A Global Note(s)” means one or more Global Notes in the form of Exhibits A-1 (in the case of the 2011 Notes) and A-2 (in the case of the 2014 Notes) hereto bearing the Global Note Legend and the complete Private Placement Legend (if applicable) and deposited with or on behalf of, and registered in the name of, the Depository or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Rule 144A.

“2011 Notes” means the Initial 2011 Notes and any Additional 2011 Notes.

“2011 Second Lien Credit Facility” means the \$1,695,000,000 Second Priority Credit Agreement, dated as of March 13, 2009, by and among the Company, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent, as the same may be amended, modified, restated, extended or supplemented from time to time, whether with the same or any other parties.

“2012 Second Lien Credit Facility” means the \$950,000,000 Second Priority Credit Agreement, dated as of March 13, 2009, by and among the Company, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent, as the same may be amended, modified, restated, extended or supplemented from time to time, whether with the same or any other parties.

“2014 Notes” means the Initial 2014 Notes and any Additional 2014 Notes.

“Acquired Indebtedness” means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Subsidiary of the Company or at the time it merges or consolidates with the Company or any of its Subsidiaries or assumed in connection with the acquisition of assets from such Person and in each case whether or not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Subsidiary of the Company or such acquisition, merger or consolidation.

“Additional Interest” has the meaning given such term in the Registration Rights Agreement.

“Additional 2011 Notes” means additional 2011 Notes (other than the Initial 2011 Notes) issued under this Indenture in accordance with Sections 2.02 and 4.07, as part of the same series as the Initial 2011 Notes.

“Additional 2014 Notes” means additional 2014 Notes (other than the Initial 2014 Notes) issued under this Indenture in accordance with Sections 2.02 and 4.07, as part of the same series as the Initial 2014 Notes.

“Additional Notes” means Additional 2011 Notes and Additional 2014 Notes.

“Affiliate” with respect to any Person, means any other Person that directly or indirectly controls, is controlled by, or is under common control with, that Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting equity securities or by contract or otherwise.

“Agent” means any Registrar, co-registrar, Paying Agent or additional paying agent or Collateral Trustee.

“Agent’s Message” means a message transmitted by DTC to, and received by, the Depository and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgment from each participant in DTC tendering the Notes that such participants have received the Letter of Transmittal and agree to be bound by the terms of the Letter of Transmittal and the Company may enforce such agreement against such participants.

“Applicable Procedures” means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depository that apply to such transfer or exchange.

“Asset Acquisition” means: (1) an Investment by the Company or any Subsidiary of the Company in any other Person pursuant to which such Person shall become a Subsidiary of the Company or any Subsidiary of the Company, or shall be merged with or into the Company or any Subsidiary of the Company; or (2) the acquisition by the Company or any Subsidiary of the Company of the assets of any Person (other than a Subsidiary of the Company) that constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business.

“Asset Sale” means any direct or indirect sale, issuance, conveyance, transfer, lease (other than operating leases entered into in the ordinary course of business), assignment or other transfer for value by the Company or any Subsidiary of the Company (including any sale and leaseback transaction) to any Person other than the Company or a Wholly Owned Subsidiary of the Company of:

- (1) any Capital Stock of any Subsidiary of the Company; or
- (2) any of the Company’s or its Subsidiaries’ other property or assets other than sales of loan-related assets made in the ordinary course of the Company’s real estate lending business and other asset sales made in the ordinary course of the Company’s business.

“Bankruptcy Law” means Title 11, United States Code, as amended, or any similar United States federal or state law relating to bankruptcy, insolvency, receivership, winding-up, liquidation, reorganization or relief of debtors or any amendment to, succession to or change in any such law.

“Below Investment Grade Rating Event” means, with respect to any series of Notes, the Notes are rated below an Investment Grade Rating by each of the Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of the Change of Control (which 60-day period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies).

“Board of Directors” means, as to any Person, the board of directors of such Person or any duly authorized committee thereof.

“Board Resolution” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“Borrowing Base Value” means, as of any date of determination:

- (i) with respect to any Performing Loan Asset, the book value of such Performing Loan Asset, determined in accordance with GAAP;
- (ii) with respect to any Non-Performing Loan Asset, the book value of such Non-Performing Loan Asset after giving effect to specific reserves therefor established by the Company as reflected in its GAAP financial statements;
- (iii) with respect to the equity interests in a Collateral LLC owning any Credit Tenant Lease Assets, the undepreciated book value of such Credit Tenant Lease Assets, determined in accordance with GAAP (reflecting any impairment taken by the applicable Collateral LLC but without adding back any depreciation before the most recent such impairment);
- (iv) with respect to the equity interests in a Collateral LLC owning Other Real Estate Owned Assets, the book value of such Other Real Estate Owned Assets, determined in accordance with GAAP (reflecting any impairment taken by the applicable Collateral LLC); and
- (v) with respect to the equity interests in a Collateral LLC owning assets other than Credit Tenant Lease Assets or Other Real Estate Owned Assets, the value of such assets as determined in accordance with the foregoing clauses.

Notwithstanding anything to the contrary contained herein, there shall be no Borrowing Base Value attributable to (i) the equity interests in any Collateral SPV or (ii) any assets owned by any Collateral LLC other than any Loan Assets, Credit Tenant Lease Assets, Other Real Estate Owned Assets or interests in Venture LLCs.

“Business Day” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in The City of New York are authorized or obligated by law or executive order to close.

“Capitalized Lease Obligation” means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

“Capital Stock” means:

- (1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not

voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person; and

- (2) with respect to any Person that is not a corporation, any and all partnership, membership or other equity interests of such Person.

“Cash or Cash Equivalents” means (a) cash; (b) marketable direct obligations issued or unconditionally guaranteed by the United States government or issued by an agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year after the date of acquisition thereof; (c) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within 90 days after the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from any two of S&P, Moody’s or Fitch (or, if at any time no two of the foregoing shall be rating such obligations, then from such other nationally recognized rating services selected by the Board of Directors of the Company); (d) commercial paper (foreign and domestic) or master notes, other than commercial paper or master notes issued by the Company or any of its Affiliates, and, at the time of acquisition, having a long-term rating of at least A or the equivalent from S&P, Moody’s or Fitch and having a short-term rating of at least A-1 and P-1 from S&P and Moody’s, respectively (or, if at any time neither S&P nor Moody’s shall be rating such obligations, then the highest rating from such other nationally recognized rating services selected by the Board of Directors of the Company); (e) domestic and foreign certificates of deposit or domestic time deposits or foreign deposits or bankers’ acceptances (foreign or domestic) in Dollars that are issued by a bank (i) which has, at the time of acquisition, a long-term rating of at least A or the equivalent from S&P, Moody’s or Fitch and (ii) if a domestic bank, which is a member of the Federal Deposit Insurance Corporation; (f) overnight securities repurchase agreements, or reverse repurchase agreements secured by any of the foregoing types of securities or debt instruments; provided that the collateral supporting such repurchase agreements shall have a value not less than 101% of the principal amount of the repurchase agreement plus accrued interest; and (g) money market funds invested in investments substantially all of which consist of the items described in clauses (a) through (f) foregoing.

“Change of Control” means the occurrence of one or more of the following events:

- (1) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company to any Person or group of related Persons for purposes of Section 13(d) of the Exchange Act (a “Group”), together with any Affiliates thereof (whether or not otherwise in compliance with the provisions of this Indenture);

- (2) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company (whether or not otherwise in compliance with the provisions of this Indenture);
- (3) any Person or Group shall become the owner, directly or indirectly, beneficially or of record, of shares representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Company; or
- (4) the replacement of a majority of the Board of Directors of the Company over a two-year period from the directors who constituted the Board of Directors of the Company at the beginning of such period, and such replacement shall not have been approved by a vote of at least a majority of the Board of Directors of the

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Company then still in office who either were members of such Board of Directors at the beginning of such period or whose election as a member of such Board of Directors was previously so approved.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

“Clearstream” means Clearstream Banking, S.A. or any successor securities clearing agency.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto.

“Collateral” means all Eligible Assets of the Collateral SPVs, now owned or hereafter acquired, upon which a Lien is purported to be created by the Security Documents and, at any time after the repayment in full of all loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder, Designated Collateral Proceeds.

“Collateral LLC” means any Subsidiary, other than a Collateral SPV, of the Company that owns Loan Assets, Credit Tenant Lease Assets, Other Real Estate Owned Assets or interests in Venture LLCs, in each case, the equity interests in which are directly and wholly owned by one or more Collateral SPVs.

“Collateral Payment” means a payment or prepayment in satisfaction or settlement in respect of any portion of the Collateral resulting in the release of such portion of the Collateral upon receipt of such payment or prepayment in satisfaction or settlement pursuant to the terms of the Collateral Trust and Intercreditor Agreement.

“Collateral Proceeds” means the aggregate net cash proceeds received by the Company or any Grantor in respect of any Collateral Payments or Third Party Sales made after the repayment in full of all loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder.

“Collateral SPV” means iStar Tara Holdings LLC, iStar Tara LLC or any other special purpose entity of the Company formed to own and hold Collateral, in each case (other than with respect to iStar Tara Holdings LLC), the equity interests in which are directly and wholly owned by iStar Tara Holdings LLC or iStar Tara LLC.

“Collateral Trust and Intercreditor Agreement” means the Collateral Trust and Intercreditor Agreement dated as of March 13, 2009, between iStar Tara Holdings LLC, iStar Tara LLC, certain Subsidiaries of the Company, JPMorgan Chase Bank, N.A., as the first priority agent, the 2011 second priority agent and the 2012 second priority agent, and the Collateral Trustee, as the same may be amended, modified, restated, extended or supplemented from time to time, whether with the same or any other parties.

“Collateral Trustee” means The Bank of New York Mellon Trust Company, N.A. in its capacity as Collateral Trustee under the Security Documents, and any and all successors thereto appointed as collateral trustee under the Security Documents.

“Commission” means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

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“Common Stock” of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock, and includes, without limitation, all series and classes of such common stock.

“Company” means iStar Financial Inc. and any and all successors thereto that become a party to this Indenture in accordance with its terms.

“Consolidated EBITDA” means, with respect to any Person, for any period, the sum (without duplication) of:

- (1) Consolidated Net Income; and
- (2) to the extent Consolidated Net Income has been reduced thereby:
 - (a) all income taxes of such Person and its Subsidiaries paid or accrued in accordance with GAAP for such period (other than income taxes attributable to extraordinary gains or losses and direct impairment charges or the reversal of such charges on the Company’s assets);
 - (b) Consolidated Interest Expense; and
 - (c) depreciation, depletion and amortization;

all as determined on a consolidated basis for such Person and its Subsidiaries in accordance with GAAP.

“Consolidated Fixed Charge Coverage Ratio” means, with respect to any Person, the ratio of Consolidated EBITDA of such Person during the four full fiscal quarters (the “Four Quarter Period”) ending prior to the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio for which financial statements are available (the “Transaction Date”) to Consolidated Fixed Charges of such Person for the Four Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, “Consolidated EBITDA” and “Consolidated Fixed Charges” shall be calculated after giving effect on a pro forma basis for the period of such calculation to:

- (1) the incurrence or repayment of any Indebtedness of such Person or any of its Subsidiaries (and the application of the proceeds thereof) giving rise to the need to make such calculation and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to working capital facilities, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period; and
- (2) any asset sales or other dispositions or any asset originations, asset purchases, Investments and Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of such Person or one of its Subsidiaries (including any Person who becomes a Subsidiary as a result of the Asset Acquisition) incurring, assuming or otherwise being liable for Acquired Indebtedness and also including any Consolidated EBITDA (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Exchange Act) attributable to the assets which are

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originated or purchased, the Investments that are made and the assets that are the subject of the Asset Acquisition or asset sale or other disposition during the Four Quarter Period) occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such asset sale or other disposition or asset origination, asset purchase, Investment or Asset Acquisition (including the incurrence, assumption or liability for any such Acquired Indebtedness) occurred on the first day of the Four Quarter Period. If such Person or any of its Subsidiaries directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the incurrence of such guaranteed Indebtedness as if such Person or any Subsidiary of such Person had directly incurred or otherwise assumed such guaranteed Indebtedness.

“Consolidated Fixed Charges” means, with respect to any Person for any period, the sum, without duplication, of:

- (1) Consolidated Interest Expense; plus
- (2) the amount of all dividend payments on any series of Preferred Stock of such Person and, to the extent permitted under this Indenture, its Subsidiaries (other than dividends paid in Qualified Capital Stock) paid, accrued or scheduled to be paid or accrued during such period.

“Consolidated Interest Expense” means, with respect to any Person for any period, the sum of, without duplication:

- (1) the aggregate of the interest expense of such Person and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP, including, without limitation: (a) any amortization of debt discount; (b) the net costs under Interest Swap Obligations; (c) all capitalized interest; and (d) the interest portion of any deferred payment obligation; and
- (2) to the extent not already included in clause (1), the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries during such period, as determined on a consolidated basis in accordance with GAAP.

“Consolidated Net Income” means, with respect to any Person, for any period, the aggregate net income (or loss) of such Person and its Subsidiaries before the payment of dividends on Preferred Stock for such period on a consolidated basis, determined in accordance with GAAP; provided that there shall be excluded therefrom:

- (1) after-tax gains and losses from Asset Sales or abandonments or reserves relating thereto (including gains and losses from the sale of corporate tenant lease assets);
- (2) after-tax items classified as extraordinary gains or losses and direct impairment charges or the reversal of such charges on the Company’s assets;
- (3) the net income (but not loss) of any Subsidiary of the referent Person to the extent that the declaration of dividends or similar distributions by that Subsidiary of that income is restricted by a contract, operation of law or otherwise;

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- (4) the net income or loss of any other Person, other than a Consolidated Subsidiary of the referent Person, except:
 - (a) to the extent (in the case of net income) of cash dividends or distributions paid to the referent Person, or to a Wholly Owned Subsidiary of the referent Person (other than a Subsidiary described in clause (3) above), by such other Person; or
 - (b) that the referent Person’s share of any net income or loss of such other Person under the equity method of accounting for Affiliates shall not be excluded;
 - (5) any restoration to income of any contingency reserve of an extraordinary, nonrecurring or unusual nature;

(6) income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued, but not including revenues, expenses, gains and losses relating to real estate properties sold or held for sale, even if they were classified as attributable to discontinued operations under the provisions of SFAS No. 144); and

(7) in the case of a successor to the referent Person by consolidation or merger or as a transferee of the referent Person's assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets.

“Consolidated Subsidiary” means at any date (i) any Collateral SPV that is a direct or indirect Subsidiary of the Company, (ii) any Collateral LLC and (iii) any other Subsidiary or other entity which is consolidated with the Company in accordance with GAAP.

“Corporate Trust Office of the Trustee” shall be at the address of the Trustee specified in Section 13.02 or such other address as to which the Trustee may give notice to the Company.

“Coverage Ratio” means (1) at any time prior to the repayment in full of all loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder, the ratio of (A) the aggregate Borrowing Base Value of the Collateral in which the Collateral Trustee has a first-priority, perfected security interest (other than any Permitted Liens) to (B) the sum of (i) the aggregate principal amount of all loans and the aggregate undrawn amount of all letters of credit outstanding and unpaid letter of credit reimbursement obligations under the Secured Credit Facilities, (ii) the aggregate principal amount of Second Lien Secured Notes outstanding, and (iii) the aggregate amount of all Discounts realized by the Company prior to such time; and (2) at any time after the repayment in full of all loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder, the ratio of (A) the aggregate Borrowing Base Value of the Collateral in which the Collateral Trustee has a first-priority, perfected security interest (other than any Permitted Liens) to the aggregate principal amount of Second Lien Secured Notes outstanding; provided that for purposes of calculating the Coverage Ratio, the Company may use Borrowing Base Values as of the end of the most recently ended fiscal quarter of the Company based upon the Company's regularly prepared quarterly (in the cases of the first three quarters of a fiscal year) or annual (in the case of the fourth quarter of a fiscal year) financial information, with adjustments for (x) any payments or prepayments of principal of the Loan Assets, (y) the cash proceeds of any sales or other realizations on account of Credit Tenant Lease Assets and Other Real Estate Owned Assets included, or effectively included, in the Collateral and (z) any withdrawals from, additions to or increased fundings in respect of, the Collateral. For the purposes of this definition, any Indebtedness of the Company which refinances or otherwise

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replaces any portion of the Secured Credit Facilities, but which does not purport to be secured by a pledge of Collateral, shall not be treated as forming part of the Secured Credit Facilities.

“Credit Tenant Lease Assets” means properties substantially all of which are either (i) leased to a governmental entity, (ii) leased to a tenant (or guaranteed by a Person) with a CTL Investment Grade Rating, (iii) properties which, if unavailable to a tenant, would materially impair the continued operation of such tenant, including without limitation, headquarters facilities, distribution centers, manufacturing facilities, or pools or classes of multiple properties leased under blanket leases or (iv) any other assets that the Company has classified as a credit tenant lease consistent with past practice. In addition, “Credit Tenant Lease Assets” will be leased to such corporate users primarily on a triple net basis, but may also be leased on a double net, gross lease with expense stop, or bond-type basis.

“CTL Investment Grade Rating” means a rating for a Person's senior long-term unsecured debt of BBB- or better from S&P or of Baa3 or better from Moody's. In the event that a Person receives Credit Ratings from S&P and Moody's, and such Credit Ratings are not equivalent, the lower of such two (2) Credit Ratings shall be used to determine whether a CTL Investment Grade Rating was achieved.

“Currency Agreement” means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect the Company or any Subsidiary of the Company against fluctuations in currency values.

“Custodian” means any custodian, receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

“Dealer Managers” means Banc of America Securities LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc.

“Default” means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

“Definitive Note” means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06, in the form of Exhibits A-1 (in the case of the 2011 Notes) and A-2 (in the case of the 2014 Notes) except that such Note shall not bear the Global Note Legend and shall not have the “Schedule of Exchanges of Interests in the Global Note” attached thereto.

“Depository” means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 as the Depository with respect to the Notes, and any and all successors thereto appointed as depository hereunder and having become such pursuant to the applicable provision of this Indenture.

“Designated Collateral Proceeds” means Collateral Proceeds so identified by the Company in an Officers' Certificate delivered to the Trustee pursuant to the second paragraph of Section 4.11 hereof.

“Discount” means, with respect to any prepayment of loans outstanding under the Secured Credit Facilities or any repurchase of Second Lien Secured Notes, the excess of (x) the par principal amount of such loans prepaid or such Second Lien Secured Notes repurchased, as applicable, over (y) the discounted prepayment amount or purchase price, as applicable, with respect to such prepayment or repurchase.

“Disqualified Capital Stock” means that portion of any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a

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sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof on or prior to the final maturity date of the Notes.

“Dollars” and “\$” means the lawful money of the United States.

“Eligible Assets” means Performing Loan Assets, Non-Performing Loan Assets and the equity interests in Collateral LLCs.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

“Exchange Notes” means the 8.0% Second-Priority Senior Secured Guaranteed Notes due 2011 or 10.0% Second-Priority Senior Secured Guaranteed Notes due 2014, as the case may be, issued to Holders in exchange for (1) the Initial Notes of the applicable series pursuant to the Registration Rights Agreement and (2) the Additional Notes, if any, of the applicable series issued under Section 2.02 pursuant to a registration rights agreement substantially similar to the Registration Rights Agreement.

“Exchange Offer” means the Exchange Offer as defined in the Registration Rights Agreement.

“Exchange Offer Registration Statement” means the Exchange Offer Registration Statement as defined in the Registration Rights Agreement.

“Existing Credit Agreements” mean: (1) the First Lien Credit Facility, (2) the 2011 Second Lien Credit Facility, (3) the 2012 Second Lien Credit Facility, (4) Revolving Credit Agreement, dated as of June 26, 2007, as amended through the Issue Date, among the Company, the lenders party thereto and JPMorgan Chase Bank, as administrative agent; (5) Revolving Credit Agreement, dated as of April 19, 2004, as amended through the Issue Date, among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent; (6) the 364-Day Term Loan Agreement, dated as of March 10, 2008, as amended through the Issue Date, among the Company, iStar Corporate Collateral LLC, the several banks parties thereto, and J.P. Morgan Chase, N.A., as administrative agent; (7) the Loan Agreement, dated as of April 30, 2007, as amended through the Issue Date, between iStar CTL Finance, LLC, the lenders party thereto and General Electric Capital Corporation, as administrative agent; (8) the Loan and Security Agreement, dated February 27, 2008, as amended through the Issue Date, between AStar UAG AZ1, LLC and related entities and Wachovia Bank, National Association; (9) the Loan Agreement, dated as of March 5, 1999, as amended through the Issue Date, between RLH Partnership, L.P. and Secore Financial Corporation (or its successor in interest) and (10) the Amended and Restated Master Repurchase Agreement, dated as of January 9, 2006, as amended through the Issue Date, between Deutsche Bank AG, Cayman Islands Branch, and iStar DB Seller LLC, in each case together with the related documents thereto (including, without limitation, any security documents) and in each case as such agreements may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, including any agreement extending the maturity of, refinancing, replacing or otherwise restructuring (including increasing the amount of available borrowings thereunder (provided that such increase in borrowings is permitted by Section 4.07 and Section 4.12 hereof) or adding Subsidiaries of the Company as additional borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement or any successor or replacement agreement and whether by the same or any other agent, lender or group of lenders.

“Euroclear” means Euroclear Bank S.A./N.V., as operator of the Euroclear Clearance System or any successor securities clearing agency.

“fair market value” means, with respect to any asset or property, the price which could be negotiated in an arm’s-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair market value shall be determined by the Board of Directors of the Company acting reasonably and in good faith and shall be evidenced by a Board Resolution of the Board of Directors of the Company delivered to the Trustee.

“First Lien Credit Facility” means the \$1,000,000,000 First Priority Credit Agreement, dated as of March 13, 2009, by and among the Company, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent, as the same may be amended, modified, restated, extended or supplemented from time to time, whether with the same or any other parties.

“First Priority Secured Parties” has the meaning set forth in the Collateral Trust and Intercreditor Agreement.

“Fitch” means Fitch Investors Services, Inc. or any successor thereto.

“GAAP” means generally accepted accounting principles in the United States recognized as such in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

“Global Note Legend” means the legend set forth in Section 2.06(g)(ii) which is required to be placed on all Global Notes issued under this Indenture.

“Global Notes” means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes, in the form of Exhibits A-1 (in the case of the 2011 Notes) and A-2 (in the case of the 2014 Notes), issued in accordance with Section 2.01 or 2.06.

“Government Securities” means direct obligations of, or obligations guaranteed by, the United States of America, and for the payment of which the United States pledges its full faith and credit.

“Grantor” means each of the Collateral SPVs that is a party to the Security Agreement.

“Guarantee” means the full and unconditional guarantee of the payment of principal, interest and premium, if any, on the applicable Notes as set forth in this Indenture.

“Guarantor” means: (i) each of the Collateral SPVs and the Collateral LLCs that, in each case, is party to this Indenture and (ii) any Subsidiary that in the future executes a supplemental indenture in which such Subsidiary agrees to be bound by the terms of this Indenture as a Guarantor; provided that any Person constituting a Guarantor as described above shall cease to constitute a Guarantor when its respective Guarantee is released in accordance with the terms of this Indenture.

“Holder” means a Person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means with respect to any Person, without duplication:

- (1) all Obligations of such Person for borrowed money;

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- (2) all Obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

- (3) all Capitalized Lease Obligations of such Person;

- (4) all Obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all Obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 90 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);

- (5) all Obligations for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction;

- (6) guarantees and other contingent obligations in respect of Indebtedness referred to in clauses (1) through (5) above and clause (8) below;

- (7) all Obligations of any other Person of the type referred to in clauses (1) through (6) above which are secured by any Lien on any property or asset of such Person, the amount of such Obligation being deemed to be the lesser of the fair market value of such property or asset and the amount of the Obligation so secured;

- (8) all Obligations under Currency Agreements and Interest Swap Obligations of such Person; and

- (9) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any.

For purposes hereof, the “maximum fixed repurchase price” of any Disqualified Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Capital Stock, such fair market value shall be determined reasonably and in good faith by the Board of Directors of the issuer of such Disqualified Capital Stock.

“Indenture” means this Indenture, as amended or supplemented from time to time.

“Indirect Participant” means a Person who holds a beneficial interest in a Global Note through a Participant.

“Initial 2011 Notes” means the \$155,253,000 principal amount of 8.0% Second-Priority Senior Secured Guaranteed Notes due 2011 of the Company issued on the Issue Date.

“Initial 2014 Notes” means the \$479,548,000 principal amount of 10.0% Second-Priority Senior Secured Guaranteed Notes due 2014 of the Company issued on the Issue Date.

“Initial Notes” means Initial 2011 Notes and Initial 2014 Notes.

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“Initial Notes” means the 2011 Notes and the 2014 Notes.

“Interest Payment Date” means March 15 and September 15 of each year commencing September 15, 2009 (in the case of the 2011 Notes) and June 15 and December 15 of each year commencing December 15, 2009 (in the case of the 2014 Notes).

“Interest Period” means the period commencing on and including an Interest Payment Date and ending on and including the day immediately preceding the next succeeding Interest Payment Date, with the exception that the first Interest Period shall commence on and include May 8, 2009 and end on and include September 14, 2009 (in the case of the 2011 Notes) and the first Interest Period shall commence on and include May 8, 2009 and end on and include December 14, 2009 (in the case of the 2014 Notes).

“Interest Swap Obligations” means the obligations of any Person pursuant to any arrangement with any other Person, whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same notional amount and shall include, without limitation, interest rate swaps, caps, floors, collars and similar agreements.

“Investment” means, with respect to any Person, any direct or indirect loan or other extension of credit (including, without limitation, a guarantee), or corporate tenant lease to or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences or Indebtedness issued by, any Person. “Investment” shall exclude extensions of trade credit by the Company and any Subsidiary of the Company on commercially reasonable terms in accordance with the Company’s or its Subsidiaries’ normal trade practices, as the case may be.

“Investment Affiliate” means any joint venture or Subsidiary, whose financial results are not consolidated under GAAP with the financial results of the Company on the consolidated financial statements of the Company.

“Investment Grade Rating” means a rating equal to or higher than BBB- (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody’s and BBB- (or the equivalent) by S&P.

“Issue Date” means May 8, 2009, the date of original issuance of the Initial Notes.

“Junior Lien Secured Notes” means Secured Notes which are secured by a security interest in the Collateral that is junior to the lien in favor of the Notes.

“Legacy Pledged Collateral” means any Collateral included on the Pledged Collateral List as such list was in effect on the date of the repayment in full of all loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement, in each case that has the effect of creating a security interest in respect of such asset. For the purposes of this Indenture, the Company or any Consolidated Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

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“Listed Eligible Assets” means the Eligible Assets included on the ranked list set forth in a schedule to the Secured Credit Facilities, as such list was in effect on the date of the repayment in full of all loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder, as updated thereafter by the Company from time to time to reflect changes resulting from (i) releases, withdrawals, sales or other dispositions of Collateral included on the Pledged Collateral List and (ii) any additions relating to Legacy Pledged Collateral in accordance with Section 8.04(c) hereof.

“Loan Assets” means senior or subordinated loans that may be either fixed or variable rate, including, without limitation, first mortgages, second mortgages, mezzanine loans, repurchase agreements, participations in loans, interim facilities, corporate loans, debt securities, “B” notes and collateralized mortgage-backed securities.

“Maturity” when used with respect to the Notes means the date on which the principal of the Notes becomes due and payable as therein provided or as provided in this Indenture, whether at Stated Maturity or on a Redemption Date, and whether by declaration of acceleration, call for redemption, purchase or otherwise.

“Moody’s” means Moody’s Investors Services, Inc. or any successor thereto.

“Non-Performing Loan Assets” means any Loan Asset classified as non-performing in accordance with the Company’s internal procedures, consistent with past practice.

“Non-Recourse Indebtedness” means Indebtedness with respect to which recourse for payment is limited to (i) specific assets related to a particular Property or group of Properties encumbered by a Lien securing such Indebtedness or (ii) for all purposes other than an Event of Default specified in Section 6.01(5) hereof, any Subsidiary (provided that if a Subsidiary is a partnership, there is no recourse to the Company as a general partner of such partnership); provided that if any portion of Indebtedness is so limited, then such portion shall constitute Non-Recourse Indebtedness; provided, further, however, that personal recourse of the Company for any such Indebtedness for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities and other circumstances customarily excluded by institutional lenders from exculpation provisions and/or included in separate indemnification agreements in non-recourse financing of real estate shall not, by itself, prevent such Indebtedness from being characterized as Non-Recourse Indebtedness.

“Notes” means, collectively, the Initial Notes and the Additional Notes, if any, as amended or supplemented from time to time in accordance with the terms hereof, that are issued pursuant to this Indenture.

“Obligations” means all obligations for principal, premium, interest, penalties, fees, indemnification, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

“Offering Memorandum” means the confidential offering memorandum dated April 9, 2009.

“Officer” means, with respect to any Person, the President, Chief Executive Officer, any Vice President, Chief Operating Officer, Treasurer, Secretary or the Chief Financial Officer of such Person.

“Officers’ Certificate” means, with respect to any Person, a certificate signed by two Officers of such Person; provided, however, that every Officers’ Certificate with respect to compliance with a covenant or condition provided for in this Indenture shall include (i) a statement that the Officers making or giving such Officers’ Certificate have read such condition and any definitions or other provisions

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contained in this Indenture relating thereto and (ii) a statement as to whether, in the opinion of the signers, such conditions have been complied with.

“Opinion of Counsel” means an opinion from legal counsel who is reasonably acceptable to the Trustee that meets the requirements of Section 13.05. The counsel may be an employee of or counsel to the Company, any Subsidiary of the Company or the Trustee.

“Other Real Estate Owned Assets” means properties acquired by foreclosure or by deed-in-lieu of foreclosure in partial or total satisfaction of Non-Performing Loan Assets.

“Participant” means, with respect to the Depository, Euroclear or Clearstream, a Person who has an account with the Depository, Euroclear or Clearstream, respectively.

“Performing Loan Assets” means any Loan Assets other than Non-Performing Loan Assets.

“Permitted Indebtedness” means, without duplication, each of the following:

- (1) Indebtedness under: (a) the Notes up to a maximum aggregate principal amount of \$1.0 billion; and (b) all senior notes of the Company outstanding on the Issue Date, after giving effect to the completion of the offers contemplated by the Offering Memorandum;
- (2) Indebtedness incurred pursuant to the Existing Credit Agreements in an aggregate principal amount at any time outstanding not to exceed the maximum aggregate amount of any term loans outstanding under the Existing Credit Agreements on the Issue Date plus the maximum aggregate amount available under the revolving and delayed draw portions of the Existing Credit Agreements as in effect on the Issue Date reduced by any required permanent repayments (which are accompanied by a corresponding permanent commitment reduction) thereunder;
- (3) other Indebtedness of the Company and its Subsidiaries outstanding on the Issue Date reduced by the amount of any scheduled amortization payments or mandatory prepayments when actually paid or permanent reductions thereon;
- (4) Interest Swap Obligations of the Company covering Indebtedness of the Company or any of its Subsidiaries and Interest Swap Obligations of any Subsidiary of the Company covering Indebtedness of such Subsidiary; provided, however, that such Interest Swap Obligations are entered into to protect the Company and its Subsidiaries from fluctuations in interest rates on Indebtedness incurred in accordance with this Indenture to the extent the notional principal amount of such Interest Swap Obligation does not exceed the principal amount of the Indebtedness to which such Interest Swap Obligation relates;
- (5) Indebtedness under Currency Agreements; provided that in the case of Currency Agreements which relate to Indebtedness, such Currency Agreements do not increase the Indebtedness of the Company and its Subsidiaries outstanding other than as a result of fluctuations in foreign currency exchange rates or by reason of fees, indemnities and compensation payable thereunder;
- (6) Indebtedness of a Subsidiary of the Company to the Company or to a Wholly Owned Subsidiary of the Company for so long as such Indebtedness is held by the Company or a Wholly Owned Subsidiary of the Company;

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- (7) Indebtedness of the Company to a Wholly Owned Subsidiary of the Company for so long as such Indebtedness is held by a Wholly Owned Subsidiary of the Company, in each case subject to no Lien; provided that: (a) any Indebtedness of the Company to any Wholly Owned Subsidiary of the Company is unsecured and subordinated, pursuant to a written agreement, to the Company’s and the Guarantor’s obligations under this Indenture, the Notes and the Guarantees; and (b) if as of any date any Person other than a Wholly Owned Subsidiary of the Company owns or holds any such Indebtedness or any Person holds a Lien in respect of such Indebtedness, such date shall be deemed the incurrence of Indebtedness not constituting Permitted Indebtedness by the Company;
- (8) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within two Business Days of incurrence;
- (9) Indebtedness of the Company or any of its Subsidiaries represented by letters of credit for the account of the Company or such Subsidiary, as the case may be, in order to provide security for workers’ compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;
- (10) Refinancing Indebtedness; and
- (11) additional Indebtedness of the Company and its Subsidiaries in an aggregate principal amount not to exceed \$15.0 million at any one time outstanding (which amount may, but need not, be incurred in whole or in part under the Existing Credit Agreements).

For purposes of determining compliance with Section 4.07 hereof, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (11) above or is entitled to be incurred pursuant to the second paragraph of such covenant, the Company shall, in its sole discretion, classify (or later reclassify) such item of Indebtedness in any manner that complies with this covenant. Accrual of interest, accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Capital Stock in the form of additional shares of the same class of Disqualified Capital Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Capital Stock for purposes of Section 4.07 hereof.

“Permitted Liens” means:

- (a) Liens for Taxes, assessments or other governmental charges not yet due and payable or which are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted in accordance with the terms hereof;
- (b) statutory liens of carriers, warehousemen, mechanics, materialmen and other similar liens imposed by law, which are incurred in the ordinary course of business for sums not more than 90 days delinquent or which are being contested in good faith in accordance with the terms hereof; and

(c) easements (including reciprocal easement agreements and utility agreements), rights-of-way, zoning restrictions, other covenants, reservations, encroachments, leases, licenses or similar charges or encumbrances (whether or not recorded) and all other items listed on any Schedule B to the Company's owner's title insurance policies, except in connection with any

Indebtedness, for any of the Company's Real Property Assets, so long as the foregoing do not interfere in any material respect with the use or ordinary conduct of the business of the Company and do not diminish in any material respect the value of the Property to which such Permitted Lien is attached.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including, without limitation, a government or political subdivision or an agency or instrumentality thereof.

"Pledged Collateral List" means the ranked list of Collateral set forth in a schedule to the Secured Credit Facilities, as such list was in effect on the date of the repayment in full of all loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder, as updated thereafter by the Company from time to time to reflect changes resulting from (i) releases, withdrawals, sales or other dispositions of Collateral included on the Pledged Collateral List and (ii) the addition of Qualified Substitute Collateral.

"Pledged Collateral LLC" means a Collateral LLC, the equity interests in which constitute Collateral.

"Preferred Stock" of any Person means any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemptions or upon liquidation.

"Private Placement Legend" means the legend set forth in Section 2.06(g)(i)(A) to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

"Property" means, with respect to any Person, any real or personal property, building, facility, structure, equipment or unit, or other asset owned by such Person.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock.

"Qualified Substitute Collateral" means Collateral added to the Pledged Collateral List in the following order:

first, Eligible Assets then available to be pledged from the Listed Eligible Assets (in the order in which such assets are ranked, from highest to lowest);

second, remaining Eligible Assets other than Non-Performing Loan Assets; and

thereafter, Non-Performing Loan Assets.

"Rating Agencies" means (1) each of Fitch, Moody's and S&P; and (2) if any of Fitch, Moody's or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Company's control, a "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by the Company (as certified by a resolution of the Board of Directors of the Company) as a replacement agency for Fitch, Moody's or S&P, or all of them, as the case may be.

"Real Property Assets" means as to any Person as of any time, the real property assets (including, without limitation, interests in participating mortgages in which such Person's interest therein is characterized as equity according to GAAP) owned directly or indirectly by such Person at such time.

"Refinance" means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part. "Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Indebtedness" means any Refinancing by the Company or any Subsidiary of the Company of Indebtedness incurred in accordance with Section 4.07 and Section 4.12 hereof, in each case that does not:

(1) result in an increase in the aggregate principal amount of Indebtedness of such Person as of the date of such proposed Refinancing (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and plus the amount of reasonable expenses incurred by the Company in connection with such Refinancing); or

(2) create Indebtedness with: (a) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; or (b) a final maturity earlier than the final maturity of the Indebtedness being Refinanced; provided that (i) if such Indebtedness being Refinanced is Indebtedness of the Company, then such Refinancing Indebtedness shall be Indebtedness solely of the Company, and (ii) if such Indebtedness being Refinanced is subordinate or junior to the Notes or the Guarantees, then such Refinancing Indebtedness shall be subordinate or junior to the Notes or the Guarantees, as applicable, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

“Registration Rights Agreement” means the Registration Rights Agreement dated as of the date hereof by and among the Company, the Guarantors named therein and the Dealer Managers as the same may be amended or supplemented from time to time.

“Regulation S” means Regulation S promulgated under the Securities Act.

“Regulation S Global Note(s)” means one or more Global Notes in the form of Exhibits A-1 (in the case of the 2011 Notes) and A-2 (in the case of the 2014 Notes) hereto bearing the Global Note Legend and the complete Private Placement Legend (if applicable) and deposited with or on behalf of, and registered in the name of, the Depository or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on, Regulation S.

“Responsible Officer” means, when used with respect to the Trustee, any vice president, assistant vice president, assistant treasurer, trust officer or any other officer within the corporate trust department of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also shall mean, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge and familiarity with the particular subject.

“Restricted Definitive Note” means a Definitive Note bearing the complete Private Placement Legend.

“Restricted Global Note” means a Global Note bearing the complete Private Placement Legend.

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“Rule 144” means Rule 144 promulgated under the Securities Act.

“Rule 144A” means Rule 144A promulgated under the Securities Act.

“Rule 903” means Rule 903 promulgated under the Securities Act.

“Rule 904” means Rule 904 promulgated under the Securities Act.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. or any successor thereto.

“Second Lien Credit Facilities” means the loans, letters of credit and commitments documented under the 2011 Second Lien Credit Facility and the loans, letters of credit and commitments documented under the 2012 Second Lien Credit Facility (in each case together with the related documents thereto, including, without limitation, any security documents), in each case, as such agreements may be amended (including any amendment and restatement thereof), supplemented, or otherwise modified from time to time, including any agreement or indenture extending the maturity of, refinancing, replacing or otherwise restructuring (including increasing the amount of available borrowings thereunder or adding Subsidiaries of the Company as additional borrowers or guarantors thereunder) all or any portion of the Indebtedness under any such agreement or any successor replacement agreement and whether by the same or any other agent, lender or group of lenders.

“Second Lien Guarantee Agreements” means (i) the 2011 Second Priority Guarantee Agreement dated as of March 13, 2009 made by iStar Tara Holdings LLC, iStar Tara LLC and the other guarantors party thereto in favor of JPMorgan Chase Bank, N.A., as administrative agent, as the same may be amended, modified, restated, extended or supplemented from time to time, whether with the same or any other parties, and (ii) the 2012 Second Priority Guarantee Agreement dated as of March 13, 2009 made by iStar Tara Holdings LLC, iStar Tara LLC and the other guarantors party thereto in favor of JPMorgan Chase Bank, N.A., as administrative agent, as the same may be amended, modified, restated, extended or supplemented from time to time, whether with the same or any other parties.

“Second Lien Secured Notes” means Secured Notes which (i) are secured ratably with the Second Lien Credit Facilities (if any, or otherwise secured ratably with the Notes) by a second-priority security interest in the Collateral, subject only to the first-priority Lien granted pursuant to the Security Agreement for the benefit of the First Priority Secured Parties and (ii) at any time prior to the repayment in full of all loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder, do not exceed \$1.0 billion in aggregate principal amount outstanding at any time.

“Secured Credit Facilities” means the Second Lien Credit Facilities and the loans and commitments documented under the First Lien Credit Facility (in each case together with the related documents thereto, including, without limitation, any security documents), in each case, as such agreements may be amended (including any amendment and restatement thereof), supplemented, or otherwise modified from time to time, including any agreement or indenture extending the maturity of, refinancing, replacing or otherwise restructuring (including increasing the amount of available borrowings thereunder or adding Subsidiaries of the Company as additional borrowers or guarantors thereunder) all or any portion of the Indebtedness under any such agreement or any successor replacement agreement and whether by the same or any other agent, lender or group of lenders.

“Secured Credit Facilities Loan Documents” means (i) the “Loan Documents” as defined in the First Lien Credit Facility, (ii) the “Loan Documents” as defined in the 2011 Second Lien Credit Facility and (iii) the “Loan Documents” as defined in the 2012 Second Lien Credit Facility.

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“Secured Notes” means the Notes, whether issued on the Issue Date or on a subsequent date, any Exchange Notes and any other notes issued after the Issue Date that are secured by the Collateral, as permitted under and in accordance with this Indenture, the Security Documents and the Secured Credit Facilities.

“Secured Indebtedness” means any Indebtedness secured by a Lien upon the property of the Company or any of its Subsidiaries.

“Securities” means any stock, partnership interests, shares, shares of beneficial interest, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as “securities,” or any certificates of interest, shares, or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to,

purchase or acquire any of the foregoing, and shall include Indebtedness which would be required to be included on the liabilities side of the balance sheet of the Company in accordance with GAAP, but shall not include any Cash or Cash Equivalents or any evidence of the obligations of the Company under the Secured Credit Facilities Loan Documents.

“Securities Act” means the Securities Act of 1933, as amended, or any successor statute or statutes thereto.

“Security Agreement” means the Security Agreement dated as of March 13, 2009, by and among iStar Tara Holdings LLC, iStar Tara LLC, certain Subsidiaries of the Company and the Collateral Trustee, as the same may be amended, modified, restated, extended or supplemented from time to time, whether with the same or any other parties.

“Security Documents” means the Collateral Trust and Intercreditor Agreement, the Security Agreement, any mortgages and all of the security agreements, pledges, collateral assignments, deeds of trust or other instruments evidencing or creating or purporting to create any security interests in favor of the Collateral Trustee for its benefit and for the benefit of the Trustee and the Holders of the Notes.

“Shelf Registration Statement” means the Shelf Registration Statement as defined in the Registration Rights Agreement.

“Significant Subsidiary,” with respect to any Person, means any Subsidiary of such Person that satisfies the criteria for a “significant subsidiary” set forth in Rule 1.02(w) of Regulation S-X under the Exchange Act.

“Stated Maturity” when used with respect to any Indebtedness or any installment of interest thereon means the dates specified in such Indebtedness as the fixed date on which the principal of or premium on such Indebtedness or such installment of interest is due and payable.

“Subsidiary,” with respect to any Person, means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

“Taxes” means all U.S. federal, state, local and foreign income and gross receipts taxes.

“Third Party Sale” means the sale or other monetization (that is not a payment or prepayment) of any portion of the Collateral.

“Total Unencumbered Assets” means, as of any date, the sum of:

- (1) those Undepreciated Real Estate Assets not securing any portion of Secured Indebtedness; and
- (2) all other assets (but excluding intangibles and accounts receivable) of the Company and its Subsidiaries not securing any portion of Secured Indebtedness,

determined on a consolidated basis in accordance with GAAP.

“Transfer Restricted Securities” has the meaning given such term in the Registration Rights Agreement.

“Trustee” means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

“Trust Indenture Act” means the Trust Indenture Act of 1939, as amended.

“Undepreciated Real Estate Assets” means, as of any date, the cost (being the original cost to the Company or any of Subsidiaries plus capital improvements) of real estate assets of the Company and its Subsidiaries on such date, before depreciation and amortization of such real estate assets, determined on a consolidated basis in accordance with GAAP.

“Unrestricted Definitive Note” means one or more Definitive Notes that do not bear and are not required to bear the Private Placement Legend (except that it will be required to bear the second paragraph of the Private Placement Legend).

“Unrestricted Global Note” means a Global Note in the form of Exhibits A-1 (in the case of the 2011 Notes) and A-2 (in the case of the 2014 Notes) attached hereto that bears the Global Note Legend and that has the “Schedule of Exchanges of Interests in the Global Note” attached thereto, but that does not bear the Private Placement Legend (except that it will be required to bear the second paragraph of the Private Placement Legend), and that is deposited with or on behalf of, and registered in the name of, the Depository or its nominee.

“Unsecured Indebtedness” means any Indebtedness of the Company or any of its Subsidiaries that is not Secured Indebtedness.

“Venture LLC” means (i) an Investment Affiliate that owns Loan Assets, Credit Tenant Lease Assets and/or Other Real Estate Owned Assets and (ii) iStar Woodward LLC.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing: (1) the then outstanding aggregate principal amount of such Indebtedness by; (2) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

“Wholly Owned Subsidiary” of any Person means any Subsidiary of such Person of which all the outstanding voting securities (other than in the case of a foreign Subsidiary, directors’ qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) are owned by such Person or any Wholly Owned Subsidiary of such Person.

Section 1.02. Other Definitions.

<u>Term</u>	<u>Defined in Section</u>
“ <u>Acceleration Notice</u> ”	6.02
“ <u>Authentication Order</u> ”	2.02
“ <u>Change of Control Date</u> ”	4.10
“ <u>Change of Control Payment Date</u> ”	4.10
“ <u>Change of Control Offer</u> ”	4.10
“ <u>Change of Control Purchase Date</u> ”	4.10
“ <u>Change of Control Purchase Price</u> ”	4.10
“ <u>Covenant Defeasance</u> ”	10.03
“ <u>DTC</u> ”	2.03
“ <u>Event of Default</u> ”	6.01
“ <u>incur</u> ”	4.07
“ <u>Legal Defeasance</u> ”	10.02
“ <u>Paying Agent</u> ”	2.03
“ <u>Redemption Date</u> ”	3.07
“ <u>Redemption Price</u> ”	3.07
“ <u>Registrar</u> ”	2.03
“ <u>Successor Person</u> ”	9.04
“ <u>Surviving Entity</u> ”	5.01

Section 1.03. Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the Trust Indenture Act, the provision is incorporated by reference in and made a part of this Indenture.

All terms used in this Indenture that are defined by the Trust Indenture Act, defined by Trust Indenture Act reference to another statute or defined by Commission rule under the Trust Indenture Act have the meanings so assigned to them.

Section 1.04. Rules of Construction. Unless the context otherwise requires:

- (a) a term has the meaning assigned to it;
- (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;
- (c) “or” is not exclusive;
- (d) words in the singular include the plural, and in the plural include the singular;
- (e) provisions apply to successive events and transactions;
- (f) references to sections of or rules under the Securities Act shall be deemed to include substitute, replacement of successor sections or rules adopted by the Commission from time to time; and
- (g) all references to interest or any other amount payable on or with respect to the Notes shall be deemed to include any Additional Interest.

ARTICLE II

THE NOTES

Section 2.01. Form and Dating.

(a) General. The Notes and the Trustee’s certificate of authentication shall be substantially in the form of Exhibits A-1 (in the case of the 2011 Notes) and A-2 hereto (in the case of the 2014 Notes). The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The Notes shall be in denominations of \$1,000 and integral multiples thereof.

The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Company, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) Global Notes. Notes issued in global form shall be substantially in the form of Exhibits A-1 (in the case of the 2011 Notes) and A-2 (in the case of the 2014 Notes) attached hereto (including, in each case, the Global Note Legend thereon and the “Schedule of Exchanges of Interests in the Global Note” attached thereto). Notes issued in definitive form shall be substantially in the form of Exhibits A-1 (in the case of the 2011 Notes) and A-2 (in the case of the 2014 Notes) attached hereto (but, in each case, without the Global Note Legend thereon and without the

“Schedule of Exchanges of Interests in the Global Note” attached thereto). Each Global Note shall represent such of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with written instructions given by the Holder thereof as required by Section 2.06 hereof.

(c) Euroclear and Clearstream Procedures Applicable. The provisions of the “Operating Procedures of the Euroclear System” and “Terms and Conditions Governing Use of Euroclear” and the “General Terms and Conditions of Clearstream” and “Customer Handbook” of Cedel Bank (as adopted by Clearstream) and any alternative or additional procedures from time to time adopted by Euroclear or Clearstream shall be applicable to transfers of beneficial interests in the Regulation S Global Notes that are held by Participants through Euroclear or Clearstream.

(d) Book-Entry Provisions. Participants and Indirect Participants shall have no rights either under this Indenture or under any Global Note with respect to such Global Note held on their behalf of the custodian for the Depository, and the Company, the Guarantors, the Trustee and any agent of the Company, the Guarantors or the Trustee shall be entitled to treat the Depository as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Guarantors, the Trustee or any Agent from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Participants, the

operation of customary practices of the Depository governing the exercise of the rights of an owner of a beneficial interest in any Global Note.

Section 2.02. Execution and Authentication. One or more Officers shall sign the Notes on behalf of the Company by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee shall, upon receipt of a written order of the Company signed by one or more Officers (an “Authentication Order”), authenticate 2011 Notes for original issue on the Issue Date in aggregate principal amount not to exceed \$155,253,000 (other than as provided in Section 2.07) and 2014 Notes for original issue on the Issue Date in aggregate principal amount not to exceed \$479,548,000 (other than as provided in Section 2.07). The Trustee shall authenticate Additional Notes thereafter (so long as permitted by the terms of this Indenture) for original issue upon receipt of one or more Authentication Orders in aggregate principal amount as specified in such order (other than as provided in Section 2.07). Each such Authentication Order shall specify the amount of Notes to be authenticated, whether the Notes are to be Initial Notes, Additional Notes or Exchange Notes and whether the Notes are to be issued as Definitive Notes or Global Notes or such other information as the Trustee shall reasonably request.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Company.

Section 2.03. Registrar and Paying Agent. The Company shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange (“Registrar”) and an office or agency where Notes may be presented for payment (“Paying Agent”). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term “Registrar” includes any co-registrar and the term “Paying Agent” includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company initially appoints The Depository Trust Company (“DTC”) to act as Depository with respect to the Global Notes.

The Company initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

Section 2.04. Paying Agent To Hold Money in Trust. The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium, if any, or interest on the Notes, and will notify the Trustee in writing of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money

held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee shall serve as Paying Agent for the Notes.

Section 2.05. Holder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with Trust Indenture Act § 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in

Section 2.06. Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. A Global Note may not be transferred as a whole except by the Depository to a nominee of the Depository, by a nominee of the Depository to the Depository or to another nominee of the Depository, or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository. All Global Notes will be exchanged by the Company for Definitive Notes if (i) the Company delivers to the Trustee written notice from the Depository that it is unwilling or unable to continue to act as Depository or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depository is not appointed by the Company within 120 days after the date of such notice from the Depository, (ii) the Company in its sole discretion determines that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee or (iii) with respect to a series of Notes, there shall have occurred and be continuing a Default or Event of Default with respect to the Notes of such series and any Holder of such series so requests. Upon the occurrence of any of the preceding events above, Definitive Notes shall be issued in such names as the Depository shall instruct the Trustee in writing. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note, except for Definitive Notes issued subsequent to any of the events in (i), (ii) or (iii) above or pursuant to Section 2.06(c) hereof. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a); provided, however, that beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b), (c) or (f) hereof.

(b) Transfer and Exchange of Beneficial Interests in the Global Notes. The transfer and exchange of beneficial interests in the Global Notes shall be effected through the Depository, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(i) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in

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accordance with the transfer restrictions set forth in the complete Private Placement Legend. Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(i) above, the transferor of such beneficial interest must deliver to the Registrar either (A) (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Definitive Note of the same series in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depository to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (B)(1) above. Upon consummation of an Exchange Offer by the Company in accordance with Section 2.06(f) hereof, the requirements of this Section 2.06(b)(ii) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions from the Company as to the principal amount of Notes validly exchanged. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(h) hereof.

(iii) Transfer of Beneficial Interests to Another Restricted Global Note. A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(ii) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(iv) Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note. A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(ii) above and:

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(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of the beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Participating Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note of the same series, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note of the same series, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the complete Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer or exchange is effected pursuant to this clause (iv) at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred or exchanged pursuant to this clause (iv).

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

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(c) Transfer or Exchange of Beneficial Interests for Definitive Notes.

(i) Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes. If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note of the same series, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(F) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depository and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) (i) shall bear the complete Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(ii) Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes. A holder of a beneficial interest in a Restricted Global Note may exchange such

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beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

- (A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company;
- (B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;
- (C) such transfer is effected by a Participating Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or
- (D) the Registrar receives the following:
 - (1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Definitive Note of the same series that does not bear the complete Private Placement Legend, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or
 - (2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a Definitive Note of the same series that does not bear the complete Private Placement Legend, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the complete Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes. If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note of the same series or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(ii) hereof, the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(iii) shall be registered in such name or names and in such authorized denomination or

denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depository and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(iii) shall not bear the complete Private Placement Legend.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests.

(i) Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes. If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

- (A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note of the same series, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;
- (B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;
- (C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;
- (D) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;
- (E) if such Restricted Definitive Note is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or
- (F) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof;

the Trustee shall cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the 144A Global Note, and, in the case of clause (C) above, the Regulation S Global Note.

(ii) Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note of the same series or transfer such Restricted

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Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Participating Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(2) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the complete Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(ii), the Trustee shall cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(iii) Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note of the same series or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

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If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (ii) or (iii) above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so exchanged or transferred.

(e) Transfer and Exchange of Definitive Notes for Definitive Notes. Upon written request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(i) Restricted Definitive Notes to Restricted Definitive Notes. Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A under the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and

(ii) Restricted Definitive Notes to Unrestricted Definitive Notes. Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

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(C) any such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1) (d) thereof; or

(2) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the complete Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) Unrestricted Definitive Notes to Unrestricted Definitive Notes. A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a written request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) Exchange Offer. Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02, the Trustee shall authenticate (i) one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of the beneficial interests in the Restricted Global Notes tendered for acceptance by Persons that certify in the applicable Letters of Transmittal or through an Agent's Message through the DTC Automated Tender Offers Program that (x) they are not broker-dealers, (y) they are not participating in a distribution of the Exchange Notes and (z) they are not affiliates (as defined in Rule 144) of the Company, and accepted for exchange in the Exchange Offer and (ii) Unrestricted Definitive Notes in an aggregate principal amount equal to the principal amount of the Restricted Definitive Notes tendered for acceptance by Persons that certify in the applicable Letters of Transmittal that (x) they are not broker-dealers, (y) they are not participating in a distribution of the Exchange Notes and (z) they are not affiliates (as defined in Rule 144) of the Company, and accepted for exchange in the Exchange Offer. Concurrently with the issuance of such Notes, the Trustee shall cause the aggregate principal amount of the applicable Restricted Global Notes to be reduced accordingly, and the Company shall execute and the Trustee shall authenticate and deliver to the Persons designated by the Holders of Definitive Notes so accepted Definitive Notes in the appropriate principal amount.

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(g) Legends. The following legends shall appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(i) Private Placement Legend.

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(I) REPRESENTS THAT (A) IT (I) IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A “QIB”) AND (II) IS ACQUIRING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB OR (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS SECURITY FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT,

- (II) AGREES THAT IT WILL NOT, WITHIN THE APPLICABLE TIME PERIOD REFERRED TO UNDER RULE 144(d) (1) (TAKING INTO ACCOUNT THE OTHER PROVISIONS OF RULE 144(d) UNDER THE SECURITIES ACT, IF APPLICABLE) UNDER THE SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS SECURITY, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) IN THE UNITED STATES, TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (B) OUTSIDE THE UNITED STATES, IN A TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATIONS UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (E) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND

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- (III) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (2)(C) OR 2(D) ABOVE) A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

EACH PURCHASER OR TRANSFEREE OF THIS SECURITY OR ANY INTEREST HEREIN WILL BE DEEMED BY ITS ACQUISITION AND HOLDING OF THIS SECURITY TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT, AND NO PORTION OF THE ASSETS USED TO ACQUIRE OR HOLD THIS SECURITY OR AN INTEREST HEREIN CONSTITUTES THE ASSETS OF, AN "EMPLOYEE BENEFIT PLAN" WITHIN THE MEANING OF SECTION 3(42) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") WHICH IS SUBJECT TO TITLE I OF ERISA, A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE (COLLECTIVELY, "SIMILAR LAW"), OR ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT (EACH, A "PLAN") OR (II) THE ACQUISITION AND HOLDING OF THIS SECURITY OR ANY INTEREST HEREIN WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY OR ANY INTEREST HEREIN WITHIN THE APPLICABLE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATIONS UNDER THE SECURITIES ACT."

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(iv), (c)(ii), (c)(iii), (d)(ii), (d)(iii), (e)(ii), (e)(iii) or (f) to this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend (except that any such Global Note or Definitive Note shall bear the second paragraph of the Private Placement Legend).

- (ii) Global Note Legend. Each Global Note shall bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY

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FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY."

(h) Cancellation and/or Adjustment of Global Notes. At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note shall be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

- (i) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Global Notes and Definitive Notes upon the receipt of an Authentication Order in accordance with Section 2.02 or at the Registrar's request.

(ii) No service charge shall be made to a holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Company and the Trustee may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.07, 2.10, 3.06, 4.10 and 11.05 hereof).

(iii) The Registrar shall not be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(iv) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(v) The Company shall not be required (A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days

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before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection, (B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part or (C) to register the transfer of or to exchange a Note between a record date and the next succeeding Interest Payment Date.

(vi) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of, premium, if any, and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

(viii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile.

(j) Automatic Exchange from Restricted Global Note to Unrestricted Global Note. Subject to Section 2.06(k), on the date that is 365 days after (i) in the case of the Initial Notes, the Issue Date or (ii) in the case of any Additional Notes, the date any such Additional Notes were issued, beneficial interests in a Restricted Global Note shall be exchanged for beneficial interests in an Unrestricted Global Note. In order to effect such exchange, the Company shall provide written notice to the Trustee instructing the Trustee to (i) direct the Depositary to transfer the specified amount of the outstanding beneficial interests in a particular Restricted Global Note to an Unrestricted Global Note and provide the Depositary with all such information as is necessary for the Depositary to appropriately credit and debit the relevant Holder accounts and (ii) provide prior written notice to all Holders of such exchange, which notice must include the date such exchange is proposed to occur, the CUSIP number of the relevant Restricted Global Note and the CUSIP number of the Unrestricted Global Note into which such Holders' beneficial interests will be exchanged. As a condition to any such exchange pursuant to this Section 2.06(j), the Trustee shall be entitled to receive from the Company, and rely upon conclusively without any liability, an Officers' Certificate and an Opinion of Counsel to the Company, in form and in substance reasonably satisfactory to the Trustee, to the effect that such transfer of beneficial interests to the Unrestricted Global Note shall be effected in compliance with the Securities Act. The Company may request from Holders such information it reasonably determines is required in order to be able to deliver such Officers' Certificate and Opinion of Counsel. Upon such exchange of beneficial interests pursuant to this Section 2.06(j), the Registrar shall reflect on its books and records the date of such transfer and a decrease and increase, respectively, in the principal amount of the applicable Restricted Global Note and the Unrestricted Global Note, respectively, equal to the principal amount of beneficial interests transferred. Following any such transfer pursuant to this Section 2.06(j) of all of the beneficial interests in a Restricted Global Note, such Restricted Global Note shall be cancelled.

(k) Transfers of Securities Held by Affiliates. Notwithstanding anything to the contrary in this Section 2.06, any certificate (i) evidencing a Note that has been transferred to an affiliate (as defined in Rule 405 of the Securities Act) of the Company, as evidenced by a notation on the certificate of transfer or certificate of exchange for such transfer or in the representation letter delivered in respect thereof, or (ii) evidencing a Note that has been acquired from an

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affiliate (other than by an affiliate) in a transaction or a chain of transactions not involving any public offering, as evidenced by a notation on the certificate of transfer or certificate of exchange for such transfer or in the representation letter delivered in respect thereof, shall, until one year after the last date on which either the Company or any affiliate of the Company was an owner of such Note, in each case, be in the form of a permanent Definitive Note and bear the complete Private Placement Legend subject to the restrictions in this Section 2.06. The Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Section 2.06(k). The Company, at its sole cost and expense, shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable advance written notice to the Trustee.

Section 2.07. Replacement Notes. If any mutilated Note is surrendered to the Trustee or the Company and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company shall issue and the Trustee, upon receipt of an Authentication Order, shall authenticate a replacement Note if the Trustee's requirements are met. An indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee

and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company may charge for its expenses in replacing a Note.

Every replacement Note is an additional obligation of the Company and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.08. Outstanding Notes. The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a Redemption Date or at Maturity, money sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

Section 2.09. Treasury Notes. In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent pursuant to Sections 6.02, 6.04 or 11.02 or otherwise, Notes owned by the Company or any Guarantor, or by any Affiliate of the Company or any Guarantor, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded.

Section 2.10. Temporary Notes. Until certificates representing Notes are ready for delivery, the Company may prepare and the Trustee, upon receipt of an Authentication Order, shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of certificated Notes but may have variations that the Company considers appropriate for temporary Notes and as shall be reasonably

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acceptable to the Trustee. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Notes in exchange for temporary Notes.

Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

Section 2.11. Cancellation. The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy canceled Notes (subject to the record retention requirement of the Exchange Act). The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

Section 2.12. Defaulted Interest. If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company shall fix or cause to be fixed each such special record date and payment date; provided that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

Section 2.13. Record Date. The Company may set a record date for purposes of determining the identity of Holders entitled to vote or to consent to any action by vote or consent authorized or permitted by Sections 6.04 and 6.05.

Section 2.14. CUSIP Numbers. The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use CUSIP numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or the omission of such numbers. The Company will promptly notify the Trustee in writing of any change in the CUSIP numbers.

ARTICLE III

REDEMPTION

Section 3.01. Notices to Trustee. If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it shall furnish to the Trustee, at least 30 days but not more than 60 days before a Redemption Date, an Officers' Certificate setting forth (i) the paragraph of the Notes and/or the Section of this Indenture pursuant to which the redemption shall occur, (ii) the Redemption Date, (iii) the principal amount of each series of Notes to be redeemed, (iv) the Redemption Price and (v) the CUSIP numbers of each series of the Notes to be redeemed.

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Section 3.02. Selection of Notes to Be Redeemed. In the event that the Company chooses to redeem less than all of the Notes of a series, selection of the Notes of such series for redemption will be made by the Trustee on a pro rata basis.

No Notes of a principal amount of \$1,000 or less shall be redeemed in part.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Notes and portions of Notes selected shall be in amounts of \$1,000 or whole multiples of \$1,000; except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder, even if not a multiple of \$1,000, shall be redeemed. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

Section 3.03. Notice of Redemption. At least 30 days but not more than 60 days before a Redemption Date, the Company shall mail or cause to be mailed, by first class mail (at its own expense), a notice of redemption to each Holder whose Notes are to be redeemed at its registered address or otherwise in accordance with the procedures of DTC.

The notice shall identify the Notes to be redeemed, including the CUSIP numbers, and shall state:

- (a) the Redemption Date;
- (b) the Redemption Price;
- (c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Note;
- (d) the name and address of the Paying Agent;
- (e) that Notes called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;
- (f) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the Redemption Date;
- (g) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and
- (h) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's written request, the Trustee shall give the notice of redemption in the Company's name and at its expense; provided, however, that the Company shall have provided to the Trustee, at least 45 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee), the information required by clauses (a) through (d) above.

Section 3.04. Effect of Notice of Redemption. Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on

the Redemption Date at the Redemption Price. The notice, if mailed in a manner herein provided, shall be conclusively presumed to have been given, whether or not the Holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the Holder of any Note designated for redemption in whole or in part shall not affect the validity of the proceedings for the redemption of any other Note. A notice of redemption may not be conditional.

Section 3.05. Deposit of Redemption Price. One Business Day prior to the Redemption Date, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the Redemption Price of all Notes to be redeemed on that date and any amounts owed the Trustee. The Trustee or the Paying Agent shall promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the Redemption Price of all Notes to be redeemed and any amounts owed the Trustee.

If the Company complies with the provisions of the preceding paragraph, on and after the Redemption Date, interest shall cease to accrue on the Notes or the portions of Notes called for redemption. If a Note is redeemed on or after an interest record date but on or prior to the related Interest Payment Date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the Redemption Date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

Section 3.06. Notes Redeemed in Part. Upon surrender of a Note that is redeemed in part, the Company shall issue and, upon receipt of an Authentication Order, the Trustee shall authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

Section 3.07. Optional Redemption. The Notes of any series may be redeemed, in whole or in part, at the Company's option at any time prior to Maturity of the Notes of such series at a price equal to 100% of the principal amount thereof plus accrued but unpaid interest, if any (the "Redemption Price"), to, but not including, the date of the redemption (the "Redemption Date") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date).

Other than as specifically provided in this Section 3.07, any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

Section 3.08. Mandatory Redemption. Except as set forth in Section 4.10 hereof, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes prior to Maturity.

ARTICLE IV

COVENANTS

Section 4.01. Payment of Notes. The Company shall pay or cause to be paid the principal of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary, holds as of 10:00 a.m., New York City Time, on the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due.

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The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to the then applicable interest rate on the Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the same rate to the extent lawful.

Section 4.02. Maintenance of Office or Agency. The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency (which may be an office of the Trustee or an Affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03.

Section 4.03. Reports to Holders. Whether or not required by the rules and regulations of the Commission, so long as any Notes are outstanding, the Company shall furnish the Holders of Notes:

(1) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" that describes the financial condition and results of operations of the Company and its consolidated Subsidiaries (showing in reasonable detail, either on the face of the financial statements or in the footnotes thereto and in Management's Discussion and Analysis of Financial Condition and Results of Operations, the financial condition and results of operations of the Company and its Subsidiaries) and, with respect to the annual information only, a report thereon by the Company's independent registered public accounting firm; and

(2) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports, in each case within 15 days after the due dates for such reports specified in the Commission's rules and regulations.

In addition, whether or not required by the rules and regulations of the Commission, the Company shall file a copy of all such information and reports with the Commission for public availability within 15 days after the due dates for such reports specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, the Company has agreed that, for so long as any Notes remain outstanding, it will furnish to the Holders and to securities analysts and prospective

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investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 4.04. Compliance Certificate.

(a) The Company and each Guarantor (to the extent that such Guarantor is so required under the Trust Indenture Act) shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate, one of the signers of which shall be the principal executive officer, principal financial officer or principal accounting officer of the Company, stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company and such Guarantor has kept, observed, performed and fulfilled their obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company and such Guarantor has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions, covenants and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of, premium, if any, or interest,

if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) The Company shall, so long as any of the Notes are outstanding, promptly deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

Section 4.05. Taxes. The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders.

Section 4.06. Stay, Extension and Usury Laws. The Company and each of the Guarantors covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company and each of the Guarantors (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07. Limitation on Incurrence of Additional Indebtedness. The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume, guarantee,

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become liable, contingently or otherwise, with respect to, or otherwise become responsible for payment of (collectively, "incur") any Indebtedness (including, without limitation, Acquired Indebtedness) other than Permitted Indebtedness.

Notwithstanding the foregoing, if no Default or Event of Default shall have occurred and be continuing at the time of or as a consequence of the incurrence of any such Indebtedness, the Company or any of its Subsidiaries may incur Indebtedness (including, without limitation, Acquired Indebtedness), in each case if on the date of the incurrence of such Indebtedness, after giving effect to the incurrence thereof, the Consolidated Fixed Charge Coverage Ratio of the Company is greater than 1.50 to 1.00.

Section 4.08. Corporate Existence. Subject to Article V hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate existence, and the corporate, partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Subsidiary and (ii) the rights (charter and statutory), licenses and franchises of the Company and its Subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Subsidiaries, if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders.

Section 4.09. Maintenance of Total Unencumbered Assets. The Company and its Subsidiaries shall maintain Total Unencumbered Assets of not less than 120% of the aggregate outstanding principal amount of the Unsecured Indebtedness of the Company and its Subsidiaries, in each case on a consolidated basis.

Section 4.10. Offer to Repurchase Upon Change of Control Triggering Event.

(a) Upon the occurrence of a Change of Control Triggering Event with respect to a series of Notes (the date of such occurrence, the "Change of Control Date"), each Holder of Notes of such series shall have the right to require the Company to purchase such Holder's Notes of such series in whole or in part in integral multiples of \$1,000 at a purchase price (the "Change of Control Purchase Price") in cash equal to 101% of the principal amount of such Notes, plus accrued and unpaid interest, if any, to, but not including, the date of purchase (the "Change of Control Purchase Date"), pursuant to and in accordance with the offer described in this Section 4.10 (the "Change of Control Offer").

(b) Within 30 days following the Change of Control Date, the Company shall send, by first class mail, a notice to the Holders, with a copy to the Trustee, stating:

(i) that the Change of Control Offer is being made pursuant to this Section 4.10 and that all Notes of the applicable series that are validly tendered will be accepted for payment;

(ii) the Change of Control Purchase Price and the Change of Control Purchase Date, which shall be a Business Day that is no earlier than 30 days nor later than 60 days from the date such notice is mailed (the "Change of Control Payment Date") other than as may be required by law;

(iii) that any Note not tendered will continue to accrue interest;

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(iv) that any Note accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date unless the Company shall default in the payment of the Change of Control Purchase Price of the Notes and the only remaining right of the Holder is to receive payment of the Change of Control Purchase Price upon surrender of the applicable Note to the Paying Agent;

(v) that Holders electing to have a portion of a Note purchased pursuant to a Change of Control Offer may only elect to have such Note purchased in integral multiples of \$1,000;

(vi) that if a Holder elects to have a Note purchased pursuant to the Change of Control Offer it will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer the Note by book-entry transfer, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day prior to the Change of Control Payment Date;

(vii) that a Holder will be entitled to withdraw its election if the Company receives, not later than the third Business Day preceding the Change of Control Payment Date, a telegram, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes such Holder delivered for purchase, and a statement that such Holder is withdrawing its election to have such Note purchased; and

(viii) that if Notes are purchased only in part a new Note of the same series will be issued in principal amount equal to the unpurchased portion of the Notes surrendered.

(c) On or before the Change of Control Payment Date, the Company shall, to the extent lawful, accept for payment, all Notes or portions thereof validly tendered pursuant to the Change of Control Offer, and shall deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 4.10. The Company, the Depository or the Paying Agent, as the case may be, shall promptly mail or deliver to each tendering Holder an amount equal to the Change of Control Purchase Price of the Notes tendered by such Holder and accepted by the Company for purchase. Further, the Company shall promptly issue a new Note, and the Trustee, upon written request from the Company shall authenticate and mail or deliver such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof.

(d) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to an offer hereunder. To the extent the provisions of any securities laws or regulations conflict with the provisions under this Section 4.10, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.10 by virtue thereof.

Section 4.11. Coverage Test. The Company shall not permit the Coverage Ratio (x) at any time prior to the repayment in full of the loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder, to be less than 1.30 to 1.00 or (y) at any time from

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and after the repayment in full of the loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder, less than 1.50 to 1.00.

Within 30 days following the receipt of Collateral Proceeds, if necessary in order to comply with this Section 4.11, the Company will have the option to (i) pledge Qualified Substitute Collateral or (ii) identify in an Officers' Certificate delivered to the Trustee the Collateral Proceeds therefrom as "Designated Collateral Proceeds" or (iii) implement any combination of clauses (i) and (ii) sufficient to maintain compliance with this Section 4.11. At any time after the repayment in full of all loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder, the Company may use all or any portion of Designated Collateral Proceeds to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof.

Section 4.12. Limitation on Indebtedness of Guarantors and Pledged Entities.

(a) The Company shall not permit any Guarantor or Pledged Collateral LLC to incur any Indebtedness other than (i) Indebtedness in respect of the Secured Credit Facilities in an aggregate principal amount at any time outstanding under such Secured Credit Facility not to exceed the maximum aggregate amount of any term loans outstanding under such Secured Credit Facility on the Issue Date plus the amount available under the revolving and delayed draw portions, if any, of such Secured Credit Facility as in effect on the Issue Date; provided, however, that with respect to the First Lien Credit Facility only, such amount shall be reduced by any required permanent repayments (which are accompanied by a corresponding permanent commitment reduction, if any) thereunder, and (ii) Indebtedness in respect of the Secured Notes, the Guarantees and any Refinancing Indebtedness incurred to Refinance Secured Notes under (x) a guarantee containing a limitation on liability substantially equivalent to the fraudulent conveyance limitation included in Section 2.1(b) of the Second Lien Guarantee Agreements (or, in the case of Secured Notes sharing a third priority security interest under the Security Agreement, containing a similar limitation taking into account such third priority entitlement) and (y) the Security Documents.

(b) The Company shall not consent to or vote in favor of (and shall not permit any Subsidiary to consent to or vote in favor of) the incurrence of any Indebtedness by any Collateral LLC or any Venture LLC, in each case owned directly or indirectly by any Guarantor.

Section 4.13. Limitation on Liens.

(a) The Company shall not, nor shall it permit any Subsidiary to, create, incur, assume or suffer to exist any Lien upon any (A) Collateral, or (B) assets of a Collateral LLC, whether now owned or hereafter acquired, except for:

(i) Permitted Liens;

(ii) Liens on the Collateral securing Indebtedness under (A) each of the Secured Credit Facilities in an aggregate principal amount at any time outstanding under such Secured Credit Facility not to exceed the maximum aggregate amount of any term loans outstanding under such Secured Credit Facility on the Issue Date plus the amount available under the revolving and delayed draw portions, if any, of such Secured Credit Facility as in effect on the Issue Date; provided, however, that with respect to the First Lien Credit Facility only, such amount shall be reduced by any repayments (which are accompanied by a corresponding permanent commitment reduction) thereunder, and

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(B) Notes in an aggregate principal amount not to exceed \$1.0 billion, in each case, subject to the terms of the Collateral Trust and Intercreditor Agreement;

(iii) Liens on the Collateral, subject to the terms of the Collateral Trust and Intercreditor Agreement, securing Indebtedness under any Second Lien Secured Notes (other than up to a maximum aggregate principal amount of \$1.0 billion of Notes) or any Junior Lien Secured Notes, so long as the Company shall be in compliance, on a pro forma basis after giving effect to the granting of any such Lien and any contemporaneous pledge of additional Collateral pursuant to this Indenture and the Security Documents, with Section 4.11; and

(iv) Liens on the Collateral to secure Refinancing Indebtedness incurred to Refinance Secured Notes.

(b) The Company shall not consent to or vote in favor of (and shall not permit any Subsidiary to consent to or vote in favor of) the incurrence of any Liens on any assets of any Collateral LLC or Venture LLC, in each case owned directly or indirectly by any Guarantor.

(c) The Company shall not, nor shall it permit any Subsidiary to, create, incur, assume or suffer to exist any Lien upon any of their property or assets that secures Indebtedness under the Second Lien Credit Facilities unless the Notes are secured by a Lien upon such property or assets having the same priority as the Lien that secures the Indebtedness under the Second Lien Credit Facilities.

Section 4.14. Suspension of Certain Covenants if Certain Ratings are Assigned. The obligations under the covenants contained in Sections 4.07 and 4.09 hereof shall not apply if, and only for so long as, (1) the Notes are rated BBB or Baa2, or higher, by at least two of the three Rating Agencies, and (2) no Default or Event of Default has occurred and is continuing.

Section 4.15. Maintenance of Properties; Books and Records; Compliance with Law.

(a) The Company shall, and shall cause each of its Subsidiaries to, at all times cause all properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order (reasonable wear and tear excepted) and supplied with all necessary equipment, and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereto; provided that nothing in this Section 4.15 shall prevent the Company or any of its Subsidiaries from discontinuing the operation or maintenance of any of such properties, or disposing of any of them, if such discontinuance or disposal is either (i) in the ordinary course of business, (ii) in the reasonable and good faith judgment of the Board of Directors or management of the Company or the Subsidiary concerned, as the case may be, desirable in the conduct of the business of the Company or such Subsidiary, as the case may be, or (iii) otherwise permitted by this Indenture.

(b) The Company shall, and shall cause each of its Subsidiaries to, keep proper and true books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and each of its Subsidiaries, and reflect on its financial statements adequate accruals and appropriations to reserves, all in accordance with GAAP consistently applied to the Company and its Subsidiaries, taken as a whole.

(c) The Company shall, and shall cause each of its Subsidiaries to, comply in all material respects with all statutes, laws, ordinances, or government rules and regulations to which

it is subject, non-compliance with which would materially adversely affect the business, earnings, properties, assets or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole.

Section 4.16. Registration Rights.

(a) The Company agrees that the Holders (and any Person that has a beneficial interest in a Transfer Restricted Security) from time to time of Transfer Restricted Securities are entitled to the benefits of the Registration Rights Agreement. Pursuant to the Registration Rights Agreement, the Company has agreed for the benefit of the Holders from time to time of Transfer Restricted Securities, at the Company's expense, to file in certain circumstances an Exchange Offer Registration Statement with respect to an Exchange Offer to exchange the Notes for Exchange Notes of the Company, which Exchange Notes will have terms substantially identical in all material respects to the Notes. In certain circumstances, the Company may be required by the terms of the Registration Rights Agreement to file a Shelf Registration Statement covering resales of the Notes.

(b) Any amounts of Additional Interest due pursuant to the Registration Rights Agreement shall be payable in cash on the regular Interest Payment Dates.

Whenever in this Indenture there is mentioned, in any context, the payment of the principal of, premium, if any, or interest on, or in respect of, any Note, such mention shall be deemed to include mention of the payment of Additional Interest provided for in this Section 4.16.

Section 4.17. Additional Interest. If Additional Interest is payable pursuant to the Registration Rights Agreement, the Company shall deliver to the Trustee a certificate to that effect stating the amount of such Additional Interest that is payable.

ARTICLE V

SUCCESSORS

Section 5.01. Merger, Consolidation, or Sale of Assets. The Company shall not, in a single transaction or series of related transactions, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Subsidiary of the Company to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's assets (determined on a consolidated basis for the Company and the Company's Subsidiaries) whether as an entirety or substantially as an entirety to any Person unless:

(1) either:

(a) the Company shall be the surviving or continuing entity; or

(b) (i) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties and assets of the Company and of the Company's Subsidiaries, as an entirety or substantially as an entirety (the "Surviving Entity");

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(A) shall be an entity organized and validly existing under the laws of the United States or any State thereof or the District of Columbia; and

(B) shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance of every covenant and all of the other obligations under the Notes and this Indenture on the part of the Company to be performed or observed;

(ii) each Guarantor, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, confirms that its Guarantees shall apply to the Surviving Entity's obligations under the Notes and this Indenture, as modified by such supplemental indenture, and confirms the due and punctual performance of the Guarantees and the covenants and all of the other obligations of the Guarantor under this Indenture;

(2) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (1)(b)(i) (B) above (including, without limitation, giving effect to any Indebtedness incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing; and

(3) the Company or the Surviving Entity, as applicable, shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with the applicable provisions of this Indenture and that all conditions precedent in this Indenture relating to such transaction have been satisfied.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

Section 5.02. Successor Corporation Substituted. Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.01 hereof, in which the Company is not the continuing corporation, the Surviving Entity formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the Surviving Entity and not to the Company), and may exercise every right and power of, the Company under this Indenture and the Notes with the same effect as if such Surviving Entity had been named as the Company herein; provided, however, that, in the case of a transfer by lease, the predecessor Company shall not be relieved from the obligation to pay the principal of and interest on the Notes.

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ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01. Events of Default. The following are "Events of Default" with respect to a series of Notes:

(1) the failure to pay interest on any Notes of such series when the same becomes due and payable and the default continues for a period of 30 days;

(2) the failure to pay the principal and premium, if any, on any Notes of such series when such principal and premium, if any, becomes due and payable, at Maturity, upon redemption or otherwise (including the failure to make a payment to purchase Notes tendered pursuant to Change of Control Offer);

(3) the failure to comply with Section 4.11 hereof, and such failure continues unremedied for a period of 10 days after written notice thereof has been given to the Company by the Trustee, Collateral Trustee or Holders of at least 25% of the outstanding principal amount of the Notes of such series; provided, that if the Company mails a notice of redemption of Notes in accordance with Section 3.03 hereof prior to the expiration of such 10 day period, in an aggregate principal amount sufficient to restore compliance with Section 4.11 hereof as certified in an Officers' Certificate to the Trustee, no Event of Default shall be deemed to have occurred;

(4) a default in the observance or performance of any other covenant or agreement contained in this Indenture and such default continues for a period of 30 days after the Company receives written notice specifying the default (and demanding that such default be remedied) from the Trustee or the Holders of at least 25% of the outstanding principal amount of the Notes of such series (except in the case of a default with respect to Section 5.01 or Section 9.04 hereof, which will constitute an Event of Default with such notice requirement but without such passage of time requirement);

(5) the failure to pay at final maturity (giving effect to any applicable grace periods and any extensions thereof) the principal amount of any Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Subsidiary of the Company, or the acceleration of the final Stated Maturity of any such Indebtedness (which acceleration is not rescinded, annulled or otherwise cured within 20 days of receipt by the Company or such Subsidiary of notice of any such acceleration) if the aggregate principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at final maturity or which has been accelerated, aggregates \$50.0 million or more at any time;

(6) there shall have been the entry by a court of competent jurisdiction of:

(a) a decree or order for relief in respect of the Company, any Significant Subsidiary or any Guarantor in an involuntary case or proceeding under any applicable Bankruptcy Law; or

(b) a decree or order adjudging the Company, any Significant Subsidiary or any Guarantor bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of or in respect of the Company, any Significant Subsidiary or any Guarantor under any applicable federal or state law, or appointing a Custodian of the Company, any Significant Subsidiary or any Guarantor or of any substantial part of its

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property, or ordering the winding up or liquidation of its affairs, and any such decree or order for relief shall continue to be in effect, or any such other decree or order shall be unstayed and in effect, for a period of 60 consecutive days;

(7) (a) the Company, any Significant Subsidiary or any Guarantor commences a voluntary case or proceeding under any applicable Bankruptcy Law or any other case or proceeding to be adjudicated bankrupt or insolvent;

(b) the Company, any Significant Subsidiary or any Guarantor consents to the entry of a decree or order for relief in respect of the Company, such Significant Subsidiary or such Guarantor in an involuntary case or proceeding under any applicable Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it;

(c) the Company, any Significant Subsidiary or any Guarantor files a petition or answer or consent seeking reorganization or relief under any applicable federal or state law;

(d) the Company, any Significant Subsidiary or any Guarantor:

(i) consents to the filing of such petition or the appointment of, or taking possession by, a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company, such Significant Subsidiary or such Guarantor or of any substantial part of its property;

(ii) makes an assignment for the benefit of creditors; or

(iii) admits in writing its inability to pay its debts generally as they become due; or

(e) the Company, any Significant Subsidiary or any Guarantor takes any corporate action in furtherance of any such actions in this clause (7).

(8) any Security Document is held to be unenforceable or invalid for any reason, the security interest purported to be created by the Security Documents is held to be unenforceable, invalid or impaired with respect to a material portion of the Collateral, the Company or any Guarantor defaults in the performance of the terms of any of the Security Documents in a manner that adversely affects the enforceability or validity of the security interest on a material portion of the Collateral or in a manner that adversely affects the condition or value of a material portion of the Collateral, or the Company or any Guarantor repudiates or disaffirms any of its obligations under any of the Security Documents;

(9) at any time (i) the Company shall fail to directly own and control 100% of the outstanding equity interests in iStar Tara Holdings LLC, (ii) iStar Tara Holdings LLC shall fail to directly own and control 100% of the outstanding equity interests in iStar Tara LLC, or (iii) iStar Tara LLC shall fail to directly or indirectly own and control 100% of the outstanding equity interests in any Collateral SPV (other than iStar Tara Holdings LLC) or any Collateral LLC; or

(10) any Guarantee shall cease to be in full force and effect (unless such Guarantee has been released in accordance with this Indenture).

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Section 6.02. Acceleration. If an Event of Default (other than an Event of Default specified in clauses (6) or (7) above with respect to the Company or any Guarantor) shall occur with respect to a series of Notes and be continuing, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes of such series may declare the principal of and premium, if any, and accrued interest on all the Notes of such series to be due and payable by notice in writing to the Company and the Trustee specifying the respective Event of Default and that it is a "notice of acceleration" (the "Acceleration Notice"), and the same shall become immediately due and payable. If an Event of Default specified in clauses (6) or (7) above with respect to the Company or any Guarantor occurs with respect to a series of Notes and is continuing, then all unpaid principal of, and premium, if any, and accrued and unpaid interest on all of the outstanding Notes of such series shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration with respect to a series of Notes as described in the preceding paragraph, the Holders of a majority in principal amount of Notes of such series may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived except nonpayment of principal, premium or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal and premium, which has become due otherwise than by such declaration of acceleration, has been paid;

(4) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its expenses, disbursements and advances; and

(5) in the event of the cure or waiver of an Event of Default of the type described in clauses (6) or (7) of Section 6.01 hereof, the Trustee shall have received an Officers' Certificate and an Opinion of Counsel that such Event of Default has been cured or waived.

No such rescission shall affect any subsequent Default or impair any right consequent thereto.

Section 6.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04. Waiver of Past Defaults. Holders of not less than a majority in aggregate principal amount of the then outstanding Notes of a series by notice in writing to the Trustee may on behalf of the Holders of all of the Notes of such series waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium, if any, or interest on, the Notes of such series (including in connection with a Change of Control Offer) (provided, however, that the Holders of a majority in aggregate principal amount of the then outstanding Notes of a series may rescind an acceleration and its consequences,

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including any related payment default that resulted from such acceleration). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05. Control by Majority. Holders of a majority in principal amount of the then outstanding Notes may, by written notice, direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in any personal liability.

Section 6.06. Limitation on Suits. A Holder of a Note may pursue a remedy with respect to this Indenture or the Notes only if:

(a) such Holder gives to the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25% in principal amount of the then outstanding Notes of the applicable series make a written request to the Trustee to pursue the remedy;

(c) such Holder or Holders offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount of the then outstanding Notes of the applicable series do not give the Trustee a written direction inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders).

Section 6.07. Rights of Holders of Notes To Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal, premium, if any, and interest on the Notes so held, on or after the respective due dates expressed in the Notes (including in connection with a Change of Control Offer), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.08. Collection Suit by Trustee. If an Event of Default specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of, premium, if any, and interest remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any amounts due the Trustee under Section 7.07 hereof.

Section 6.09. Trustee May File Proofs of Claim. The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of

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the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent in writing to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10. Priorities. If the Trustee collects any money pursuant to this Article or pursuant to the Security Documents, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, and the Collateral Trustee, its agents and attorneys for amounts due under the Security Documents, including, in each case, payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the Collateral Trustee and the costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any and interest, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE VII

TRUSTEE

Section 7.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture in the absence of bad faith on the Trustee's part; provided, however, that, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a written direction received by it pursuant to Section 6.05; and

(iv) the Trustee shall not be required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties under this Indenture or in the exercise of any of its rights or powers, if it has reasonable grounds to believe repayment of

the funds or adequate indemnity against the risk or liability is not reasonably assured to it.

(d) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of this Section 7.01 and to the provisions of the Trust Indenture Act.

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(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money and Government Securities held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Notes at the time outstanding given pursuant to Section 6.05 of this Indenture, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

Section 7.02. Rights of Trustee.

(a) The Trustee may rely conclusively on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel that conforms to Section 13.04. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers, except conduct that constitutes willful misconduct or negligence.

(e) The Trustee may consult with counsel of its selection, and the Trustee will not be liable for any action it takes or omits in reliance on, and in accordance with advice of counsel, except conduct that constitutes willful misconduct or negligence.

(f) The Trustee will not be required to investigate any facts or matters stated in any document, but if it decides to investigate any matters or facts, the Trustee or its agents or attorneys will be entitled to examine the books, records and premises of the Company.

(g) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(h) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a Default or Event of Default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the applicable series of Notes and this Indenture.

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(i) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

(j) The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

(k) The Trustee may request that the Company deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture.

Section 7.03. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11 hereof.

Section 7.04. Trustee's Disclaimer. The Trustee (i) is not responsible for and makes no representation as to the validity or adequacy of this Indenture, (ii) shall not be accountable for the Company's use of the proceeds from the Notes and (iii) shall not be responsible for any statement of the Company in this Indenture, other than the Trustee's certificate of authentication, or in any prospectus used in the sale of any of the Notes, other than statements, if any, provided in writing by the Trustee for use in such prospectus.

Section 7.05. Notice of Defaults. The Trustee will give to the Holders notice of any Default with regard to the Notes actually known to a Responsible Officer within 90 days after receipt of such knowledge and in the manner and to the extent provided in Trust Indenture Act § 313(c), and otherwise as provided in Section 13.02 of this Indenture; provided, however, that except in the case of a Default in payment of the principal of, premium, if

any, or interest on any Note, the Trustee will be protected in withholding notice of Default if and so long as a committee of its Responsible Officers in good faith determines that withholding of the notice is in the interests of the Holders of the Notes.

Section 7.06. Reports by Trustee. Within 60 days after each May 15 beginning with the May 15 following the Issue Date, the Trustee will mail to each Holder, at the name and address which appears on the registration books of the Company, and to each Holder who has, within the two years preceding the mailing, filed that person's name and address with the Trustee for that purpose and each Holder whose name and address have been furnished to the Trustee pursuant to Section 2.05, a brief report dated as of that May 15 which complies with Trust Indenture Act § 313(a), if such report is required under Trust Indenture Act § 313(a). Reports to Holders pursuant to this Section 7.06 shall be transmitted in the manner and to the extent provided in Trust Indenture Act § 313(c). The Trustee also will comply with Trust Indenture Act § 313(b).

A copy of each report will at the time of its mailing to Holders be filed with each stock exchange on which the Notes are listed and also with the Commission. The Company will promptly notify the Trustee in writing when the Notes are listed on any stock exchange and of any delisting of the Notes.

Section 7.07. Compensation and Indemnity. The Company shall pay to the Trustee from time to time such compensation as shall be agreed in writing between the Company and the Trustee for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket

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expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts.

The Company and the Guarantors shall indemnify the Trustee against any and all loss, liability, damage, claim or expense (including reasonable attorney's fees and expenses) incurred by it in connection with the administration of the trust created by this Indenture and the performance of its duties under this Indenture. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company or any of the Guarantors of their obligations hereunder. The Company or such Guarantor shall defend the claim and the Trustee may have separate counsel and the Company or such Guarantor shall pay the fees and expenses of such counsel. Neither the Company nor any Guarantor need pay for any settlement made without its consent, which consent shall not be unreasonably withheld. Without limiting the generality of the foregoing, it shall not be deemed unreasonable for the Company or any Guarantor to withhold consent to a settlement involving injunctive or other equitable relief against the Company or such Guarantor or their respective assets, employees or business or involving the imposition of any material obligations on the Company or such Guarantor other than financial obligations for which the Trustee will be indemnified hereunder. Neither the Company nor any Guarantor need reimburse any expense or indemnify against any loss, expense or liability incurred by the Trustee to the extent it is due to the Trustee's own willful misconduct or negligence.

To secure the Company's and the Guarantors' obligations to make payments to the Trustee under this Section 7.07, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, other than money or property held in trust to pay principal, premium or interest on particular Notes. Those obligations of the Company and the Guarantors under this Section 7.07 shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Sections 6.01(6) or (7) hereof occurs, the expenses and the compensation for the services of the Trustee are intended to constitute expenses of administration under any Bankruptcy Law.

For purposes of this Section 7.07, "Trustee" will include any predecessor Trustee, but the willful misconduct, negligence or bad faith of any Trustee shall not affect the rights of any other Trustee under this Section 7.07.

Section 7.08. Replacement of Trustee. The Trustee may resign at any time by giving 30 days prior written notice of such resignation to the Company. The Holders of a majority in aggregate principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company and may appoint a successor Trustee. The Company may remove the Trustee if:

- (a) the Trustee fails to comply with Section 7.10;
- (b) the Trustee is adjudged bankrupt or insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;
- (c) a Custodian or public officer takes charge of the Trustee or its property; or
- (d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee

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takes office, the Holders of a majority in aggregate principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

No removal or appointment of a Trustee will be valid if that removal or appointment would conflict with any law applicable to the Company.

A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately after that, the retiring Trustee will, subject to the Lien provided for in Section 7.07, transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee will mail notice of its succession to each Holder.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in aggregate principal amount of the then outstanding Notes may, at the expense of the Company, petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding the replacement of the Trustee pursuant to this Section, the Company's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

Section 7.09. Successor Trustee by Merger, etc. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust assets to, another Person, the resulting, surviving or transferee Person will, without any further act, be the successor Trustee.

If at the time a successor by merger, conversion or consolidation to the Trustee succeeds to the trusts created by this Indenture any of the Notes have been authenticated but not delivered, the successor to the Trustee may adopt the certificate of authentication of the predecessor Trustee, and deliver the Notes which were authenticated by the predecessor Trustee; and if at that time any of the Notes have not been authenticated, the successor to the Trustee may authenticate those Notes in its own name as the successor to the Trustee; and in either case the certificates of authentication will have the full force provided in this Indenture for certificates of authentication.

Section 7.10. Eligibility; Disqualification. The Trustee will at all times satisfy the requirements of Trust Indenture Act § 310(a). The Trustee will at all times have (or shall be a member of a bank holding company system whose parent corporation has) a combined capital and surplus of at least \$50,000,000 as set forth in its most recently published annual report of condition, which will be deemed for this paragraph to be its combined capital and surplus. The Trustee will comply with Trust Indenture Act § 310(b).

Section 7.11. Preferential Collection of Claims. The Trustee shall comply with Trust Indenture Act § 311(a), excluding any creditor relationship listed in Trust Indenture Act § 311(b). A Trustee who has resigned or been removed shall be subject to Trust Indenture Act § 311(a) to the extent indicated therein.

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ARTICLE VIII

COLLATERAL

Section 8.01. Security Documents. The payment of the principal of and premium, if any, and interest on the Notes of each series when due, whether on an interest payment date, at Maturity, by acceleration, repurchase, redemption or otherwise and whether by the Company pursuant to the Notes or by any Guarantor pursuant to its Guarantee and the payment and performance of all other obligations of the Company and the Guarantors under this Indenture, the Notes, the Guarantees and the Security Documents are secured as provided in the Security Documents which the Company, the Guarantors and certain other Subsidiaries of the Company have entered into prior to or simultaneously with the execution of this Indenture and will be secured by Security Documents hereafter delivered as required or permitted by this Indenture. In the event of a conflict between the terms of this Indenture and the Collateral Trust and Intercreditor Agreement, the Collateral Trust and Intercreditor Agreement shall control. The Company shall, and shall cause each Guarantor and each Grantor to, and each Guarantor shall, do all filings (including filings of continuation statements and amendments to Uniform Commercial Code financing statements that may be necessary to continue the effectiveness of such Uniform Commercial Code financing statements) and all other actions as are necessary or required by the Security Documents to maintain (at the sole cost and expense of the Company, the Guarantors and the Grantors) the security interest created by the Security Documents in the Collateral as a perfected security interest, subject only to Permitted Liens.

Section 8.02. Agents. Subject to Section 7.01 hereof and Section 6.2 of the Security Agreement, neither the Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency or protection of any Lien securing the Notes or the Guarantees, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any such Liens or Security Documents or any delay in doing so.

Section 8.03. Authorization of Actions to Be Taken.

(a) Each Holder of Notes of each such series, by its acceptance thereof, consents and agrees to be bound by the terms of each Security Document as originally in effect and as amended, supplemented or replaced from time to time in accordance with its terms or the terms of this Indenture, authorizes and directs the Trustee and the Collateral Trustee to enter into the Security Documents to which it is a party and authorizes and empowers the Trustee and the Collateral Trustee to bind the Holders of Notes of each such series as set forth in the Security Documents to which either of them is a party and to perform their obligations and exercise their rights and powers thereunder and to make the representations set forth therein on behalf of the Holders.

(b) The Collateral Trustee and the Trustee are authorized and empowered to receive for the benefit of the Holders of Notes of each series any funds collected or distributed under the Security Documents to which the Collateral Trustee or the Trustee is a party and, subject to the terms of the Security Documents, to make further distributions of such funds to the Holders of Notes of each series according to the provisions of this Indenture.

(c) Subject to the provisions of Sections 7.01 and Section 7.02 hereof and the provisions of the Collateral Trust and Intercreditor Agreement, the Trustee may, in its sole

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discretion and without the consent of the Holders (but is not obligated to), direct, on behalf of the Holders, the Collateral Trustee to take all actions it deems necessary or appropriate in order to:

- (i) foreclose upon or otherwise enforce any or all of the Liens;
- (ii) enforce any of the terms of the Security Documents to which the Collateral Trustee or the Trustee is a party; or
- (iii) collect and receive payment of any and all amounts under the Notes and the Guarantees.

Subject to Sections 7.01 and 7.02 hereof and the provisions of the Collateral Trust and Intercreditor Agreement and at the Company's sole cost and expense, the Trustee is authorized and empowered (but not obligated) to institute and maintain, or direct the Collateral Trustee to institute and maintain, such suits and proceedings as it may deem reasonably expedient to protect or enforce the Liens under the Security Documents or the Security Documents to which the Collateral Trustee or the Trustee is a party or to prevent any impairment of Collateral by any acts that may be unlawful or in violation of the Security Documents to which the Collateral Trustee or the Trustee is a party or this Indenture, and such suits and proceedings as the Trustee or the Collateral Trustee may deem reasonably expedient, at the Company's sole cost and expense, to preserve or protect its interests and the interests of the Holders of Notes of such series in the Collateral, including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of Holders, the Trustee or the Collateral Trustee.

Section 8.04. Release of Collateral.

(a) Subject to any applicable requirements of Section 8.04(c), Collateral may be released from the Lien and security interest created by the Security Documents at any time or from time to time in accordance with the provisions of the Collateral Trust and Intercreditor Agreement. In addition, the Lien on any Collateral securing the Notes of any series shall be released under any one or more of the following circumstances:

- (i) in part, as to any property or asset, upon the withdrawal, sale, transfer or other disposition of such property or asset by the Company or any Collateral SPV or Collateral LLC in a transaction made in accordance with the applicable provisions of the Secured Credit Facilities, this Indenture, the Security Agreement and the Collateral Trust and Intercreditor Agreement at the time of such withdrawal, sale, transfer or disposition; or
- (ii) in whole or in part, in connection with any release of Liens pursuant to any amendment complying with Article XI hereof.

The Company may, but shall not be obligated to, request that the Trustee take action to evidence the release of the Liens on any Collateral hereunder and, upon the request of the Company pursuant to an Officers' Certificate certifying that all conditions precedent hereunder have been met, the Trustee shall take such actions as may be requested by the Company to evidence such release at the Company's sole cost and expense.

(b) The Liens on any Collateral securing the Notes and the Guarantees and the other obligations under this Indenture will terminate and be released automatically upon Legal Defeasance or Covenant Defeasance or satisfaction and discharge of this Indenture as provided below in Articles X or XII.

(c) The Company shall be entitled to withdraw Collateral in connection with Collateral Payments and Third Party Sales; provided that any Collateral Proceeds therefrom are applied in accordance with the provisions of this Indenture. After the repayment in full of all loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder, withdrawals of Collateral other than in connection with Collateral Payments and Third Party Sales may only be made by the Company (i) so long as the Company certifies in an Officers' Certificate delivered to the Trustee that, both immediately before and on a pro forma basis after giving effect to such withdrawal, no Event of Default shall have occurred and be continuing and (ii) while assets remain on the Pledged Collateral List, in inverse order of the ranking of such Collateral on the Pledged Collateral List. Any asset so withdrawn from the Pledged Collateral List that constitutes Legacy Pledged Collateral shall be automatically included in the Listed Eligible Assets as the highest ranked asset (and the Listed Eligible Assets list shall be adjusted accordingly). If, after the repayment in full of all loans and other obligations under the Secured Credit Facilities and the termination of the commitments thereunder, the Company or any Grantor pledges any additional Collateral in order to comply with Section 4.11 or otherwise, such additional collateral shall be comprised of Qualified Substitute Collateral.

Section 8.05. Certain Trust Indenture Act Requirements.

(a) The Company will comply with the provisions of Trust Indenture Act Sections 314(b) and 314(d) (including, without limitation, the provision of an initial and annual Opinion of Counsel under Section 314(b)), in each case following the qualification of this Indenture pursuant to the Trust Indenture Act, except to the extent not required as set forth in any Commission regulation or interpretation (including any no-action letter issued by the Staff of the Commission, whether issued to the Company or any other Person). Following such qualification, to the extent the Company is required to furnish to the Trustee an Opinion of Counsel pursuant to Trust Indenture Act Section 314(b)(2), the Company will furnish such opinion not more than 60 but not less than 30 days prior to each September 30.

(b) Following the qualification of this Indenture pursuant to the Trust Indenture Act, if any Collateral is released in accordance with this Indenture or any Security Document, the Trustee will determine whether it has received all documentation required by Trust Indenture Act Section 314(d) in connection with such release and, based on such determination and the Opinion of Counsel delivered pursuant to Section 13.04(b), will, upon request, deliver a certificate to the Collateral Trustee and the Company setting forth such determination.

Section 8.06. Powers Exercisable by Receiver or Trustee. In case the Collateral shall be in the possession of a receiver or trustee, lawfully appointed, the powers conferred in this Article VIII upon the Company or a Guarantor with respect to the release, sale or other disposition of such property may be exercised by such receiver or trustee, and an instrument signed by such receiver or trustee shall be deemed the equivalent of any similar instrument of the Company or a Guarantor or of any Officer or Officers thereof required by the provisions of this Article VIII; and if the Trustee shall be in the possession of the Collateral under any provision of this Indenture, then such powers may be exercised by the Trustee.

Section 8.07. Release upon Termination of the Company's Obligations. In the event that the Company delivers to the Trustee, in a form acceptable to it, an Officers' Certificate and Opinion of Counsel certifying that its obligations under this Indenture have been defeased or satisfied and discharged by complying with the provisions of Articles X or XII, the Trustee shall deliver to the Company and the Collateral Trustee a notice stating that the Trustee, on behalf of the Holders, disclaims and gives up any and all rights it has in or to the Collateral, and any rights it has under the Security Documents, and upon receipt by the Collateral Trustee of such notice, the Collateral Trustee shall be deemed not to hold a Lien in the Collateral on behalf of the Trustee and shall do or cause to be done, at the Company's sole cost and expense, all acts reasonably necessary to release such Lien as soon as is reasonably practicable.

ARTICLE IX

GUARANTEES

Section 9.01. Guarantee.

(a) Subject to this Article IX, each of the Guarantors hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal of, premium and Additional Interest, if any, and interest on, the Notes will be promptly paid in full when due, whether at Maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(b) The Guarantors hereby agree that their obligations hereunder are unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenant that this Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and this Indenture.

(c) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors or any custodian, trustee, liquidator or other similar official acting in

relation to either the Company or the Guarantors, any amount paid by the Company or any Guarantor either to the Trustee or such Holder, this Guarantee, to the extent theretofore discharged, will be reinstated in full force and effect.

(d) Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (1) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article VI hereof for the purposes of this Guarantee notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (2) in the event of any declaration of acceleration of such obligations as provided in Article VI hereof, such obligations (whether or not due and payable) will forthwith become due and payable by the Guarantors for the purpose of this Guarantee. The Guarantors will have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Guarantee.

Section 9.02. Limitation on Guarantor Liability. Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of any Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article IX, result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent transfer or conveyance.

Section 9.03. Execution and Delivery of Guarantee. To evidence its Guarantee set forth in Section 9.01 hereof, each Guarantor hereby agrees that a notation of such Guarantee substantially in the form attached as Exhibit D hereto will be endorsed by an Officer of such Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture will be executed on behalf of such Guarantor by one of its Officers.

Each Guarantor hereby agrees that its Guarantee set forth in Section 9.01 hereof will remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee.

If an Officer whose signature is on this Indenture or on the Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a Guarantee is endorsed, the Guarantee will be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, will constitute due delivery of the Guarantee set forth in this Indenture on behalf of the Guarantors.

Section 9.04. Guarantors May Consolidate, etc., on Certain Terms. For the benefit of the Notes, no Guarantor shall, and the Company shall not permit any Guarantor to, in a single transaction or series of related transactions, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets (determined on a consolidated basis for such Guarantor and such Guarantor's Subsidiaries), whether as an entirety or substantially as an entirety, to any Person unless:

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(a) such Guarantor is the surviving or continuing entity or the Person (if other than such Guarantor) formed by or surviving any such consolidation or merger or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a Person organized and validly existing under the laws of the jurisdiction of organization of such Guarantor, as the case may be, or the laws of the United States or any State thereof or the District of Columbia (such Guarantor or such Person, as the case may be, being herein called the "Successor Person");

(b) the Successor Person, if other than such Guarantor, expressly assumes, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, all the obligations of such Guarantor under this Indenture and such Guarantor's related Guarantee;

(c) immediately after giving effect to such transaction and the assumption contemplated by clause (b) above (including, without limitation, giving effect to any Indebtedness incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing; and

(d) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with the applicable provisions of this Indenture and that all conditions precedent in this Indenture relating to such transfer have been satisfied.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of such Guarantor in accordance with this Section 10.04, in which such Guarantor is not the continuing entity, the Successor Person formed by such consolidation or into or with which such Guarantor is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such Successor Person thereupon may cause to be signed any or all of the Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee. All the Guarantees so issued will in all respects have the same legal rank and benefit under this Indenture as the Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles IV and V hereof, and notwithstanding clauses (a), (b), (c) and (d) above, nothing contained in this Indenture or in any of the Notes will prevent any Guarantor from (i) merging into or transferring all or part of its properties and assets to another Guarantor or the Company, (ii) merging with an Affiliate of the Company solely for the purpose of reorganizing the Guarantor in the United States, any State thereof or the District of Columbia or (iii) converting into a corporation, partnership, limited partnership, limited liability corporation or trust organized or existing under the laws of the jurisdiction of organization of such Guarantor.

Section 9.05. Releases. The Guarantee of a Guarantor will be released (so long as no Event of Default has occurred and is continuing) with respect to any series of Notes:

(a) (i) upon any sale, exchange or transfer of all of the Capital Stock of the Guarantor to any Person (other than the Company or a Subsidiary of the Company), or sale of all or substantially all the assets of such Guarantor, provided such sale, exchange or transfer is made

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in compliance with the applicable provisions of this Indenture, the Security Agreement and the Collateral Trust and Intercreditor Agreement;

(ii) upon the termination of the Guarantor's status as a guarantor under the Secured Credit Facilities and as a Collateral SPV or Collateral LLC;

(iii) upon the payment in full of the Notes of such series; or

(iv) upon Legal Defeasance or Covenant Defeasance or satisfaction and discharge of this Indenture as provided below in Articles X or XII; and

(b) such Guarantor delivering to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in this Indenture, the Security Agreement and the Collateral Trust and Intercreditor Agreement relating to such transaction have been complied with.

Section 10.01. Option To Effect Legal Defeasance or Covenant Defeasance. The Company may, at the option of its Board of Directors evidenced by a Board Resolution set forth in an Officers' Certificate, at any time, elect to have either Section 10.02 or 10.03 hereof be applied to all outstanding Notes of a series upon compliance with the conditions set forth below in this Article X.

Section 10.02. Legal Defeasance and Discharge. Upon the Company's exercise under Section 10.01 hereof of the option applicable to this Section 10.02, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 10.04 hereof, be deemed to have been discharged from their obligations with respect to all outstanding Notes of a series and Guarantees relating to such series and with respect to the Security Documents as they relate to such series on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes of such series, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 10.05 hereof and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Notes and this Indenture including that of the Guarantors (and the Trustee, on written demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Notes to receive solely from the trust fund described in Section 10.04 hereof, and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due, (b) the Company's obligations with respect to such Notes under Article II and Section 4.02 hereof, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's and the Guarantors' obligations in connection therewith and (d) this Article X. Subject to compliance with this Article X, the Company may exercise its option under this Section 10.02 notwithstanding the prior exercise of its option under Section 10.03 hereof.

Section 10.03. Covenant Defeasance. Upon the Company's exercise under Section 10.01 hereof of the option applicable to this Section 10.03, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 10.04 hereof, be released from their obligations under the covenants contained in Sections 4.03, 4.04, 4.05, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.14 and 4.15 hereof and clause (2) of Section 5.01 hereof with respect to the outstanding Notes of a series on and after

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the date the conditions set forth in Section 10.04 are satisfied (hereinafter, "Covenant Defeasance"), and the Notes of such series shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes of such series, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Company's exercise under Section 10.01 hereof of the option applicable to this Section 10.03 hereof, subject to the satisfaction of the conditions set forth in Section 10.04 hereof, Sections 6.01(3), (4), (5), (8), (9) and (10) hereof shall not constitute Events of Default.

Section 10.04. Conditions to Legal or Covenant Defeasance. The following shall be the conditions to the application of either Section 10.02 or 10.03 hereof to the outstanding Notes of a series:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in Dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the written opinion of a nationally recognized independent registered public accounting firm addressed to the Trustee, to pay the principal of, premium, if any, and interest on the outstanding Notes of the applicable series on the stated date for payment thereof or on the applicable Redemption Date, as the case may be, and any other amounts owing under this Indenture, if in the case of an optional redemption date prior to electing to exercise either Legal Defeasance or Covenant Defeasance, the Company has delivered to the Trustee an irrevocable notice to redeem all of the outstanding Notes of such series on such Redemption Date;

(b) in the case of an election under Section 10.02 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 10.03 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

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(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a Default under this Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(f) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(g) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with; and

(h) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that, assuming no intervening bankruptcy of the Company between the date of deposit and the 91st day following the date of deposit and that no Holder is an insider of the Company, after the 91st day following the date of deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

Notwithstanding the foregoing, the Opinion of Counsel required by clause (b) above with respect to Legal Defeasance need not be delivered if all Notes of the applicable series not theretofore delivered to the Trustee for cancellation (1) have become due and payable or (2) will become due and payable on Maturity within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

Section 10.05. Deposited Money and Government Securities To Be Held in Trust; Other Miscellaneous Provisions. Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee pursuant to Section 10.04 hereof in respect of the outstanding Notes of the applicable series shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company or a Guarantor acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 10.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes of such series.

Anything in this Article X to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the written request of the Company any money or non-callable Government Securities held by it as provided in Section 10.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 10.04(a) hereof), are in excess of the

amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 10.06. Repayment to Company. Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on any Note and remaining unclaimed for two years after such principal, and premium, if any, or interest has become due and payable shall be paid to the Company on its written request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease.

Section 10.07. Reinstatement. If the Trustee or Paying Agent is unable to apply any Dollars or non-callable Government Securities in accordance with Section 10.02 or 10.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Notes of the applicable series shall be revived and reinstated as though no deposit had occurred pursuant to Section 10.02 or 10.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 10.02 or 10.03 hereof, as the case may be; provided, however, that, if the Company makes any payment of principal of, premium, if any, or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE XI

AMENDMENT, SUPPLEMENT AND WAIVER

Section 11.01. Without Consent of Holders of Notes. Notwithstanding Section 11.02 of this Indenture, the Company, the Guarantors and the Trustee may amend or supplement this Indenture, the Notes or the Guarantees without the consent of any Holder of a Note:

(a) to cure any ambiguity, omission, defect or inconsistency;

(b) to provide for the assumption by a Surviving Entity of the obligations of the Company or the assumption by a Successor Person of the obligations of any Guarantor under this Indenture;

(c) to provide for uncertificated Notes in addition to or in place of certificated Notes; provided, however, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code;

(d) to add Guarantees with respect to the Notes;

(e) to add to the covenants of the Company, the Guarantors or any of their Subsidiaries for the benefit of the Holders or to surrender any right or power conferred upon the Company, the Guarantors or any of their Subsidiaries;

(f) to provide for a successor Trustee in accordance with the terms of this Indenture or to otherwise comply with any requirement of this Indenture;

- (g) to make any change that does not materially adversely affect the rights of any Holder;
- (h) to comply with any requirement of the Commission in connection with qualifying or maintaining the qualification of this Indenture under the Trust Indenture Act;
- (i) to release a Guarantor from its obligations under its Guarantee or this Indenture, in each case in accordance with the applicable provisions of this Indenture; or
- (j) to conform the text of this Indenture, the Notes or the Guarantees to any provision of the "Description of the New Notes" section in the Offering Memorandum to the extent that such provision in the "Description of the New Notes" was intended to be a verbatim recitation of a provision of this Indenture, the Notes or the Guarantees.

Upon the written request of the Company accompanied by, to the extent necessary, a Board Resolution authorizing the execution of any such amended or supplemental Indenture, and upon receipt by the Trustee of the documents described in Section 11.06 hereof, the Trustee shall join with the Company and the Guarantors in the execution of any amended or supplemental Indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into such amended or supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Section 11.02. With Consent of Holders of Notes. Except as provided below in this Section 11.02, the Company, the Guarantors and the Trustee may amend or supplement this Indenture, the Notes and the Guarantees with the written consent of the Holders of at least a majority in principal amount of the Notes of all series then outstanding which are affected by such amendment or supplement voting as a single class (including consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, if any, or interest on the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture, the Notes or the Guarantees may be waived with the written consent of the Holders of a majority in principal amount of the Notes of all series then outstanding which are affected by such waiver voting as a single class.

Upon the written request of the Company accompanied by a Board Resolution authorizing the execution of any such amended or supplemental Indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of at least a majority in principal amount of the Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 11.06 hereof, the Trustee shall join with the Company and the Guarantors in the execution of such amended or supplemental Indenture unless such amended or supplemental Indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental Indenture.

It shall not be necessary for the consent of the Holders of Notes under this Section 11.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental Indenture or waiver. Subject to

Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes of all series then outstanding which are affected by such waiver voting as a single class may waive in writing compliance in a particular instance by the Company or any Guarantor with any provision of this Indenture, the Notes or the Guarantees. However, without the written consent of each Holder affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting Holder):

- (a) reduce the amount of Notes whose Holders must consent to a modification, amendment or waiver under this Indenture or make any other change in this clause (a) or clauses (b) through (h) below;
- (b) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any Notes;
- (c) reduce the principal of or change or have the effect of changing the Maturity of any Notes, or change the date on which any Notes may be subject to redemption or reduce the Redemption Price therefor;
- (d) make any Notes payable in money other than that stated in the Notes;
- (e) make any change in provisions of this Indenture protecting the right of each Holder to receive payment of principal of, premium, if any, and interest on such Note on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default;
- (f) after the Company's obligation to purchase Notes arises thereunder, amend, change or modify in any material respect the obligation of the Company to make and consummate of Change of Control Offer in the event of a Change of Control Triggering Event or, after such Change of Control Triggering Event has recurred, modify any of the provisions or definitions with respect thereto;
- (g) modify or change any provision of this Indenture or the related definitions affecting the seniority or ranking of the Notes in a manner which adversely affects the Holders; or

(h) release all or substantially all of the Collateral from the Lien of the Security Documents (other than in accordance with Article VIII and the Security Documents) or release all or substantially all of the value of the Guarantees (other than in accordance with Section 9.05 hereof).

Section 11.03. Compliance with Trust Indenture Act. Every amendment or supplement to this Indenture or the Notes shall be set forth in a amended or supplemental Indenture that complies with the Trust Indenture Act as then in effect.

Section 11.04. Revocation and Effect of Consents. Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

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The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement, or waiver. If a record date is fixed, then, notwithstanding the preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only such Persons, shall be entitled to consent to such amendment, supplement, or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date unless the consent of the requisite number of Holders has been obtained.

Section 11.05. Notation on or Exchange of Notes. The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

Section 11.06. Trustee To Sign Amendments, etc. The Trustee shall sign any amended or supplemental Indenture authorized pursuant to this Article XI if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amendment or supplemental indenture until the Board of Directors approves it. In executing any amended or supplemental indenture, the Trustee shall receive and (subject to Section 7.01 hereof) shall be fully protected in relying conclusively upon, in addition to the documents required by Section 13.04 hereof, an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental Indenture is authorized or permitted by this Indenture.

Section 11.07. Additional Voting Terms. All Notes issued under this Indenture shall vote and consent together on all matters (as to which any of such Notes may vote) as one class and no series of Notes will have the right to vote or consent as a separate class on any matter.

ARTICLE XII

SATISFACTION AND DISCHARGE

Section 12.01. Satisfaction and Discharge. This Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for in this Indenture) as to all outstanding Notes of a series, when:

(a) either:

(i) all the Notes of such series theretofore authenticated and delivered (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(ii) all Notes of such series not theretofore delivered to the Trustee for cancellation have become due and payable and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on such Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on such Notes to the date of deposit together with irrevocable instructions from the

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Company directing the Trustee to apply such funds to the payment thereof at Maturity or redemption, as the case may be;

(b) the Company or any Guarantor has paid all other sums payable under this Indenture by the Company and/or the Guarantors; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent under this Indenture relating to the satisfaction and discharge of this Indenture have been complied with.

Section 12.02. Application of Trust Money. Subject to the provisions of Section 10.06, all money deposited with the Trustee pursuant to Section 12.01 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company or a Guarantor acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 12.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the

Company's and any Guarantor's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 12.01; provided that if the Company has made any payment of principal of, premium, if any, or interest on any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by Trust Indenture Act § 318(c), the imposed duties shall control.

Section 13.02. Notices. Any notice or communication by the Company, any Guarantor or the Trustee to the others is duly given if in writing and delivered in Person or mailed by first class mail (regular, registered or certified, return receipt requested), telecopier or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Company and/or any Guarantor:

iStar Financial Inc.
1114 Avenue of the Americas, 39th Floor
New York, NY 10036
Facsimile: (212) 930-9400
Attention: Chief Executive Officer

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With a copy to:

Clifford Chance US LLP
31 West 52nd Street
New York, NY 10019
Facsimile: (212) 878-8375
Attention: Kathleen L. Werner, Esq.

If to the Trustee:

U.S. Bank National Association
100 Wall Street, 16th Floor
New York, NY 10005
Facsimile: (212) 809-4993
Attention: Corporate Trust Services

The Company, any Guarantor or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in Trust Indenture Act § 313(c), to the extent required by the Trust Indenture Act. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

Section 13.03. Communication by Holders of Notes with Other Holders of Notes. Holders may communicate pursuant to Trust Indenture Act § 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of Trust Indenture Act § 312(c).

Section 13.04. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 13.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

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(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 13.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 13.05. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to Trust Indenture Act § 314(a)(4)) shall comply with the provisions of Trust Indenture Act § 314(e) and shall include:

- (a) a statement that the Person making such certificate or opinion has read such covenant or condition;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and
- (d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 13.06. Rules by Trustee and Agents. The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 13.07. No Personal Liability of Directors, Officers, Employees and Stockholders. No past, present or future director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, this Indenture or the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

Section 13.08. Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 13.09. No Adverse Interpretation of Other Agreements. This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 13.10. Successors. All agreements of the Company in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors. All agreements of each Guarantor in this Indenture will bind its successors, except as otherwise provided in Section 9.05 hereof.

Section 13.11. Severability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

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Section 13.12. Counterpart Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 13.13. Table of Contents, Headings, etc. The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

Section 13.14. Third-Party Beneficiaries. The Collateral Trustee is an express intended third-party beneficiary of this Indenture.

Section 13.15. Qualification of Indenture. The Company and the Guarantors shall qualify this Indenture under the Trust Indenture Act to the extent required under the terms and conditions of the Registration Rights Agreement and shall pay all costs and expenses (including attorneys' fees and expenses for the Company, the Guarantors and the Trustee) incurred in connection therewith, including, but not limited to, costs and expenses of qualification of this Indenture and the Notes and printing this Indenture and the Notes. The Trustee shall be entitled to receive from the Company and the Guarantors any such Officers' Certificates, Opinions of Counsel or other documentation as it may reasonably request in connection with any such qualification of this Indenture under the Trust Indenture Act.

Section 13.16. Force Majeure. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its reasonable control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 13.17. U.S.A. Patriot Act. The parties hereto acknowledge that, in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

[Signatures on following page]

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SIGNATURES

Dated as of May 8, 2009

iSTAR FINANCIAL INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

GUARANTORS:

11TH AVENUE B PARTICIPATION LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

ASTAR FRR TX1 LP

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

ASTAR FRR TX1 GENPAR LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

ASTAR G1A NH1, LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

AUTOSTAR F FUNDING LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

CTL I MARYLAND INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

FLORIDA 2005 THEATERS LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR BLUES LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR BOWLING CENTERS I LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR BOWLING CENTERS I LP

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR BOWLING CENTERS II LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR BOWLING CENTERS II LP

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR COLUMBUS CIRCLE LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR CTL I GENPAR, INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR CTL I, L.P.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR HQ I GENPAR INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR HQ I, L.P.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR TARA HOLDINGS LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

iSTAR TARA LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

MSK RESORT FINANCE LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

SFI I, LLC

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

SFT II, INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

TRINET ESSENTIAL FACILITIES X, INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

TRINET ESSENTIAL FACILITIES XXVII, INC.

By: /s/ James D. Burns
Name: James D. Burns
Title: Executive Vice President, Chief Financial Officer and
Treasurer

U.S. BANK NATIONAL ASSOCIATION,
not in its individual capacity, but solely as Trustee

By: /s/ Gagendra Hiralal
Name: Gagendra Hiralal
Title: Trust Officer

EXHIBIT A-1

[Face of Note]

[Insert the Global Note Legend and/or Private Placement Legend, if applicable pursuant to the provisions of the Indenture]

CUSIP []
ISIN []

[RULE 144A] [REGULATION S] GLOBAL NOTE

8.0% Second-Priority Senior Secured Guaranteed Notes due 2011

No. [] \$[]

iSTAR FINANCIAL INC.

promises to pay to CEDE & Co., or registered assigns, the principal sum of \$[] on March 15, 2011.

Interest Payment Dates: March 15 and September 15

Record Dates: March 1 and September 1

iSTAR FINANCIAL INC.

By: _____
Name:
Title:

This is one of the Notes referred to
in the within-mentioned Indenture:

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: _____
Authorized Signatory

Dated: May 8, 2009

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. **Interest.** iStar Financial Inc., a Maryland corporation (the “Company”), promises to pay interest on the principal amount of this Note at 8.0% per annum from May 8, 2009 until Maturity. The Company will pay interest semi-annually in arrears on March 15 and September 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an “Interest Payment Date”). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from May 8, 2009; provided that the first Interest Payment Date shall be September 15, 2009. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.
 2. **Method of Payment.** The Company will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the March 1 or September 1 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, if any, and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, and premium, if any, on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Company reserves the right to pay interest to Holders of Notes by check mailed to such Holders at their registered addresses or by wire transfer to Holders of at least \$5 million aggregate principal amount of Notes.
 3. **Paying Agent and Registrar.** Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.
 4. **Indenture.** The Company issued the Notes under an Indenture dated as of May 8, 2009 (the “Indenture”) among the Company, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code §§ 77aaa-77bbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are obligations of the Company. The Company is issuing \$155,253,000 in aggregate principal amount of 2011 Notes and \$479,548,000 in aggregate principal amount of 2014 Notes on the Issue Date and may issue Additional Notes in accordance with the terms of the Indenture.
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5. **Optional Redemption.** The Notes of any series may be redeemed, in whole or in part, at the Company’s option at any time prior to Maturity at a price equal to 100% of the principal amount thereof plus accrued but unpaid interest, if any (the “Redemption Price”), to, but not including, the date of the redemption (the “Redemption Date”) (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date).
 6. **Mandatory Redemption.** Except as set forth in paragraph 7, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.
 7. **Repurchase at Option of Holder.** Upon the occurrence of a Change of Control Triggering Event with respect to a series of Notes, the Company will be required to offer to purchase all of the outstanding Notes of such series at a principal price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date of purchase.
 8. **Notice of Redemption.** Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than \$1,000 may be redeemed in part but only in whole multiples of \$1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the Redemption Date interest ceases to accrue on Notes or portions thereof called for redemption.
 9. **Denominations, Transfer, Exchange.** The Notes are in registered form without coupons in denominations of \$1,000 and integral multiples of \$1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company and the Trustee may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Company need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.
 10. **Persons Deemed Owners.** The registered Holder of a Note may be treated as its owner for all purposes.
 11. **Amendment, Supplement and Waiver.** Subject to certain exceptions, the Indenture, the Notes or the Guarantees may be amended or supplemented with the written consent of the Holders of at least a majority in principal amount of the Notes of all series then outstanding which are affected by such amendment voting as a single class, and any existing Default or compliance with any provision of the Indenture, the Notes or the Guarantees may be waived with the written consent of the Holders of a majority in principal amount of the Notes of all series then outstanding which are affected by such waiver voting as a single class. Without the consent of any Holder of a Note, the Indenture, the Notes or the Guarantees may be amended or supplemented: (a) to cure any ambiguity, omission, defect or inconsistency; (b) to provide for the assumption by a Surviving Entity of the obligations of the Company or the

assumption by a Successor Person of the obligations of any Guarantor under the Indenture; (c) to provide for uncertificated Notes in addition to or in place of certificated Notes; provided, however, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code; (d) to add Guarantees with respect to the Notes; (e) to add to the covenants of the Company, the Guarantors or any of their Subsidiaries for the benefit of the Holders or to surrender any right or power conferred upon the Company, the Guarantors or any of their Subsidiaries; (f) to provide for a successor Trustee in accordance with the terms of the Indenture or to otherwise comply with any requirement of the Indenture; (g) to make

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any change that does not materially adversely affect the rights of any Holder; (h) to comply with any requirement of the Commission in connection with qualifying or maintaining the qualification of the Indenture under the Trust Indenture Act; (i) to release a Guarantor from its obligations under its Guarantee or the Indenture, in each case in accordance with the applicable provisions of the Indenture; or (j) to conform the text of the Indenture or the Notes or the Guarantees to any provision of the "Description of the New Notes" section in the Offering Memorandum to the extent that such provision in the "Description of the New Notes" was intended to be a verbatim recitation of a provision of this Indenture, the Notes or the Guarantees.

12. Defaults and Remedies. Events of Default are set forth in the Indenture. If any Event of Default occurs with respect to a series of Notes and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes of such series may declare all the Notes of such series to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes of such series will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in writing in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Notes of a series by written notice to the Trustee may on behalf of the Holders of all of the Notes of such series waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

13. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

14. Security Documents. The obligations of the Company and the Guarantors under the Indenture, the Notes and the Guarantees are secured by a Lien on the Collateral pursuant to the Security Documents. The provisions of the Indenture and the other Security Documents are subject to the Collateral Trust and Intercreditor Agreement.

15. No Recourse Against Others. A director, officer, employee, incorporator or stockholder, of the Company, as such, shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

16. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

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18. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. Additional Rights of Holders of Transfer Restricted Securities. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transfer Restricted Securities shall have all the rights set forth in the Registration Rights Agreement dated as of May 8, 2009, among the Company, the Guarantors and the parties named on the signature pages thereof (the "Registration Rights Agreement").

20. Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS NOTE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

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The Company will furnish to any Holder upon written request and without charge a copy of the Indenture, the Security Agreement, the Collateral Trust and Intercreditor Agreement and/or the Registration Rights Agreement. Requests may be made to:

iStar Financial Inc.
1114 Avenue of the Americas, 39th Floor
New York, NY 10036
Attention: Investor Relations

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____
(Insert assignee's legal name)

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 of the Indenture, check the following box:

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 of the Indenture, state the amount you elect to have purchased.

\$ _____

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in	Amount of increase in	Principal Amount of this Global Note following such	Signature of authorized signatory of
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EXHIBIT A-2

[Face of Note]

[Insert the Global Note Legend and/or Private Placement Legend, if applicable pursuant to the provisions of the Indenture]

CUSIP []
ISIN []

[RULE 144A] [REGULATION S] GLOBAL NOTE

10.0% Second-Priority Senior Secured Guaranteed Notes due 2014

No. \$[]

iSTAR FINANCIAL INC.

promises to pay to CEDE & Co., or registered assigns, the principal sum of \$[] on June 15, 2014.

Interest Payment Dates: June 15 and December 15

Record Dates: June 1 and December 1

iSTAR FINANCIAL INC.

By: _____
Name:
Title:

This is one of the Notes referred to
in the within-mentioned Indenture:

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: _____
Authorized Signatory

Dated: May 8, 2009

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[Back of Note]

10.0% Second-Priority Senior Secured Guaranteed Notes due 2014

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. Interest. iStar Financial Inc., a Maryland corporation (the "Company"), promises to pay interest on the principal amount of this Note at 10.0% per annum from May 8, 2009 until Maturity. The Company will pay interest semi-annually in arrears on June 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from May 8, 2009; provided that the first Interest Payment Date shall be December 15, 2009. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Company will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the June 1 or December 1 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, if any, and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New

York, or, at the option of the Company, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, and premium, if any, on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Company reserves the right to pay interest to Holders of Notes by check mailed to such Holders at their registered addresses or by wire transfer to Holders of at least \$5 million aggregate principal amount of Notes.

3. Paying Agent and Registrar. Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. Indenture. The Company issued the Notes under an Indenture dated as of May 8, 2009 (the “Indenture”) among the Company, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code §§ 77aaa-77bbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are obligations of the Company. The Company is issuing \$155,253,000 in aggregate principal amount of 2011 Notes and \$479,548,000 in aggregate principal amount of 2014 Notes on the Issue Date and may issue Additional Notes in accordance with the terms of the Indenture.

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5. Optional Redemption. The Notes of any series may be redeemed, in whole or in part, at the Company’s option at any time prior to Maturity at a price equal to 100% of the principal amount thereof plus accrued but unpaid interest, if any (the “Redemption Price”), to, but not including, the date of the redemption (the “Redemption Date”) (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date).

6. Mandatory Redemption. Except as set forth in paragraph 7, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

7. Repurchase at Option of Holder. Upon the occurrence of a Change of Control Triggering Event with respect to a series of Notes, the Company will be required to offer to purchase all of the outstanding Notes of such series at a principal price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date of purchase.

8. Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than \$1,000 may be redeemed in part but only in whole multiples of \$1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the Redemption Date interest ceases to accrue on Notes or portions thereof called for redemption.

9. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in denominations of \$1,000 and integral multiples of \$1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company and the Trustee may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Company need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

10. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

11. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture, the Notes or the Guarantees may be amended or supplemented with the written consent of the Holders of at least a majority in principal amount of the Notes of all series then outstanding which are affected by such amendment voting as a single class, and any existing Default or compliance with any provision of the Indenture, the Notes or the Guarantees may be waived with the written consent of the Holders of a majority in principal amount of the Notes of all series then outstanding which are affected by such waiver voting as a single class. Without the consent of any Holder of a Note, the Indenture, the Notes or the Guarantees may be amended or supplemented: (a) to cure any ambiguity, omission, defect or inconsistency; (b) to provide for the assumption by a Surviving Entity of the obligations of the Company or the assumption by a Successor Person of the obligations of any Guarantor under the Indenture; (c) to provide for uncertificated Notes in addition to or in place of certificated Notes; provided, however, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code; (d) to add Guarantees with respect to the Notes; (e) to add to the covenants of the Company, the Guarantors or any of their Subsidiaries for the benefit of the Holders or to surrender any right or power conferred upon the Company, the Guarantors or any of their Subsidiaries; (f) to provide for a successor Trustee in accordance with the terms of the Indenture or to otherwise comply with any requirement of the Indenture; (g) to make

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any change that does not materially adversely affect the rights of any Holder; (h) to comply with any requirement of the Commission in connection with qualifying or maintaining the qualification of the Indenture under the Trust Indenture Act; (i) to release a Guarantor from its obligations under its Guarantee or the Indenture, in each case in accordance with the applicable provisions of the Indenture; or (j) to conform the text of the Indenture or the Notes or the Guarantees to any provision of the “Description of the New Notes” section in the Offering Memorandum to the extent that such provision in the “Description of the New Notes” was intended to be a verbatim recitation of a provision of this Indenture, the Notes or the Guarantees.

12. Defaults and Remedies. Events of Default are set forth in the Indenture. If any Event of Default occurs with respect to a series of Notes and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes of such series may declare all the Notes of such series to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all

outstanding Notes of such series will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in writing in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Notes of a series by written notice to the Trustee may on behalf of the Holders of all of the Notes of such series waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

13. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

14. Security Documents. The obligations of the Company and the Guarantors under the Indenture, the Notes and the Guarantees are secured by a Lien on the Collateral pursuant to the Security Documents. The provisions of the Indenture and the other Security Documents are subject to the Collateral Trust and Intercreditor Agreement.

15. No Recourse Against Others. A director, officer, employee, incorporator or stockholder, of the Company, as such, shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

16. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

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18. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. Additional Rights of Holders of Transfer Restricted Securities. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transfer Restricted Securities shall have all the rights set forth in the Registration Rights Agreement dated as of May 8, 2009, among the Company, the Guarantors and the parties named on the signature pages thereof (the "Registration Rights Agreement").

20. Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS NOTE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

A-2-5

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture, the Security Agreement, the Collateral Trust and Intercreditor Agreement and/or the Registration Rights Agreement. Requests may be made to:

iStar Financial Inc.
1114 Avenue of the Americas, 39th Floor
New York, NY 10036
Attention: Investor Relations

A-2-6

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____
(Insert assignee's legal name)

(Insert assignee's soc. sec. or tax I.D. no.)

and irrevocably appoint _____ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

A-2-7

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 of the Indenture, check the following box:

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 of the Indenture, state the amount you elect to have purchased.

\$

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

A-2-8

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized signatory of Trustee or Note Custodian

A-2-9

Re: 8.0% Second-Priority Senior Secured Guaranteed Notes due 2011 and 10.0% Second-Priority Senior Secured Guaranteed Notes due 2014

Reference is hereby made to the Indenture, dated as of May 8, 2009 (the "Indenture"), among iStar Financial Inc., a Maryland corporation, as issuer (the "Company"), each of the Guarantors and U.S. Bank National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

, (the "Transferor") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of \$ _____ in such Note[s] or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. **Check if Transferee will take delivery of a beneficial interest in the 144A Global Note or a Definitive Note Pursuant to Rule 144A.** The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believed and believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the applicable 144A Global Note and/or the applicable Definitive Note and in the Indenture and the Securities Act.

2. **Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Note or a Definitive Note pursuant to Regulation S.** The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act and (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act. Upon consummation of the proposed transfer in

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accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the applicable Regulation S Global Note and/or the applicable Definitive Note and in the Indenture and the Securities Act.

3. **Check and complete if Transferee will take delivery of a Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S.** The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) such Transfer is being effected to the Company or a subsidiary thereof;

or

(c) such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act.

4. **Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note.**

(a) **Check if Transfer is pursuant to Rule 144.** (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the complete Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) **Check if Transfer is Pursuant to Regulation S.** (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the complete Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) **Check if Transfer is Pursuant to Other Exemption.** (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance

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with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the complete Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

[Insert Name of Transferor]

By: _____

Name:

Title:

Dated: _____

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ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) a beneficial interest in the:

(i) 144A Global Note (CUSIP _____), or

(ii) Regulation S Global Note (CUSIP _____); or

(b) a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) a beneficial interest in the:

(i) 144A Global Note (CUSIP _____), or

(ii) Regulation S Global Note (CUSIP _____), or

(iii) Unrestricted Global Note (CUSIP _____); or

(b) a Restricted Definitive Note; or

(c) an Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

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EXHIBIT C

FORM OF CERTIFICATE OF EXCHANGE

iStar Financial Inc.
1114 Avenue of the Americas, 39th Floor
New York, NY 10036

[Registrar address block]

(CUSIP)

Reference is hereby made to the Indenture, dated as of May 8, 2009 (the “Indenture”), among iStar Financial Inc., a Maryland corporation, as issuer (the “Company”), each of the Guarantors and U.S. Bank National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

, (the “Owner”) owns and proposes to exchange the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of \$ _____ in such Note[s] or interests (the “Exchange”). In connection with the Exchange, the Owner hereby certifies that:

1. **Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note**

(a) **Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note.** In connection with the Exchange of the Owner’s beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner’s own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the “Securities Act”), (iii) the restrictions on transfer contained in the Indenture and the complete Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) **Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Definitive Note.** In connection with the Exchange of the Owner’s beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner’s own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the complete Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

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(c) **Check if Exchange is from Restricted Definitive Note to beneficial interest in an Unrestricted Global Note.** In connection with the Owner’s Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner’s own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the complete Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) **Check if Exchange is from Restricted Definitive Note to Unrestricted Definitive Note.** In connection with the Owner’s Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner’s own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the complete Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes**

(a) **Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Definitive Note.** In connection with the Exchange of the Owner’s beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner’s own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) **Check if Exchange is from Restricted Definitive Note to beneficial interest in a Restricted Global Note.** In connection with the Exchange of the Owner’s Restricted Definitive Note for a beneficial interest in the [CHECK ONE] 144A Global Note, Regulation S Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner’s own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

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By: _____
Name:
Title:

Dated: _____

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ANNEX A TO CERTIFICATE OF EXCHANGE

1. The Owner currently owns and proposes to exchange the following:

[CHECK ONE]

- (a) a beneficial interest in the:
 - (i) 144A Global Note (CUSIP _____), or
 - (ii) Regulation S Global Note (CUSIP _____); or
- (b) a Restricted Definitive Note.

2. After the exchange the Owner will hold:

[CHECK ONE]

- (a) a beneficial interest in the:
 - (i) 144A Global Note (CUSIP _____), or
 - (ii) Regulation S Global Note (CUSIP _____), or
 - (iii) Unrestricted Global Note (CUSIP _____); or
- (b) a Restricted Definitive Note; or
- (c) an Unrestricted Definitive Note.

3. The Owner requests that Definitive Notes be registered in the following name:

and sent to the Owner at the following address:

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EXHIBIT D

FORM OF NOTATION OF GUARANTEE

For value received, each Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of May 8, 2009 (the "Indenture") among iStar Financial Inc. (the "Company"), each of the Guarantors party thereto and U.S. Bank National Association, as Trustee (the "Trustee"), (a) the due and punctual payment of the principal of, premium and Additional Interest, if any, and interest on, the Notes, whether at Maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration or otherwise. The obligations of the Guarantors to the Holders of Notes and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article IX of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

[Name of Guarantor(s)]

By: _____
Name:

CERTIFICATIONS

I, Jay Sugarman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iStar Financial 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 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: May 8, 2009

By: /s/ JAY SUGARMAN

Name: Jay Sugarman

Title: *Chief Executive Officer*

CERTIFICATION

I, James D. Burns, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iStar Financial 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 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: May 8, 2009

By: /s/ JAMES D. BURNS

Name: James D. Burns

Title: *Chief Financial Officer*

QuickLinks

[Exhibit 31.0](#)

[CERTIFICATIONS](#)
[CERTIFICATION](#)

**Certification of Chief Executive Officer
Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002**

The undersigned, the Chief Executive Officer of iStar Financial Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350(a), 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 March 31, 2009 (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.

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 Financial Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350(a), 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 March 31, 2009 (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.

By: /s/ JAMES D. BURNS

Name: James D. Burns

Title: *Chief Financial Officer*

QuickLinks

[EXHIBIT 32.0](#)

[Certification of Chief Executive Officer Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002](#)

[Certification of Chief Financial Officer Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002](#)