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

SCHEDULE TO

TENDER OFFER STATEMENT PURSUANT TO SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

Falcon Financial Investment Trust
(Name of Subject Company (Issuer))

FLASH ACQUISTION COMPANY LLC
a wholly-owned subsidiary of

iSTAR FINANCIAL INC.
(Names of Filing Persons—Offerors)

COMMON SHARES OF BENEFICIAL INTEREST
(Title of Class of Securities)

306032 10 3
(CUSIP Number of Class of Securities)

Catherine D. Rice
Chief Financial Officer
iStar Financial Inc.
1114 Avenue of the Americas
New York, New York 10036
(212) 930-9400

With a copy to:
Kathleen Werner, Esq.
Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
(212) 878-8000

(Name, Address and Telephone No. of Person Authorized to Receive Notices and Communications on Behalf of Filing Persons)

CALCULATION OF FILING FEE

Transaction Valuation	Amount of Filing Fee
$119,739,240(1)	$14,093.31(2)

(1) Estimated for the purposes of calculating the amount of the registration fee pursuant to Rule 0-11(d) under the Securities Exchange Act of 1934, as amended, based on the product of (i) $7.50 (i.e., the tender offer price) and (ii) 15,965,232, the estimated number of common shares of beneficial interest to be acquired in this tender offer and the merger.

(2) The amount of the filing fee, calculated in accordance with Rule 0-11 under the Securities Exchange Act of 1934, as amended, equals the transaction value multiplied by .01177%.

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

Amount Previously Paid: _____ Filing Parties: _____

Form or Registration No.: _____ Date Filed: _____

o Check the box if the filing relates solely to preliminary communications made before commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

☒ third-party tender offer subject to Rule 14d-1.

o issuer tender offer subject to Rule 13e-4.

o going-private transaction subject to Rule 13e-3.

o amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer: o

SCHEDULE TO

This Tender Offer Statement on Schedule TO ("Schedule TO") relates to the offer by Flash Acquisition Company LLC ("Flash"), a Maryland limited liability company and a wholly owned subsidiary of iStar Financial Inc. ("iStar"), a Maryland corporation, to purchase all of the issued and outstanding common shares of beneficial interest, par value $.01 per share (the "Shares"), of Falcon Financial Investment Trust ("Falcon"), a Maryland real estate investment trust, at a purchase price of $7.50 per Share, net to the seller in cash, without interest (subject to applicable withholding taxes), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 31, 2005 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together with any supplements or amendments thereto, collectively constitute the "Offer"), copies of which are attached as Exhibits (a)(1) and (a)(2) hereto, respectively.

Item 1 through Item 13.

Item 1. ***Summary Term Sheet***

The information set forth in the "Summary Term Sheet" in the Offer to Purchase is incorporated herein by reference.

Item 2. ***Subject Company Information***

(a) The name of the subject company is Falcon Financial Investment Trust, a Maryland real estate investment trust. Falcon's principal executive offices are located at 15 Commerce Road, Stamford, CT 06902, telephone: (203) 967-0000.

(b) The class of securities to which this statement relates is the Shares (as defined above). Falcon has informed Flash that 15,965,232 Shares were issued and outstanding as of close of business on January 19, 2005. The information set forth on the cover page and in the "Introduction" to the Offer to Purchase is incorporated herein by reference.

(c) The information set forth in "Section 6—Price Range of the Shares; Dividends on the Shares" is incorporated herein by reference.

Item 3. ***Identity and Background of Filing Person***

(a), (b) and (c) This tender offer statement is filed by Flash and iStar. The information set forth in "Section 9—Certain Information Concerning iStar and the Purchaser" of the Offer to Purchase and on Schedule I thereto is incorporated herein by reference.

Item 4. ***Terms of the Transaction***

The information set forth in the Offer to Purchase is incorporated herein by reference.

Item 5. ***Past Contracts, Transactions, Negotiations and Agreements***

The information set forth in the "Introduction," "Section 9—Certain Information Concerning iStar and the Purchaser," "Section 11—Background of the Offer; Past Contacts, Negotiations and Transactions" and "Section 12—"Purpose of the Offer; Plans for Falcon; Other Matters" of the Offer to Purchase is incorporated herein by reference. Except as set forth therein, there have been no material contacts, negotiations or transactions during the past two years which would be required to be disclosed under this Item 5 between Flash or iStar or any of there respective subsidiaries or, to the best knowledge of Flash or iStar, any of those persons listed on Schedule I to the Offer to Purchase, on the one hand, and Falcon or its affiliates, on the other, concerning a merger, consolidation or acquisition, a tender offer or other acquisition of securities, an election of directors or sale or transfer of a material amount of assets.

Item 6. ***Purpose of This Transaction and Plans or Proposals***

The information set forth in the "Introduction," "Section 7—Effect of the Offer on the Market for the Shares; Stock Listing; Exchange Act Registration; Margin Regulations" and "Section 12—Purpose of the Offer; Plans for Falcon; Other Matters" of the Offer to Purchase is incorporated herein by reference.

Item 7. ***Source and Amount of Funds or Other Consideration***

The information set forth in "Section 10—Source and Amount of Funds" of the Offer to Purchase is incorporated by reference.

Item 8. ***Interest in Securities of the Company***

The information set forth in the "Introduction," "Section 8—Certain Information Concerning Falcon," "Section 9—Certain Information Concerning iStar and the Purchaser," "Section 11—Background of the Offer; Past Contacts, Negotiations and Transactions" and "Section 12—Purpose of the Offer; Plans for Falcon; Other Matters" of the Offer to Purchase is incorporated herein by reference.

Item 9. ***Persons / Assets Retained, Employed, Compensated or Used***

The information set forth in the "Introduction," "Section 11—Background of the Offer; Past Contacts, Negotiations and Transactions," "Section 12—Purpose of the Offer; Plans for Falcon; Other Matters" and "Section 16—Fees and Expenses" of the Offer to Purchase is incorporated herein by reference.

Item 10. ***Financial Statements***

The consideration in the Offer consists solely of cash. The Offer is not subject to any financing condition and the Offer is for all outstanding securities of the subject class. Therefore, pursuant to instruction 2 of Item 10 of Schedule TO, the financial statements of Flash and iStar are not required.

Item 11. ***Additional Information***

(a)(1) The information set forth in "Section 9—Certain Information Concerning iStar and the Purchaser," "Section 11—Background of the Offer; Past Contacts, Negotiations and Transactions" and "Section 12—Purpose of the Offer; Plans for Falcon; Other Matters" of the Offer to Purchase is incorporated herein by reference.

(a)(2) and (3) Flash and iStar are not aware of the applicability of any anti-trust laws. The information set forth in "Section 12—Purpose of the Offer; Plans for Falcon; Other Matters," "Section 13—The Merger Agreement, Shareholder Agreements, Share Option Agreement and Other Agreements," "Section 14—Certain Conditions of the Offer" and "Section 15—Certain Legal Matters" of the Offer to Purchase is incorporated herein by reference.

(a)(4) The information set forth in "Section 7—Effect of the Offer on the Market for the Shares; Stock Listing; Exchange Act Registration; Margin Regulations" of the Offer to Purchase is incorporated herein by reference.

(a)(5) Not applicable.

(b) The information set forth in the Offer to Purchase and Letter of Transmittal is incorporated herein by reference.

Item 12. ***Exhibits***

(a)(1)	Offer to Purchase, dated January 31, 2005.
(a)(2)	Form of Letter of Transmittal.
(a)(3)	Form of Notice of Guaranteed Delivery.
(a)(4)	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(5)	Form of Letter to Clients for use by Broker Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(6)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
(a)(7)	Press Release issued by iStar Financial Inc. on January 31, 2005.
(a)(8)	Summary Newspaper Advertisement published in the New York Times on January 31, 2005.
(b)	Revolving Credit Agreement, dated April 19, 2005, by and among iStar Financial Inc. and syndicate, with JPMorgan Chase Bank as administrative agent. (Incorporated by reference to the Form 10Q filed by iStar Financial Inc. on May 10, 2004.)
(d)(1)	Agreement and Plan of Merger, dated January 19, 2005, by and between iStar Financial Inc., Flash Acquisition Company LLC and Falcon Financial Investment Trust.
(d)(2)	Shareholder Agreement, dated January 19, 2005, by and between iStar Financial Inc., Flash Acquisition Company LLC and Vernon. B. Schwartz.
(d)(3)	Shareholder Agreement, dated January 19, 2005, by and between iStar Financial Inc., Flash Acquisition Company LLC and David A. Karp.
(d)(4)	Shareholder Agreement, dated January 19, 2005, by and between iStar Financial Inc., Flash Acquisition Company LLC and James K. Hunt.
(d)(5)	Shareholder Agreement, dated January 19, 2005, by and between iStar Financial Inc., Flash Acquisition Company LLC and Maryann N. Keller.
(d)(6)	Shareholder Agreement, dated January 19, 2005, by and between iStar Financial Inc., Flash Acquisition Company LLC and George G. Lowrance.
(d)(7)	Shareholder Agreement, dated January 19, 2005, by and between iStar Financial Inc., Flash Acquisition Company LLC and Thomas F. Gilman.
(d)(8)	Shareholder Agreement, dated January 19, 2005, by and between iStar Financial Inc., Flash Acquisition Company LLC and Thomas R. Gibson.
(d)(9)	Share Option Agreement, dated January 19, 2005, by and between iStar Financial Inc., Flash Acquisition Company LLC and Falcon Financial Investment Trust.
(d)(10)	Confidentiality Agreement, dated December 9, 2004, by and between iStar Financial, Inc. and Falcon Financial Investment Trust.
(d)(11)	Exclusivity Agreement, dated December 23, 2004, by and between iStar Financial Inc. and Falcon Financial Investment Trust.
(g)	Not applicable.
(h)	Not applicable.

Item 13. ***Information Required by Schedule 13e-3***

Not applicable

SIGNATURES

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: January 31, 2005

FLASH ACQUISITION COMPANY LLC

By: /s/ JAY SUGARMAN

Name: Jay Sugarman
Title: President

By: /s/ CATHERINE D. RICE

Name: Catherine D. Rice
Title: Vice President

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: January 31, 2005

ISTAR FINANCIAL INC.

By: /s/ JAY SUGARMAN

Name: Jay Sugarman
Title: Chairman and Chief Executive Officer

By: /s/ CATHERINE D. RICE

Name: Catherine D. Rice
Title: Chief Financial Officer

INDEX TO EXHIBITS

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(g)	Not applicable.
(h)	Not applicable.

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Exhibit 99(a)(1)

Offer to Purchase for Cash
All Outstanding Common Shares of Beneficial Interest
of
FALCON FINANCIAL INVESTMENT TRUST
at
$7.50 Net Per Share
by
FLASH ACQUISITION COMPANY LLC
a wholly owned subsidiary of
iSTAR FINANCIAL INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON MONDAY, FEBRUARY 28, 2005, UNLESS THE OFFER IS EXTENDED.

Pursuant to an Agreement and Plan of Merger, dated January 19, 2005 (the "Merger Agreement"), by and among iStar Financial Inc., a Maryland corporation ("iStar"), Flash Acquisition Company LLC, a Maryland limited liability company and a wholly owned subsidiary of iStar (the "Purchaser," "we" or "us"), and Falcon Financial Investment Trust, a Maryland real estate investment trust ("Falcon"), the Purchaser is offering to purchase (the "Offer") all issued and outstanding common shares of beneficial interest, par value $.01 per share (the "Shares"), of Falcon at a price of $7.50 per Share, net to the seller in cash, without interest (subject to applicable withholding taxes) (such price, or any such higher price per Share as may be paid in the Offer, referred to herein as the "Offer Price") upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal. As soon as practicable after the completion of the Offer and the satisfaction or waiver of all conditions set forth in the Merger Agreement, the Purchaser will be merged with and into Falcon with Falcon surviving the merger as a wholly owned subsidiary of iStar (the "Merger"). At the effective time of the Merger, each Share then outstanding (other than Shares owned by iStar or the Purchaser) will be converted into the right to receive the Offer Price, in cash, without interest (subject to applicable withholding taxes).

The board of trustees of Falcon unanimously: (1) determined that the terms of the Offer and the Merger are advisable, fair to and in the best interests of Falcon's shareholders; (2) approved the Merger Agreement, the Share Option Agreement (as defined below) and the other agreements and transactions contemplated thereby, including the Offer and the Merger; and (3) recommends that holders of all Shares tender their Shares to the Purchaser in the Offer.

The Offer is conditioned upon, among other things, there being validly tendered and not properly withdrawn prior to the expiration of the Offer, that number of Shares together with any Shares then owned by iStar or us, that immediately prior to acceptance for payment of Shares pursuant to the Offer, represents at least a majority of the total number of Shares outstanding (on a fully diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement). The foregoing condition is referred to as the "Minimum Condition" in this Offer to Purchase. The Offer is also subject to other conditions described in "Section 14—Certain Conditions of the Offer."

IMPORTANT

Any shareholder desiring to tender all or a portion of such shareholder's Shares must:

1. for Shares that are registered in the name of a broker, dealer, bank, trust company or other nominee:

   - contact the broker, bank, trust company or other nominee and request that the broker, dealer, bank, trust company or other nominee tender the Shares to the Purchaser before the expiration of the Offer.

2. for Shares that are registered in such shareholder's name and held in book entry form:

   - complete and sign the Letter of Transmittal (or a manually signed facsimile) in accordance with the instructions in the Letter of Transmittal or prepare an Agent's Message (as defined in the Letter of Transmittal);
   - if using the Letter of Transmittal, have such shareholder's signature on the Letter of Transmittal guaranteed if required by Instruction 1 of the Letter of Transmittal;
   - deliver an Agent's Message or the Letter of Transmittal (or a manually signed facsimile) and any other required documents to the Depositary at its address on the back of this Offer to Purchase; and
   - transfer the Shares through book-entry transfer into the Depositary's account.

3. for Shares that are registered in such shareholder's name and held as physical certificates:

   - complete and sign the Letter of Transmittal (or a manually signed facsimile) in accordance with the instructions in the Letter of Transmittal;
   - have such shareholder's signature on the Letter of Transmittal guaranteed if required by Instruction 1 to the Letter of Transmittal; and
   - mail or deliver the Letter of Transmittal (or a manually signed facsimile), the certificates for such Shares and any other required documents to the Depositary at its address on the back of this Offer to Purchase.

Any of the documents or certificates described above that are applicable to you must be received by the Depositary before the expiration of the Offer, unless the procedures for guaranteed delivery described in "Section 3—Procedure for Tendering Shares" of this Offer to Purchase are followed.

Questions and requests for assistance may be directed to the information agent or the dealer manager at the addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Requests for additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be directed to the information agent. A shareholder also may contact brokers, dealers, commercial banks, trust companies or other nominees for assistance concerning the Offer.

The Dealer Manager for the Offer is:

UBS Securities LLC

January 31, 2005

TABLE OF CONTENTS

SUMMARY TERM SHEET

Material Terms of the Transaction

Securities Sought:	All outstanding common shares of beneficial interest, par value $.01 per share (the "Shares"), of Falcon Financial Investment Trust.
Price Offered Per Share:	$7.50 net to you in cash, without interest (subject to applicable withholding taxes), for each Share.
Scheduled Expiration of Offer:	12:00 midnight, New York City time, on Monday, February 28, 2005, unless extended.
The Purchaser:	Flash Acquisition Company LLC, a wholly owned subsidiary of iStar Financial Inc.
Falcon Board of Trustees' Recommendation:	Falcon's board of trustees unanimously recommends that you accept the Offer and tender your Shares.
Minimum Condition:	There having been validly tendered in the Offer and not properly withdrawn, prior to the expiration of the Offer, a number of Shares, together with any Shares then owned by iStar or the Purchaser, including Shares subject to the Shareholder Agreements, that represents at least a majority of the total number of Shares outstanding (on a fully diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement). There are also other conditions that apply to the Offer, detailed in "Section 14—Certain Conditions of the Offer."
Shareholder Agreements:	All of Falcon's trustees, including its chief executive officer and chief financial officer, have entered into Shareholder Agreements with iStar and us pursuant to which they have agreed, in their respective capacities as shareholders of Falcon, to tender all of their Shares, as well as any additional Shares which they may acquire, to us in the Offer. At January 19, 2005, these individuals held in the aggregate 684,035 Shares (including restricted Shares), representing approximately 4.3% of the issued and outstanding Shares of such date. See "Section 13—The Merger Agreement, Shareholder Agreements, Share Option Agreement and Other Agreements."
Share Option Agreement:	Subject to certain conditions, Falcon has granted to the Purchaser an irrevocable option to purchase from Falcon that number of Shares as is necessary for the Purchaser to obtain ownership of at least 90% of the outstanding Shares. The Purchaser may only exercise this option after it has accepted and paid for Shares tendered in the Offer that represent at least 85% of the outstanding Shares. If the Purchaser is able to acquire 90% or more of Falcon's outstanding Shares, applicable state law will enable us, after complying with certain notice requirements, to complete the Merger without convening a meeting of Falcon's shareholders. See "Section 13—The Merger Agreement, Shareholder Agreements, Share Option Agreement and Other Agreements."

The following are some of the questions you, as a shareholder of Falcon, may have and our answers to those questions. We urge you to carefully read the remainder of this Offer to Purchase and the Letter of Transmittal because the information in this summary is not complete. Additional important information is contained in the remainder of this Offer to Purchase and the Letter of Transmittal.

Who is offering to buy my Shares?

Our name is Flash Acquisition Company LLC. We are a Maryland limited liability company formed as a wholly owned subsidiary of iStar Financial Inc. for the purpose of acquiring all of the issued and outstanding Shares of Falcon. iStar is the leading publicly traded finance company focused on the commercial real estate industry. The Company provides custom-tailored financing to high-end private and corporate owners of real estate nationwide, including senior and junior mortgage debt, senior and mezzanine corporate capital, and corporate net lease financing. See the "Introduction" to this Offer to Purchase and "Section 9—Certain Information Concerning iStar and the Purchaser."

What are the classes and amounts of securities being sought in the Offer?

We are offering to purchase all issued and outstanding Shares of Falcon. See the "Introduction" to this Offer to Purchase and "Section 1—Terms of the Offer."

How much are you offering to pay and in what form of payment?

We are offering to pay $7.50, net to you in cash, without interest (subject to applicable withholding taxes), for each Share. Pursuant to the terms of the Merger Agreement, if Falcon changes or establishes a record date for changing the number of Shares outstanding as a result of a stock split, stock dividend or other similar transaction, we may proportionally adjust the price we are offering to pay per Share to reflect that change.

Will I have to pay any fees or commissions?

If you are the record owner of your Shares and you tender your Shares to us in the Offer, you will not have to pay brokerage fees or similar expenses. If you own your Shares through a broker or other nominee, and your broker tenders your Shares on your behalf, your broker or nominee may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply. See the "Introduction" to this Offer to Purchase.

Do you have the financial resources to make payment?

iStar, our parent company, will provide us with sufficient funds to purchase all Shares validly tendered, and not properly withdrawn, in the Offer and to provide funding for the Merger which is expected to follow the successful completion of the Offer. iStar will use its cash on hand and existing lines of credit for this purpose. The Offer is not conditioned upon any financing arrangements. See "Section 10—Source and Amount of Funds."

Is your financial condition relevant to my decision to tender in the Offer?

The Offer is not subject to any financing condition. Because the form of payment consists solely of cash and all of the funding that will be needed will come from iStar's cash on hand and existing lines of credit, we do not think our financial condition is relevant to your decision as to whether to tender your Shares into the Offer. iStar has agreed to provide us with funds necessary to consummate the

Offer and to pay for all of the outstanding Shares of Falcon not owned by iStar or us pursuant to any merger of us into Falcon. See "Section 10—Source and Amount of Funds."

How long do I have to decide whether to tender in the Offer?

Unless we extend the expiration date of the Offer, you will have until 12:00 midnight, New York City time, on Monday, February 28, 2005, to decide whether to tender your Shares in the Offer. If you cannot deliver everything that is required in order to make a valid tender by that time, you may be able to use a guaranteed delivery procedure, which is described later in this Offer to Purchase. See "Section 1—Terms of the Offer" and "Section 3—Procedure for Tendering Shares."

Does Falcon intend to declare a dividend prior to the expiration of the Offer?

Yes. Falcon currently intends to declare and set a record date for a dividend prior to the expiration of the Offer. The exact amount and timing of that dividend will be determined by Falcon in its discretion.

If I tender by Shares in the Offer, will I be entitled to receive the dividend referred to in the prior question?

Yes. All holders of record of the Shares as of the record date set by Falcon for the dividend will be entitled to the dividend whether or not they have tendered their Shares in the Offer. For this purpose, tendering your Shares in the Offer will not affect your rights to receive the dividend.

Can the Offer be extended and under what circumstances?

We have agreed in the Merger Agreement that:

- If at the then scheduled expiration date of the Offer any of the conditions to our obligations to accept for payment and pay for Shares has not been satisfied or waived, we may extend the Offer on one or more occasions for such period as is reasonably necessary to permit such condition to be satisfied.

- We may generally extend the Offer for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission or its staff applicable to the Offer.

- We may extend the Offer on one or more occasions aggregating not more than 20 business days if the Minimum Condition has been satisfied but less than 90% of the outstanding Shares (on a fully diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement) have been validly tendered and not properly withdrawn as of the initial expiration date of the Offer.

We will extend the Offer, at the request of Falcon, until such date as the conditions to the Offer have been satisfied if such conditions are reasonably capable of being satisfied before April 30, 2005. However, we are not required to extend the Offer beyond April 30, 2005.

We may also elect to provide a "subsequent offering period" of an additional three to 20 business days beginning after the Offer expires, pursuant to and in accordance with Regulation 14D of the Securities and Exchange Act of 1934, as amended. During this subsequent offering period, you would be permitted to tender, but not withdraw, your Shares and receive, for each Share, $7.50 per Share, net to you in cash and without interest (subject to applicable withholding taxes). See "Section 1—Terms of the Offer."

How will I be notified if the Offer is extended?

If we extend the Offer or provide for a subsequent offering period, we will inform Computershare Trust Company of New York, the depositary for the Offer, and make a public announcement of the extension, not later than 9:00 a.m., New York City time, on the business day after the day on which the Offer was scheduled to expire. See "Section 1—Terms of the Offer."

What are the most significant conditions to the Offer?

The most significant conditions to the Offer are that:

- we are not obligated to purchase any Shares which are validly tendered in the Offer unless the Minimum Condition has been satisfied; and
- we are not obligated to purchase any Shares which are validly tendered in the Offer if the board of trustees of Falcon or any committee thereof has: (1) withdrawn or modified in a manner adverse to iStar or us its approval or recommendation of the Offer or the Merger or the other transactions contemplated by the Merger Agreement; (2) approved or recommended any alternate transaction proposal to acquire a significant portion of Falcon's assets or outstanding securities; (3) failed to reaffirm its recommendation of the Offer or the Merger or the other transactions contemplated by the Merger Agreement within five business days after the public announcement of an alternate transaction proposal; or (4) resolved to take any of the foregoing actions.

The Offer is also subject to a number of other conditions. We can waive all conditions to the Offer, except the Minimum Condition, without Falcon's consent. See "Section 14—Certain Conditions of the Offer."

How do I tender my Shares?

If you hold physical certificates evidencing your Shares, you must deliver the certificates evidencing your Shares, together with a completed Letter of Transmittal, to the depositary, by the time the Offer expires.

If you hold your Shares in street name, the Shares can be tendered by your broker or nominee through the depositary.

If you cannot deliver a required item to the depositary by the expiration of the Offer, you may be able to obtain extra time to do so by having a broker, a bank or other fiduciary which is a member of the Security Transfer Agent Medallion Signature Program guarantee that the missing items will be received by the depositary within three trading days. However, the depositary must receive the missing items within that three trading day period or your Shares will not be validly tendered. See "Section 3—Procedure for Tendering Shares."

How do I withdraw previously tendered Shares?

To properly withdraw Shares, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to the depositary, while you still have the right to withdraw the Shares. See "Section 4—Withdrawal Rights."

Until what time may I withdraw Shares that I have tendered?

If you tender your Shares, then you may withdraw them at any time until the Offer has expired. In addition, if we have not agreed to accept your Shares for payment by February 28, 2005, you may withdraw them at any time after such time until we accept them for payment. This right to withdraw

will not apply to any subsequent offering period, if one is provided. See "Section 1—Terms of the Offer" and "Section 4—Withdrawal Rights."

If I hold restricted Shares awarded by Falcon, may I tender them in the Offer?

Yes. The board of trustees of Falcon, pursuant to its authority under Falcon's Equity Incentive Plan, has taken the actions necessary to allow holders of restricted Shares to tender their restricted Shares in the Offer (as if such restricted Shares were fully vested) and to participate in the Offer on the same terms and conditions as the holders of unrestricted Shares.

What does the board of trustees of Falcon think of the Offer?

Falcon's board of trustees unanimously recommends that you accept the Offer and tender your Shares. The factors considered by Falcon's board of trustees in making their recommendation are described in Falcon's Solicitation/Recommendation Statement on Schedule 14D-9, which has been filed with the Securities and Exchange Commission and is being mailed to you with this Offer to Purchase. See the "Introduction" to this Offer to Purchase and "Section 11—Background of the Offer."

Have any Falcon shareholders agreed to tender their Shares?

Yes. All of Falcon's trustees, including its chief executive officer and chief financial officer, have entered into Shareholder Agreements with iStar and us pursuant to which they have agreed, in their respective capacities as shareholders of Falcon, to tender all of their Shares, as well as any additional Shares which they may acquire, to us in the Offer. Each shareholder who executed a Shareholder Agreement has also granted iStar a proxy to vote all of his Shares in favor of adoption of the Merger Agreement and in favor of the Merger. As of January 19, 2005, the shareholders who executed the Shareholder Agreements held in the aggregate 684,035 Shares (including restricted Shares), which represented 4.3% of the outstanding Shares as of that date.

If the Offer is consummated, will Falcon continue as a public company?

If and when the Merger takes place, our separate existence will cease and Falcon will continue as the surviving company, but Falcon will be a wholly owned subsidiary of iStar. During the period from the closing of the Offer until the closing of the Merger, the number of shareholders and number of Shares of Falcon which are still in the hands of the public may be so small that there no longer may be an active public trading market (or, possibly, any public trading market) for Falcon's Shares. Also, Falcon may cease making filings with the Securities and Exchange Commission or otherwise being required to comply with the Securities and Exchange Commission's rules relating to publicly held companies. See the "Introduction" to this Offer to Purchase and "Section 7—Effect of the Offer on the Market for Shares; Stock Listing; Exchange Act Registration; Margin Regulation."

Will the Offer be followed by a Merger if all Shares are not tendered in the Offer?

If we accept for payment and pay for Shares in the Offer, we intend to merge with and into Falcon, subject to the terms and conditions of the Merger Agreement and upon the affirmative vote of Falcon's shareholders, if such vote is required. Falcon will be the surviving corporation in the Merger. In the Merger, Falcon shareholders who did not tender their Shares will receive $7.50 per Share in cash (or any higher price per Share which is paid in the Offer) in exchange for their Shares without interest (subject to applicable withholding taxes). If 90% or more of the issued and outstanding Shares are acquired in the Offer or otherwise, we will be able to effect the Merger without convening a meeting of Falcon shareholders.

If you successfully complete the Offer, what will happen to Falcon's Board of Trustees?

Effective upon the acceptance for payment of Shares pursuant to the Offer, iStar shall be entitled to designate a number of trustees as determined by iStar, rounded up to the next whole number, to Falcon's board of trustees as will give iStar representation on the board of trustees that is proportionate to the percentage of Shares beneficially owned by us and iStar (including Shares accepted for payment in the Offer). Falcon is required to take all action reasonably requested by iStar to cause the nominees of iStar and us to be elected or appointed at such time, including increasing the size of the board of trustees and seeking resignations of incumbent trustees. Messrs. George G. Lowrance and Thomas R. Gibson have agreed to resign in this circumstance. Effective upon our purchase of the Shares pursuant to the Offer, and prior to the time that any designee of iStar becomes a trustee on Falcon's board of trustees, Falcon will, if requested by iStar, permit up to three individuals designated by iStar to attend and observe all meetings of Falcon's board of trustees or any committee of the board of trustees, provided that the observers execute a reasonable confidentiality agreement. However, Falcon has agreed in the Merger Agreement to use its commercially reasonable efforts to ensure that at least two trustees of Falcon's independent trustees remain on the board of trustees at all times prior to the completion of the Merger. After iStar designates trustees for election to the board of trustees, but prior to the completion of the Merger, the following will require the approval of a majority of the independent trustees on the Falcon board of trustees: (1) any amendment or any termination of the Merger Agreement by Falcon; (2) any extension by Falcon of the time for the performance of any of the obligations of iStar or us for which Falcon's consent or approval is required; (3) any exercise or waiver of any of Falcon's rights or remedies under the Merger Agreement; (4) any amendment to Falcon's declaration of trust or bylaws; and (5) any waiver of compliance with any covenant of iStar or us or any condition to any obligation of Falcon or any of Falcon's rights under the Merger Agreement.

If I decide not to tender and the Offer is successful, how will the Offer affect my Shares?

If the Offer is successful, we expect to complete a merger transaction in which all remaining shareholders of Falcon at the time of the proposed Merger, other than those that properly assert appraisal rights that may be available to you under Maryland law (discussed immediately below and in "Section 12—Purpose of the Offer; Plans for Falcon; Other Matters"), will receive $7.50 per Share in cash for each Share (or any higher price per Share which is paid in the Offer), without interest (subject to applicable withholding taxes).

After the Offer closes but before the completion of the Merger, the number of shareholders and number of Shares of Falcon which are still in the hands of the public may be so small that there no longer may be an active public trading market (or, possibly, any public trading market) for Falcon's Shares. Also, Falcon may cease making filings with the Securities and Exchange Commission or otherwise being required to comply with the Securities and Exchange Commission's rules relating to publicly held companies. See the "Introduction" to this Offer to Purchase and "Section 7—Effect of the Offer on the Market for Shares; Stock Listing; Exchange Act Registration; Margin Regulation."

Are appraisal rights available in either the Offer or the proposed Merger?

Appraisal rights are not available in the Offer. However, if you choose not to tender your Shares and the Offer is consummated, appraisal rights may be available to you in the proposed Merger. If appraisal rights are available and you choose to exercise your appraisal rights and comply with the applicable legal requirements which will be described in any proxy statement relating to the merger, you will be entitled to the fair value of your Shares. The fair value may be more or less than price per Share paid in the Offer. See "Section 12—Purpose of the Offer; Plans for Falcon; Other Matters."

What is the market value of my Shares as of a recent date?

On January 19, 2005, the last full trading day prior to the public announcement of the execution of the Merger Agreement, the last reported sales price of Shares on The Nasdaq National Market was $6.75 per Share. On January 28, 2005, the last full trading day prior to the commencement of the Offer, the last reported sales price of the Shares on The Nasdaq National Market was $7.45 per Share. We advise you to obtain a recent quotation for the Shares in deciding whether to tender your Shares. See "Section 6—Price Range of the Shares; Dividends on the Shares."

Who can I talk to if I have questions about the Offer?

You may call Georgeson Shareholder Communications Inc., the information agent for the Offer, at (877) 278-3842 (toll free) or UBS Securities LLC, the dealer manager for the Offer, at (877) 766-4684 (toll free). See the back cover of this Offer to Purchase for additional information on how to contact our information agent or dealer manager.

To the Holders of the Common Shares of Beneficial Interest of Falcon Financial Investment Trust:

INTRODUCTION

Flash Acquisition Company LLC, a Maryland limited liability company (the "Purchaser") and a wholly owned subsidiary of iStar Financial Inc., a Maryland corporation ("iStar"), is making an offer to purchase (the "Offer") all issued and outstanding common shares of beneficial interest, par value $.01 per share (the "Shares"), of Falcon Financial Investment Trust, a Maryland real estate investment trust ("Falcon"), at a price of $7.50 per Share, net to the seller in cash, without interest (subject to applicable withholding taxes) (such price, or any higher price per Share as may be paid in the Offer, referred to herein as the "Offer Price") upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated January 19, 2005 (the "Merger Agreement"), by and among iStar, the Purchaser and Falcon. Pursuant to the Merger Agreement, as soon as practicable after the completion of the Offer and the satisfaction or waiver of all conditions set forth in the Merger Agreement, the Purchaser will be merged with and into Falcon with Falcon surviving the merger as a wholly owned subsidiary of iStar (the "Merger"). At the effective time of the Merger, each Share then outstanding (other than Shares owned by iStar, the Purchaser or Falcon) will be converted into the right to receive the Offer Price, in cash, without interest (subject to applicable withholding taxes). See "Section 12—Purpose of the Offer; Plans for Falcon; Other Matters."

The Merger Agreement is more fully described in "Section 13—The Merger Agreement, Shareholder Agreements, Share Option Agreement and the Other Agreements."

The board of trustees of Falcon unanimously: (1) determined that the terms of the Offer and the Merger are advisable, fair to and in the best interests of Falcon's shareholders; (2) approved the Merger Agreement, the Share Option Agreement and the transactions contemplated thereby, including the Offer and the Merger; and (3) recommends that holders of all Shares tender their Shares to the Purchaser in the Offer.

Falcon has informed the Purchaser that, at the close of business on January 19, 2005: (1) 15,965,232 Shares were issued and outstanding; (2) no Preferred Shares were issued and outstanding; (3) no Shares were issuable upon the exercise of stock options, warrants, conversion privileges and other similar rights; and (4) 198,271 restricted Shares were outstanding.

Each of Vernon B. Schwartz (Chief Executive Officer and Chairman), David A. Karp (President and Chief Financial Officer), James K. Hunt (Lead Trustee), Maryann N. Keller (Trustee), George G. Lowrance (Trustee), Thomas F. Gilman (Trustee) and Thomas R. Gibson (Trustee) (collectively, the "Shareholders" and each, a "Shareholder") have entered into Shareholder Agreements, dated January 19, 2005, with iStar and us pursuant to which they have agreed, in their respective capacities as shareholders of Falcon, to tender all of their Shares, as well as any additional Shares which they may acquire, to us in the Offer (the "Shareholder Agreement"). As of January 19, 2005, the Shareholders held in the aggregate 684,035 Shares (including restricted Shares), which represented 4.3% of the outstanding Shares as of that date. The Shareholder Agreements are more fully described in "Section 13—The Merger Agreement, Shareholder Agreements, Share Option Agreement and Other Agreements."

The Offer is conditioned upon (1) there being validly tendered and not properly withdrawn prior to the expiration of the Offer, that number of Shares together with any Shares then owned by iStar or us, that immediately prior to acceptance for payment of Shares pursuant to the Offer, represents at least a majority of the total number of Shares outstanding (on a fully diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement (as defined below)) (the "Minimum

Condition") and (2) the satisfaction of certain other conditions as set forth in this Offer to Purchase. See "Section 14—Certain Conditions of the Offer."

Consummation of the Merger is subject to a number of conditions, including the approval and adoption of the Merger Agreement by the affirmative vote of the holders of a majority of the outstanding Shares, if required by applicable law in order to consummate the Merger. See "Section 15—Certain Legal Matters." If the Purchaser acquires at least 90% of the issued and outstanding Shares, the Purchaser would be able to merge with and into Falcon, subject to complying with the applicable notice requirements, pursuant to the "short-form" merger provisions of the Maryland REIT Law (the "REIT Law") and the Maryland General Corporation Law ("MGCL") without any action by any other shareholder of Falcon (See "Section 12—Purpose of the Offer; Plans for Falcon; Other Matters"). iStar, the Purchaser and Falcon have agreed in the Merger Agreement to take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after the acceptance and payment for Shares by the Purchaser pursuant to the Offer. See "Section 13—The Merger Agreement, Shareholder Agreements, Share Option Agreement and Other Agreements."

Falcon has granted the Purchaser an irrevocable option (the "Option") to purchase from Falcon a number of fully paid and nonassessable Shares (such Shares being referred to herein as the "Option Shares") equal to the Applicable Amount (as defined below) at a price per Share equal to the Offer Price, subject to the terms and conditions set forth in the Share Option Agreement dated January 19, 2005, between Falcon and the Purchaser. The "Applicable Amount" is the number of Shares which, when added to the number of Shares owned (of record or beneficially) by iStar, the Purchaser and their respective subsidiaries immediately prior to the exercise of the Option, would result in iStar, the Purchaser and their respective subsidiaries owning (of record or beneficially) in the aggregate, immediately after exercise of the Option, ninety percent (90%) of the then issued and outstanding Shares; provided, however, that the Applicable Amount shall not exceed 19.9% of the then issued and outstanding Shares and shall not exceed the number of Shares available for issuance under Falcon's declaration of trust. The Purchaser has also agreed to exercise the Option if the conditions to the exercise of the Option are satisfied.

Lehman Brothers Inc. ("Lehman"), Falcon's financial advisor, has delivered to Falcon's board of trustees its written opinion, dated January 19, 2005, to the effect that, as of such date, based upon and subject to the considerations and assumptions set forth in its opinion, the Offer Price to be received pursuant to the Offer and the Merger by the holders of Shares is fair, from a financial point of view, to such holders. The full text of Lehman's opinion is set forth as Annex B to Falcon's Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which is being mailed to shareholders of Falcon with this Offer to Purchase. Shareholders are urged to read the Schedule 14D-9 and Lehman's opinion carefully in their entirety. Lehman's opinion does not constitute a recommendation to any shareholder as to whether or not the shareholder should tender Shares pursuant to the Offer or as to how the shareholder should vote or act on any matter relating to the Merger.

Tendering shareholders whose Shares are registered in their own names and who tender directly to the Depositary (as defined below) will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, transfer taxes on the sale of Shares pursuant to the Offer. The Purchaser will pay all fees and expenses incurred in connection with the Offer by Computershare Trust Company of New York, which is acting as the depositary for the Offer (the "Depositary"), Georgeson Shareholder Communications Inc. which is acting as the information agent for the Offer (the "Information Agent"), and UBS Securities LLC, which is acting as dealer manager for the Offer (the "Dealer Manager"). See "Section 16—Fees and Expenses."

Certain U.S. federal tax consequences of the sale of Shares pursuant to the Offer and the Merger are described in "Section 5—Material United States Federal Income Tax Consequences."

THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION AND SHOULD BE READ IN THEIR ENTIRETY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

THE TENDER OFFER

Section 1. Terms of the Offer

Upon the terms and subject to the conditions of the Offer, the Purchaser will accept for payment and pay $7.50 per Share, net to the seller in cash, without interest (subject to applicable withholding taxes), for all Shares validly tendered prior to the Expiration Date and not properly withdrawn in accordance with "Section 4—Withdrawal Rights." The term "Expiration Date" means 12:00 midnight, New York City time, on Monday, February 28, 2005 (such date and time, the "Initial Expiration Date"), unless and until, in accordance with the terms of the Merger Agreement, the Purchaser extends the period of time for which the Offer is open, in which event the term "Expiration Date" means the latest time and date at which the Offer, as so extended by the Purchaser, expires.

The Purchaser may, without the consent of Falcon, extend the Offer, and thereby delay acceptance for payment of, and the payment for, any Shares, if:

- at the Expiration Date, any of the conditions to the Purchaser's obligation to purchase Shares in the Offer has not been satisfied or waived on one or more occasions for such period as is reasonably necessary to permit such condition to be satisfied;

- any rule, regulation or interpretation of the United States Securities and Exchange Commission ("SEC") or the staff thereof applicable to the Offer requires that the Offer be extended; or

- the Minimum Condition has been satisfied but less than 90% of the outstanding Shares (on a fully diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement) have been validly tendered and not properly withdrawn as of the Initial Expiration Date on one or more occasions aggregating not more than 20 business days.

If we extend the Offer pursuant to the third bullet above, we have also agreed to irrevocably waive certain conditions to the Offer and termination rights under the Merger Agreement.

At the request of Falcon, the Purchaser will extend the Offer until such date as the conditions to the Offer have been satisfied if such conditions are reasonably capable of being satisfied before April 30, 2005. Notwithstanding the foregoing, the Purchaser will not be required to extend the Offer beyond April 30, 2005.

The Purchaser may elect to provide a subsequent offering period of three to 20 business days (a "Subsequent Offering Period") in accordance with Rule 14d-11 under the Exchange Act. A Subsequent Offering Period would be an additional period of time following the expiration of the initial offer period during which shareholders could tender Shares not tendered in the Offer and receive the Offer Price. During a Subsequent Offering Period, the Purchaser will immediately accept and promptly pay for Shares as they are tendered and tendering shareholders will not have withdrawal rights. The Purchaser cannot elect to provide a Subsequent Offering Period unless the Purchaser announces the results of the Offer no later than 9:00 a.m., New York City time, on the next business day after the Expiration Date and immediately begins the Subsequent Offering Period. The Purchaser does not currently intend to provide a Subsequent Offering Period, although it reserves the right to do so in its sole discretion.

Under no circumstances will interest be paid on the Offer Price for tendered Shares, regardless of any extension of or amendment to the Offer or any delay in paying for such Shares.

iStar or the Purchaser may, at any time and from time to time prior to the expiration of the Offer, waive any condition to the Offer or modify the terms of the Offer, by giving oral or written notice of such waiver or modification to the Depositary, except that, without the prior written consent of Falcon, the Purchaser may not:

- decrease the Offer Price to be paid in the Offer;

- change the form of consideration payable in the Offer;
- change the Minimum Condition;
- reduce or limit the number of Shares sought pursuant to the Offer;
- change the conditions to the Offer in a manner adverse to the holders of the Shares;
- impose additional conditions to the Offer;
- extend the Offer except as set forth above; or
- make any other change which is adverse to the holders of the Shares.

The Offer is conditioned upon, among other things: (1) the Minimum Condition; and (2) the satisfaction of certain other conditions as set forth in this Offer to Purchase. See "Section 14—Certain Conditions of the Offer."

If by 12:00 midnight, New York City time, on Monday, February 28, 2005 (or any later date or time then set as the Expiration Date), any or all of the conditions to the Offer have not been satisfied or waived (where permitted), the Purchaser, subject to the terms of the Merger Agreement and the applicable rules and regulations of the SEC, may:

- if permitted by the terms of the Merger Agreement, terminate the Offer and not accept for payment or pay for any Shares and return all tendered Shares to tendering shareholders;
- waive any of the unsatisfied conditions of the Offer, to the extent permitted by applicable law, and subject to complying with applicable rules and regulations of the SEC and its staff applicable to the Offer, accept for payment and pay for all Shares validly tendered and not properly withdrawn prior to the Expiration Date;
- except as set forth above, extend the Offer and, subject to the right of shareholders to withdraw Shares until the Expiration Date, if any, retain the Shares that have been tendered during the period or periods for which the Offer is open or extended; or
- except as set forth above, amend the Offer.

If the Purchaser extends the Offer, or if the Purchaser (whether before or after its acceptance for payment of Shares) is delayed in its purchase of or payment for Shares or is unable to pay for Shares pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under the Offer, the Depositary may retain tendered Shares on behalf of the Purchaser, and such Shares may not be withdrawn except to the extent tendering shareholders are entitled to exercise withdrawal rights as described in "Section 4—Withdrawal Rights." However, the ability of the Purchaser to delay the payment for Shares which the Purchaser has accepted for payment is limited by Rule 14e-l(c) under the Exchange Act, which requires that a bidder pay the consideration offered or return the securities deposited by or on behalf of holders of securities promptly after the termination or withdrawal of the Offer. Any extension, amendment or termination of the Offer will be followed as promptly as practicable by public announcement thereof, the announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date subject to applicable law (including Rules 14d-4(d) and 14d-6(c) under the Exchange Act, which require that material changes be promptly disseminated to holders of the Shares). Without limiting the obligation of the Purchaser under such Rule or the manner in which the Purchaser may choose to make any public announcement, the Purchaser currently intends to make announcements by issuing a press release.

If the Purchaser makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer, the Purchaser will disseminate additional tender offer materials and extend the Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1

under the Exchange Act. The minimum period during which the Offer must remain open following material changes in the terms of the Offer or information concerning the Offer, other than a change in price or a change in percentage of securities sought, will depend upon the facts and circumstances then existing, including the relative materiality of the changed terms or information. The requirement to extend an offer will not apply to the extent that the number of business days remaining between the occurrence of the change and the then-scheduled expiration date equals or exceeds the minimum extension period that would be required because of such amendment. As used in this Offer to Purchase, "business day" has the meaning set forth in Rule 14d-1(g)(3) under the Exchange Act.

Falcon has agreed to provide the Purchaser with Falcon's shareholder lists and security position listings for the purpose of disseminating the Offer to Purchase (and related documents) to holders of Shares. This Offer to Purchase and the related Letter of Transmittal will be mailed by the Purchaser to record holders of Shares and will be furnished by the Purchaser to brokers, dealers, banks and similar persons whose names, or the names of whose nominees, appear on the shareholder lists or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

Section 2. Acceptance for Payment and Payment for Shares

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment) and provided that the Offer has not been terminated as described in Section 1 of this Offer to Purchase, the Purchaser will accept for payment and will pay for all Shares validly tendered prior to the Expiration Date and not properly withdrawn in accordance with "Section 4—Withdrawal Rights" promptly after the Expiration Date. If the Purchaser includes a Subsequent Offering Period, the Purchaser will immediately accept and promptly pay for Shares as they are tendered during the Subsequent Offering Period. In addition, subject to the terms of the Merger Agreement, if at any scheduled expiration date of the Offer, all conditions to the Offer have not been satisfied or waived, we may extend the Offer for such period as we may determine.

In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of:

- (1) the certificates for such Shares ("Share Certificates"), together with a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees; or (2) in the case of a transfer effected pursuant to the book-entry transfer procedures described in "Section 3—Procedure for Tendering Shares," a Book-Entry Confirmation and either a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message as described in "Section 3—Procedure for Tendering Shares"; and

- any other documents required by the Letter of Transmittal.

The per Share consideration paid to any holder of any Share in the Offer will be the highest per Share consideration paid to any other holder of any Share in the Offer.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered to the Purchaser and not properly withdrawn as, if and when the Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the Offer Price therefor with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payment from the Purchaser and transmitting payment to tendering shareholders. Upon the deposit of funds with the Depositary for the purpose of making payments to tendering

shareholders, the Purchaser's obligation to make such payment shall be satisfied, and tendering shareholders must thereafter look solely to the Depositary for payment of amounts owed to them by reason of the acceptance for payment of Shares pursuant to the Offer. Under no circumstances will interest be paid on the Offer Price to be paid by the Purchaser for the Shares, regardless of any extension of the Offer or any delay in making such payment.

If any tendered Shares are not accepted for payment pursuant to the terms and conditions the Offer for any reason, Share Certificates evidencing such unpurchased Shares will be returned, without expense to the tendering shareholder (or, in the case of Shares delivered by book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility pursuant to the procedures set forth in "Section 3—Procedures for Tendering Shares," the Depositary will notify the Book-Entry Transfer Facility of the Purchaser's decision not to accept the Shares and such Shares will be credited to an account maintained at the Book-Entry Transfer Facility), as promptly as practicable after the expiration or termination of the Offer.

If the Purchaser is delayed in its acceptance for payment of or payment for Shares or is unable to accept for payment or pay for Shares pursuant to the Offer, then, without prejudice to the Purchaser's rights under the Offer (but subject to compliance with Rule 14e-1(c) under the Exchange Act) the Depositary may, nevertheless, on behalf of the Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent tendering shareholders are entitled to do so as described in "Section 4—Withdrawal Rights." See "Section 15—Certain Legal Matters."

The Purchaser reserves the right to assign to iStar or any wholly owned subsidiary of iStar any of its rights under the Merger Agreement, including the right to purchase Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve the Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering shareholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

Section 3. Procedure for Tendering Shares

Valid Tender.

A shareholder must follow one of the following procedures to validly tender Shares pursuant to the Offer:

- for Shares held as physical certificates, the Share Certificates, a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees and any other documents required by the Letter of Transmittal must be received by the Depositary at its address set forth on the back cover of this Offer to Purchase prior to the Expiration Date (unless such tender is made during a Subsequent Offering Period, if one was provided);

- for Shares held in book-entry form, either a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message (as defined below), and any other required documents, must be received by the Depositary at its address set forth on the back cover of this Offer to Purchase, and such Shares must be delivered pursuant to the book-entry transfer procedures described below under "Book-Entry Transfer" and a Book-Entry Confirmation (as defined below) must be received by the Depositary, in each case prior to the Expiration Date (unless such tender is made during a Subsequent Offering Period, if one was provided); or

- the tendering shareholder must comply with the guaranteed delivery procedures described below under "Guaranteed Delivery" prior to the Expiration Date.

The valid tender of Shares pursuant to one of the procedures described above will constitute a binding agreement between the tendering shareholder and the Purchaser upon the terms and subject to the conditions of the Offer.

The method of delivery of Shares, the Letter of Transmittal and all other required documents, including delivery through the Book-Entry Transfer Facility (as defined below), is at the election and risk of the tendering shareholder. Shares will be deemed delivered only when actually received by the Depositary (including, in the case of a Book-Entry Transfer, by Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

Book-Entry Transfer.

The Depositary will establish an account or accounts with respect to the Shares at The Depository Trust Company (the "Book-Entry Transfer Facility") for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of Shares by causing the Book-Entry Transfer Facility to transfer such Shares into the Depositary's account in accordance with the Book-Entry Transfer Facility's procedure for such transfer. However, although delivery of Shares may be effected through book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility, the properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), with any required signature guarantees, or an Agent's Message in lieu of the Letter of Transmittal, and any other required documents must, in any case, be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date (except with respect to a Subsequent Offering Period, if one is provided), or the tendering shareholder must comply with the guaranteed delivery procedures described below for a valid tender of Shares by book-entry transfer. The confirmation of a book-entry transfer of Shares into a Depositary's account at the Book-Entry Transfer Facility as described above is referred to in this Offer to Purchase as a "Book-Entry Confirmation."

The term "Agent's Message" means a message, transmitted through electronic means by the Book-Entry Transfer Facility, in accordance with the normal procedures of the Book-Entry Transfer Facility and the Depositary, to and received by the Depositary and forming a part of a Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Shares which are the subject of Book-Entry Confirmation that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against the participant. The term "Agent's Message" shall also include any hard copy printout evidencing such message generated by a computer terminal maintained at the Depositary's office. For Shares to be validly tendered during any Subsequent Offering Period, the tendering shareholder must comply with the foregoing procedures except that the required documents and Share Certificates must be received during the Subsequent Offering Period. Delivery of documents to the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depositary.

Signature Guarantees.

No signature guarantee is required on the Letter of Transmittal if: (1) the Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this Section 3 includes any participant in the Book-Entry Transfer Facility's systems whose name appears on a security position listing as the owner of the Shares) of Shares tendered therewith and such registered holder has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal; or (2) such Shares are tendered for the account of a financial institution

(including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agent Medallion Signature Program or other "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Exchange Act (each, an "Eligible Institution" and, collectively, "Eligible Institutions"). In all other cases, all signatures on Letters of Transmittal must be guaranteed by an Eligible Institution. See Instructions 1 and 5 to the Letter of Transmittal. If a Share Certificate is registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made, or a Share Certificate not tendered or not accepted for payment are to be returned, to a person other than the registered holder of the Share Certificates surrendered, then the tendered Share Certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered holders or owners appear on the Share Certificate, with the signature(s) on the Share Certificates or stock powers guaranteed by an Eligible Institution as provided in the Letter of Transmittal. See Instructions 1 and 5 to the Letter of Transmittal.

Guaranteed Delivery.

If a shareholder desires to tender Shares pursuant to the Offer and the Share Certificates are not immediately available or the procedures for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Depositary prior to the Expiration Date, such shareholder's tender may be effected if all the following conditions are met:

- such tender is made by or through an Eligible Institution;
- a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Purchaser, is received by the Depositary, as provided below, prior to the Expiration Date; and
- the Share Certificates (or a Book-Entry Confirmation), in proper form for transfer, together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message in lieu of a Letter of Transmittal), and any other documents required by the Letter of Transmittal are received by the Depositary within three trading days after the date of execution of such Notice of Guaranteed Delivery. A "trading day" is any day on which The Nasdaq National Market ("Nasdaq") is open for business.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail (or if sent by a Book-Entry Transfer Facility, a message transmitted through electronic means in accordance with the usual procedures of the Book-Entry Transfer Facility and the Depositary; provided, however, that if such notice is sent by a Book-Entry Transfer Facility through electronic means, it must state that the Book-Entry Transfer Facility has received an express acknowledgment from the participant on whose behalf such notice is given that such participant has received and agrees to become bound by the form of such notice) to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in such Notice of Guaranteed Delivery made available by the Purchaser.

Other Requirements.

Notwithstanding any other provision hereof, payment for Shares accepted for payment pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of: (1) Share Certificates (or a timely Book-Entry Confirmation); (2) a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message in lieu of a Letter of Transmittal); and (3) any other documents required by the Letter of Transmittal. Accordingly, tendering shareholders may be paid at different times depending upon when Share Certificates or Book-Entry Confirmations with respect to

Shares are actually received by the Depositary. Under no circumstances will interest be paid on the Offer Price to be paid by the Purchaser for the Shares, regardless of any extension of the Offer or any delay in making such payment.

Appointment as Proxy.

By executing the Letter of Transmittal (or a facsimile thereof) (or, in the case of a book-entry transfer, an Agent's Message in lieu of a Letter of Transmittal), the tendering shareholder will irrevocably appoint designees of the Purchaser as such shareholder's agents and attorneys-in-fact and proxies in the manner set forth in the Letter of Transmittal, each with full power of substitution, to the full extent of such shareholder's rights with respect to the Shares tendered by such shareholder and accepted for payment by the Purchaser (and with respect to any and all other Shares or other securities or rights issued or issuable in respect of such Shares on or after the date of this Offer to Purchase). All such proxies will be considered coupled with an interest in the tendered Shares. Such appointment will be effective when, and only to the extent that, the Purchaser accepts for payment Shares tendered by such shareholder as provided herein. Upon the effectiveness of such appointment, all prior powers of attorney, proxies and consents given by such shareholder with respect to such Shares or other securities or rights will, without further action, be revoked and no subsequent powers of attorney, proxies, consents or revocations may be given by such shareholder (and, if given, will not be deemed effective). When the appointment of the proxy becomes effective, the designees of the Purchaser will thereby be empowered to exercise all voting and other rights with respect to such Shares and other securities or rights, including, without limitation, in respect of any annual, special or adjourned meeting of Falcon's shareholders, actions by written consent in lieu of any such meeting or otherwise, as they in their sole discretion deem proper. The Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon the Purchaser's acceptance for payment of such Shares, the Purchaser must be able to exercise full voting, consent and other rights with respect to such Shares and other related securities or rights, including voting at any meeting of shareholders. The Offer does not constitute a solicitation of proxies, absent a purchase of Shares, for any meeting of Falcon shareholders.

Determination of Validity.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any tender of Shares, including questions as to the proper completion or execution of any Letter of Transmittal (or facsimile thereof), Notice of Guaranteed Delivery or other required documents and as to the proper form for transfer of any Share Certificate, shall be resolved by the Purchaser, in its sole discretion, whose determination will be final and binding. The Purchaser will have the absolute right to determine whether to reject any or all tenders not in proper or complete form or to waive any irregularities or conditions, and the Purchaser's interpretation of the Offer to Purchase, the Letter of Transmittal and the instructions thereto and the Notice of Guaranteed Delivery (including without limitation the determination of whether any tender is complete and proper) will be final and binding. No tender of Shares will be deemed to have been validly made until all defects or irregularities relating thereto have been cured or waived. None of the Purchaser, iStar, the Depositary, the Information Agent, the Dealer Manager, Falcon or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. The Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding.

Backup Withholding.

In order to avoid "backup withholding" of U.S. federal income tax on payments of cash pursuant to the Offer, a U.S. shareholder surrendering Shares in the Offer must, unless an exemption applies, provide the Depositary with such shareholder's correct taxpayer identification number ("TIN") on a

Substitute Form W-9 (or certify that the shareholder is awaiting a TIN), certify under penalties of perjury that such TIN is correct and provide certain other certifications. If a shareholder does not provide such shareholder's correct TIN or fails to provide the required certifications, the Internal Revenue Service (the "IRS") may impose a penalty on such shareholder and payment of cash to such shareholder pursuant to the Offer may be subject to backup withholding of 28%. All shareholders surrendering Shares pursuant to the Offer should complete and sign the main signature form and the Substitute Form W-9 included as part of the Letter of Transmittal to provide the information and certification necessary to avoid backup withholding (unless an applicable exemption exists and is proved in a manner satisfactory to the Purchaser and the Depositary). Certain shareholders (including, among others, corporations) are not subject to backup withholding but may be required to provide evidence of their exemption from backup withholding. Non-U.S. shareholders should complete and sign the main signature form included as part of the Letter of Transmittal and an appropriate Form W-8 (instead of a Form W-9), a copy of which may be obtained from the Depositary, in order to avoid backup withholding. See Instruction 9 to the Letter of Transmittal.

Section 4. Withdrawal Rights

Shares properly tendered into the Offer may be validly withdrawn pursuant to the procedures set forth below at any time prior to the Expiration Date and, unless theretofore accepted for payment and paid for by the Purchaser pursuant to the Offer, may also be withdrawn at any time after February 28, 2005.

For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the Depositary at its address set forth on the back cover of this Offer to Purchase prior to the Expiration Date and must specify: (1) the name of the person who tendered the Shares to be withdrawn; (2) the number of Shares to be withdrawn; and (3) the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares. If Share Certificates have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the tendering shareholder must also submit the serial numbers shown on the particular Share Certificates and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer as set forth in "Section 3—Procedure for Tendering Shares," any notice of withdrawal must also specify the name and number of the account at the appropriate Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures. Withdrawals of tenders of Shares may not be rescinded, and any Shares properly withdrawn will no longer be considered validly tendered for purposes of the Offer. However, withdrawn Shares may be retendered by again following one of the procedures described in "Section 3—Procedure for Tendering Shares" any time prior to the Expiration Date.

No withdrawal rights will apply to Shares tendered into a Subsequent Offering Period under Rule 14d-11 of the Exchange Act, and no withdrawal rights apply during a Subsequent Offering Period under Rule 14d-11 with respect to Shares tendered in the Offer and accepted for payment. See "Section 1—Terms of the Offer."

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Purchaser, in its sole discretion, which determination will be final and binding. None of the Purchaser, iStar, the Depositary, the Information Agent, Falcon or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

The method for delivery of any documents related to a withdrawal is at the risk of the withdrawing shareholder. Any documents related to a withdrawal will be deemed delivered only when actually

received by the Depositary. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

Section 5. Material United States Federal Income Tax Consequences

U.S. Federal Income Tax Consequences in General.

The following is a summary of material United States federal income tax consequences to holders of Shares whose Shares are sold pursuant to the Offer or converted into cash in the Merger. This discussion is for general information purposes only and does not address all aspects of United States federal income taxation that may be relevant to particular holders of Shares in light of their specific investment or tax circumstances. The tax consequences to any particular shareholder may differ depending on that shareholder's own circumstances and tax position. The discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations issued thereunder, and administrative and judicial interpretations thereof, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect. This discussion applies only to holders who hold Shares as "capital assets" within the meaning of section 1221 of the Code, and does not apply to employee holders of restricted shares (the tax consequences of which are discussed below). In addition, this discussion does not apply to certain types of holders subject to special tax rules including, but not limited to, non-U.S. persons, insurance companies, tax-exempt organizations, banks and other financial institutions, brokers or dealers, holders who perfect their appraisal rights, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings or persons who hold their Shares as a part of a straddle, hedge, conversion, or other integrated investment or constructive sale transaction. The tax consequences of the Offer and the Merger to holders who hold their shares through a partnership or other pass-through entity generally will depend upon such holder's status for United States federal income tax purposes and the activities of the partnership.

Each holder is urged to consult such holder's tax advisor regarding the specific United States federal, state, local and foreign income and other tax consequences of the Offer and the Merger in light of such holder's specific tax situation.

The receipt of cash for Shares pursuant to the Offer or the Merger will be a taxable transaction for United States federal income tax purposes. In general, a holder who receives cash in exchange for a Share pursuant to the Offer or the Merger will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of the Offer Price and the holder's adjusted tax basis in the Shares exchanged. Gain or loss will be determined separately for each block of Shares (i.e., Shares acquired at the same time and price) exchanged pursuant to the Offer or the Merger. Such gain or loss will generally be capital gain or loss and will generally be long-term capital gain or loss if such Shares have been held for more than one year at the time of disposition. However, such gain or loss will generally be short-term capital gain or loss if such Shares have been held for one year or less at the time of disposition. In the case of an individual shareholder, long-term capital gains will generally be eligible for reduced rates of taxation. Unlike long-term capital gains, short-term capital gains of individuals are generally taxable at the same rates as ordinary income. The deductibility of capital losses is subject to limitations.

A shareholder (other than certain exempt shareholders including, among others, corporations) that receives cash for Shares pursuant to the Offer or the Merger generally will be subject to backup withholding at a rate equal to the fourth lowest rate applicable to ordinary income of unmarried individuals (under current law, the backup withholding rate is 28%) unless the shareholder provides its TIN, certifies under penalties of perjury that such TIN is correct (or properly certifies that it is awaiting a TIN), certifies that it is not subject to backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. If the holder is an individual, the TIN is

generally his or her social security number. Backup withholding is not an additional tax. Rather, the amount of the backup withholding can be credited against the U.S. federal income tax liability of the person subject to the backup withholding, provided that the required information is given to the IRS. If backup withholding results in an overpayment of tax, a refund can be obtained by the shareholder by filing a U.S. federal income tax return. A shareholder that does not furnish a required TIN or that does not otherwise establish a basis for an exemption from backup withholding may be subject to a penalty imposed by the IRS. See "Backup Withholding" under "Section 3—Procedure for Tendering Shares." Each shareholder should complete and sign the Substitute Form W-9 included as part of the Letter of Transmittal so as to provide the information and certification necessary to avoid backup withholding.

U.S. Federal Income Tax Consequences for Employee Holders of Restricted Shares

An employee who holds restricted Shares with respect to the initial transfer of restricted Shares will recognize compensation income for federal income tax purposes when the Shares become vested upon the closing of the Offer. The amount of ordinary income so recognized will be equal to the aggregate Offer Price for the Shares. Falcon is required to withhold federal income tax applicable to such compensation income, and will also withhold Social Security tax and Medicare tax. For those employee holders of restricted Shares who tender their shares in the Offer, the Merger Agreement provides that these withholding taxes will be deducted from the Offer Price otherwise payable to such holders of restricted Shares. Holders of restricted Shares who do not tender their shares in the Offer will be required to pay the applicable withholding taxes to Falcon when the Shares vest upon the closing of the Offer, and any failure to pay such taxes will result in the Shares continuing to be subject to restriction. An employee who holds restricted Shares and who made a timely election under Section 83(b) of the Code with respect to the initial transfer of restricted Shares will not recognize any additional compensation income merely because the holder's rights to those Shares become vested in the Offer.

Section 6. Price Range of the Shares; Dividends on the Shares

The Shares have been traded through Nasdaq under the symbol "FLCN" since December 18, 2003, the date of completion of Falcon's initial public offering. The following table sets forth, for each of the periods indicated, the high and low reported sales price per Share on Nasdaq, and dividends paid per Share, based on published financial sources.

	High	Low	Dividends
Year Ended December 31, 2003			
Fourth Quarter	$ 9.80	$ 9.00	—
Year Ended December 31, 2004			
First Quarter	$ 9.65	$ 8.83	—
Second Quarter	$ 9.30	$ 7.40	—
Third Quarter	$ 8.10	$ 7.44	$ 0.05
Fourth Quarter	$ 7.99	$ 6.50	$ 0.05

On January 19, 2005, the last full trading day prior to the public announcement of the execution of the Merger Agreement, the last reported sales price of Shares on Nasdaq was $6.75 per Share. On January 28, 2005, the last full trading day prior to the commencement of the Offer, the last reported sales price of the Shares on Nasdaq was $7.45 per Share. Shareholders are urged to obtain a current market quotation for the Shares.

On December 18, 2003, and as disclosed in Falcon's filings with the SEC, Falcon consummated an initial public offering which consisted of the sale of 12,500,000 common shares to the public at a price of $9.00 per share, generating gross proceeds of $112.5 million. The aggregate proceeds to Falcon, net of underwriters' discount and offering costs, was approximately $102.4 million. In February 2004, the underwriters exercised the over-allotment and Falcon sold an additional 1,875,000 common shares to the public at a price of $9.00 per share. The aggregate proceeds to Falcon for the exercise of the over-allotment option, net of underwriters' discount and offering costs, was approximately $15.6 million, bringing the total aggregate net proceeds of the initial public offering to approximately $118.0 million.

The Merger Agreement provides that, without the prior written consent of iStar, from the date of the Merger Agreement until the earlier of the effective time of the Merger and the date nominees of iStar or the Purchaser constitute a majority of the members on the board of trustees of Falcon, Falcon may not authorize, declare or pay any dividends on or make any other distributions in respect of any of its stock, except for dividends by a wholly owned subsidiary of Falcon to its parent and except for distributions necessary for Falcon to maintain its real estate investment trust ("REIT") qualification, avoid the incurrence of any taxes under Section 857 of the Code, avoid the imposition of any excise taxes under Section 4981 of the Code, or avoid the need to make one or more extraordinary or disproportionately larger distributions to meet any of the three preceding objectives. In accordance with this provision, Falcon currently intends to declare a dividend and set a record date for a dividend that will be prior to the initial Expiration Date of the Offer. The exact amount and timing of that dividend will be determined by Falcon in its discretion.

Section 7. Effect of the Offer on the Market for the Shares; Stock Listing; Exchange Act Registration; Margin Regulations

Market for the Shares.

The Purchaser's purchase of Shares pursuant to the Offer will reduce the number of holders of Shares and will also reduce the number of Shares that might otherwise trade publicly and could adversely affect the liquidity and market value of the remaining Shares held by the public.

Nasdaq Listing.

Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the requirements of the National Association of Securities Dealers, Inc. ("NASD") for continued inclusion on Nasdaq. A security must meet one of two maintenance standards for continued inclusion on Nasdaq. The first maintenance standard requires that there be at least $10 million in shareholders' equity, at least 750,000 publicly-held shares, a market value of at least $5 million for all publicly-held shares, a minimum bid price of $1, at least 400 shareholders of 100 shares or more, and at least two registered and active market makers for the shares. The second maintenance standard requires that either: (1) the market value of listed securities is at least $50 million; or (2) the company has total assets and total revenue of at least $50 million each for the most recently completed fiscal year or two out of the last three most recently completed fiscal years; and, in either case, that there be at least 1.1 million publicly-held shares, a market value of at least $15 million for all publicly-held shares, a minimum bid price of $1, at least 400 shareholders of 100 shares or more, and at least four registered and active market makers for the shares. Shares held directly or indirectly by any trustees or officers of Falcon and by any person who is the beneficial owner of more than 10% of the shares are not considered to be publicly-held for the purpose of the maintenance standards. If, as a result of the purchase of Shares pursuant to the Offer, the Shares no longer meets one of these standards, the quotations for Shares on Nasdaq will be discontinued.

If Nasdaq were to cease to publish quotations for Shares, it is possible that Shares would continue to trade in the over-the-counter market and that price or other quotations would be reported by other sources. The extent of the public market for such Shares and the availability of such quotations would depend, however, upon such factors as the number of shareholders and/or the aggregate market value of such securities remaining at such time, the interest in maintaining a market in Shares on the part of securities firms, the possible termination of registration under the Exchange Act as described below, and other factors.

Exchange Act Registration.

The Shares are currently registered under the Exchange Act. Such registration may be terminated upon application of Falcon to the SEC if the Shares are no longer listed on Nasdaq or a national securities exchange and are held by less than 300 holders of record. Termination of registration of the Shares under the Exchange Act, would substantially reduce the information required to be furnished by Falcon to its shareholders and to the SEC and would make certain provisions of the Exchange Act no longer applicable to Falcon, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement pursuant to Section 14(a) or 14(c) in connection with shareholders' meetings and the related requirement of furnishing an annual report to shareholders. Furthermore, the ability of "affiliates" of Falcon and persons holding "restricted securities" of Falcon to dispose of such securities pursuant to Rule 144 or Rule 144A promulgated under the Securities Act of 1933, as amended (the "Securities Act"), may be impaired or eliminated. The Purchaser currently intends to seek to cause Falcon to apply for termination of registration of the Shares under the Exchange Act as soon after the completion of the Offer as the requirements for such termination are met. If the Nasdaq listing and the Exchange Act registration of the Shares are not terminated prior to the Merger, then the Shares will be delisted from Nasdaq and the registration of the Shares under the Exchange Act will be terminated as soon as possible following the consummation of the Merger.

Margin Regulations.

The Shares currently are "margin securities" under the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which status has the effect, among other things, of allowing brokers to extend credit on the collateral of Shares. Depending upon factors similar to those described above regarding listing and market quotations, it is possible that, following the Offer, Shares would no longer constitute "margin securities" for the purposes of the margin regulations of the Federal Reserve Board and therefore could no longer be used as collateral for loans made by brokers.

Section 8. Certain Information Concerning Falcon

Falcon is a Maryland real estate investment trust. Falcon's principal executive offices are located at 15 Commerce Road, Stamford, Connecticut 06902 and its telephone number at that address is (203) 967-0000. Falcon is a fully integrated, self-advised finance company focused solely on the business of originating and servicing loans to automotive dealers in the United States. Falcon was formed as a Maryland real estate investment trust on August 27, 2003. Falcon was formed to address the specialized capital needs of the automotive retailing industry. Falcon commenced operations on December 22, 2003, when it completed its initial public offering and concurrently consummated certain other formation transactions, including a merger with Falcon Financial, LLC.

Falcon is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is obligated to file reports, proxy statements and other information with the SEC relating to its business, financial condition and other matters. Information as of particular dates concerning Falcon's trustees and officers, their remuneration, options granted to them, the principal holders of Falcon's securities and any material interests of such persons in transactions with Falcon is required to be disclosed in proxy statements distributed to Falcon's shareholders and filed with the SEC. Such reports, proxy statements and other information should be available for inspection at the public reference facilities of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such information should be obtainable by mail, upon payment of the SEC's customary charges, by writing to the SEC's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy statements and other information relating to Falcon that have been filed via the EDGAR system.

Section 9. Certain Information Concerning iStar and the Purchaser

iStar is a Maryland corporation. iStar's principal executive offices are located at 1114 Avenue of the Americas, New York, New York 10036, and its telephone number at that address is (212) 930-9400. iStar is the leading publicly-traded finance company focused on the commercial real estate industry. It provides custom-tailored financing to high-end private and corporate owners of real estate nationwide, including senior and junior mortgage debt, senior and mezzanine corporate capital, and corporate net lease financing. Its objective is to generate consistent and attractive returns on its invested capital by providing innovative and value-added financing solutions to its customers. iStar delivers customized financial products and "one-call" responsiveness post-closing to sophisticated real estate borrowers and corporate customers who require a high level of creativity and service.

The Purchaser is a Maryland limited liability company which was recently formed at the direction of iStar for the purpose of effecting the Offer and the Merger. iStar owns all of the outstanding membership interests of the Purchaser. Until immediately prior to the time the Purchaser purchases Shares pursuant to the Offer, it is not anticipated that the Purchaser will have any significant assets or liabilities or engage in any activities other than those incident to the Offer and the Merger. The Purchaser's principal executive offices are located at 1114 Avenue of the Americas, New York, New York 10036, and its telephone number at that address is (212) 930-9400.

The name, citizenship, business address, present principal occupation or employment and five-year employment history of each of the directors and executive officers of the Purchaser and iStar are set forth in Schedule I hereto.

Except as described in this Offer to Purchase or Schedule I to this Offer to Purchase: (1) neither iStar, the Purchaser nor, to the knowledge of iStar and the Purchaser, any of the persons listed in Schedule I or any associate or majority-owned subsidiary of iStar or the Purchaser or of any of the persons so listed, beneficially owns or has a right to acquire any Shares or any other equity securities of Falcon; and (2) neither iStar, the Purchaser, nor, to the knowledge of iStar and the Purchaser, any of the persons or entities referred to in clause (1) above or any of their executive officers, directors or subsidiaries has effected any transaction in the Shares or any other equity securities of Falcon during the past 60 days.

Except as provided by the Merger Agreement or as described in this Offer to Purchase neither iStar, the Purchaser nor, to the knowledge of iStar and the Purchaser, any of the persons listed in Schedule I to this Offer to Purchase, has any contract, arrangement, understanding or relationship with any other person with respect to any securities of Falcon (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies, consents or authorizations).

Except as set forth in this Offer to Purchase, none of iStar, the Purchaser nor, to the knowledge of iStar and the Purchaser, any of the persons listed on Schedule I to this Offer to Purchase, has had any business relationship or transaction with Falcon or any of its executive officers, trustees or affiliates that is required to be reported under the rules and regulations of the SEC applicable to the Offer. Except as set forth in this Offer to Purchase, there have been no contracts, negotiations or transactions between iStar or any of its subsidiaries or, to the knowledge of iStar, any of the persons listed in Schedule I to this Offer to Purchase, on the one hand, and Falcon or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, an election of trustees or a sale or other transfer of a material amount of assets. None of the persons listed in Schedule I has, during the past five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). None of the persons listed in Schedule I has, during the past five years, been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining

the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Pursuant to the Shareholder Agreements, iStar and the Purchaser may be deemed to beneficially own 684,035 Shares, constituting approximately 4.3% of the total outstanding Shares (including restricted Shares) as of January 19, 2005. See "Section 13—The Merger Agreement, Shareholder Agreements, Share Option Agreement and Other Agreements."

Pursuant to Rule 14d-3 under the Exchange Act, iStar and the Purchaser filed with the SEC a Tender Offer Statement on Schedule TO (the "Schedule TO"), of which this Offer to Purchase forms a part, and exhibits to the Schedule TO.

Additionally, iStar is subject to the information and reporting requirements of the Exchange Act and is required to file periodic reports, proxy statements and other information with the SEC relating to its business, financial condition and other matters. Certain information, as of particular dates, concerning iStar's business, principal physical properties, capital structure, material pending legal proceedings, operating results, financial condition, directors and officers (including their remuneration and stock options granted to them), the principal holders of iStar's securities, any material interests of such persons in transactions with iStar and certain other matters is required to be disclosed in proxy statements and annual reports distributed to iStar's shareholders and filed with the SEC. The Schedule TO and the exhibits thereto, as well as these other reports, proxy statements and other information, may be inspected at the SEC's public reference library at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such information should be obtainable by mail, upon payment of the SEC's customary charges, by writing to the SEC's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy statements and other information relating to iStar that have been filed via the EDGAR system.

Section 10. Source and Amount of Funds

The Offer is not conditioned upon any financing arrangements.

iStar and the Purchaser estimate that the total amount of funds required to consummate the Offer and the Merger will be approximately $120 million plus any related transaction fees and expenses. The Purchaser will acquire all such funds from iStar, which currently intends to use cash on hand and its existing unsecured Revolving Facility (as defined below).

Because the only consideration in the Offer and Merger is cash and the Offer is to purchase all outstanding Shares, and in view of the absence of a financing condition and the amount of consideration payable in relation to the financial capacity of iStar and its affiliates, the Purchaser believes the financial condition of iStar and its affiliates is not material to a decision by a holder of Shares whether to sell, tender or hold Shares pursuant to the Offer.

iStar currently has an existing $1.25 billion unsecured revolving credit facility, which per the terms of such facility may be increased under certain circumstances by an additional $250 million to a total of $1.5 billion, provided by a syndicate of financial institutions, with JPMorgan Chase Bank, N.A., as Administrative Agent for such financial institutions, from which it intends to borrow funds needed to contribute to the Purchaser to finance the acquisition of Falcon (the "Revolving Facility"). The Revolving Facility matures on April 19, 2007 (but may, per the terms of the Revolving Facility, be extended for a period of one year at iStar's option), and borrowings under the Revolving Facility bear interest, depending on the type of borrowing, at a variety of floating rates based on: (1) iStar's credit rating at the time tied to a margin above either (a) the London interbank offered rate (LIBOR), in which case the margin extends from a minimum 55 basis points to a maximum of 125 basis points, or (b) the Administrative Agent's prime rate, in which case the margin extends from a minimum of 0 basis points to a maximum of 25 basis points; or (2) for one type of limited borrowing only, an auction by

the financial institutions that are lenders under the Revolving Facility to determine the most favorable rates offered to iStar.

The foregoing description of the Revolving Facility does not purport to be complete, and references to, and descriptions of the Revolving Facility are qualified in their entirety by reference to the Revolving Facility, which is incorporated herein by reference, and a copy of which has been filed with the SEC as an exhibit to the Schedule TO.

Section 11. Background of the Offer; Past Contacts, Negotiations and Transactions

The following information was prepared by iStar and Falcon. Information about Falcon was provided by Falcon and neither iStar nor the Purchaser takes any responsibility for the accuracy or completeness of any information regarding meetings or discussions in which iStar or its representatives did not participate.

In August 2003, prior to its initial public offering, Falcon explored various strategic alternatives, including the possibility of a sale of the company. In connection with these activities, representatives of Falcon held preliminary discussions with multiple parties, including iStar, regarding a potential sale but ultimately decided to move forward with its initial public offering.

In late March 2004, Vernon B. Schwartz, Chairman and Chief Executive Officer of Falcon, contacted Jay Sugarman, Chairman and Chief Executive Officer of iStar, to discuss the possibility of iStar refinancing certain Falcon indebtedness. In April 2004, iStar and Falcon negotiated and executed a $150 million warehouse financing facility. See "—Prior Transactions" below. At various times since the execution of the warehouse financing facility, officers of iStar and Falcon discussed its administration.

On September 9, 2004, Mr. Sugarman and Jeffrey R. Digel, Executive Vice President of iStar, had dinner with Mr. Schwartz and David A. Karp, President, Chief Financial Officer and trustee of Falcon. They discussed various aspects of iStar's business model and product offerings. The group did not discuss a specific transaction between iStar and Falcon.

On October 15, 2004, Mr. Digel had lunch with Mr. Karp during which they discussed a possible transaction between Falcon and iStar. Mr. Digel indicated that iStar might be interested in pursuing a possible acquisition of Falcon. Messrs. Digel and Karp discussed Falcon's history and share performance. After the meeting Messrs. Digel and Karp recommended to Messrs. Sugarman and Schwartz, respectively, that the parties should continue discussing a possible acquisition of Falcon.

On October 21, 2004, Mr. Sugarman met with Messrs. Schwartz and Karp at iStar's New York City offices. At this meeting, they continued the discussions initiated on October 15 concerning a possible acquisition of Falcon, but no specific proposals were made.

On October 26, 2004, Mr. Sugarman met with Messrs. Schwartz and Karp at iStar's New York City offices. At this meeting, they continued the discussions about a possible acquisition of Falcon, but no specific proposals were made. On October 27, 2004, Messrs. Sugarman, Digel and Schwartz and Maryann N. Keller, one of Falcon's trustees with particular knowledge of the auto dealership finance industry, met for dinner and discussed that industry. The group did not discuss a possible transaction between the two companies.

On November 4, 2004, Mr. Sugarman and Mr. Schwartz discussed briefly by telephone the general terms of a potential acquisition transaction.

On November 23, 2004, Mr. Sugarman and Mr. Schwartz met to continue to discuss the terms of a potential acquisition transaction. No specific terms were agreed, but the parties agreed to continue discussions. iStar and Falcon executed a confidentiality agreement on December 9, 2004.

Between November 23, 2004, and December 23, 2004, the parties had several discussions regarding a possible cash acquisition of Falcon by iStar. On December 10, 2004, iStar provided an initial indication of interest at an offer price of $8.00 per Share subject to satisfactory completion of financial, legal and accounting due diligence and negotiation of a reduction of fees due under a pre-existing agreement between Falcon and a financial advisor that Falcon had previously engaged. On December 23, 2004, the financial advisor agreed to release Falcon from its fee obligations under the engagement letter.

On December 14, 2004, Falcon's board held a special meeting during which the board discussed the potential transaction with iStar and Falcon's other strategic and financing alternatives. Representatives of Hogan & Hartson L.L.P., legal counsel for Falcon, were present at this meeting and made a presentation to the Falcon board regarding its fiduciary duties under Maryland law. Representatives of Lehman Brothers also attended the meeting to present their credentials to the board.

On December 15, 2004, iStar indicated that it would only be willing to continue the discussions regarding a potential acquisition transaction if Falcon entered into an exclusivity agreement with iStar providing for exclusive negotiations with iStar for a specified period of time.

On December 22, 2004, Falcon's board held a special telephonic meeting during which Falcon's senior management updated the board regarding the discussions with iStar and discussed iStar's request for an exclusivity agreement. Representatives of Hogan & Hartson L.L.P. and Lehman Brothers also participated. Falcon's board authorized senior management to enter into an exclusivity agreement with iStar and continue discussions with iStar regarding a potential acquisition of Falcon.

On December 23, 2004, iStar and Falcon executed an exclusivity agreement in which Falcon agreed to exclusive negotiations with iStar until 11:59 p.m. on January 14, 2005. Falcon also agreed in the exclusivity agreement to refrain from completing any securitization transactions during the exclusivity period.

Also on December 23, 2004, Clifford Chance US LLP, legal counsel for iStar, commenced its legal due diligence review of Falcon, based on publicly-available information and additional documents provided by Falcon. Later that day, Clifford Chance reviewed possible transaction structures with Hogan & Hartson L.L.P., including the possibility of a two-step merger transaction (i.e., a tender offer followed by a second step merger).

From December 23, 2004 through January 3, 2005, Mr. Jay S. Nydick, President of iStar, and Mr. Schwartz held frequent conferences regarding transaction timing, transaction logistics, due diligence schedules and proposed modifications to the existing warehouse financing facility from iStar in favor of Falcon.

On December 30, 2004, Clifford Chance, after reviewing the terms with iStar, circulated a draft of the proposed merger agreement to the parties.

On January 5, 2005, Falcon engaged Lehman Brothers as its financial advisor in connection with the proposed transaction. While Goldman Sachs & Co. provided some coordination and computation assistance in connection with negotiations leading up to the transaction, iStar did not engage a financial advisor in connection with the proposed transaction.

On January 5, 2005, Clifford Chance and Hogan & Hartson L.L.P., together with representatives from iStar and Falcon, discussed Falcon's comments to the proposed merger agreement, including a number of the representations and warranties contained in the agreement, the covenants governing the interim operations of Falcon, the non-solicitation provisions, the termination provisions, the termination fee, the conditions to the Offer and the mechanics for the Offer. On January 6, 2005, Hogan & Hartson L.L.P. circulated a written mark up reflecting its comments to the proposed merger agreement

and setting forth a proposal for a written modification of the existing warehouse financing facility to govern the interim operations of Falcon.

Also on January 5 and 6, 2005, certain officers and representatives of iStar met with Falcon management and its representatives to review financial information regarding Falcon. During the January 5 meeting, iStar informed representatives of Lehman Brothers that iStar also intended to hire PricewaterhouseCoopers LLP to perform limited confirmatory due diligence that would also involve speaking with Falcon's external auditors.

On January 7, 2005, Falcon's board held a special telephonic meeting during which senior management updated the board regarding the negotiations with iStar. Representatives of Hogan & Hartson L.L.P. and Lehman Brothers also participated.

On January 11, 2005, iStar revised its initial indication of interest to $7.50 per Share, subject to satisfactory completion of confirmatory financial and accounting due diligence by PricewaterhouseCoopers and negotiation of a definitive merger agreement. Messrs. Sugarman and Nydick called Messrs. Schwartz and Karp to discuss the revised offer price. They also confirmed to Mr. Schwartz that iStar would agree to modify the existing warehouse financing facility in a manner favorable to Falcon, so that Falcon's board could consider a transaction with iStar or another party without the pressure of near-term financing concerns. Mr. Schwartz contacted Mr. Nydick at the end of the day to indicate that the parties should continue negotiations and Falcon would consider further whether an offer price of $7.50 per Share would be acceptable. iStar agreed that the parties should continue to work towards reaching a definitive agreement for the proposed acquisition, and that it would engage PricewaterhouseCoopers to review the accounting and financial records of Falcon.

On January 13, 2005, iStar and Falcon discussed extending the term of the exclusivity agreement to allow iStar the opportunity to complete its due diligence review. Prior to completion of negotiations regarding extending the exclusivity period, Falcon received an unsolicited letter from Kelly Capital, a small firm that was unknown to Falcon and its advisers. The letter was a preliminary indication of interest requesting that Falcon open discussions concerning the possible acquisition of Falcon at a price of $8.00 per Share, subject to due diligence and market conditions. Falcon was unable to respond at that time to the unsolicited indication of interest because the exclusivity letter prohibited such communications.

On January 14, 2005, Mr. Schwartz informed Mr. Nydick that Falcon would like to open a dialogue with the third party in order to explore and assess the unsolicited indication of interest. iStar agreed to waive the provisions of the exclusivity agreement as they related to discussing a possible transaction with the third party. iStar and Falcon agreed to reconvene on January 15, 2005.

Later on January 14, 2005, Falcon's board held a special telephonic meeting to discuss the indication of interest from the third party and to discuss the approaching expiration of the exclusivity agreement with iStar. Representatives of Hogan & Hartson L.L.P. and Lehman Brothers also participated. Hogan & Hartson L.L.P. advised the Falcon board regarding its fiduciary duties under Maryland law with respect to receipt of the unsolicited indication of interest. At this meeting, following extensive discussions, the board gave senior management permission to contact the third party in order to explore its indication of interest. Following the board meeting, Mr. Schwartz and a representative from Lehman Brothers contacted a representative of the third party and discussed its letter at length, including the reasons for and background of sending the letter, its identity and transaction history, its financial position, its requirement to secure financing necessary to complete a transaction, and other factors, including transaction timing and the length of time it would need to complete a due diligence review of Falcon.

Also on January 14, 2005, Katten Muchin Zavis Rosenman, special counsel to iStar, circulated an initial draft of the amendment to the warehouse facility. At that time, Mr. Digel and Mr. Karp

discussed the proposed modification and the interplay between the warehouse financing facility and the proposed merger agreement.

On January 15, 2005, Mr. Nydick spoke with Mr. Schwartz. Mr. Schwartz informed Mr. Nydick that they had reviewed and discussed with the third party the unsolicited indication of interest and determined that there were concerns about the ability of the third party to secure financing and complete a more favorable transaction in a timely manner. Mr. Nydick discussed the possibility of revising the exclusivity letter to provide iStar exclusive negotiating rights until January 21, 2005. Mr. Nydick informed Mr. Schwartz that iStar was unwilling to continue discussions without some level of exclusivity.

In the evening on January 15, 2005, the Falcon board held a special telephonic meeting to discuss the third party offer and iStar's request for exclusivity. Representatives of Hogan & Hartson L.L.P. and Lehman Brothers also participated. Mr. Schwartz and a representative from Lehman Brothers updated the board on its discussions with the third party. The Falcon board discussed the third party indication of interest at length, including, among other things, the matters described in the Schedule 14D-9 under "Item 4(b)(ii)—Reasons for the Recommendation of the Falcon Board of Trustees."

On January 16, 2005, the Falcon board held another special telephonic meeting to discuss the third party indication of interest and iStar's request for exclusivity. Representatives of Hogan & Hartson L.L.P. and Lehman Brothers also participated. At this meeting, the Falcon board authorized senior management to extend the exclusivity period until 11:59 p.m. on January 19, 2005, provided that the amended exclusivity agreement contained an exception for continuing discussions with the third party. On January 16, 2005, the parties executed an amendment to the exclusivity agreement on such terms.

PricewaterhouseCoopers was allowed access to Falcon's records on January 18, 2005, to conduct its confirmatory accounting and financial due diligence review of Falcon.

During the period from January 17 to January 19, 2005, legal counsel for iStar and Falcon continued to negotiate the terms of the proposed merger agreement, including provisions related to the timing and mechanics of the Offer, non-solicitation provisions, the conditions to the Offer, the termination provisions and size of the termination fee. During this period the parties also discussed and negotiated the terms of the Share Option Agreement, the Shareholder Agreements with all of the trustees of Falcon and the employment agreements of Messrs. Schwartz and Karp. Simultaneously, legal counsel for iStar and Falcon continued to negotiate the terms of the proposed amendment to the warehouse financing facility to govern the interim operations of Falcon in connection with entering into the proposed merger agreement. In addition, PricewaterhouseCoopers satisfactorily completed its due diligence review of Falcon and discussed its findings with iStar management.

On January 19, 2005, representatives of iStar and Falcon, again discussed the terms of the proposed merger agreement. The parties agreed on the final terms of the agreement, including the amount of the termination fee that would be payable by Falcon to iStar and the circumstances requiring such payment. Also on January 19, 2005, legal counsel for iStar and Falcon agreed on the final terms of the proposed amendment to the warehouse financing facility.

On January 19, 2005, iStar's board of directors met and, after presentations from iStar management and Clifford Chance, unanimously voted to approve the Merger Agreement, the acquisition of Falcon and the transactions contemplated thereby.

On January 19, 2005, Falcon's board of trustees held a special meeting at which all of the trustees, certain members of senior management, and representatives of Lehman Brothers, and Hogan & Hartson L.L.P. were present in person or via teleconference. The special meeting was held in order for the Falcon board to consider and formally act upon the proposed acquisition of Falcon by iStar. At this meeting, Falcon's senior management reviewed with the board financial and business terms of the proposed transaction. Hogan & Hartson L.L.P. made a presentation to the Falcon board regarding its

fiduciary duties under Maryland law and explained the material terms of the proposed merger agreement and related agreements, including tender offer mechanics, conditions to the offer, termination rights and provisions regarding break-up fees and termination expenses. Lehman Brothers then presented its financial analysis of the proposed transaction and delivered to the Falcon board its oral opinion that, as of the date of that opinion and based upon and subject to the factors and assumptions set forth in its written opinion of the same date, the $7.50 per Share offer price to be paid by iStar was fair, from a financial point of view, to Falcon's shareholders. See "Item 4(d)—Opinion of Lehman Brothers, Inc." in the Schedule 14D-9.

During these presentations, the Falcon trustees asked numerous questions of management and its legal counsel and financial advisors and discussed at length the presentations. After discussion by the Falcon board of trustees concerning, among other things, the matters described below under in the Schedule 14D-9 under "Item 4(b)(ii)—Reasons for the Recommendation of the Falcon Board of Trustees," the Falcon board of trustees unanimously approved the Offer and the Merger, the Merger Agreement and each of the related agreements.

Shortly after that approval, iStar and Falcon signed the Merger Agreement. Concurrently with the execution of the Merger Agreement, the parties executed the Share Option Agreement and Shareholder Agreements with each of the trustees of Falcon, including Messrs. Schwartz and Karp, and the amendment to the warehouse financing facility. In addition, Falcon entered into amended and restated employment agreements with Messrs. Schwartz and Karp, effective upon completion of the offer. Ralph L. Miller and Joseph L. Kirk, officers of Falcon, also executed letter agreements acknowledging that certain changes resulting from the completion of the proposed transaction with iStar would not give rise to a right to terminate their employment with Falcon for good reason.

On January 20, 2005, iStar and Falcon each publicly announced that they had entered into a merger agreement for the cash acquisition of Falcon by iStar at a price of $7.50 per Share.

Prior Transactions.

On April 28, 2004, Falcon entered into a $150 million Revolving Warehouse Financing Agreement with iStar, solely for the purpose of originating loans. The facility may be increased to $200 million at Falcon's option and with the consent of iStar. Interest is calculated using LIBOR plus 290 basis points. Under the facility, iStar refinanced all of Falcon's existing outstanding loans that were financed under Falcon's then existing warehouse facility, which was terminated by Falcon. In connection with entering into the new facility, Falcon paid a fee of $1,875,000 to iStar and a termination fee of $199,500 to the lenders under Falcon's existing facility. The maturity date of Falcon's working warehouse credit facility was initially April 10, 2005.

The warehouse credit line is secured by, among other things, all loans in Falcon's portfolio. All payments made by Falcon's customers in respect of such loans are applied on a monthly basis to pay outstanding fee and interest obligations under the new warehouse credit line and to reduce the principal amount outstanding under the new warehouse credit line by an amount equal to the portion of the payments on Falcon's loans that constitute payments of principal.

On January 19, 2005, Falcon and iStar amended the revolving warehouse financing facility to, among other things, increase the facility limit to $250,000,000, increase the advance rate to 75% and to extend the maturity date of the facility. The amendment provides Falcon with access to financing necessary for Falcon to originate loans during the period between signing of the Merger Agreement and closing of the Merger. The amendment will terminate in certain circumstances upon a termination of the Merger Agreement.

Section 12. Purpose of the Offer; Plans for Falcon; Other Matters

Purpose of the Offer and the Merger.

The purpose of the Offer is to enable iStar to acquire control of, and the entire equity interest in, Falcon. The Offer is being made pursuant to the Merger Agreement and is intended to increase the likelihood that the Merger will be effected. The purpose of the Merger is to acquire all outstanding Shares not purchased pursuant to the Offer. The transaction structure includes the Merger in order to ensure the acquisition by iStar of all the outstanding Shares.

Plans for Falcon.

If the Merger is consummated, iStar will own 100% of the equity interest in Falcon and iStar would be entitled to all the benefits resulting from that 100% interest. These benefits include complete management control with regard to the future conduct of Falcon's business and any increase in its value. Similarly, iStar will also bear the risk of any losses incurred in the operation of Falcon and any decrease in the value of Falcon.

Falcon shareholders who sell their Shares in the Offer will cease to have any equity interest in Falcon and to participate in any future growth in Falcon. If the Merger is consummated, the shareholders of Falcon will no longer have an equity interest in Falcon and instead will have only the right to receive cash consideration pursuant to the Merger Agreement. Similarly, the shareholders of Falcon will not bear the risk of any decrease in the value of Falcon after selling their Shares in the Offer or the subsequent Merger.

Except as disclosed in this Offer to Purchase, neither iStar nor the Purchaser has any present plan or proposal that would result in the acquisition by any person of additional securities of Falcon, or the disposition of securities of Falcon, an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving Falcon or its subsidiaries or the sale or transfer of a material amount of assets of Falcon or its subsidiaries. After the purchase of the Shares by the Purchaser pursuant to the Offer, iStar may appoint its representatives to the board of trustees of Falcon in proportion to its ownership of the outstanding Shares. Effective upon the purchase of the Shares pursuant to the Offer, and prior to the time that any designee of iStar becomes a trustee on Falcon's board of trustees, Falcon will, if requested by iStar, permit up to three individuals designated by iStar to attend and observe all meetings of Falcon's board of trustees or any committee of the board of trustees, provided that the observers execute a reasonable confidentiality agreement.

Following completion of the Offer and the Merger, iStar intends to operate Falcon as a subsidiary of iStar under the direction of iStar's management. iStar will continue to evaluate and review Falcon and its business, assets, corporate structure, capitalization, operations, properties, policies, management and personnel with a view toward determining how optimally to realize any potential benefits which arise from the rationalization of the operations of Falcon with those of the other business units and subsidiaries of iStar. Such evaluation and review is ongoing and is not expected to be completed until after the consummation of the Offer and the Merger. If, and to the extent that iStar acquires control of Falcon, iStar will complete such evaluation and review of Falcon and will determine what, if any, changes would be desirable in light of the circumstances and the strategic business portfolio which then exist. Such changes could include, among other things, restructuring Falcon through changes in Falcon's business, corporate structure, declaration of trust, bylaws, capitalization or management or could involve consolidating and streamlining certain operations and reorganizing other businesses and operations. Accordingly, iStar and the Purchaser reserve the right to change their plans and intentions at any time, as they deem appropriate.

iStar, the Purchaser or an affiliate of iStar may, following the consummation or termination of the Offer, seek to acquire additional Shares through open market purchases, privately negotiated

transactions, a tender offer or exchange offer or otherwise, upon such terms and at such prices as they will determine, which may be more or less than the price paid in the Offer.

Shareholder Approval.

Under Falcon's declaration of trust, the approval of the Falcon board of trustees and the affirmative vote of the holders of a majority of the voting power of the outstanding Shares is required to adopt and approve the Merger Agreement and the Merger. Falcon has represented in the Merger Agreement that the execution and delivery of the Merger Agreement by Falcon and the consummation by Falcon of the transactions contemplated by the Merger Agreement have been duly authorized by all necessary corporate action on the part of Falcon, subject to the approval of the Merger by the affirmative vote by holders of a majority of the outstanding Shares, if required.

Falcon has agreed to duly call, give notice of, convene and hold a special meeting of its shareholders to consider and take action upon the approval and adoption of the Merger Agreement and the approval of the Merger as soon as reasonably practicable following the acceptance for payment and purchase of Shares by the Purchaser pursuant to the Offer for the purpose of considering and taking action upon the Merger Agreement, if required to consummate the Merger. iStar has agreed to vote, or cause to be voted, all of the Shares then owned by it, the Purchaser or any of its other subsidiaries in favor of the approval of the Merger and the adoption of the Merger Agreement.

Short-Form Merger.

Section 8-501 of the REIT Law and Section 3-106 of the MGCL provide that, if a corporation or other entity owns 90% or more of the outstanding shares of each class of a Maryland real estate investment trust, the corporation or other entity holding such shares may merge with or into such real estate investment trust without any action or vote on the part of the shareholders of such real estate investment trust (such merger, a "Short-Form Merger"). In the event that iStar, the Purchaser and any other subsidiaries of iStar acquire in the aggregate 90% or more of the Shares pursuant to the Offer or otherwise, then, at the election of iStar, a Short-Form Merger could be effected without any approval of the shareholders of Falcon, subject to compliance with the provisions of Section 8-501 of the REIT Law and Section 3-106 of the MGCL. Even if iStar and the Purchaser do not own 90% of each class of shares entitled to vote on the Merger following consummation of the Offer, iStar and the Purchaser could seek to purchase additional Shares in the open market or otherwise in order to reach the 90% threshold and employ a Short-Form Merger. Subject to certain conditions, Falcon has granted to the Purchaser an irrevocable option to purchase from Falcon that number of Shares as is necessary for the Purchaser to obtain ownership of at least 90% of the outstanding Shares. The per Share consideration paid for any Shares so acquired may be greater or less than that paid in the Offer.

A NOTICE OF MERGER PURSUANT TO THE REQUIREMENTS OF SECTION 3-106(d) OF THE MGCL IS ENCLOSED WITH THIS OFFER TO PURCHASE ON SCHEDULE II.

Going Private Transactions.

The SEC has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the Merger or another business combination following the purchase of Shares pursuant to the Offer in which the Purchaser seeks to acquire the remaining Shares not held by it. The Purchaser believes that Rule 13e-3 will not be applicable to the Merger because it is anticipated that the Merger will be effected within one year following the consummation of the Offer and, in the Merger, shareholders will receive the same price per Share as paid in the Offer. Rule 13e-3 requires, among other things, that certain financial information concerning Falcon and certain information relating to the fairness of the proposed

transaction and the consideration offered to minority shareholders be filed with the SEC and disclosed to shareholders prior to consummation of the transaction.

Appraisal Rights.

Appraisal rights cannot be exercised at this time. The information set forth below is for informational purposes only with respect to alternatives available to shareholders if the Merger is consummated.

No appraisal rights are available under Title 3, Subtitle 2 of the MGCL, as applicable to a Maryland real estate investment trust, in connection with the Offer. Furthermore, appraisal rights will not be available under the MGCL, as applicable to a Maryland real estate investment trust, in connection with the Merger unless: (1) a meeting of the Falcon shareholders is required to approve the Merger; and (2) the Shares are delisted from Nasdaq and are not relisted on any other national securities exchange, designated as a national market system security on an interdealer quotation system by the NASD or designated for trading on the Nasdaq Small Cap Market as of the record date for determining shareholders entitled to vote on the Merger at such meeting.

If shareholders actually are entitled to appraisal rights in connection with the Merger, they will receive additional information concerning appraisal rights and the procedures to be followed in connection therewith before such shareholders have to take any action relating thereto.

Shareholders who sell Shares in the Offer will not be entitled to exercise appraisal rights with respect thereto, if any, but, rather, will receive the Offer Price.

Section 13. The Merger Agreement, Shareholder Agreements, Share Option Agreement and Other Agreements.

The Merger Agreement

The following summary of certain provisions of the Merger Agreement is qualified in its entirety by reference to the Merger Agreement itself, which is incorporated herein by reference. A copy of the Merger Agreement has been filed by iStar and the Purchaser, pursuant to Rule 14d-3 under the Exchange Act, as Exhibit (d)(1) to Schedule TO. The Merger Agreement may be examined and copies may be obtained at the places and in the manner set forth in "Section 8—Certain Information Concerning Falcon." Shareholders and other interested parties should read the Merger Agreement in its entirety for a more complete description of the provisions summarized below. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Merger Agreement.

The Offer. The Merger Agreement provides for the making of the Offer. The terms of the Offer are described in Article I of the Merger Agreement. The obligation of the Purchaser to accept for payment and pay for Shares tendered pursuant to the Offers is subject to the satisfaction of the Minimum Condition and certain other conditions described in "Section 14—Certain Conditions of the Offer."

The Purchaser may, without the consent of Falcon, extend the Offer, and thereby delay acceptance for payment of, and the payment for, any Shares, by giving oral or written notice of such extension to the Depositary if:

- at the Expiration Date, any of the conditions to the Purchaser's obligation to purchase Shares in the Offer has not been satisfied or waived;
- any rule, regulation or interpretation of the United States Securities and Exchange Commission ("SEC") or the staff thereof applicable to the Offer requires that the Offer be extended; or
- the Minimum Condition has been satisfied but less than 90% of the outstanding Shares (on a fully diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement) have been validly tendered and not properly withdrawn as of the Initial Expiration Date.

If we extend the Offer pursuant to the third bullet above, we have also agreed to irrevocably waive certain conditions to the Offer and termination rights under the Merger Agreement.

At the request of Falcon, the Purchaser will extend the Offer until such date as the conditions to the Offer have been satisfied if such conditions are reasonably capable of being satisfied before April 30, 2005. Notwithstanding the foregoing, the Purchaser will not be required to extend the Offer beyond April 30, 2005.

The Purchaser may elect to provide a subsequent offering period of three to 20 business days (a "Subsequent Offering Period") in accordance with Rule 14d-11 under the Exchange Act. A Subsequent Offering Period would be an additional period of time following the expiration of the initial offer period during which shareholders could tender Shares not tendered in the Offer and receive the Offer Price. During a Subsequent Offering Period, the Purchaser will immediately accept and promptly pay for Shares as they are tendered and tendering shareholders will not have withdrawal rights. See "Section 1—Terms of the Offer."

The Merger. The Merger Agreement provides that, following the consummation of the Offer, subject to the terms and conditions thereof, at the effective time of the Merger:

- the Purchaser will be merged with and into Falcon and, as a result of the Merger, the separate corporate existence of the Purchaser will cease;
- Falcon will be the successor or surviving corporation (sometimes referred to as the "Surviving Company") in the Merger; and
- the separate corporate existence of Falcon, with all its rights, privileges, immunities, powers and franchises, will continue unaffected by the Merger.

As soon as practicable following the consummation of the Merger, the declaration of trust will be amended to read in the form attached as Exhibit A to the Merger Agreement and, as so amended, will be the declaration of trust of the Surviving Company and the bylaws of Falcon as in effect immediately prior to the effective time of the Merger will be the bylaws of the Surviving Company.

Pursuant to the Merger Agreement, if the approval of Falcon's shareholders is required by applicable law in order to consummate the Merger, Falcon, acting through its board of trustees, will in accordance with applicable law, its declaration of trust and bylaws: (1) duly call, give notice of, convene and hold a special meeting of its shareholders as soon as reasonably practicable following the consummation of the Offer for the purpose of considering and taking action upon the Merger; and (2) prepare and file with the SEC a preliminary proxy statement as soon as reasonably practicable following the consummation of the Offer and cause a definitive proxy statement to be mailed to its shareholders.

The respective obligations of iStar and the Purchaser, on the one hand, and Falcon, on the other hand, to effect the Merger are subject to the satisfaction on or prior to the closing of the Merger of each of the following conditions:

- if required, the Merger will have been duly approved by the requisite affirmative vote of shareholders of Falcon in accordance with applicable law, the declaration of trust and bylaws of Falcon;

- no statute, rule, regulation, executive order, decree, ruling, judgment, decision, order or injunction will have been enacted, entered, promulgated, issued or enforced by any court or other governmental authority which is in effect and prohibits, restrains or enjoins the consummation of the Merger; and

- the Purchaser will have accepted for payment and paid for all Shares validly tendered and not properly withdrawn pursuant to the Offer.

Conversion of Shares. At the effective time of the Merger:

- each issued and outstanding membership interest of the Purchaser will be converted into and become one fully paid and nonassessable common share of beneficial interest of the Surviving Company;

- all Shares that are owned by iStar, the Purchaser or any of their subsidiaries will be cancelled and will cease to exist, and no consideration will be delivered in exchange therefor; and

- each issued and outstanding Share (other than Shares to be cancelled in accordance with the preceding bulleted subparagraph and other than Shares held by a holder who has not consented to the Merger and who has complied with the MGCL) will be converted into the right to receive the price per Share paid in the Offer, payable to the holder in cash, without interest.

Restricted Shares. Falcon has taken all necessary action to permit holders of outstanding restricted Shares issued pursuant to Falcon's Equity Incentive Plan to participate in the Offer and be treated in the Merger on the same terms and conditions as all other holders of unrestricted Shares. All outstanding restricted Shares become fully vested upon consummation of the Offer.

Falcon's Board of Trustees. Effective upon the acceptance for payment of Shares pursuant to the Offer, iStar shall be entitled to designate a number of trustees as determined by iStar, rounded up to the next whole number, to Falcon's board of trustees as will give iStar representation on the board of trustees that is proportionate to the percentage of Shares beneficially owned by us and iStar (including Shares accepted for payment in the Offer). Falcon is required to take all action reasonably requested by iStar to cause the nominees of iStar and us to be elected at such time, including increasing the size of the board of trustees and seeking resignations of incumbent trustees. Effective upon our purchase of the Shares pursuant to the Offer, and prior to the time that any designee of iStar becomes a trustee on Falcon's board of trustees, Falcon will, if requested by iStar, permit up to three individuals designated by iStar to attend and observe all meetings of Falcon's board of trustees or any committee of the board of trustees, provided that the observers execute a reasonable confidentiality agreement. However, Falcon has agreed in the Merger Agreement to use its commercially reasonable efforts to ensure that at least two trustees of Falcon's independent trustees remain on the board of trustees at all times prior to the completion of the Merger. After iStar designates trustees for election to the board of trustees, but prior to the completion of the Merger the following will require the approval of a majority of the independent trustees on the Falcon board of trustees: (1) any amendment or any termination of the Merger Agreement by Falcon; (2) any extension by Falcon of the time for the performance of any of the obligations of iStar or us for which Falcon's consent or approval is required; (3) any exercise or waiver of any of Falcon's rights or remedies under the Merger Agreement; (4) any amendment to

Falcon's declaration of trust or bylaws; and (5) any waiver of compliance with any covenant of iStar or us or any condition to any obligation of Falcon or any of Falcon's rights under the Merger Agreement.

Representations and Warranties. Pursuant to the Merger Agreement, Falcon has made customary representations and warranties to iStar and the Purchaser with respect to organization and qualification; capitalization; authority; consents and approvals; no violations; SEC reports and financial statements; absence of certain changes or events; litigation; information supplied; compliance with applicable law; contracts; taxes; benefit plans, employees and employment practices; real property; environmental; intellectual property; insurance; transactions with affiliates; assets and receivables; securitizations; books and records; state takeover statutes; the opinion of its financial advisor and brokers.

Certain representations and warranties in the Merger Agreement made by Falcon are qualified as to "materiality" or "Material Adverse Effect." For purposes of the Merger Agreement and this Offer to Purchase, the term "Material Adverse Effect" means with respect to any person, an event, circumstance, change or effect that (1) has had a material adverse effect on the business, assets, condition (financial or otherwise), or results of operations of such person and its subsidiaries taken as a whole, or (2) is reasonable likely to have a material adverse effect on the business, assets, condition (financial or otherwise), or results of operations of such person and its subsidiaries taken as a whole except, in the case of clause (2) above, as a result of (a) changes in general economic conditions nationally or regionally or (b) changes affecting the finance or real estate industries generally which do not affect such person materially disproportionately related to other participants in the finance or real estate industries similarly situated. In determining whether there has been a Material Adverse Effect, (1) any event, circumstance, change or effect will be considered both individually and together with all other events, circumstances, changes or effects and any event, circumstance, change or effect that reasonably would be expected to result in a Material Adverse Effect (individually or together with one or more other events, circumstances, changes or effects) will be considered a Material Adverse Effect and (2) the rejection of an insurance claim or insurance coverage or the lack or unavailability of insurance coverage will be considered as one factor.

Pursuant to the Merger Agreement, iStar and the Purchaser have made customary representations and warranties to Falcon with respect to their organization and qualification; authority; consents and approvals; no violations; information supplied; source of funds; business activities of the Purchaser and brokers.

Falcon Conduct of Business Covenants. Falcon has agreed, except as expressly contemplated by the Merger Agreement or as agreed in writing by iStar, after the date of the Merger Agreement, and prior to the earlier of the effective time of the Merger and the time the designees of iStar have been elected to, and constitute a majority of, Falcon's board of trustees (the "Control Date"), that it:

- will, and will cause its subsidiaries to, conduct its and their business in the ordinary course and will use commercially reasonable efforts to conduct its and their business relationships with third parties and to keep available the services of its and their present officers and employees, provided it does not require additional compensation, and preserve its and their relationships with customers, suppliers and others have business dealings with Falcon and its subsidiaries, and to maintain Falcon's qualification as a REIT; and

- will not, and will cause its subsidiaries not to:

  (a) (1) authorize, declare or pay any dividends on or make other distributions in respect of any of its stock (except for certain limited circumstances, See "Section 6—Price Range of Shares; Dividends on the Shares"), (2) split, combine or reclassify any of its stock or issue or authorize or propose the issuance of any other securities or (3) repurchase, redeem or otherwise acquire any shares of stock of Falcon or any of its subsidiaries or any other

securities thereof or any rights, warrants or options to acquire any such shares or other securities;

(b) except in accordance with the Share Option Agreement, issue, deliver, sell, pledge or encumber, or authorize or propose the issuance, delivery, sale, pledge or encumbrance of, any shares of its beneficial interests, stock or any other security;

(c) amend or propose to amend its declaration of trust, certificate of incorporation or bylaws (or similar organizational documents);

(d) (1) acquire or agree to acquire any material assets (including securities) outside the ordinary course or merge or consolidate with any person or engage in any similar transaction or (2) subject to certain exceptions, make any loans, advances or capital contributions to, or investments in, any other person;

(e) sell, lease, license, encumber or otherwise dispose of any of its assets or any interest therein, other than in the ordinary course (including the disposition of any assets acquired as a result of a foreclosure), or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring or other reorganization;

(f) incur or suffer to exist any indebtedness for borrowed money or guarantee any such indebtedness, guarantee any debt of others, enter into any "keep-well" or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing, subject to certain exceptions;

(g) make or rescind any tax election or settle or compromise any tax liability of Falcon or any of its subsidiaries;

(h) make or agree to make any capital expenditures other than in amounts of less than $75,000 in the aggregate;

(i) pay, discharge, settle or satisfy any claims (whether absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge, settlement or satisfaction, in the ordinary course of business or in accordance with their terms, of claims whether recognized or disclosed in the most recent financial statements (or the notes thereto) of Falcon included in forms, reports, schedules, statements and other documents filed with the SEC by Falcon prior to the date of the Merger Agreement or incurred since the date of such financial statements in the ordinary course of business except for cash payments (1) paid by any insurer or person other than Falcon and any subsidiary of Falcon, plus (2) an amount paid by Falcon or any subsidiary of Falcon not exceeding $100,000 per claim or $500,000 for all claims in the aggregate;

(j) (1) modify, amend or terminate any material contract, (2) waive, release or assign any material rights or claims, (3) waive the benefits of, or agree to modify in any manner, any confidentiality, standstill or similar agreement, or fail to enforce any such agreement to the fullest extent practicable, including by seeking injunctive relief and specific performance or (4) except, with respect to this clause (4), in the ordinary course of business, enter into any material contracts or transactions;

(k) (1) increase the compensation or benefits of any director, trustee, officer or employee, except for, in the cases of non-officer employees, increases in the ordinary course that are consistent with past practice, (2) adopt any material amendment to a benefit plan, (3) enter into, amend or modify any employment, consulting, severance, termination or similar agreement with any director, trustee, officer or employee, (4) accelerate the payment of compensation or benefits to any director, officer or employee, (5) take any action to fund or in any other way secure the payment of compensation or benefits under any benefit plan or

compensation agreement or arrangement; or change any actuarial or other assumption used to calculate funding obligations with respect to any pension plan or change the timing or manner in which contributions to any pension plan are made or the basis on which such contributions are determined or (6) take any action that could give rise to severance benefits payable to any officer, trustee, director, or employee of Falcon or any subsidiary as a result of consummation of any of the transactions contemplated by the Merger Agreement; *provided, that*, Falcon will not be precluded from paying accrued, but unpaid bonuses to employees for 2004 and retroactive salary adjustments as disclosed to iStar;

(l) take any action to exempt or make not subject to or to otherwise waive or cause to be inapplicable (1) the provisions of any takeover statute or (2) Section 7.2 of the declaration of trust, in each case to any individual or entity (other than iStar or its subsidiaries), or any action taken thereby, which individual, entity or action would have otherwise been subject to the restrictive provisions thereof and not exempt therefrom;

(m) take any action to delist the Shares from Nasdaq;

(n) make any material change to its methods of accounting in effect on the date hereof, except as required by changes in GAAP as concurred with by Falcon's independent auditors, or change its fiscal year;

(o) enter into any transaction with any of its affiliates other than pursuant to arrangements in effect on the date hereof which have been disclosed to iStar;

(p) accelerate the collection of receivables or defer the payment of payables, or modify the payment terms of any receivables or payables, in each case, other than in the ordinary course of business;

(q) securitize, or create any financing arrangements in the nature of a collateralized debt obligation with respect to, any accounts receivable, loans or other assets;

(r) amend or modify the existing agreement between Falcon and Lehman; or

(s) authorize any of, or commit or agree to take any of, the foregoing actions or any action that would result in a breach of any representation, warranty or agreement of Falcon contained in the Merger Agreement as of the date when made or as of any future date or would result in any of the conditions to the Merger not being satisfied or in a material delay in the satisfaction of such conditions.

No Solicitation. From the date of the Merger Agreement until the Control Date, Falcon has agreed that it will, and will cause all its subsidiaries and its and their respective representatives to:

- immediately cease any discussions or negotiations with any parties that may be ongoing with respect to a Takeover Proposal (as defined below);
- not solicit, initiate or encourage (including by way of furnishing information), or take any other action designed or reasonably likely to facilitate or encourage, any inquiries or the making of any proposal that constitutes, or is reasonably expected to lead to, any Takeover Proposal; and
- not participate in any discussions or negotiations (including by way of furnishing information) regarding any Takeover Proposal.

Falcon will immediately advise iStar orally and in writing of any request for information or of any Takeover Proposal, the material terms and conditions of such request or Takeover Proposal and the identity of the person making such request or Takeover Proposal. Except as set forth below, neither the board of trustees of Falcon nor any committee thereof will (1) withdraw or modify, or publicly propose to withdraw or modify, the approval or recommendation by such board of trustees or such committee

of the Offer, the Merger or the Merger Agreement, (2) approve or recommend or take no position with respect to, or publicly propose to approve or recommend or take no position with respect to, any Takeover Proposal or (3) cause Falcon to enter into any agreement related to any Takeover Proposal (other than a confidentiality agreement with respect to a Takeover Proposal as contemplated below).

If prior to the Control Date, a majority of the board of trustees of Falcon determines in good faith, after consultation with outside counsel and Falcon's financial advisor, that such Takeover Proposal constitutes or is reasonably likely to result in a Superior Proposal, Falcon may, in response to such Takeover Proposal that was not solicited and subject to the non-solicitation provisions described in the Merger Agreement (1) furnish information with respect to Falcon and its subsidiaries to the person making such Takeover Proposal pursuant to a confidentiality agreement no less restrictive on the other party than the confidentiality agreement with iStar dated December 9, 2004, and (2) participate in discussions or negotiations regarding such Takeover Proposal.

If prior to the Control Date, the board of trustees of Falcon determines in good faith, after consultation with outside counsel and Falcon's financial advisor, that such a Takeover Proposal constitutes a Superior Proposal, the board of trustees of Falcon may, if such Superior Proposal was not solicited subsequent to the date hereof, (1) withdraw or modify its approval or recommendation of the Offer, the Merger or the Merger Agreement or (2) subject to the provisions of Section 8.1(d) of the Merger Agreement, terminate the Merger Agreement, but in each case only after the fifth business day following delivery of written notice to iStar advising iStar that the board of trustees of Falcon has received a Superior Proposal, specifying the material terms and conditions of such Superior Proposal and identifying the person making such Superior Proposal, and only if Falcon is in compliance with non-solicitation provisions of the Merger Agreement.

"Takeover Proposal" means any inquiry, proposal, offer or expression of interest by any third party relating to a merger, consolidation or other business combination involving Falcon or any subsidiary of Falcon, or any purchase of more than 20% of the consolidated assets of Falcon (including the shares and assets of its subsidiaries) or the Shares or the issuance of any securities (or rights to acquire securities) of Falcon or any subsidiary of Falcon, or any similar transaction, or any agreement, arrangement or understanding requiring Falcon to abandon, terminate or fail to consummate the Merger or any other transaction contemplated by the Merger Agreement. Any material modification of a Takeover Proposal (including any modification of the economic terms) will constitute a new Takeover Proposal.

"Superior Proposal" means any bona fide Takeover Proposal for a transaction in which all of the Shares or all or substantially all of the assets of Falcon would be acquired by a third party, including by merger, consolidation or other business combination on terms that a majority of the board of trustees of Falcon determines in good faith (after consultation with outside counsel and Falcon's financial advisor) would be more favorable to Falcon's shareholders, from a financial point of view, than the Offer and the Merger (taking into account any changes to the Offer and the Merger proposed by iStar in response to the receipt by Falcon of such Superior Proposal) and which is not subject to any material contingency, including any contingency related to financing, unless, the board of trustees of Falcon determines in good faith that such contingency is reasonably capable of being satisfied, and that is otherwise reasonably capable of being consummated in a timely fashion.

Indemnification and Insurance. iStar and the Purchaser agree that all rights to indemnification for acts or omissions occurring prior to the effective time of the Merger now existing in favor of the current or former trustees, directors or officers of Falcon and its subsidiaries as provided in their respective declarations of trust, certificates of incorporation or bylaws (or similar organizational documents), will survive the Merger and will continue in full force and effect in accordance with their terms.

In addition, in the event that any officer, director or trustee of Falcon or any of Falcon's subsidiaries is, or is threatened to be, made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including without limitation, actions by or on behalf of securityholders, (each, a "Proceeding"), by reason of the fact that he is or was an officer, employee, director or trustee of Falcon or any of Falcon's subsidiaries or any action or omission by such individual in his capacity as such (including any action or omission occurring in connection with the approval of the Merger Agreement and the consummation of the transactions contemplated thereby), iStar and the Purchaser and their respective successors and assigns will, from and after the effective time of the Merger, indemnify and hold harmless, as and to the full extent permitted by applicable law, each such party against any losses, claims, liabilities, expenses (including reasonable documented attorneys' fees and expenses), judgments, fines and amounts paid in settlement in accordance herewith in connection with any such Proceeding.

For six years from the effective time of the Merger, iStar will maintain in effect Falcon's current directors' and officers' liability insurance covering those trustees, directors and officers who are currently covered by Falcon's directors' and officers' liability insurance policy (or, in lieu of maintaining such insurance, cause coverage to be provided under any policy maintained for the benefit of iStar or any of its subsidiaries or otherwise obtained by iStar, so long as the terms thereof are no less advantageous to the intended beneficiaries thereof than those of Falcon's policy); *provided, however*, that in no event will iStar be required to expend in excess of 200% of the annual premiums currently paid by Falcon for such insurance, and; *provided, further*, that if the annual premiums of such insurance coverage exceed such amount, iStar will be obligated to obtain a policy with the greatest coverage available for a cost not exceeding such amount. In lieu of the foregoing, iStar may purchase six-year "tail" coverage covering acts or omissions prior to the effective time of the Merger on substantially similar terms to the existing policy of Falcon.

Employee Benefits. iStar will, or will cause the Surviving Company to, include all employees of Falcon immediately prior to the effective time of the Merger who remain employees of the Surviving Company in the benefit programs of iStar applicable to similarly situated employees of iStar; *provided, however*, that this obligation will not be construed to include equity-based awards or grants as such awards or grants are solely within the discretion of the board of directors of iStar. At all times following the effective time of the Merger, iStar will cause, or will cause the Surviving Company to cause, each of the employee benefit plans and programs covering individuals who were employees of Falcon before the effective time of the Merger to recognize service (solely for eligibility and vesting purposes performed as an employee of Falcon prior to the effective time of the Merger), but such recognition of service will not be required to result in any duplication of benefits.

Termination. The Merger Agreement may be terminated and the transactions contemplated by the Merger Agreement may be abandoned at any time before the effective time of the Merger, whether before or after the Purchaser will have accepted for payment and paid for all Shares validly tendered and not properly withdrawn pursuant to the Offer or after the shareholder approval (if required by applicable law):

(a) by mutual written consent of iStar, the Purchaser and Falcon;

(b) by either iStar or Falcon:

(1) if the purchase of the Shares pursuant to the Offer will not have occurred on or prior to the close of business on April 30, 2005; *provided that* any party whose breach of the Merger Agreement caused such failure of the Offer to be completed will not be able to terminate;

(2) if any governmental authority will have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions

contemplated by the Merger Agreement and such order, decree or ruling or other action will have become final and nonappealable;

(3) if the representations and warranties of the other party contained in the Merger Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect or any similar standard or qualification (except for the representations and warranties contained in Section 4.6(i) of the Merger Agreement, for which such qualifiers will not be disregarded), are not true and correct, with only such exceptions as, individually or in the aggregate, have not had a Material Adverse Effect; *provided*, *however*, if such failure to be true and correct is curable on or before April 30, 2005, then only upon the failure of the other party to cure such breach within 20 calendar days after receipt of written notice thereof or if such failure could not reasonably be expected to be cured within such 20 calendar days and the other party promptly commences an action to cure after receipt of notice and diligently prosecutes such cure to completion as promptly as practicable but in no event later than the April 30, 2005;

(4) if the other party will have breached or failed to perform in any material respect any of its covenants or other agreements contained in this Agreement; provided, however, if a breach or failure is curable on or before April 30, 2005, then only upon the failure of the other party to cure such breach within 20 calendar days after receipt of written notice thereof or if such breach or failure could not reasonably be expected to be cured within such 20 calendar days and the other party promptly commences an action to cure after receipt of notice and diligently prosecutes such cure to completion as promptly as practicable but in no event later than April 30, 2005.

(c) by iStar if before the purchase of the Shares pursuant to the Offer, (1) the board of trustees of Falcon or any committee thereof has (x) withdrawn or modified in a manner adverse to iStar or the Purchaser its approval or recommendation of the Merger or the other transactions contemplated by the Merger Agreement, (y) approved or recommended any Takeover Proposal or (z) failed to reaffirm its recommendation of the Merger and the other transactions contemplated by this Agreement within five business days after the public announcement of a Takeover Proposal (including the filing of a Schedule 13D with the SEC) or (2) the board of trustees of Falcon or any committee thereof has resolved to take any of the foregoing actions; or

(d) by Falcon if the board of trustees of Falcon determines in good faith, after consultation with outside counsel and its financial advisor, that a Takeover Proposal constitutes a Superior Proposal, *provided that* it may only terminate the Merger Agreement after the fifth business day following delivery of written notice to iStar advising iStar of the Superior Proposal, and that it has paid iStar the fee described below.

The right to terminate the Merger Agreement will not be available to any party (1) that is in material breach of its obligations thereunder or (2) whose failure to fulfill its obligations or to comply with its covenants under the Merger Agreement has been the cause of, or resulted in, the failure to satisfy any condition to the obligations of either party thereunder.

Effect of Termination.

If the Merger Agreement is terminated:

(a) by iStar:

(1) if the representations and warranties of Falcon contained in the Merger Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect or any similar standard or qualification (except for the representations and warranties contained in Section 4.6(i) of the Merger Agreement, for which

such qualifiers will not be disregarded), are not true and correct, with only such exceptions as, individually or in the aggregate, have not had a Material Adverse Effect, and such termination was the result of a breach of a representation or warranty of Falcon (x) made as of the date of the Merger Agreement or (y) made after the date of the Merger Agreement and that was the result of any action or inaction by Falcon or any event, circumstance or occurrence that was within the control of Falcon;

(2) if Falcon will have breached or failed to perform in any material respect any of its covenants or other agreements contained in the Merger Agreement;

(3) if before the purchase of the Shares pursuant to the Offer, (x) the board of trustees of Falcon or any committee thereof has (A) withdrawn or modified in a manner adverse to iStar or the Purchaser its approval or recommendation of the Merger or the other transactions contemplated by the Merger Agreement, (B) approved or recommended any Takeover Proposal or (y) the board of trustees of Falcon or any committee thereof has resolved to take any of the foregoing actions; or

(4) if before the purchase of the Shares pursuant to the Offer, (x) the board of trustees of Falcon or any committee thereof has failed to reaffirm its recommendation of the Merger and the other transactions contemplated by this Agreement within five business days after the public announcement of a Takeover Proposal (including the filing of a Schedule 13D with the SEC) or (y) the board of trustees of Falcon or any committee thereof has resolved to take the foregoing action, and prior to or within 12 months following such termination, Falcon enters into a definitive written agreement with respect to or consummates a Takeover Proposal; or

(b) by Falcon:

(1) if the board of trustees of Falcon determines in good faith, after consultation with outside counsel and its financial advisor, that a Takeover Proposal constitutes a Superior Proposal; or

(2) if the purchase of the Shares pursuant to the Offer will not have occurred on or prior to the close of business on April 30, 2005, and prior to the time of such termination, Falcon has received a Takeover Proposal that is still outstanding and prior to or within 12 months following such termination, Falcon enters into a definitive written agreement with respect to or consummates such Takeover Proposal,

then Falcon will pay to iStar a fee (the "Break Fee") equal to the lesser of (1) of $4,500,000 (the "Base Amount") and (2) the sum of (A) the maximum amount that can be paid to iStar without causing it to fail to meet the REIT requirements determined as if the payment of such amount did not constitute income described in Section 856(c)(2) and (3) of the Code ("Qualifying Income"), as determined by independent accountants to iStar and (B) in the event iStar receives a tax opinion indicating that either (x) iStar's receipt of the Base Amount would either constitute Qualifying Income or would be excluded from iStar's gross income for purposes of Section 856(c)(2) and (3) of the Code or (y) in outside counsel's opinion the receipt by iStar of the Base Amount should not cause iStar to fail to qualify as a REIT, the Base Amount less the amount payable under clause (A) above.

In the event that iStar is not able to receive the full Base Amount, Falcon will place the unpaid amount (*i.e.*, the difference between the Base Amount and the amount determined under this provision) in escrow and will not release any portion thereof to iStar unless and until Falcon receives any one or combination of the following: (1) a letter(s) from iStar's outside counsel or independent accountants indicating the maximum amount that can be paid at that time to iStar without causing iStar to fail to meet the requirements of a REIT for any relevant taxable year, together with an IRS ruling or opinion of tax counsel to the effect that such payment would not be treated as included in income for any prior taxable year, in which event such maximum amount will be paid to iStar, or (2) a tax

opinion indicating that either iStar's receipt of the Base Amount in whole or in part would not cause iStar to fail to qualify as a REIT and that such payment would not be treated as included in income for any prior taxable year, in which event Falcon will pay to iStar the unpaid Base Amount.

Such fee will be paid within one Business Day after Falcon enters into a definitive agreement with respect to or consummates a Takeover Proposal in the case of the fifth and sixth bullet points above and otherwise within one business day of termination. For the purposes of termination fee provisions only the term "Takeover Proposal" will have the meaning set forth above, except that references to 20% in such definition will be deemed to be references to 50%.

If the Agreement is terminated by Falcon because (1) the representations and warranties of iStar and the Purchaser contained in the Merger Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect or any similar standard or qualification (except for the representations and warranties contained in Section 4.6(i) of the Merger Agreement, for which such qualifiers will not be disregarded), are not true and correct, with only such exceptions as, individually or in the aggregate, have not had a Material Adverse Effect or (2) iStar or the Purchaser have breached or failed to perform in any material respect any of their covenants or other agreements contained in the Merger Agreement, then iStar will pay to Falcon an amount equal to the lesser of (x) the third-party, out of pocket expenses incurred by Falcon (plus any interest payable pursuant to this section) (the "Company Break-up Expenses"), which amount will not exceed $2,000,000 and (y) the sum of (A) the maximum amount that can be paid to Falcon without causing it to fail to meet the REIT requirements determined as if the payment of such amount did not constitute Qualifying Income, as determined by independent accountants to Falcon and (B) in the event Falcon receives an opinion from counsel indicating that it has received a ruling from the IRS holding that Falcon's receipt of the Company Break-up Expenses would either constitute Qualifying Income or would be excluded from Falcon's gross income for purposes of Section 856(c)(2) and (3) of the Code, the Company Break-up Expenses less the amount payable under clause (A) above.

In the event that Falcon is not able to receive the full Company Break-up Expenses, iStar will place the unpaid amount (i.e., the difference between the Company Break-up Expenses and the amount determined under this section) in escrow and no portion thereof shall be released to Falcon unless and until iStar receives any one or combination of the following: (1) a letter(s) from Falcon's outside counsel or independent accountants indicating the maximum amount of the unpaid Company Break-up Expenses that can be paid at that time to Falcon without causing Falcon to fail to meet the requirements of a REIT for any relevant taxable year, together with an IRS ruling to the effect that such payment would not be treated as included in income for any prior taxable year, in which event such amount will be released to Falcon from escrow or (2) an opinion of counsel indicating that Falcon has received a ruling from the IRS holding that Falcon's receipt of the Company Break-up Expenses in whole or in part would not cause Falcon to fail to qualify as a REIT and that such payment would not be treated as included in income for any prior taxable year, in which event the unpaid Company Break-up Expenses referenced in such opinion will be released to Falcon. iStar's obligation to pay any unpaid portion will terminate five years from the date of this Agreement. The Company Break-Up Expenses will be paid to Falcon within one business day of termination.

If the Agreement is terminated by iStar because (1) the representations and warranties of Falcon contained in the Merger Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect or any similar standard or qualification (except for the representations and warranties contained in Section 4.6(i) of the Merger Agreement, for which such qualifiers will not be disregarded), are not true and correct, with only such exceptions as, individually or in the aggregate, have not had a Material Adverse Effect or (2) Falcon has breached or failed to perform in any material respect any of its covenants or other agreements contained in the Merger Agreement, then Falcon will pay to iStar an amount equal to the third-party, out of pocket expenses incurred by iStar, which amount will not exceed $2,000,000. Such fee will be paid within one business day of termination.

Fees and Expenses. Except as expressly set forth in the Merger Agreement, each party to the Merger Agreement will bear its own expenses in connection with the transactions contemplated by the Merger Agreement, except that Falcon and iStar will each pay one-half of the costs of filing, printing and mailing the proxy statement, if necessary.

Shareholder Agreements

The following summary of certain provisions of the Shareholder Agreements is qualified in its entirety by reference to the Shareholder Agreements, which are incorporated herein by reference and copies of which have been filed with the SEC as Exhibits (d)(2) through (d)(8) to the Schedule TO. Shareholders and other interested parties should read the Shareholder Agreements in their entirety for a more complete description of the provisions summarized below.

As a condition and inducement for iStar and Purchaser to enter into the Merger Agreement, each of Vernon B. Schwartz (Chief Executive Officer and Chairman), David A. Karp (President and Chief Financial Officer), James K. Hunt (Lead Trustee), Maryann N. Keller (Trustee), George G. Lowrance (Trustee), Thomas F. Gilman (Trustee) and Thomas R. Gibson (Trustee) has entered into a Shareholder Agreement with iStar and the Purchaser. Each Shareholder Agreement provides for the tender into the Offer of all Shares held by such Shareholder.

Tender of Shares. Pursuant to and in accordance with the Offer, each Shareholder has agreed (1) to tender his Shares into the Offer promptly, and in no event any later than five business days following the commencement of the Offer; and (2) to not withdraw any tendered Shares unless (x) the Offer terminates without iStar purchasing all tendered Shares or (y) his Shareholder Agreement is terminated.

Grant of Proxy. Each Shareholder has granted iStar the Shareholder's proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of the Shareholder, to vote the Shares or to grant a consent or approval in respect of the Shares in connection with any meeting of shareholders of Falcon or any action by written consent in lieu of a meeting of shareholders of Falcon (1) in favor of the Merger; and (2) against any action or agreement which would impede, interfere with or prevent the Merger, including, but not limited to, any Takeover Proposal. To the extent that the proxy granted is not irrevocable, each Shareholder has agreed to vote the Shares in favor of the transaction contemplated by the Merger Agreement as instructed by iStar in writing.

Transfer of the Shares. Prior to the termination of his Shareholder Agreement, each Shareholder agrees not to: (1) sell, pledge, encumber, grant an option with respect to, transfer, distribute or dispose of the Shares; (2) enter into any contract, option or other agreement, arrangement or understanding with respect to any transfer of Shares; (3) grant any proxy, power-of-attorney or other authorization for any of the Shares with respect to the matters described above under "Grant of Proxy"; (4) deposit any of the Shares into a voting trust or enter into a voting agreement or arrangement with respect to any of the Shares with respect to the matters described above under "Grant of Proxy"; or (5) take any other action that is intended to restrict, limit or interfere with the performance of such Shareholder's obligations under the Shareholder Agreement or the transactions contemplated thereunder.

Termination. Each Shareholder Agreement and all rights and obligations of the parties thereunder, will terminate upon the earlier of (1) the termination of the Merger Agreement in accordance with its terms; or (2) the effective time of the Merger.

Resignations. In the Shareholder Agreements for Messrs. George G. Lowrance and Thomas R. Gibson, each of them resigned as a trustee of Falcon effective upon the following events: (1) the purchase by the Purchaser of at least a majority of the outstanding Shares in the Offer; and (2) receipt of notice by iStar indicating that it desires such resignation to be made effective.

Share Option Agreement

Concurrently with the execution of and as an inducement to iStar's and the Purchaser's willingness to enter into the Merger Agreement, the Purchaser and Falcon entered into a Share Option Agreement, dated January 19, 2005. The following summary of certain provisions of the Share Option Agreement is qualified in its entirety by reference to the Share Option Agreement itself, which is incorporated herein by reference and a copy of which has been filed with the SEC as Exhibit (d)(9) to the Schedule TO. Shareholders and other interested parties should read the Share Option Agreement in its entirety for a more complete description of the provisions summarized below.

Grant of Option. Under the Share Option Agreement, Falcon has granted the Purchaser an irrevocable option (the "Option") to purchase from Falcon a number of fully paid and nonassessable Shares (such Shares being referred to herein as the "Option Shares") equal to the Applicable Amount (as defined below) at a price per Share equal to the Offer Price, subject to the terms and conditions set forth in the Share Option Agreement. The "Applicable Amount" is the number of Shares which, when added to the number of Shares owned (of record or beneficially) by iStar, the Purchaser and their respective subsidiaries immediately prior to the exercise of the Option, would result in iStar, the Purchaser and their respective subsidiaries owning (of record or beneficially) in the aggregate, immediately after exercise of the Option, ninety percent (90%) of the then issued and outstanding Shares; provided, however, that the Applicable Amount will not exceed 19.9% of the then issued and outstanding Shares and will not exceed the number of Shares available for issuance in Falcon's declaration of trust. The Purchaser also has agreed to exercise the Option if the conditions to the exercise of the Option are satisfied.

Conditions to the Option. The Purchaser may exercise the Option if, but only if (1) the Purchaser has accepted for payment and paid for all Shares validly tendered and not withdrawn pursuant to the Offer (the "Accepted Shares"), (2) the Accepted Shares equal at least eight-five percent (85%) but less than ninety percent (90%) of the issued and outstanding Shares, and (3) the Accepted Shares, together with the Option Shares immediately after exercise of the Option, result in iStar, the Purchaser and their respective subsidiaries owning (of record or beneficially) in the aggregate, at least ninety percent (90%) of the issued and outstanding Shares.

Exercise of Option. The Option will expire upon the earlier of (1) the termination of the Merger Agreement, (2) the Effective Time of the Merger, or (3) at 5:00 p.m., New York City, New York time, on the 30th Business Day following the consummation of the Offer. If not exercised prior to the such time, the Option and all rights granted under the Option will expire and lapse. The Option provides that the Purchaser will pay for the Option Shares by delivering to Falcon a full recourse promissory note of the Purchaser substantially in the form attached to the Share Option Agreement in a principal amount equal to the aggregate exercise price.

Confidentiality Agreement

The following summary of certain provisions of the Confidentiality Agreement (as defined below) is qualified in its entirety by reference to the Confidentiality Agreement itself, which is incorporated herein by reference and a copy of which has been filed with the SEC as Exhibit (d)(10) to the Schedule TO. Shareholders and other interested parties should read the Confidentiality Agreement in its entirety for a more complete description of the provisions summarized below.

Falcon and iStar entered into a confidentiality agreement on December 9, 2004 (the "Confidentiality Agreement"). The Confidentiality Agreement contains customary provisions pursuant to which, among other matters, iStar agreed, subject to certain exceptions, to keep confidential all data, reports, interpretations, documents and information, whether written or oral, that Falcon furnished or otherwise disclosed to iStar or any of its representatives in connection with a possible acquisition of

Falcon unless and until such acquisition occurs. iStar further agreed to use such confidential information solely for the purpose of evaluating a possible acquisition of Falcon. In the event that either party elected to discontinue discussions regarding such transaction, iStar, upon the written request of Falcon, agreed to return promptly all copies of the confidential information disclosed under the Confidentiality Agreement then in iStar's or its representatives' possession.

iStar agreed that, during the term of the Confidentiality Agreement, neither it nor its affiliates will, directly or indirectly:

(1) in any manner acquire or offer to acquire or agree to acquire, directly or indirectly, by purchase or otherwise, beneficial ownership of any securities of Falcon and/or any of its affiliates;

(2) "solicit" or participate in the "solicitation" of "proxies" (as such terms are defined or used in Rule 14a-1 under the Exchange Act) in opposition to the recommendation of the board of trustees of Falcon or any board of directors, manager or general partner of any of Falcon's affiliates or become a participant in an election contest with respect to the election of trustees or other similar elected persons of Falcon and/or any of its affiliates, or otherwise seek to influence or affect the vote of any equityholder of Falcon and/or any of its affiliates;

(3) enter into any merger, tender or exchange offer, restructuring or business combination involving Falcon or any of its affiliates;

(4) acquire a material portion of the assets of Falcon or any of its affiliates other than in connection with their credit relationship;

(5) form, join or participate in a partnership, limited liability company, syndicate or other group or enter into any contract, arrangement, understanding or relationship or otherwise act in concert with any other person for the purpose of acquiring, holding, voting or disposing of securities of Falcon and/or any of its affiliates;

(6) seek to appoint, elect or remove any member of the board of trustees of Falcon and/or any director, manager, general partner of any of Falcon's affiliates or make any public statements proposing or suggesting any change in the board of trustees or management of Falcon;

(7) initiate or propose to the holders of securities of Falcon and/or any of its affiliates, or otherwise solicit their approval of, any proposal to be voted on by the holders of securities of Falcon and/or any of its affiliates; or

(8) disclose any intention, plan or arrangement to take any of the actions enumeration in clauses (1) through (7) above or participate in, aid or abet or otherwise induce or encourage any person to take any of the actions enumerated in clauses (1) through (7) above.

In addition, iStar agreed (subject to certain exceptions) that, during the term of the Confidentiality Agreement, neither it nor any of its affiliates will directly, or indirectly, knowingly solicit, entice, hire, or induce for employment any executive officer, officer or senior or key employee of Falcon or any of its affiliates.

The respective covenants and agreements of Falcon and iStar contained in the Confidentiality Agreement will continue in full force and effect for the greater of (1) one year, and (2) so long as the confidential materials remain confidential.

Exclusivity Agreement

The following summary of certain provisions of the Exclusivity Agreement (as defined below) is qualified in its entirety by reference to the Exclusivity Agreement itself, which is incorporation by

reference herein and a copy of which has been filed with the SEC as Exhibit (d)(11) to the Schedule TO.

On December 23, 2004, Falcon and iStar entered into a letter agreement (the "Exclusivity Agreement") pursuant to which Falcon agreed not to continue or engage in discussions regarding or solicit any offer or proposal on the part of any person other than iStar to acquire Falcon until 11:59 p.m., Eastern time, on January 14, 2005. Falcon also agreed not to consummate any securitization transaction involving the assets of Falcon during this exclusivity period. This agreement was amended on January 16, 2005, to extend the exclusivity period until 11:59 p.m. Eastern time on January 19, 2005. Such extension expressly permitted Falcon to engage in discussions with an indentified third party that had made an unsolicited indication of interest with respect to Falcon.

Section 14. Certain Conditions of the Offer

In addition to the Purchaser's right to extend and amend the Offer in certain circumstances described in the Merger Agreement (subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act), the Purchaser will not be required to accept for payment, and may delay the acceptance for payment of any validly tendered Shares, unless the Minimum Condition has been satisfied. Subject to the provisions of the Merger Agreement and any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act, the Purchaser will not be required to accept for payment for any validly tendered Shares if at any time any of the following conditions has occurred and continues to exist through the time of acceptance for payment:

- there has been any statute, rule, regulation, executive order, decree, ruling, judgment, decision, order or injunction enacted, entered, enforced, promulgated, issued or enforced, or any statute, rule, regulation, executive order, decree, ruling, judgment, decision, order or injunction which has been proposed by the relevant legislative, judicial or regulatory body with respect to or deemed applicable to, or any material consent or approval withheld or any other action taken with respect to (1) iStar, Falcon or any of their respective subsidiaries or affiliates or (2) the Offer or the Merger or any of the other transactions contemplated by the Merger Agreement, by any court or other governmental authority, in any case, that has resulted or, in the reasonable judgment of iStar, is reasonably likely to result, directly or indirectly, in making illegal, prohibiting or restraining the Offer, the Merger or the transactions contemplated by the Merger Agreement;

- (1) the representations and warranties of Falcon contained in the Merger Agreement are not true and correct at the date of the Merger Agreement and as of the date of the consummation of the Offer with the same effect as if made at and as of such time, with only such exceptions as, individually or in the aggregate, have not had a material adverse effect on Falcon; (2) Falcon has failed to perform or comply in all material respects with its covenants and obligations contained in the Merger Agreement, which failure to perform has not been cured within five business days after the giving of written notice to Falcon; or (3) there has occurred since the date of the Merger Agreement any events or changes which, individually or in the aggregate, constitute a material adverse effect on Falcon.

- the board of trustees of Falcon or any committee thereof has (1) withdrawn or modified in a manner adverse to iStar or the Purchaser its approval or recommendation of the Offer, the Merger or the other transactions contemplated by the Merger Agreement, (2) approved or recommended a Takeover Proposal, (3) failed to reaffirm its recommendation of the Offer, the Merger or the other transactions contemplated by the Merger Agreement within five business days after the public announcement of a Takeover Proposal (including the filing of a Schedule 13D with the SEC) or (4) resolved to take any of the foregoing actions;

- the Merger Agreement has been terminated in accordance with its terms;

- there has occurred and is continuing (1) any general suspension of trading in, or limitation in prices for securities on Nasdaq or any other national securities exchange or in the over-the-counter market upon which the Shares are traded or quoted (other than as a result of market circuit-breakers or other similar procedures) or (2) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory);

- all consents, registrations, approvals, permits, authorizations, notices, reports or other filings required to be obtained or made by Falcon, iStar or the Purchaser with or from any governmental authority or third party in connection with the execution, delivery and performance of the Merger Agreement, the Offer and the consummation of the transactions contemplated by the Merger Agreement have not been made or obtained and such failure could reasonably be expected to have a material adverse effect on Falcon; or

- iStar and the Purchaser have not received an opinion of Hogan & Hartson, LLP, dated as of the date of the purchase of Shares pursuant to the Offer, in a form and substance reasonably satisfactory to iStar, to the effect that commencing with its taxable year ended on December 31, 2003, through the time immediately preceding the effective time of the Merger, Falcon has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code.

Subject to the provisions of the Merger Agreement, the foregoing conditions are solely for the benefit of Parent and Subsidiary and may be waived by either Parent or Subsidiary, in whole or in part at any time and from time to time, in the sole discretion of Parent and Subsidiary.

Section 15. Certain Legal Matters

Except as described in this "Section 15—Certain Legal Matters," based on information provided by Falcon, none of Falcon, the Purchaser or iStar is aware of any license or regulatory permit that appears to be material to the business of Falcon that might be adversely affected by the Purchaser's acquisition of Shares as contemplated herein or of any approval or other action by a domestic or foreign governmental, administrative or regulatory agency or authority that would be required for the acquisition and ownership of Shares by the Purchaser as contemplated herein. Should any such approval or other action be required, the Purchaser and iStar presently contemplate that such approval or other action will be sought, except as described below under "State Takeover Statutes." While, except as otherwise described in this Offer to Purchase, the Purchaser does not presently intend to delay the acceptance for payment of or payment for Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that failure to obtain any such approval or other action might not result in consequences adverse to Falcon's business or that certain parts of Falcon's business might not have to be disposed of or other substantial conditions complied with in the event that such approvals were not obtained or such other actions were not taken or in order to obtain any such approval or other action. If certain types of adverse action are taken with respect to the matters discussed below, the Purchaser could decline to accept for payment or pay for any Shares tendered. See "Section 14—Certain Conditions of the Offer" for certain conditions of the Offer, including conditions with respect to governmental actions.

State Takeover Statutes.

A number of states (including Maryland, where Falcon was formed) have adopted laws and regulations that purport to apply to attempts to acquire corporations (including REITs in the case of Maryland) that are incorporated in such states, or whose business operations have substantial economic

effects in such states, or which have substantial assets, security holders, employees, principal executive offices or principal places of business in such states. In Edgar v. MITE Corp., the Supreme Court of the United States (the "Supreme Court") invalidated on constitutional grounds the Illinois Business Takeover statute, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987, in CTS Corp. v. Dynamics Corp. of America, the Supreme Court held that the State of Indiana may, as a matter of corporate law and, in particular, with respect to those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without the prior approval of the remaining shareholders. The state law before the Supreme Court was by its terms applicable only to corporations that had a substantial number of shareholders in the state and were incorporated there.

iStar and the Purchaser do not believe that the antitakeover laws and regulations of any state will by their terms apply to the Offer and the Merger, and neither iStar nor the Purchaser has attempted to comply with any state antitakeover statute or regulation. The Purchaser reserves the right to challenge the applicability or validity of any state law purportedly applicable to the Offer, the Merger or any other transaction contemplated by the Merger and nothing in this Offer to Purchase or any action taken in connection with the Offer is intended as a waiver of such right. If it is asserted that any state antitakeover statute is applicable to the Offer, and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer, the Purchaser might be required to file certain information with, or to receive approvals from, the relevant state authorities, and the Purchaser might be unable to accept for payment or pay for Shares tendered pursuant to the Offer or may be delayed in consummating the Offer. In such case, the Purchaser may not be obligated to accept for payment, or pay for, any Shares tendered pursuant to the Offer. See "Section 14—Certain Conditions of the Offer."

Section 16. Fees and Expenses

Lehman has acted as financial advisor to Falcon in connection with this transaction. Falcon has agreed to pay Lehman customary compensation for its services as financial advisor and will reimburse Lehman for its reasonable out-of-pocket expenses incurred in connection with its engagement as a financial advisor. Falcon has also agreed to indemnify Lehman and related persons against certain liabilities and expenses in connection with its engagement as financial advisor, including certain liabilities and expenses under federal securities laws.

UBS Securities LLC ("UBS") is acting as Dealer Manager in connection with the Offer. iStar has agreed to pay UBS customary compensation for its services and will reimburse UBS for its reasonable out-of-pocket expenses incurred in connection with its engagement as a Dealer Manager. iStar has also agreed to indemnify UBS and related persons against certain liabilities and expenses in connection with its engagement as UBS, including certain liabilities and expenses under federal securities laws.

The Purchaser has retained Computershare Trust Company of New York ("Computershare") to act as the Depositary and Georgeson Shareholder Communications Inc. ("Georgeson") to act as the Information Agent in connection with the Offer. Each of Computershare and Georgeson will receive their reasonable and customary compensation for their respective services. The Purchaser has also agreed to reimburse each of Computershare and Georgeson for their respective reasonable out-of-pocket expenses and to indemnify each of Computershare and Georgeson against certain liabilities in connection with their respective services, including certain liabilities under federal securities laws.

The Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than the Information Agent) for making solicitations or recommendations in connection with the Offer. Brokers, dealers, banks and trust companies will be reimbursed by the Purchaser for customary mailing and handling expenses incurred by them in forwarding material to their customers.

Section 17. Miscellaneous

The Purchaser is not aware of any jurisdiction in which the making of the Offer or the tender of Shares in connection therewith would not be in compliance with the laws of such jurisdiction. If the Purchaser becomes aware of any jurisdiction in which the making of the Offer would not be in compliance with applicable law, the Purchaser will make a good faith effort to comply with any such law. If, after such good faith effort, the Purchaser cannot comply with any such law, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares residing in such jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of the Purchaser by UBS or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

No person has been authorized to give any information or to make any representation on behalf of iStar or the Purchaser not contained herein or in the Letter of Transmittal and, if given or made, such information or representation must not be relied upon as having been authorized.

iStar and the Purchaser have filed with the SEC the Tender Offer Statement on Schedule TO pursuant to Rule 14d-3 under the Exchange Act, together with the exhibits thereto, furnishing certain additional information with respect to the Offer, and may file amendments thereto. In addition, Falcon has filed the Schedule 14D-9 pursuant to Rule 14d-9 under the Exchange Act, together with exhibits thereto, setting forth its recommendation and furnishing certain additional related information. Such Schedules and any amendments thereto, including exhibits, may be examined and copies may be obtained in the manner set forth in "Section 8—Certain Information Concerning Falcon."

Flash Acquisition Company LLC,
a wholly owned subsidiary of iStar Financial Inc.

January 31, 2005

The Dealer Manager for the Offer is:

UBS Securities LLC

299 Park Avenue,
39th Floor
New York, New York 10171
Call Toll-Free: (877) 766-4684

The Information Agent for the Offer is:

Georgeson Shareholder

17 State Street, 10th Floor
New York, New York 10004
Banks and Brokers Call: (212) 440-9800
All others call Toll-Free: (877) 278-3842

The Depositary for the Offer is:

Computershare

By Mail:

Computershare Trust Company
of New York
Wall Street Station
P.O. Box 1010
New York, NY 10268-1010

By Facsimile Transmission:

For Eligible Institutions Only:
(212) 701-7636

For Confirmation Only
Telephone:
(212) 701-7600

By Hand or Overnight Courier:

Computershare Trust Company
of New York
Wall Street Plaza
88 Pine Street, 19th Floor
New York, NY 10005

DIRECTORS AND EXECUTIVE OFFICERS
OF ISTAR AND THE PURCHASER

The names of the directors and executive officers of iStar Financial Inc. and Flash Acquisition Company LLC and their present principal occupations or employment and material employment history for the past five years are set forth below. Unless otherwise indicated, each director and executive officer has been so employed for a period in excess of five years. Unless otherwise indicated, each individual is a citizen of the United States, his or her business address is 1114 Avenue of the Americas, New York, New York 10036, and his or her telephone number at that address is (212) 930-9400.

iStar Financial Inc.

Jay Sugarman is Chairman of the Board and Chief Executive Officer of iStar. Mr. Sugarman has served as a director of iStar (and its predecessor) since 1996 and Chief Executive Officer since 1997. Under Mr. Sugarman's leadership, iStar has become a leading provider of structured financial solutions to high-end private and corporate owners of real estate in the United States. Previously, Mr. Sugarman was president and co-general partner of Starwood Mezzanine Investors, L.P., a private investment partnership specializing in structured real estate finance. Prior to forming Starwood Mezzanine, Mr. Sugarman managed diversified investment funds on behalf of the Burden family, a branch of the Vanderbilt family, and the Ziff family. While in that position, he was jointly responsible for the formation of Starwood Capital Group, LLC and the formation of HBK Investments, one of the nation's largest convertible arbitrage trading operations. He received his undergraduate degree *summa cum laude* from Princeton University, where he was nominated for valedictorian and received the Paul Volcker Award in Economics, and his M.B.A. with highest distinction from Harvard Business School, graduating as a Baker Scholar and recipient of the school's academic prizes for both finance and marketing. Mr. Sugarman is a director of WCI Communities, Inc., a residential developer in South Florida.

Willis Andersen, Jr. has served as a director of iStar since November 1999. Previously, Mr. Andersen served as a director of TriNet Corporate Realty Trust ("TriNet"), which was acquired by iStar, since June 1993. He is a real estate and REIT industry consultant with over 35 years of experience as an advisor, financial consultant and principal in the real estate industry. Mr. Andersen currently specializes in advisory work for publicly-traded real estate companies. Mr. Andersen's real estate career has involved work with Allied Properties Inc. of San Francisco; Bankoh Advisory Corp. of Honolulu; RAMPAC and ICM Property Investors, Inc., which were formerly NYSE-listed REITs, and Bedford Properties, Inc., a commercial property investment and development firm. He is an active member of the National Association of Real Estate Investment Trusts, and is a former governor and past president (1980-81) of this organization. He received his B.A. from the University of California at Berkeley.

Robert W. Holman, Jr. has served as a director of iStar since November 1999. Mr. Holman is the co-founder of TriNet and served as its chief executive officer and co-chairman from its formation until May 1996, when he became chairman of the board. Mr. Holman was reappointed chief executive officer of TriNet in September 1998. He is the co-founder of TriNet's predecessor, Holman/Shidler Corporate Capital, Inc., and for ten years was its chief executive officer and chairman. Mr. Holman is a director of AmeriVest Properties, Inc., a public-traded real estate invesment trust. Additionally, Mr. Holman has served as a senior executive, director or board advisor for numerous companies in the United States, Great Britain and Mexico in the finance, real estate, internet commerce, construction, building materials and travel industries. An economics graduate of the University of California at Berkeley, Mr. Holman received his M.A. degree with honors in economics and planning from Lancaster

University in England, where he was a British Council Fellow, and was a Loeb Fellow at Harvard University.

Robin Josephs has served as one of iStar's (and its predecessor's) directors since March 1998. Ms. Josephs is the managing director of Ropasada, LLC, a private equity firm. Ms. Josephs was employed by Goldman Sachs from 1986 to 1996 in various capacities. Prior to working at Goldman, Ms. Josephs served as an analyst for Booz Allen & Hamilton Inc. in New York from 1982 to 1984. Ms. Josephs is a director of Plum Creek Timber Company, a public-traded real estate investment trust. Ms. Josephs received a B.S. degree in economics from the Wharton School and a M.B.A. from Columbia University.

John G. McDonald has served as one of iStar's directors since November 1999. Previously, Professor McDonald served as a director of TriNet since June 1993. He is the IBJ Professor of Finance in the Graduate School of Business at Stanford University, where he has taught since 1968. Professor McDonald has taught M.B.A. courses and executive programs in subject areas including investment management, private equity, venture capital and corporate finance. He currently serves as a director of Scholastic Corporation, Varian, Inc., Plum Creek Timber Co., Inc., and eight investment companies managed by Capital Research & Management Company.

George R. Puskar has served as one of iStar's directors since November 1999. Previously, Mr. Puskar served as a director of TriNet since January 1998. From June 1997 until June 2000, Mr. Puskar served as chairman of the board of Lend Lease Real Estate Investments (formerly known as ERE Yarmouth), the U.S. real estate unit of Lend Lease Corporation, an international financial services and real estate company based in Sydney, Australia. From 1988 until June 1997, Mr. Puskar was chairman and chief executive officer of Equitable Real Estate Investment Management, Inc., where he was responsible for directing the business operations of a full service commercial real estate investment management company with approximately $30 billion in assets under management. Prior to its acquisition by Lend Lease Corporation in June 1997, Equitable Real Estate Investment Management, Inc. operated as a subsidiary of The Equitable Life Assurance Society of the United States. Mr. Puskar is a member of the Counselors of Real Estate. Mr. Puskar is a director of New Plan Excel Realty Trust, Inc., a public-traded real estate investment trust and has served as a member of the board of directors of Carr Real Estate Investment Trust, a NYSE-listed REIT, from 1993 to 1997, and on an advisory board at Georgia State University. Mr. Puskar has also served on the boards of the Urban Land Institute, the International Council of Shopping Centers, the National Council of Real Estate Fiduciaries and the National Realty Committee, and as chairman of a campaign to endow a real estate chair at Clark Atlanta University/Morehouse College. Currently, he is active as the vice chairman of World Team Sports, an organization that specializes in unique athletics events with teams built around disabled athletes. Mr. Puskar received a B.A. degree from Duquesne University.

Jeffrey A. Weber has served as a director of iStar since June 2003. Mr. Weber is the president of York Capital Management, a multi-billion dollar event-driven investment management firm organized in 1991 with offices in New York and London. Mr. Weber is a director of the Burden Center for the Aging, Inc. and serves on the Advisory Board of the Department of Medicine of Mount Sinai Medical Center. Prior to his current position, Mr. Weber was the president and chief executive officer of William A.M. Burden & Co., L.P. where his tenure spanned twelve years. Mr. Weber also worked at Chemical Venture Partners, the venture capital and leverage buyout arm of Chemical Bank, and in the corporate finance department of Drexel Burnham Lambert Incorporated. Mr. Weber holds an M.B.A. from Harvard Business School and a B.A. degree from Williams College.

Jay S. Nydick is President of iStar. He joined the company in November 2004. Previously he spent fourteen years at Goldman, Sachs & Co., where most recently he served as Managing Director based in Hong Kong and heading the Corporate Finance Group for non-Japan Asia and as a member of the Products and Financial Sponsors Group based in New York. Mr. Nydick also served as a member of

the Goldman's Real Estate Investment Banking Group, co-headed their Lodging and Gaming Business and spent time in the Debt Campital Markets and Derivatives Group. Mr. Nydick earned his bachelor's degree at Cornell University and his M.B.A from Columbia University.

Timothy J. O'Connor has served as Chief Operating Officer of iStar (and its predecessor) since March 1998 and Executive Vice President since March 2000. Mr. O'Connor is responsible for developing and managing iStar's risk management and due diligence operations, participating in the evaluation and approval of new investments and coordinating iStar's information systems. Previously, Mr. O'Connor was a vice president of Morgan Stanley & Co. responsible for the performance of more than $2 billion of assets acquired by the Morgan Stanley Real Estate Funds. Prior to joining Morgan Stanley, Mr. O'Connor was a vice president of Greystone Realty Corporation involved in the firm's acquisition and asset management operations. Previously, Mr. O'Connor was employed by Exxon Co. USA in its real estate and engineering group. Mr. O'Connor is a member of the International Council of Shopping Centers, the Institute of Real Estate Management and the Buildings Owners and Managers Association, and is a former vice president of the New York City/Fairfield County chapter of the National Association of Industrial and Office Parks. Mr. O'Connor received a B.S. degree from the United States Military Academy at West Point and an M.B.A. from the Wharton School.

Catherine D. Rice has served as Chief Financial Officer of iStar since November 2002. Ms. Rice is responsible for managing all of iStar Financial's capital-raising initiatives, financial reporting and investor relations activities, as well as overseeing all other finance, treasury and accounting functions. Prior to joining iStar, Ms. Rice served as managing director in both the financial sponsors group and the real estate investment banking group of Banc of America Securities. Prior to Banc of America Securities, Ms. Rice was a managing director at Lehman Brothers, where she was responsible for the firm's West Coast real estate investment banking effort. She spent the first ten years of her career at Merrill Lynch in its real estate investment banking group. Ms. Rice has over 16 years of experience in the public and private capital markets, and has been involved in over $15 billion of capital-raising and financial advisory transactions, including public and private debt and equity offerings, mortgage financings, merger and acquisition assignments, leveraged buyouts, asset dispositions, debt restructurings and rating advisory assignments. Ms. Rice received a B.A. degree from the University of Colorado and an M.B.A from Columbia University.

Nina B. Matis has served as General Counsel of iStar (and its predecessor) since 1996 and Executive Vice President since November 1999. Ms. Matis is responsible for legal, tax, structuring and regulatory aspects of iStar's operations and investment and financing transactions. From 1984 through 1987, Ms. Matis was an adjunct professor at Northwestern University School of Law where she taught real estate transactions. Ms. Matis is a director of Burnham Pacific, Inc. and New Plan Excel Realty Trust, Inc. and a member of the American College of Real Estate Lawyers, Ely Chapter of Lambda Alpha International, the Chicago Finance Exchange, the Urban Land Institute, REFF, the Chicago Real Estate Executive Women, The Chicago Network and The Economic Club of Chicago, and she is listed in both The Best Lawyers of America and Sterling's Who's Who. Ms. Matis received a B.A. degree, with honors, from Smith College and a J.D. degree from New York University School of Law.

Roger M. Cozzi has served as an Executive Vice President—Investments of iStar since January 2002 and is co-head of iStar's internal Investment Committee. Since joining iStar (and its predecessor) in 1995, Mr. Cozzi has been responsible for the origination of structured financing transactions and has successfully closed over $1 billion of first mortgage, mezzanine and corporate finance investments. From 1995 to 1998, Mr. Cozzi was an investment officer at Starwood Mezzanine Investors, L.P. and Starwood Opportunity Fund IV, two private investment funds that specialized in structured real estate finance and opportunistic equity investments. Prior to joining Starwood, Mr. Cozzi spent three years at Goldman, Sachs & Co. While at Goldman Sachs, he spent two years in the real estate department, where he focused on securitizing and selling investment grade and non-investment grade securities backed by pools of commercial mortgages, evaluating performing commercial mortgage loans for

potential principal investment by the Whitehall funds and consulting large corporate tenants on lease alternatives. After two years in real estate, Mr. Cozzi transferred into the investment management industry group, where he worked on several merger transactions, created a conduit to lend directly to mutual funds, and helped create a vehicle to securitize 12b-1 financing fees. Mr. Cozzi graduated magna cum laude from the Wharton School with a Bachelor of Science degree in Economics (with concentrations in Finance and Entrepreneurial Management).

Jeffrey R. Digel has served as an Executive Vice President—Investments of iStar since March 2000 and is co-head of iStar's internal Investment Committee. Prior to that, he was Senior Vice President—Investments since May 1998. Mr. Digel is responsible for the origination of new structured financing transactions, focusing on iStar's financial institution and loan correspondent relationships. Previously, Mr. Digel was a vice president-mortgage finance at Aetna Life Insurance Company responsible for commercial mortgage securitizations, management of Aetna's mortgage correspondent network, management of a $750 million real estate equity portfolio for Aetna's pension clients and origination of new equity investments. In addition, Mr. Digel is a member of the Mortgage Bankers Association and the International Council of Shopping Centers. Mr. Digel received a B.A. degree from Middlebury College and an M.M. from Northwestern University.

Flash Acquisition Company LLC

The managers of Flash Acquisition Company LLC are Jay Sugarman, Catherine D. Rice and Andrew C. Richardson. The officers of Flash Acquisition Company LLC are Jay Sugarman, President; Catherine D. Rice, Vice President; and Andrew C. Richardson, Secretary.

The biographical information for Jay Sugarman and Catherine D. Rice is set forth above.

Andrew C. Richardson has served as Executive Vice President—Capital Markets of iStar since January 2003. Prior to that, he was Senior Vice President—Capital Markets since March 2000. He joined iStar from Salomon Smith Barney, where he was a vice president in the global real estate and lodging investment banking group, providing merger and acquisition advisory services and raising debt and equity capital for public and private real estate companies. Mr. Richardson's experience at Salomon Smith Barney also included working in its mergers and acquisitions group, advising clients in a wide range of industries. Prior to joining Salomon Smith Barney, Mr. Richardson worked for Ernst & Young and was a certified public accountant. Mr. Richardson holds an M.B.A. from the University of Chicago, and a B.B.A. in accountancy from the University of Notre Dame.

NOTICE OF MERGER
OF
FLASH ACQUISITION COMPANY LLC
INTO
FALCON FINANCIAL INVESTMENT TRUST

Notice is hereby given by Flash Acquisition Company LLC, a Maryland limited liability company (the "Purchaser"), of the proposed merger (the "Merger") of the Purchaser into Falcon Financial Investment Trust, a Maryland real estate investment trust ("Falcon").

Articles of Merger pursuant to which the Merger will become effective will be filed with the State Department of Assessments and Taxation of Maryland (the "SDAT") not earlier than 30 days after the date of this Notice. This Notice is given pursuant to Section 3-106(d) of the Maryland General Corporation Law, as applicable to a Maryland real estate investment trust, to each shareholder of record of Falcon as of January 31, 2005 and is conditioned upon the ownership by the Purchaser of 90% or more of the outstanding common shares of beneficial interest of Falcon as of the time of acceptance for record of the Articles of Merger by the SDAT.

FLASH ACQUISITION COMPANY LLC

Jay Sugarman
President

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99(a)(2)

Offer to Purchase for Cash
All Outstanding Common Shares of Beneficial Interest
of
FALCON FINANCIAL INVESTMENT TRUST
at
$7.50 Net Per Share
Pursuant to the Offer to Purchase
Dated January 31, 2005
by
FLASH ACQUISITION COMPANY LLC
a wholly owned subsidiary of
iSTAR FINANCIAL INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME ON MONDAY, FEBRUARY 28, 2005, UNLESS THE OFFER IS EXTENDED.

The Depositary for the Tender Offer is:

Computershare

By Mail:	*By Facsimile Transmission:*	*By Hand or Overnight Courier:*
Computershare Trust Company of New York Wall Street Station P.O. Box 1010 New York, NY 10268-1010	For Eligible Institutions Only: (212) 701-7636 For Confirmation Only Telephone: (212) 701-7600	Computershare Trust Company of New York Wall Street Plaza 88 Pine Street, 19th Floor New York, NY 10005

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. YOU MUST SIGN THIS LETTER OF TRANSMITTAL IN THE APPROPRIATE SPACE PROVIDED THEREFOR AND COMPLETE THE SUBSTITUTE FORM W-9.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be completed by shareholders if either certificates evidencing Shares (as defined below) are to be forwarded herewith or if delivery of Shares is to be made by book-entry transfer to the Depositary's account at The Depository Trust Company ("DTC") or the "Book-Entry Transfer Facility" pursuant to the book-entry transfer procedure described in Section 3 of the Offer to Purchase (as defined below). Delivery of documents to a Book-Entry Transfer Facility does not constitute delivery to the Depositary.

Shareholders whose certificates evidencing Shares ("Share Certificates") are not immediately available or who cannot deliver their Share Certificates and all other documents required hereby to the Depositary prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) or who cannot complete the procedure for delivery by book-entry transfer on a timely basis and who wish to tender their Shares must do so pursuant to the guaranteed delivery procedure described in Section 3 of the Offer to Purchase. See Instruction 2.

o **CHECK HERE IF SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:**

Name(s) of Tendering Institution(s): _____

Account Number: _____

Transaction Code Number: _____

o **CHECK HERE IF SHARES ARE BEING TENDERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:**

Name(s) of Registered Holder(s): _____

Window Ticket Number (if any): _____

Name of Institution that Guaranteed Delivery: _____

Date of Execution of Notice of Guaranteed Delivery: _____

Account Number: _____

Transaction Code Number: _____

DESCRIPTION OF SHARES TENDERED

Name(s) and Address(es) of Registered Holder(s) (Please fill-in, if blank, exactly as name(s) appear(s) on Share Certificate(s)).	**Share Certificate(s) and Share(s) Tendered (Attach Additional List If Necessary)**		
	Share Certificate(s) Number(s)*	**Total Number of Shares Evidenced By Share Certificate(s)***	**Number of Shares Tendered****
	Total Shares		

* Need not be completed by shareholders delivering Shares by book-entry transfer.
** Unless otherwise indicated, it will be assumed that all Shares evidenced by each Share Certificate delivered to the Depositary are being tendered hereby. See Instruction 4.

NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE INSTRUCTION SET FORTH IN THIS LETTER OF TRANSMITTAL CAREFULLY.

Ladies and Gentlemen:

The undersigned hereby tenders to Flash Acquisition Company LLC, a Maryland limited liability company (the "Purchaser") and a wholly owned subsidiary of iStar Financial Inc., a Maryland corporation, the above-described shares of beneficial interest, par value $0.01 per share (the "Shares"), of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company") pursuant to the Purchaser's offer to purchase all outstanding Shares at $7.50 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 31, 2005 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer"). The undersigned understands that the Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates, the right to purchase all or any portion of the Shares tendered pursuant to the Offer.

Subject to, and effective upon, acceptance for payment of the Shares tendered herewith, in accordance with the terms of the Offer (including, if the Offer is extended or amended, the terms and conditions of such extension or amendment), the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser all right, title and interest in and to all the Shares that are being tendered hereby and all dividends, distributions (including, without limitation, distributions of additional Shares) and rights declared, paid or distributed in respect of such Shares on or after the date of acceptance of the Offer (collectively, "Distributions"), and irrevocably appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares and all Distributions, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver Share Certificates evidencing such Shares and all Distributions, or transfer ownership of such Shares and all Distributions on the account books maintained by the Book-Entry Transfer Facility, together, in either case, with all accompanying evidences of transfer and authenticity, to or upon the order of the Purchaser, (ii) present such Shares and all Distributions for transfer on the books of the Company, and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares and all Distributions, all in accordance with the terms of the Offer.

The undersigned hereby irrevocably appoints the designees of the Purchaser, and each of them, as the attorneys-in-fact and proxies of the undersigned, each with full power of substitution, to vote in such manner as each such attorney and proxy or his substitute shall, in his sole discretion, deem proper and otherwise act (by written consent or otherwise) with respect to all the Shares tendered hereby which have been accepted for payment by the Purchaser prior to the time of such vote or other action and all Shares and other securities issued in Distributions in respect of such Shares, which the undersigned is entitled to vote at any meeting of shareholders of the Company (whether annual or special and whether or not an adjourned or postponed meeting) or by written consent in lieu of any such meeting or otherwise. This proxy and power of attorney is coupled with an interest in the Shares tendered hereby, is irrevocable and is effective if, when, and only to the extent that the Purchaser accepts such Shares for payment in accordance with the terms of the Offer. Such acceptance for payment shall revoke all other proxies and powers of attorney granted by the undersigned at any time with respect to such Shares (and all Shares and other securities issued in Distributions in respect of such Shares), and no subsequent proxy or power of attorney shall be given or written consent executed (and if given or executed, shall not be effective) by the undersigned with respect thereto. The undersigned understands that, in order for Shares to be deemed validly tendered, immediately upon the Purchaser's acceptance of such Shares of payment, the Purchaser must be able to exercise full voting and other rights of a record and beneficial holder with respect to such Shares, including, without limitation, voting at any meeting of the Company's shareholders then scheduled and acting by written consent in lieu of any such meeting.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby and all Distributions, and that when such

Shares are accepted for payment by the Purchaser, the Purchaser will acquire good, marketable and unencumbered title thereto and to all Distributions, free and clear of all liens, restrictions, charges and encumbrances, and that none of such Shares and Distributions will be subject to any adverse claim. The undersigned, upon request, shall execute and deliver all additional documents deemed by the Depositary or the Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby and all Distributions. In addition, the undersigned shall remit and transfer promptly to the Depositary for the account of the Purchaser all Distributions in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer, and, pending such remittance and transfer or appropriate assurance thereof, the Purchaser shall be entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price of the Shares tendered hereby or deduct from such purchase price the amount or value of such Distribution as determined by the Purchaser in its sole discretion.

No authority herein conferred or agreed to be conferred shall be affected by, and all such authority shall survive, the death or incapacity of the undersigned. All obligations of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the Offer. The Purchaser's acceptance of such Shares for payment will constitute a binding agreement between the undersigned and the Purchaser upon the terms and subject to the conditions of the Offer.

Unless otherwise indicated herein in the box entitled "Special Payment Instructions," please issue the check for the purchase price of all Shares purchased, and return all Share Certificates evidencing Shares not purchased or not tendered, in the name(s) of the registered holder(s) appearing above under "Description of Shares Tendered." Similarly, unless otherwise indicated in the box entitled "Special Delivery Instructions," please mail the check for the purchase price of all Shares purchased and all Share Certificates evidencing Shares not tendered or not purchased (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under "Description of Shares Tendered." In the event that the boxes entitled "Special Payment Instructions" and "Special Delivery Instructions" are both completed, please issue the check for the purchase price of all Shares purchased and return all Share Certificates evidencing Shares not purchased or not tendered in the name(s) of, and mail such check and Share Certificates to, the person(s) so indicated. Unless otherwise indicated herein in the box entitled "Special Payment Instructions," please credit any Shares tendered hereby and delivered by book-entry transfer, but which are not purchased, by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that the Purchaser has no obligation, pursuant to the Special Payment Instructions, to transfer any Shares from the name of the registered holder(s) thereof if the Purchaser does not purchase any of the Shares tendered hereby.

SPECIAL PAYMENT INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if the check for the purchase price of Shares purchased or Share Certificates evidencing Shares not tendered or not purchased are to be issued in the name of someone other than the undersigned, or if Shares tendered hereby and delivered by book-entry transfer which are not purchased are to be returned by credit to an account at the Book-Entry Transfer Facility other than that designated above.

Issue: / / Check / / Share Certificate(s) to:

Name: _____

(Print)

Address: _____

_____

(Include Zip Code)

_____

(Taxpayer Identification or Social Security Number)
(See Substitute Form W-9 on reverse side)

/ / Credit Shares delivered by book-entry transfer and not purchased to the account set forth below:

_____

Account Number

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if the check for the purchase price of Shares purchased or Share Certificates evidencing Shares not tendered or not purchased are to be mailed to someone other than the undersigned, or to the undersigned at an address other than that shown under "Description of Shares Tendered."

Mail: / / Check / / Share Certificate(s) to:

Name: _____

(Print)

Address: _____

_____

(Include Zip Code)

IMPORTANT
SHAREHOLDERS: SIGN HERE
(Please Complete Substitute Form W-9 on Reverse)

Signature(s) of Holder(s)

Dated: _____, 2005

(Must be signed by registered holder(s) exactly as name(s) appear(s) on Share Certificates or on a security position listing or by a person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please provide the following information. See Instruction 5.)

Name(s): _____

(Please Print)

Capacity (full title): _____

Address: _____

_____

(Include Zip Code)

Area Code and Telephone Number: _____

Tax Identification or Social Security Number: _____

(See Substitute Form W-9 on reverse side)

GUARANTEE OF SIGNATURE(S)
(If Required—See Instructions 1 and 5)

FOR USE BY FINANCIAL INSTITUTIONS ONLY. PLACE MEDALLION GUARANTEE IN SPACE BELOW.

Authorized Signature: _____

Name: _____

(Please Print)

Name of Firm: _____

Address: _____

(Include Zip Code)

Area Code and Telephone Number: _____

Dated: _____, 2005

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Offer

1. *Guarantee of Signatures.* Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a bank, broker, dealer, credit union, savings association or other financial institution that is a member in good standing of the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (each an "Eligible Institution"). No signature guarantee is required on this Letter of Transmittal (a) if this Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this document, shall include any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares) of Shares tendered herewith, unless such holder(s) has completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the reverse hereof, or (b) if such Shares are tendered for the account of an Eligible Institution. See Instruction 5.

2. *Delivery of Letter of Transmittal and Share Certificates.* This Letter of Transmittal is to be used if either Shares Certificates are to be forwarded herewith or if Shares are to be delivered by book-entry transfer pursuant to the procedure set forth in Section 3 of the Offer to Purchase. Share Certificates evidencing all physically tendered Shares, or a confirmation of a book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility of all Shares delivered by book-entry transfer as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message, as defined below) and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth on the reverse hereof prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase). If Share Certificates are forwarded to the Depositary in multiple deliveries, a properly completed and duly executed Letter of Transmittal must accompany each delivery. Shareholders whose Share Certificates are not immediately available, who cannot deliver their Share Certificates and all other required documents to the Depositary prior to the Expiration Date or who cannot complete the procedure for delivery by book-entry transfer on a timely basis may tender their Shares pursuant to the guaranteed for delivery procedure described in Section 3 of the Offer to Purchase. Pursuant to that procedure: (i) the tender must be made by or through an Eligible Institution; (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Purchaser, must be received by the Depositary prior to the Expiration Date; and (iii) the Share Certificates evidencing all physically delivered Shares, in proper form for transfer by delivery, or confirmation (a "Book-Entry Confirmation") of a book-entry transfer of those Shares into the Depositary's account at the Book-Entry Transfer Facility of all Shares delivered by book-entry transfer, in each case together with a Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message), and any other documents required by this Letter of Transmittal, must be received by the Depositary within three Nasdaq trading days after the date of execution of such Notice of Guaranteed Delivery, all as described in Section 3 of the Offer to Purchase. The term "Agent's Message" means a message from the Book-Entry Transfer Facility transmitted to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that (i) the Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares that are the subject of the Book-entry Confirmation, (ii) the participant has received and agrees to be bound by the terms of this Letter of Transmittal and (iii) the Purchaser may enforce such agreement against the participant.

The method of delivery of this Letter of Transmittal, Share Certificates and all other required documents, including delivery through any Book-Entry Transfer Facility, is at the option and risk of the tendering shareholder, and the delivery will be deemed made only when actually received by the

Depositary. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. By execution of this Letter of Transmittal (or a facsimile hereof), all tendering shareholders waive any right to receive any notice of the acceptance of their Shares for payment.

3. *Inadequate Space.* If the space provided herein under "Description of Shares Tendered" is inadequate, the Share Certificate numbers, the number of Shares evidenced by such Share Certificates and the number of Shares tendered should be listed on a separate schedule and attached hereto.

4. *Partial Tenders (not applicable to shareholders who tender by book-entry transfer).* If a fewer than all the Shares evidenced by any Share Certificate delivered to the Depositary herewith are to be tendered hereby, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered." In such cases, new Share Certificate(s) evidencing the remainder of the Shares that were evidenced by the Share Certificates delivered to the Depositary herewith will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the box included in this Letter of Transmittal entitled "Special Delivery Instructions" as soon as practicable after the expiration or termination of the Offer. All Shares evidenced by Share Certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. *Signatures on Letter of Transmittal; Stock Powers and Endorsements.* If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the Share Certificates evidencing such Shares without alteration, enlargement or any other change whatsoever. If any Shares tendered hereby are owned of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any of the Shares tendered hereby are registered in the names of different holders, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of such Shares.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, no endorsements of Share Certificates or separate stock powers are required, unless payment is to be made to, or Share Certificates evidencing Shares not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), in which case the Share Certificate(s) evidencing the Shares tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Share Certificate(s). Signatures on such Share Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares tendered hereby, the Share Certificate(s) evidencing the Shares tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Share Certificate(s). Signatures on such Share Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any Share Certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Purchaser of such person's authority so to act must be submitted.

6. *Stock Transfer Taxes.* Except as otherwise provided in this Instruction 6, the Purchaser will pay all stock transfer taxes with respect to the sale and transfer of any Shares to it or its order pursuant to Offer. If, however, payment of the purchase price of any Shares purchased is to be made to, or Share Certificate(s) evidencing Shares not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), the amount of any stock transfer taxes (whether imposed on

the registered holder(s), such other person or otherwise) payable on account of the transfer to such other person will be deducted from the purchase price of such Shares purchased, unless evidence satisfactory to the Purchaser of the payment of such taxes, or exemption therefrom, is submitted. Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Share Certificates evidencing the Shares tendered hereby.

7. *Special Payment and Delivery Instructions.* If a check for the purchase price of any Shares tendered hereby is to be issued, or Share Certificate(s) evidencing Shares not tendered or not purchased are to be issued, in the name of a person other than the person(s) signing this Letter of Transmittal or if such check or any such Share Certificate is to be sent to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal but at an address other than that shown in the box entitled "Description of Shares Tendered" on the reverse hereof, the appropriate boxes included in this Letter of Transmittal entitled "Special Payment Instructions" and/or "Special delivery Instructions," must be completed. Shareholders delivering Shares tendered hereby by book-entry transfer may request that Shares not purchased be credited to such account maintained at the Book-Entry Transfer Facility as such stockholder may designate in the box entitled "Special Payment Instructions" on the reverse hereof. If no such instructions are given, all such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated on the reverse hereof as the account from which such Shares were delivered.

8. *Questions and Requests for Assistance or Additional Copies.* Questions and requests for assistance may be directed to the Dealer Manager or the Information Agent at their respective addresses or telephone numbers set forth below. Additional copies of the Offer to Purchase, this Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Information Agent or from brokers, dealers, commercial banks or trust companies.

9. *Substitute Form W-9.* Each tendering shareholder who is a U.S. Person (including a U.S. resident alien) is required to provide the Depositary with a correct Taxpayer Identification Number ("TIN") on the Substitute Form W-9 which is provided under "Important Tax Information" below, and to certify, under penalties of perjury, that such number is correct and that such shareholder is not subject to backup withholding of federal income tax. If a tendering shareholder has been notified by the Internal Revenue Service that such shareholder is subject to backup withholding, such shareholder must cross out item (2) of the Certification box of the Substitute Form W-9, unless such shareholder has since been notified by the Internal Revenue Service that such shareholder is no longer subject to backup withholding. Failure to provide the information on the Substitute Form W-9 may subject the tendering shareholder to 28% federal income tax withholding on the payment of the purchase price of all Shares purchased from such shareholder. If the tendering shareholder has not been issued a TIN and has applied for one or intends to apply for one in the near future, such shareholder should write "Applied For" in the space provided for the TIN in Part I of the Substitute Form W-9, sign and date the Substitute Form W-9 and complete the Certificate of Awaiting Taxpayer Identification Number below. Tendering shareholders awaiting a TIN should contact the Depositary regarding backup withholding on payments of the Offer Price to such shareholders.

10. *Lost, Destroyed or Stolen Certificates.* If any certificate(s) evidencing Shares has been lost, destroyed or stolen, the tendering shareholder should promptly notify the Company's transfer agent, American Stock Transfer and Trust Company, at (800) 937-5449. The tendering shareholder will then be instructed as to the steps that must be taken in order to replace the certificates(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed.

Important: This Letter of Transmittal (or facsimile hereof), properly completed and duly executed (together with any required signature guarantees and Share Certificates or confirmation of book-entry transfer and all other required documents) or a properly completed and duly executed Notice of

Guaranteed Delivery must be received by the Depositary on or prior to the Expiration Date (as defined in the Offer to Purchase).

IMPORTANT TAX INFORMATION

Under the federal income tax law, a shareholder who is a U.S. person (including a U.S. resident alien) whose tendered Shares are accepted for payment is required by law to provide the Depositary (as payer) with such shareholder's correct TIN on Substitute Form W-9 below. If such shareholder is an individual, the TIN is generally such shareholder's social security number. If the Depositary is not provided with the correct TIN, the shareholder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such shareholder with respect to Shares purchased pursuant to the Offer may be subject to backup withholding at a rate of 28%.

Certain shareholder (including, among others, all corporations and certain foreign individuals) are generally not subject to these backup withholding and reporting requirements. In order for a foreign individual to avoid backup withholding, such individual must submit a statement (generally, on Form W-8 BEN, Certificate of Foreign Status of Beneficial Owner), signed under penalties of perjury, attesting to such individual's exempt status. Forms of such statements can be obtained form the Depositary. See the enclosed Guidelines for Certification of Taxpayer Identification Number of the Substitute Form W-9 for additional instructions.

If backup withholding applies, the Depositary is required to withhold 28% of any payments made to the shareholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

Purpose of Substitute W-9

To prevent backup withholding on payments that are made to a shareholder with respect to Shares purchased pursuant to the Offer, the shareholder is required to notify the Depositary of such shareholder's correct TIN by completing the form below certifying (a) that the TIN provided on Substitute Form W-9 is correct (or that such shareholder is awaiting a TIN), and (b) that such shareholder is not subject to backup withholding because (i) such shareholder has not been notified by the Internal Revenue Service that such shareholder is subject to backup withholding as a result of a failure to report all interest or dividends, (ii) the Internal Revenue Service has notified such shareholder that such shareholder is no longer subject to backup withholding, or (iii) such shareholder is exempt from backup withholding.

What Number to Give the Depositary

The shareholder is required to give the Depositary the social security number or employer identification number (or other taxpayer identification number) of the record holder of the Shares tendered hereby. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance on which number to report. If the tendering shareholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the shareholder should write "Applied For" in the space provided for the TIN in Part I, sign and date the Substitute Form W-9 and complete the Certificate of Awaiting Taxpayer Identification Number below. Tendering shareholders awaiting a TIN should contact the Depositary regarding backup withholding on payments of the Offer Price of such shareholder.

PAYER'S NAME: COMPUTERSHARE TRUST COMPANY OF NEW YORK

SUBSTITUTE **Form W-9** **Department of the Treasury** **Internal Revenue Service**	**PART I**—Taxpayer Identification Number— For all accounts, enter taxpayer identification number Department of the Treasury in the box at right. (For most individuals, this is Social Security Number Internal Revenue Service your social security number. If you do not have a number, see Obtaining a Number in the enclosed OR Guidelines.) Certify by signing and dating below. Note: If the account is in more than one name, see the chart in the enclosed Guidelines to determine which number to give the payer	Social Security Number OR Employer Identification Number (if awaiting TIN write "Applied For")

Payer's Request for Taxpayer Identification Number (TIN)

PART II—For Payees Exempt From Backup Withholding, see the enclosed Guidelines and complete as instructed therein.

Certification—Under penalties of perjury, I certify that:

(1) The number shown on this form is my correct Taxpayer Identification Number (or a Taxpayer Identification Number has not been issued to me and either (a) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service Center ("IRS") or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that, notwithstanding that I have written "Applied For" in Part I and have completed the Certificate of Awaiting Taxpayer Identification Number, 28% of all reportable payments made to me will be withheld until I provide a correct Taxpayer Identification Number),

(2) I am not subject to backup withholding either because (a) I am exempt from backup withholding, (b) I have not been notified by the IRS that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and

(3) I am a U.S. person (including a U.S. resident alien).

CERTIFICATE INSTRUCTIONS—You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see instructions in the enclosed Guidelines.) The IRS does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

SIGNATURE _____ DATE _____

NOTE: **NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.**

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a Taxpayer Identification Number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that, notwithstanding that I have written "Applied For" in Part I and have completed the Certificate of Awaiting Taxpayer Identification Number, 28% of all reportable payments made to me will be withheld until I provide a Taxpayer Identification Number.

Signature _____ Date _____

Any questions or requests for assistance may be directed to the Dealer Manager or the Information Agent at their respective telephone numbers and addresses listed below. Additional copies of the Offer to Purchase, this Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Information Agent at its address and telephone numbers set forth below. You may also contact your broker, dealer, commercial bank or trust company or nominee for assistance concerning the Offer.

The Dealer Manager for the Offer is:

UBS Securities LLC

299 Park Avenue, 39th Floor
New York, New York 10171
Call Toll-Free: (877) 766-4684

The Information Agent for the Offer is:

Georgeson Shareholder

17 State Street-10th Floor
New York, NY 10004
Banks and Brokers Call: (212) 440-9800
All others call Toll-Free: (877) 278-3842

QuickLinks

Exhibit 99(a)(3)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to be taken, you should seek your own financial advice immediately from your own appropriately authorized independent financial advisor.

If you have sold or transferred all of your registered holdings of common shares of beneficial interest of Falcon Financial Investment Trust, please forward this document and all accompanying documents to the stockbroker, bank or other agent through whom the sale or transfer was effected, for submission to the purchaser or transferee.

NOTICE OF GUARANTEED DELIVERY
for
Tender of Common Shares of Beneficial Interest
of
FALCON FINANCIAL INVESTMENT TRUST
Pursuant to the Offer to Purchase
Dated January 31, 2005
by
FLASH ACQUISITION COMPANY LLC
which is a wholly owned subsidiary of
iSTAR FINANCIAL INC.
(Not To Be Used For Signature Guarantees)

This Notice of Guaranteed Delivery, or one substantially in the form hereof, must be used to accept the Offer (as defined below) (i) if certificates ("Share Certificates") evidencing common shares of beneficial interest, par value $0.01 per share (the "Shares"), of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company"), are not immediately available, (ii) if Share Certificates and all other required documents cannot be delivered to Computershare Trust Company of New York, as Depositary (the "Depositary"), prior to the Expiration Time (as defined in the Offer to Purchase (as defined below)) or (iii) if the procedure for delivery by book-entry transfer cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand or mail or transmitted by telegram or facsimile transmission to the Depositary. See Section 3 of the Offer to Purchase.

The Depositary for the Tender Offer is:

Computershare

By Mail:	***By Facsimile Transmission:***	***By Hand or Overnight Courier:***
Computershare Trust Company of New York Wall Street Station P.O. Box 1010 New York, NY 10268-1010	For Eligible Institutions Only: (212) 701-7636 For Confirmation Only Telephone: (212) 701-7600	Computershare Trust Company of New York Wall Street Plaza 88 Pine Street, 19th Floor New York, NY 10005

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

This form is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Shares may not be tendered pursuant to the Guaranteed Delivery Procedures.

Ladies and Gentlemen:

The undersigned hereby tenders to Flash Acquisition Company LLC, a Maryland limited liability company, which is a wholly owned subsidiary of iStar Financial Inc., a Maryland corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 31, 2005 (the "Offer to Purchase"), and the related Letter of Transmittal (the terms and conditions of which, as amended or supplemented from time to time, together constitute the "Offer"), receipt of each of which is hereby acknowledged, the number of Shares specified below pursuant to the guaranteed delivery procedures described in Section 3 of the Offer to Purchase.

Number of Shares: _____

Name(s) of Record Holder(s): _____

(Please Print)

Address(es): _____

(Zip Code)

Area Code and Tel. No: _____

Certificate Nos. (if available): _____

Check box if Shares will be tendered by book-entry transfer:
o The Depository Trust Company

Signature(s): _____

Account Number: _____

Dated: _____, 2005

THE GUARANTEE ON THE REVERSE SIDE MUST BE COMPLETED

GUARANTEE

(Not to be used for signature guarantee)

The undersigned, a participant in the Securities Transfer Agents Medallion Program (an Eligible Institution), hereby guarantees to deliver to the Depositary, at one of its addresses set forth above, either the certificates evidencing the Shares tendered hereby, in proper form for transfer, or a Book-Entry Confirmation (as defined in Section 3 of the Offer to Purchase) of a transfer of such Shares into the Depositary's account at The Depository Trust Company, in any such case together with a properly completed and duly executed Letter of Transmittal, or a manually signed facsimile thereof, with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message (as defined in Section 8 of the Offer to Purchase), and any other documents required by the Letter of Transmittal within three Nasdaq trading days after the date of execution of this Notice of Guaranteed Delivery.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and certificates for Shares to the Depositary within the time period shown herein. Failure to do so could result in financial loss to such Eligible Institution.

Name of Firm: _____

(Authorized Signature)

Address: _____

(Zip Code)

Area Code and Tel. No.: _____

Name: _____

Title: _____

Dated: _____, 2005

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE.
SHARE CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL

Exhibit 99(a)(4)

Offer to Purchase for Cash
All Outstanding Common Shares of Beneficial Interest
of
FALCON FINANCIAL INVESTMENT TRUST
at
$7.50 Net Per Share
Pursuant to the Offer to Purchase
Dated January 31, 2005
by
FLASH ACQUISITION COMPANY LLC
a wholly owned subsidiary of
iSTAR FINANCIAL INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME ON MONDAY, FEBRUARY 28, 2005, UNLESS THE OFFER IS EXTENDED.

January 31, 2005

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We have been appointed by Flash Acquisition Company LLC, a Maryland limited liability company (the "Purchaser"), and a wholly owned subsidiary of iStar Financial Inc., a Maryland corporation ("Parent") to act as Dealer Manager in connection with the Purchaser's offer to purchase all of the outstanding common shares of beneficial interest, par value $0.01 per share (the "Shares"), of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company"), at a price of $7.50 per Share, net to the seller in cash, without interest (subject to applicable withholding taxes), upon the terms and subject to the conditions set forth in the Offer to Purchase dated January 31, 2005 (the "Offer to Purchase") and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer"), copies of which are enclosed herewith. The Offer is being made in connection with the Agreement and Plan of Merger, dated as of January 19, 2005 (the "Merger Agreement"), among Parent, the Purchaser and the Company. The Merger Agreement provides, among other things, that the Purchaser will be merged with and into the Company (the "Merger") following the satisfaction or waiver of each of the conditions to the Merger set forth in the Merger Agreement. After the Merger, the Company will be the surviving company and a wholly-owned subsidiary of Parent. The Merger Agreement is more fully described in Section 13 of the Offer to Purchase.

All capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Offer to Purchase.

The Purchaser is offering to pay $7.50 per Share, net to the seller in cash, without interest (subject to applicable withholding taxes), upon the terms and subject to the conditions of the Offer to Purchase for Shares tendered and not withdrawn at or prior to 12:00 midnight, New York City time, on Monday, February 28, 2005.

The Offer is conditioned upon, among other things, there being validly tendered and not properly withdrawn prior to the expiration of the Offer, that number of Shares together with any Shares then owned by the Purchaser or Parent, that immediately prior to acceptance for payment of Shares

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pursuant to the Offer, represents at least a majority of the total number of Shares outstanding (on a fully-diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement). The Offer is also subject to other conditions. See Section 15 of the Offer to Purchase.

Please furnish copies of the enclosed materials to those of your clients for whose accounts you hold Shares registered in your name or in the name of your nominee.

For your information and for forwarding to your clients, we are enclosing the following documents:

- The Offer to Purchase.
- The Letter of Transmittal to be used by shareholders of the Company in accepting the Offer, together with the Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9, which provides information relating to backup U.S. federal income tax withholding. Facsimile copies of the Letter of Transmittal (with manual signatures) may be used to tender Shares.
- A letter to shareholders of the Company from Vernon B. Schwartz, Chairman of the board of trustees and Chief Executive Officer of the Company, together with a Solicitation/Recommendation Statement on Schedule 14D-9, dated January 31, 2005, filed by the Company with the Securities and Exchange Commission, which includes the recommendation of the board of trustees of the Company that shareholders tender their Shares to the Purchaser pursuant to the Offer.
- A printed form of letter which may be sent to your clients for whose account you hold Shares in your name or in the name of your nominee with space provided for obtaining such clients' instructions with regard to the Offer.
- The Notice of Guaranteed Delivery to be used to accept the Offer if certificates evidencing Shares are not immediately available or if time will not permit all required documents to reach the Depositary prior to the expiration of the Offer or if the procedures for book-entry transfer cannot be completed on a timely basis.
- A return envelope addressed to the Depositary.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE.

Any inquiries you may have with respect to the Offer should be directed to, and additional copies of the enclosed materials may be obtained by contacting, the undersigned at (877) 766-4684 (call toll free).

Very truly yours,
UBS Securities LLC

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE PURCHASER, PARENT, THE COMPANY, THE DEPOSITARY, THE INFORMATION AGENT, OR THE DEALER MANAGER, OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO GIVE ANY INFORMATION OR USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HEREWITH AND THE STATEMENTS CONTAINED THEREIN.

Exhibit 99(a)(5)

Offer to Purchase for Cash
All Outstanding Common Shares of Beneficial Interest
of
FALCON FINANCIAL INVESTMENT TRUST
at
$7.50 Net Per Share
Pursuant to the Offer to Purchase
Dated January 31, 2005
by
FLASH ACQUISITION COMPANY LLC
a wholly owned subsidiary of
iSTAR FINANCIAL INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME ON MONDAY, FEBRUARY 28, 2005, UNLESS THE OFFER IS EXTENDED.

To Our Clients: January 31, 2005

Enclosed for your consideration is an Offer to Purchase, dated January 31, 2005 (the "Offer to Purchase"), and a related Letter of Transmittal (the terms and conditions of which, as amended or supplemented from time to time, together constitute the "Offer") relating to the offer by Flash Acquisition Company LLC, a Maryland limited liability company (the "Purchaser") and a wholly owned subsidiary of iStar Financial Inc., a Delaware corporation ("Parent"), to purchase all outstanding common shares of beneficial interest (the "Offer"), par value $0.01 per share (the "Shares," and each a "Share"), of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company"), at a purchase price of $7.50 per Share, net to seller in cash, without interest (subject to applicable withholding taxes), upon the terms and subject to the conditions set forth in the Offer to Purchase.

All capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Offer to Purchase.

Also enclosed is a letter to shareholders of the Company from Vernon B. Schwartz, Chairman of the board of trustees and Chief Executive Officer of the Company, together with a Solicitation/Recommendation Statement on Schedule 14D-9, dated January 31, 2005, filed by the Company with the Securities and Exchange Commission, which includes the recommendation of the board of trustees of the Company that shareholders tender their Shares to the Purchaser pursuant to the Offer.

We (or our nominees) are the holder of record of Shares held by us for your account. A tender of such Shares can be made only by us as the holder of record and pursuant to your instructions. The Letter of Transmittal is furnished to you for your information only and cannot be used to tender Shares for our account.

We request instructions as to whether you wish to tender any of or all the Shares held by us for your account pursuant to the terms and conditions set forth in the Offer.

Your attention is directed to the following:

1. The purchase price offered by the Purchaser is $7.50 per Share, net to the seller in cash, without interest (subject to applicable withholding taxes), upon the terms and subject to the conditions of the Offer to Purchase.

2. The Offer is being made for all outstanding Shares.

3. The Offer is being made pursuant to an Agreement and Plan of Merger dated as of January 19, 2005 (the "Merger Agreement"), among Parent, the Purchaser and the Company. The Merger Agreement provides, among other things, that following the completion of the Offer and the satisfaction or waiver, if permissible, of all conditions set forth in the Merger Agreement, the Purchaser will be merged with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly owned subsidiary of Parent. At the effective time of the Merger (the "Effective Time"), each outstanding Share (other than Shares held by Parent, the Purchaser, or any of their subsidiaries) will be converted into the right to receive $7.50 per Share, net to the seller in cash, without interest (subject to applicable withholding taxes). The Merger Agreement is more fully described in Section 13 of the Offer to Purchase.

4. The board of trustees of the Company unanimously: (1) determined that the terms of the Offer and the Merger are advisable, fair to and in the best interests of the Company's shareholders; (2) approved the Merger Agreement, Share Option Agreement and the other agreements and transactions contemplated by the Merger Agreement, including the Offer and the Merger; and (3) recommends that holders of all issued and outstanding Shares tender their Shares to the Purchaser in the Offer.

5. **The Offer and withdrawal rights will expire at 12:00 midnight, New York City time, on Monday, February 28, 2005, unless the offer is extended by the Purchaser.**

6. The Offer is conditioned upon, among other things, there being validly tendered and not properly withdrawn prior to the expiration of the Offer, that number of Shares together with any Shares then owned by the Purchaser or Parent, that immediately prior to acceptance for payment of Shares pursuant to the Offer, represents at least a majority of the total number of Shares outstanding (on a fully diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement). The Offer is also subject to other conditions. See Section 14 of the Offer to Purchase.

7. Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as otherwise provided in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares by the Purchaser pursuant to the Offer.

If you wish to have us tender any or all of the Shares held by us for your account, please so instruct us by completing, executing, detaching and returning to us the instruction form set forth below. If you authorize the tender of such Shares which we hold, all your Shares that we hold will be tendered unless otherwise specified below. An envelope to return your instructions to us is enclosed. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf prior to the expiration of the Offer.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, tendered Shares, if and when the Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance of the tendered Shares for payment. Payment for Shares purchased pursuant to the Offer will not be made until Computershare Trust Company of New York (the "Depositary") receives (1) Share certificates (or a timely Book-Entry Confirmation after transfer of the Shares into the account maintained by the Depositary at the Depository Trust Company), pursuant to the procedures set forth in Section 3 of the Offer to Purchase, (2) the Letter of Transmittal

(or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or an Agent's Message, in connection with a book-entry delivery, and (3) any other documents required by the Letter of Transmittal. Accordingly, payment may not be made to all tendering shareholders at the same time, depending upon when certificates for or Book Entry Confirmations of transfers into the Depositary's account at the Depositary Trust Company are actually received by the Depositary.

Under no circumstances will interest be paid on the purchase price of the Shares, regardless of any extension of the Offer or any delay in making such payment.

The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares residing in any jurisdiction in which the making of the Offer or the acceptance of tendered Shares would not be in compliance with the laws of that jurisdiction. In any jurisdiction where securities, blue-sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of the Purchaser by one or more registered brokers or dealers that are licensed under the laws of such jurisdiction.

INSTRUCTIONS WITH RESPECT TO THE
OFFER TO PURCHASE FOR CASH
All Outstanding Common Shares of Beneficial Interest
of
FALCON FINANCIAL INVESTMENT TRUST
by
FLASH ACQUISITION COMPANY LLC
a wholly owned subsidiary of
iSTAR FINANCIAL INC.

The undersigned acknowledge(s) receipt of your letter, the Offer to Purchase of Flash Acquisition Company LLC, dated January 31, 2005 (the "Offer to Purchase"), and the related Letter of Transmittal relating to common shares of beneficial interest, par value $0.01 per share, of Falcon Financial Investment Trust, a Maryland real estate investment trust ("Company") (the "Shares," and each a "Share").

This will instruct you to tender the number of Shares indicated below held by you for the account of the undersigned, on the terms and subject to the conditions set forth in the Offer to Purchase and related Letter of Transmittal.

NUMBER OF COMMON SHARES OF BENEFICIAL INTEREST TO BE TENDERED:[(1)] (1)

_____ **Shares**

SIGN HERE

_____

_____

(Signature(s))

_____

_____

Please Type or Print Names(s)

_____

_____

Please Type or Print Address(es)

_____

_____

Area Code and Telephone Number

_____

Tax Identification Number or Social Security Number

Dated: _____ **, 2005**

(1) Unless otherwise indicated, it will be assumed that all your Shares are to be tendered.

Exhibit 99(a)(6)

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number for the Payee (You) to Give the Payer— Social security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

	For this type of account:	Give the name and SOCIAL SECURITY number of:
1.	An individual's account	The individual
2.	Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account (1)
3.	Custodian account of a minor (Uniform Gift to Minors Act)	The minor (2)
4.	a. The usual revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under State law	a. The grantor-trustee (1) b. The actual owner (1)
5.	Sole proprietorship or single-owner LLC account	The owner (3)

	For this type of account:	Give the EMPLOYER IDENTIFICATION number of:
6.	A valid trust, estate, or pension trust	The legal entity (4)
7.	Corporate or LLC electing corporate status on Form 8832 account	The corporation
8.	Partnership or multi-member LLC account held in the name of the business	The partnership
9.	Association, club or other tax-exempt organization account	The organization
10.	A broker or registered nominee	The broker or nominee
11.	Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish. If only one person has a social security number, that person's number must be furnished.

(2) Circle the minor's name and furnish the minor's social security number.

(3) Show the name of the owner. You must show your individual name, but you may also enter your business or "doing business as" name. Either your social security number or employer identification number (if you have one) may be used.

(4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

NOTE: *If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.*

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9
Page 2

Obtaining a Number

If you do not have a taxpayer identification number ("TIN") you should apply for one immediately. You may obtain Form SS-5, Application for a Social Security Card, at the local office of the Social Security Administration. You may obtain Form SS-4, Application for Employer Identification Number, or Form W-7, Application for IRS Individual Taxpayer Identification Number, from the Internal Revenue Service by calling 1-800-TAX-FORM (1-800-829-3676) or from the IRS's Internet website at www.irs.gov. If you do not have a TIN, write "Applied For" in the space for the TIN.

Payees Exempt from Backup Withholding

Payees specifically exempted from backup withholding on all dividend and interest payments and on broker transactions include the following:

- An organization exempt from tax under Section 501(a), or an individual retirement account, or a custodial account under Section 403(b)(7) if the account satisfies the requirements of Section 401(f)(2).
- The United States or any agency or instrumentality thereof.
- A state, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- An international organization or any agency or instrumentality thereof.
- A foreign government or any political subdivision, agency or instrumentality thereof.

Other payees that may be exempt from backup withholding include the following:

- A dealer in securities or commodities required to register in the United States, the District of Columbia or a possession of the United States.
- A corporation.
- A financial institution.
- A real estate investment trust.
- A common trust fund operated by a bank under Section 584(a).
- An entity registered at all times during the tax year under the Investment Company Act of 1940.
- A foreign central bank of issue.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A middleman known in the investment community as a nominee or who is listed in the most recent publication of the American Society of Corporate Securities, Inc., Nominee List.
- A trust exempt from tax under Section 664 (charitable remainder trust) or non-exempt trust described in Section 4947.

Certain other payees may be exempt from either dividend and interest payments or broker transactions. You should consult your tax advisor to determine whether you might be exempt from backup withholding. Exempt payees described above should file the substitute Form W-9 to avoid possible erroneous backup withholding. Complete the substitute Form W-9 as follows:

ENTER YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ACROSS THE FACE OF THE FORM, SIGN AND DATE THE FORM AND RETURN THE FORM TO THE PAYER.

IF YOU ARE A NONRESIDENT ALIEN OR FOREIGN ENTITY NOT SUBJECT TO BACKUP WITHHOLDING, GIVE THE PAYER THE APPROPRIATE COMPLETED FORM W-8.

Privacy Act Notice—Section 6109 requires you to provide your correct taxpayer identification number to payers who must report the payments to the IRS. The IRS uses the number for identification purposes and may also provide this information to various government agencies for tax enforcement or litigation purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 28% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

Penalties

(1) **Penalty for Failure to Furnish Taxpayer Identification Number**—If you fail to furnish your correct taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) **Civil Penalty for False Information with Respect to Withholding**—If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) **Criminal Penalty for Falsifying Information**—Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

QuickLinks

iStar Financial Inc.
1114 Avenue of the Americas
New York, NY 10036
(212) 930-9400

News Release

COMPANY CONTACTS **[NYSE: SFI]**

Catherine D. Rice
Chief Financial Officer

Andrew C. Richardson
Executive Vice President – Capital Markets

Andrew G. Backman
Vice President – Investor Relations

iStar Financial Launches Tender Offer for Falcon Financial Investment Trust

NEW YORK - January 31, 2005 — iStar Financial Inc. (NYSE: SFI), the leading publicly traded finance company focused on the commercial real estate industry, announced today that it has commenced a previously announced tender offer for all of the outstanding common shares of beneficial interest of Falcon Financial Investment Trust (NASDAQ: FLCN), for $7.50 per share, net to the seller in cash, for an aggregate equity purchase price of approximately $120 million.

The tender offer is being made pursuant to an Agreement and Plan of Merger, dated as of January 19, 2005 among Falcon Financial and iStar Financial. The tender offer will remain open until 12:00 midnight, New York City time, on Monday, February 28, 2005, unless extended. Following completion of the tender offer, any remaining shares of Falcon Financial will be acquired in a cash merger at the same price.

iStar Financial will further discuss the acquisition of Falcon Financial on its fourth quarter and year-end 2004 earnings conference call scheduled for Tuesday, February 15, 2005. The conference call will begin at 10:00 a.m. ET. This conference call will be broadcast live over the Internet and can be accessed by all interested parties through iStar Financial's website, www.istarfinancial.com, in the "investor relations" section. To listen to the live call, please go to the company's "investor relations" section of the website at least 15 minutes prior to the start of the call to register and download any necessary audio software. For those who are not able to listen to the live broadcast, a replay will be available shortly after the call on the iStar Financial website.

Notice to Investors:

This announcement does not constitute an offer to purchase nor a solicitation of an offer to sell any securities. Any offer to purchase or solicitation of an offer to sell outstanding shares of Falcon Financial shall only be made pursuant to a tender offer statement and a solicitation/recommendation statement filed with the Securities and Exchange Commission. The tender offer statement (including an offer to purchase, a letter of transmittal and other offer documents) and the solicitation/recommendation statement contain important information and should be read carefully before any decision is made with respect to the tender offer. Those materials will be made available to all shareholders of Falcon Financial at no expense to them. In addition, all of those materials (and all other offer documents filed with the SEC) are available at no charge on the SEC's web site (http://www.sec.gov).

Forward Looking Statements:

Statements in this press release which are not historical fact may be deemed forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Although iStar Financial believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, iStar Financial can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from iStar Financial's expectations include completion of pending investments, continued ability to originate new investments, the mix of originations between structured finance and corporate tenant lease assets, repayment levels, the availability and cost of capital for future investments, competition within the finance and real estate industries, economic conditions, loss experience and other risks detailed from time to time in iStar Financial's SEC reports.)

* * *

About iStar Financial

iStar Financial is the leading publicly traded finance company focused on the commercial real estate industry. The Company provides custom-tailored financing to high-end private and corporate owners of real estate nationwide, including senior and junior mortgage debt, senior and mezzanine corporate capital, and corporate net lease financing. The Company, which is taxed as a real estate investment trust, seeks to deliver a strong dividend and superior risk-adjusted returns on equity to shareholders by providing the highest quality financing solutions to its customers. Additional information on iStar Financial is available on the Company's website at www.istarfinancial.com.

About Falcon Financial Investment Trust

Falcon Financial Investment Trust is a fully integrated real estate investment trust focused solely on the business of originating and servicing loans to automotive dealers in the United States. The company was founded in 1997 to address the unique capital needs of the U.S. automobile retailing industry. Falcon Financial meets the financing requirements of automotive dealers by offering a variety of fixed and variable rate loan products, including mortgage loans and cash flow franchise loans collateralized by the dealer's real estate and business assets.

* * *

Exhibit 99(a)(8)

This announcement is neither an offer to purchase nor a solicitation of an offer to sell shares. The Offer is made solely by the Offer to Purchase dated January 31, 2005, and the related Letter of Transmittal and is not being made to (nor will tenders be accepted from or on behalf of) holders of shares in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction.

Notice of Offer to Purchase for Cash
All Outstanding Common Shares of Beneficial Interest
of
Falcon Financial Investment Trust
at
$7.50 Net per Share
by
Flash Acquisition Company LLC
a wholly owned subsidiary of
iStar Financial Inc.

Flash Acquisition Company LLC (the "Purchaser"), a Maryland limited liability company and a wholly owned subsidiary of iStar Financial Inc., a Maryland corporation ("iStar"), is offering to purchase all outstanding common shares of beneficial interest, par value $0.01 per share (the "Shares") of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company"), at a price of $7.50 per Share, net to the selling shareholder in cash, without interest (subject to applicable withholding taxes), upon the terms and subject to the conditions set forth in the Offer to Purchase dated January 31, 2005 (the "Offer to Purchase") and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer").

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON MONDAY, FEBRUARY 28, 2005, UNLESS THE OFFER IS EXTENDED.

The Offer is being made pursuant to an Agreement and Plan of Merger dated as of January 19, 2005 (the "Merger Agreement"), among iStar, the Purchaser and Falcon. The Merger Agreement provides, among other things, that following the completion of the Offer and the satisfaction or waiver, if permissible, of all conditions set forth in the Merger Agreement and in accordance with applicable law, the Purchaser will be merged with and into Falcon (the "Merger"), with Falcon surviving the Merger as a wholly owned subsidiary of iStar. At the effective time of the Merger (the "Effective Time"), each outstanding Share (other than Shares that are owned by iStar, the Purchaser, or any of their subsidiaries) will be converted into the right to receive $7.50 per Share, net to the seller in cash, without interest (subject to applicable withholding taxes). The Merger Agreement is more fully described in Section 13 of the Offer to Purchase.

Certain trustees and officers of Falcon who, in the aggregate, own approximately 4.3% of the Shares outstanding have entered into shareholders agreements with iStar and the Purchaser pursuant to which they have agreed, among other things, to tender pursuant to the Offer, and not to withdraw, their Shares (the "Shareholders Agreements").

The Offer is conditioned upon, among other things, there being validly tendered and not properly withdrawn prior to the Expiration Date, that number of Shares together with any Shares then owned by the Purchaser or iStar, that immediately prior to acceptance for payment of Shares pursuant to the Offer, represents at least a majority of the total number of Shares outstanding (on a fully diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement (as defined in the Offer to Purchase)). The Offer is also subject to other conditions. See Section 15 of the Offer to Purchase.

The board of trustees of Falcon unanimously: (1) determined that the terms of the Offer and the Merger are advisable, fair to and in the best interests of Falcon's shareholders; (2) approved the Merger Agreement, the Share Option Agreement and the other agreements and transactions contemplated thereby, including the Offer and the Merger; and (3) recommends that holders of all Shares tender their Shares to the Purchaser in the Offer.

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not properly withdrawn when, as and if the Purchaser gives oral or written notice to the Depositary, as agent for the tendering shareholders, of its acceptance for payment of such Shares. Payment for Shares so accepted will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payment from the Purchaser and transmitting payment to validly tendering shareholders. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (1) certificates representing such Shares (or timely confirmation of a book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company ("DTC"), (2) a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees or an Agent's Message (as defined in the Offer to Purchase) in connection with a book-entry transfer and (3) any other documents required by the Letter of Transmittal.

The term "Expiration Date" means 12:00 midnight, New York City time, on Monday, February 28, 2005, unless and until the Purchaser (subject to the terms and conditions of the Merger Agreement) extends the period of time for which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Purchaser, shall expire prior to the purchase of any Shares.

The Purchaser may, without the consent of Falcon, extend the Offer, and thereby delay acceptance for payment of, and the payment for, any Shares if: (1) at the Expiration Date, any of the conditions to the Purchaser's obligation to purchase Shares in the Offer has not been satisfied or waived on one or more occasions for such period as is reasonably necessary to permit such condition to be satisfied; (2) any rule, regulation or interpretation of the United States Securities and Exchange Commission or the staff thereof applicable to the Offer requires that the Offer be extended; or (3) the Minimum Condition has been satisfied but less than 90% of the outstanding Shares (on a fully diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement) have been validly tendered and not properly withdrawn as of the Initial Expiration Date on one or more occasions aggregating not more than 20 business days. The Purchaser may elect to provide a subsequent offering period of three to 20 business days (a "Subsequent Offering Period") in accordance with Rule 14d-11 under the Securities Exchange Act of 1934 (the "Exchange Act").

A subsequent offering period is an additional period of time from three to 20 business days in length, beginning after the Purchaser purchases Shares tendered in the Offer, during which shareholders may tender, but not withdraw, Shares and receive the Offer Price. The Purchaser does not currently intend to provide a subsequent offering period, although it reserves the right to do so in its sole discretion. Pursuant to Rule 14d-7 under the Exchange Act, no withdrawal rights apply to Shares tendered during a subsequent offering period and no withdrawal rights apply during the subsequent offering period with respect to Shares tendered in the Offer and accepted for payment. During a subsequent offering period, Purchaser will promptly purchase and pay for any Shares tendered at the same price paid in the Offer. See Section 1 of the Offer to Purchase.

The Purchaser will cause any such extension by giving oral or written notice of such extension to Computershare Trust Company of New York (the "Depositary"), which will be followed by public announcement thereof no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. During any such extension, all Shares previously tendered and not properly withdrawn will remain subject to the Offer, subject to the right, if any, of a tendering stockholder to withdraw such stockholder's Shares. Under no circumstances will interest be paid on the purchase price to be paid for the Shares pursuant to the Offer, regardless of any extension of the Offer or any delay in making such payment.

Tenders of Shares made pursuant to the Offer are irrevocable, except that Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date, and unless theretofore accepted for payment pursuant to the Offer, may also be withdrawn at any time after February 28, 2005 except as provided with respect to any subsequent offering period. For a withdrawal of Shares tendered to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth in the Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name(s) in which the certificate(s) representing such Shares are registered, if different from that of the person who tendered such Shares. If certificates for Shares to be withdrawn have been delivered or otherwise identified to the Depositary, the name of the registered holder and the serial numbers shown on the particular certificate evidencing the Shares to be withdrawn must also be furnished to the Depositary prior to the physical release of the Shares to be withdrawn. The signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in the Offer to Purchase) (except in the case of Shares tendered by an Eligible Institution). If Shares have been tendered pursuant to the procedures for book-entry transfer, any notice of withdrawal must specify the name and number of the account at DTC to be credited with such withdrawn Shares and must otherwise comply with DTC's procedures. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Purchaser, in its sole discretion, and its determination will be final and binding on all parties.

The information required to be disclosed by paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Exchange Act is contained in the Offer to Purchase and is incorporated herein by reference. In connection with the Offer, Falcon has provided the Purchaser with the names and addresses of all record holders of Shares and security position listings of Shares held in stock depositories. The Offer to Purchase, the related Letter of Transmittal and other related materials will be mailed to registered holders of Shares and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on Falcon's stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

The Offer to Purchase and the related Letter of Transmittal contain important information that should be read carefully before any decision is made with respect to the Offer.

Any questions or requests for assistance or for additional copies of the Offer to Purchase, the related Letter of Transmittal and other related tender offer materials may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth below, and copies will be furnished promptly at the Purchaser's expense. The Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Dealer Manager and the Information Agent) in connection with the solicitation of tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

Georgeson Shareholder

17 State Street, 10th Floor
New York, New York 10004
Banks and Brokers Call: (212) 440-9800
All Others Call Toll Free: (877) 278-3842

The Dealer Manager for the Offer is:

UBS Securities LLC

299 Park Avenue, 39th Floor
New York, New York 10171
Call Toll Free: (877) 766-4684

January 31, 2005

Exhibit 99(d)(1)

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

Dated as of January 19, 2005

by and among

iSTAR FINANCIAL INC.,

FLASH ACQUISITION COMPANY LLC

and

FALCON FINANCIAL INVESTMENT TRUST

TABLE OF CONTENTS

INDEX OF DEFINED TERMS

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of January 19, 2005 (this "Agreement"), among iStar Financial Inc., a Maryland corporation ("Parent"), Flash Acquisition Company LLC, a Maryland limited liability company and a wholly owned subsidiary of Parent ("Subsidiary"), and Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company").

BACKGROUND

WHEREAS, the board of directors of each of Parent and Subsidiary and the board of trustees of the Company have approved, and deemed advisable and in the best interests of its respective shareholders or members, the acquisition of the Company by Parent upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, in furtherance of such acquisition, Parent, Subsidiary and the Company have proposed that, upon the terms and subject to the conditions set forth in this Agreement, Subsidiary shall commence an offer (as amended or supplemented in accordance with this Agreement, the "Offer") to purchase for cash all of the outstanding common shares of beneficial interest, par value $0.01 per share, of the Company, including restricted shares (the "Shares"), at a price per Share of $7.50 (subject to any applicable withholding), net to the seller in cash (such price, or such higher price per Share as may be paid in the Offer, the "Offer Price");

WHEREAS, the board of directors of each of Parent and Subsidiary and the board of trustees of the Company have each approved this Agreement and the merger of Subsidiary with and into the Company following the consummation of the Offer (the "Merger"), upon the terms and subject to the conditions set forth in this Agreement, whereby each Share outstanding immediately prior to the Effective Time (as defined in Section 2.2), other than the Shares owned directly or indirectly by Parent or Subsidiary and Dissenting Shares, will be converted into the right to receive the Offer Price;

WHEREAS, the board of trustees of the Company has granted Parent and Subsidiary an exception to the Ownership Limit as defined in the Company's Articles of Amendment and Restatement of Declaration of Trust, as on file with the State Department of Assessments and Taxation of Maryland (the "SDAT") on the date of this Agreement (the "Declaration of Trust");

WHEREAS, the board of trustees of the Company has resolved to recommend that the holders of Shares tender their Shares pursuant to the Offer and has approved, adopted and declared advisable this Agreement and the Merger; and

WHEREAS, concurrently with the execution and delivery of this Agreement and as a condition and inducement to Parent's and Subsidiary's willingness to enter into this Agreement, (a) Parent, Subsidiary and certain trustees and officers of the Company have entered into an agreement (the "Shareholders Agreement") pursuant to which those persons have agreed to tender their Shares in response to the Offer and to vote their Shares in favor of the Merger and against any competing transaction, subject to the terms and conditions set forth in the Shareholders Agreement, and certain of those persons have agreed to resign as trustees of the Company upon request of Parent following the purchase of Shares pursuant to the Offer, (b) certain of the Company's executives have entered into employment agreements with Parent which will become effective upon Subsidiary's acquisition of more than 50% of the outstanding Shares (on a fully diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement), (c) Parent, Subsidiary and the Company have entered into a Share Option Agreement (the "Share Option Agreement") pursuant to which the Company has granted Subsidiary an option to purchase authorized but unissued Shares, subject to certain conditions, and (d) Parent and

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Company have entered into an amendment to the Warehouse Line which was a material inducement to the Company's obligation to enter into this Agreement (the "Warehouse Amendment").

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

THE OFFER

Section 1.1 The Offer.

(a) Subject to the provisions of this Agreement, and so long as none of the events or circumstances set forth in subsections (a) through (e) of Annex A hereto shall have occurred and be continuing, Parent shall cause Subsidiary as promptly as practicable (and in any event on or before January 31, 2005) to commence (within the meaning of Rule 14d-2 promulgated under the Exchange Act) the Offer at the Offer Price. The obligations of Subsidiary to accept for payment and to pay for Shares validly tendered pursuant to the Offer and not withdrawn prior to the expiration of the Offer shall be subject solely to those conditions set forth in Annex A. It is agreed that the conditions to the Offer set forth on Annex A are for the benefit of Subsidiary and may be asserted only by Subsidiary and Subsidiary expressly reserves the right, in its sole discretion, to waive any such condition; provided, however, that without the prior consent of the Company, Subsidiary shall not waive the Minimum Condition (as defined in Annex A). The initial expiration date of the Offer (the "Initial Expiration Date") shall be the 20th business day following the commencement of the Offer.

(b) Subsidiary expressly reserves the right, in its sole discretion, to modify the terms and conditions of the Offer; provided, however, that without the prior consent of the Company, no modification or change may be made which (i) decreases the Offer Price (except as permitted by this Agreement); (ii) changes the form of consideration payable in the Offer (other than by adding consideration); (iii) changes the Minimum Condition; (iv) reduces or limits the number of Shares sought pursuant to the Offer; (v) changes the conditions to the Offer in a manner adverse to the holders of the Shares; (vi) imposes additional conditions to the Offer, (vii) extends the Offer except as provided in the next sentence, or (viii) makes any other change which is adverse to the holders of the Shares. Notwithstanding the foregoing, Subsidiary may, without the consent of the Company, (i) if at the then-scheduled expiration date of the Offer any of the conditions to Subsidiary's obligations to accept for payment and pay for Shares shall not be satisfied or waived, extend and re-extend the Offer on one or more occasions for such period as is reasonably necessary to permit such conditions to be satisfied; (ii) extend and re-extend the Offer for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission (the "SEC") or the staff thereof applicable to the Offer; and (iii) extend and re-extend the Offer on one or more occasions for an aggregate period of not more than 20 business days beyond the latest Expiration Date that would otherwise be permitted under clause (i) or (ii) of this sentence if, as of such date, the Minimum Condition has

been satisfied but less than 90% of the outstanding Shares (on a fully diluted basis, excluding any Shares issuable pursuant to the Share Option Agreement) have been validly tendered and not properly withdrawn; provided that Parent and Subsidiary irrevocably waive (A) the conditions to the Offer set forth in subsections (b), (e) and (f) of Annex A and agree not to assert such conditions as a basis for not consummating the Offer and (B) the right to terminate this Agreement pursuant to Sections 8.1(b)(i), (iii) and (iv). Subject to the terms and the conditions of the Offer and this Agreement, as soon as practicable after expiration of the Offer, Subsidiary shall accept for payment and pay for, and Parent shall cause Subsidiary to accept for payment and pay for, all Shares validly tendered and not withdrawn pursuant to the Offer. Notwithstanding the foregoing, Subsidiary may in its sole discretion elect to provide for a subsequent offering period pursuant

to, and on the terms required by, Rule 14d-11 under the Securities Exchange Act of 1934, as amended ("Exchange Act").

(c) At the request of the Company, Subsidiary shall, and Parent shall cause Subsidiary to, extend the Offer until such date as the conditions set forth in Annex I have been satisfied; provided that such conditions are reasonably capable of being satisfied before the Outside Date. Notwithstanding the foregoing, nothing contained in this Agreement shall require Subsidiary to extend the Offer beyond the Outside Date.

(d) On the date of commencement of the Offer, Parent and Subsidiary shall file with the SEC with respect to the Offer a Tender Offer Statement on Schedule TO (together with all amendments and supplements thereto and including all exhibits thereto, the "Schedule TO") which will on the date filed with the SEC and the date first published, sent or given to the Company's shareholders comply in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder and any other applicable U.S. federal securities laws, and will contain the offer to purchase relating to the Offer and form of the related letter of transmittal (such Schedule TO and the documents included therein pursuant to which the Offer shall be made, together with any supplements or amendments thereto and including the exhibits thereto, are referred to herein collectively as the "Offer Documents"). Subsidiary shall cause the Offer Documents to be disseminated to holders of Shares as and to the extent required by the U.S. federal securities laws. Parent shall deliver copies of the proposed forms of the Offer Documents to the Company in advance of filing with the SEC and the commencement of the Offer and shall provide a reasonable opportunity for review and comment by the Company and its counsel. The Offer Documents shall be in a form reasonably acceptable to the Company. To the extent reasonably practicable under the circumstances, the Company and its counsel shall be given a reasonable opportunity to review any amendments and supplements to the initial Offer Documents prior to their filing with the SEC or dissemination to the Company's shareholders. Parent shall promptly provide the Company and its counsel any comments, written or oral, that Subsidiary, Parent or their counsel may receive from the SEC or its staff with respect to the Offer Documents promptly after receipt of any such comments, and provide Company and its counsel a reasonable opportunity to participate in preparation of responses to SEC comments. Each of Parent, Subsidiary and the Company shall promptly correct any information provided by it for use in the Offer Documents that shall have become false or misleading in any material respect and Parent and Subsidiary further agree to take all steps necessary to cause the Schedule TO as so corrected to be filed with the SEC and the other Offer Documents as so corrected to be disseminated to the shareholders of the Company, in each case, as and to the extent required by applicable U. S. federal securities laws.

Section 1.2 Company Actions.

(a) The Company hereby approves of and consents to the Offer and represents and warrants that its board of trustees, at a meeting duly called and held, has duly and unanimously (i) declared the advisability of the Merger and this Agreement, (ii) approved the Offer, the Merger, this Agreement and the transactions contemplated hereby, (iii) determined that the terms of the Offer and the Merger are fair to, and in the best interests of, the Company's shareholders, (iv) subject to Section 6.2(b), resolved to recommend that the Company's shareholders accept the Offer and tender their Shares to Subsidiary and, if required, approve the Merger and the other transactions contemplated hereby, (v) approved the execution, delivery and performance of the Shareholders Agreement, the Share Option Agreement and the Warehouse Amendment, (vi) to the extent necessary, adopted a resolution having the effect of causing the Company not to be subject to any state takeover law or similar legal requirement, including, without limitation, any provisions under Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland (the "REIT Law") and the Maryland General Corporation Law (the "MGCL") or any provisions of the Company's Declaration of Trust (other than Section 7.2.1(a)(iv) of the

Company's Declaration of Trust), that might otherwise apply to the Offer or the Merger or any of the other transactions contemplated by this Agreement or the Shareholders Agreement and (vii) adopted resolutions providing an exception for Parent and Subsidiary to the Ownership Limit as defined in Section 7.1 of the Declaration of Trust. The Company hereby consents to the inclusion in the Offer Documents of the recommendations of the Company's board of trustees described in this Section 1.2(a).

(b) The Company shall file with the SEC on the date of the commencement of the Offer a Solicitation/Recommendation Statement on Schedule 14D-9 (together with all amendments and supplements thereto and including the exhibits thereto, the "Schedule 14D-9") which will on the date filed with the SEC and the date first published, sent or given to the Company's shareholders comply in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder and any other applicable U.S. federal securities laws, and that, subject to Section 6.2(b), will contain the recommendations of the Company's board of trustees referred to in subsection (a) above, and shall disseminate the Schedule 14D-9 to the Company's shareholders as and to the extent required by the federal securities laws. The Company shall deliver the proposed forms of the Schedule 14D-9 to Parent and its counsel in advance of the commencement of the Offer for review and comment by Parent and its counsel prior to the commencement of the Offer. The Schedule 14D-9 shall be in a form reasonably acceptable to Parent. Parent and its counsel shall be given a reasonable opportunity to review and comment on any amendments and supplements to the Schedule 14D-9 prior to their filing with the SEC or dissemination to the Company's shareholders. The Company shall provide Parent and its counsel any comments that the Company or its counsel may receive from the SEC or its staff with respect to the Schedule 14D-9 promptly after receipt of any such comments. Each of the Company, Parent and Subsidiary shall promptly correct any information provided by it for use in the Schedule 14D-9 that shall have become false or misleading in any material respect and the Company further agrees to take all steps necessary to cause such Schedule 14D-9 as so corrected to be filed with the SEC and disseminated to the Company's shareholders, in each case, as and to the extent required by applicable U.S. federal securities laws.

Section 1.3 Shareholder Lists. In connection with the Offer, the Company shall promptly furnish to, or cause to be furnished to, Parent and Subsidiary mailing labels, security position listings, a list of non-objecting beneficial owners and any available listing or computer file containing the names and addresses of the record holders of the Shares as of a recent date and of those persons becoming record holders subsequent to such date (to the extent available), together with all other relevant information in the Company's possession or control regarding the beneficial owners of Shares and shall furnish

Parent and Subsidiary with such additional information and assistance as Parent, Subsidiary or their respective agents may reasonably request in communicating the Offer to the record and beneficial holders of Shares. Subject to the requirements of applicable law, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Offer and the Merger (including, without limitation, the solicitation of shareholder votes), Parent and Subsidiary shall, and shall cause each of their agents to, hold the information contained in any of such labels and lists in confidence, use such information only in connection with the Offer and the Merger, and, if this Agreement is terminated, will, upon request, deliver, and will use their commercially reasonable efforts to cause their agents to deliver to the Company or destroy, all copies of such information or extracts therefrom then in their possession or under their control.

Section 1.4 Trustees; Section 14(f).

(a) Effective upon Subsidiary's purchase of Shares pursuant to the Offer, Parent shall be entitled to designate such number of trustees as determined by Parent, rounded up to the next whole number, for election or appointment to the board of trustees of the Company as will give Parent representation on the board of trustees of the Company equal to the product of (i) the total number of

trustees on the board of trustees of the Company (giving effect to the increase in the size of such board pursuant to this Section 1.4) and (ii) a fraction equal to the number of Shares beneficially owned by Subsidiary and Parent (including Shares so accepted for payment) divided by the number of Shares then outstanding. In furtherance thereof, upon request of Parent, the Company shall take all action reasonably requested by Parent to cause such designees of Parent and Subsidiary to be so elected or appointed at such time, including increasing the size of the board and seeking resignations of incumbent trustees. At such time, the Company shall, if reasonably requested by Parent, cause persons designated by Parent to constitute at least the same percentage (rounded up to the next whole number) as is on the Company's board of trustees of (i) each committee of the Company's board of trustees; (ii) each board of directors (or similar body) of each subsidiary of the Company; and (iii) each committee (or similar body) of each such board, in each case only to the extent permitted by the rules of The Nasdaq National Market ("Nasdaq"). Notwithstanding the foregoing, effective upon Subsidiary's purchase of Shares pursuant to the Offer, and prior to the time that any designee of Parent becomes a trustee on the Company's board of trustees, the Company shall, if requested by Parent, permit up to three individuals designated by Parent (the "Parent Observers") to attend and observe all meetings of the Company's board of trustees or any committee of the Company's board of trustees, subject to a Parent Observer's execution of a reasonable confidentiality agreement regarding confidential information of the Company. The Company shall give the Parent Observers notice of all such meetings at the same time notice is provided or delivered to members of the Company's board of trustees. Any materials that are sent to the Company's trustees prior to a meeting of the Company's board of trustees shall be sent simultaneously by the Company to the Parent Observers. The Parent Observers shall have no right to vote or exercise any other rights of a trustee at any meeting attended pursuant to this Section 1.4(a).

(b) The Company's obligations to appoint Parent's designees to the Company's board of trustees shall be subject to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder. The Company shall promptly take all actions, and shall include in the Schedule 14D-9 such information with respect to the Company and its officers and trustees and Parent's designees, as Section 14(f) and Rule 14f-1 of the Exchange Act require in order to fulfill its obligations under this Section, so long as Parent shall have provided to the Company on a timely basis the information with respect to Parent and its nominees, officers, directors and affiliates required by Section 14(f) and Rule 14f-1 of the Exchange Act.

(c) Notwithstanding the foregoing, (i) the Company shall use commercially reasonable efforts to ensure that, if Parent's designees are elected to the board of trustees of the Company, such board of trustees shall have, at all times prior to the Effective Time, at least two trustees who are trustees on the date of this Agreement and who are not officers, employees or affiliates of the Company, Parent or any of their respective subsidiaries (it being understood that for purposes of this sentence, a trustee or director of the Company or Parent shall not be deemed an affiliate of the Company solely as a result of his or her status as a trustee or director of the Company or Parent) and who are "independent directors" as defined in the rules of Nasdaq (the "Independent Trustees"); (ii) if the number of Independent Trustees shall be reduced below two for any reason whatsoever, the remaining Independent Trustee may designate a person to fill such vacancy who is not an officer, employee or affiliate of the Company, Parent, or any of their respective subsidiaries and such person shall be deemed to be an Independent Trustee for purposes of this Agreement; and (iii) if no Independent Trustees then remain, the other trustees may designate two persons to fill such vacancies who shall not be officers, employees or affiliates of the Company, Parent or any of their respective subsidiaries, and such persons shall be deemed to be Independent Trustees for purposes of this Agreement.

(d) Notwithstanding anything in this Agreement to the contrary, during the period after election of trustees designated by Parent pursuant to this Section 1.4 but prior to the Effective Time, the Board of Trustees shall delegate to a committee of the Board of Trustees comprised solely of the

Independent Trustees (the "Independent Committee") the sole responsibility for (i) any amendment or any termination of this Agreement by the Company; (ii) any extension of time for performance of any of the obligations of Parent or Subsidiary pursuant to this Agreement for which the Company's consent or approval is required; (iii) the exercise or waiver of any of the Company's rights or remedies hereunder; (iv) any amendment to the Company's Declaration of Trust or Bylaws; and (v) any waiver of compliance with any covenant of Parent or Subsidiary or any condition to any obligation of the Company or of any of the Company's rights under this Agreement. Any action of the Independent Committee with respect to the above matters in the preceding sentence shall be deemed to constitute the action of the full board of trustees of the Company to approve the actions contemplated hereby and no other action on the part of the Company, including any action by any other trustee of the Company shall be required for such authorization. The Independent Committee shall have the authority to retain one separate counsel at the reasonable expense of the Company.

Section 1.5 Adjustment to Offer Price. If, following the date of this Agreement, the Company changes or establishes a record date for changing the number of Shares outstanding as a result of a stock split, stock dividend, recapitalization, subdivision, reclassification, combination or other similar transaction in respect of the outstanding Shares and the record date therefor shall be prior to the Effective Time, then, in any such event, and in addition to any other rights and remedies that may be available to it, the Offer Price shall be proportionately adjusted to reflect that change.

ARTICLE II

THE MERGER

Section 2.1 The Merger. Upon the terms and subject to the conditions of this Agreement, at the Effective Time, in accordance with this Agreement, the REIT Law and the Maryland Limited Liability Company Act (the "LLC Act"), Subsidiary shall be merged with and into the Company, the separate existence of Subsidiary shall thereupon cease and the Company shall continue as the surviving company (sometimes referred to as the "Surviving Company") and a wholly owned subsidiary of Parent. The Merger shall have the effects set forth in this Agreement, the REIT Law and the LLC Act.

Section 2.2 Effective Time of the Merger. The Merger shall become effective at the time of the filing of articles of merger or at such other subsequent date or time is agreed upon by the parties and specified in the articles of merger (in such form as required by and executed in accordance with the relevant provisions of the REIT Law and the LLC Act) with the SDAT in accordance with the REIT Law and the LLC Act (the "Merger Filing"). The Merger Filing shall be made simultaneously with or as soon as practicable following the Closing. The time the Merger becomes effective being the "Effective Time."

Section 2.3 Closing. Subject to the satisfaction or waiver of the conditions to the obligations of the parties to effect the Merger set forth herein, the consummation of the Merger (the "Closing") will take place as promptly as practicable, but in no event later than 10:00 a.m. on the fifth business day following the satisfaction or waiver of all the conditions to the obligations of the parties to effect the Merger set forth herein (the "Closing Date"), at the offices of Clifford Chance US LLP, 31 West 52nd Street, New York, New York, unless another time, date or place is agreed to by the parties hereto in writing.

Section 2.4 Declaration of Trust; Bylaws. Unless otherwise determined by Parent prior to the Effective Time:

(a) The declaration of trust of the Surviving Company shall be amended and restated as of the Effective Time as set forth in Exhibit A and shall be the declaration of trust of the Surviving Company until thereafter amended in accordance with the REIT Law.

(b) The bylaws of the Company as in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Company after the Effective Time until thereafter amended in accordance with its terms and the REIT Law.

Section 2.5 Trustees and Officers. Unless otherwise determined by Parent prior to the Effective Time:

(a) The members of the board of managers of Subsidiary immediately prior to the Effective Time shall be the members of the board of trustees of the Surviving Company and shall serve in accordance with the declaration of trust of the Surviving Company until their respective successors are duly elected or appointed and qualified or until their earlier death, resignation or removal.

(b) The officers of Subsidiary immediately prior to the Effective Time shall be the officers of the Surviving Company and such officers shall serve in accordance with the declaration of trust of the Surviving Company until their respective successors are duly elected or appointed and qualified or until their earlier death, resignation or removal.

ARTICLE III

EFFECT OF THE MERGER ON THE OWNERSHIP INTERESTS OF THE CONSTITUENT ENTITIES; SURRENDER OF CERTIFICATES

Section 3.1 Conversion of Company Shares in the Merger. At the Effective Time, by virtue of the Merger and without any action on the part of any holder of any stock or other equity ownership interest of Parent, Subsidiary or the Company:

(a) Each Share outstanding immediately prior to the Effective Time (except as otherwise provided in this Section 3.1 and in Section 3.7 hereof and Dissenting Shares) shall be converted into the right to receive the Offer Price. All such Shares, when so converted, no longer shall be outstanding and automatically shall be cancelled and retired and shall cease to exist, and each holder of a certificate evidencing any such Shares shall cease to have any rights with respect thereto, except the right to receive the Offer Price per share therefor, without interest and subject to applicable withholding tax, upon the surrender of such certificate in accordance with Section 3.3.

(b) Each Share, if any, owned by Parent, Subsidiary or any of their subsidiaries immediately prior to the Effective Time shall be canceled and retired and shall cease to exist and no consideration shall be delivered in exchange therefor.

(c) Each outstanding membership interest of Subsidiary shall be converted into one common share of beneficial interest of the Surviving Company.

Section 3.2 Surrender and Exchange of Certificates.

(a) No later than two business days prior to the Effective Time, Parent shall designate a bank or trust company reasonably acceptable to the Company to act as paying agent in the Merger (the "Paying Agent"), and from and after the Effective Time, Parent shall deposit or cause the Surviving Company to deposit with the Paying Agent cash in amounts and at the times necessary for the

payment of the merger consideration as provided in Section 3.1 upon surrender of certificates formerly evidencing Shares in the manner provided in Section 3.2. Funds made available to the Paying Agent shall be invested by the Paying Agent as directed by Parent (it being understood that any and all interest or income earned on funds deposited with the Paying Agent pursuant to this Agreement shall be turned over to Parent).

(b) Promptly after the Effective Time, Parent shall cause the Paying Agent to mail to each holder of record of a certificate or certificates that immediately prior to the Effective Time evidenced outstanding Shares (the "Company Certificates") whose shares were converted into the right to receive the Offer Price pursuant to Section 3.1 (i) a letter of transmittal which shall specify that delivery shall be effected, and risk of loss and title to the Company Certificates shall pass, only upon actual delivery of the Company Certificates to the Paying Agent and shall be in such form and have such other

provisions as Parent may reasonably specify, and (ii) instructions for use in effecting the surrender of the Company Certificates in exchange for the Offer Price. Upon surrender of Company Certificates for cancellation to the Paying Agent, together with a duly executed letter of transmittal and such other documents as the Paying Agent shall reasonably require, the holder of such Company Certificates shall be entitled to receive in exchange therefor the Offer Price for each Share formerly evidenced thereby, in accordance with Section 3.1(a), and the Company Certificates so surrendered shall be canceled. Until surrendered as provided in this Section 3.2, each Company Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Offer Price for each Share evidenced thereby. No interest will be paid or accrue on any amounts payable upon surrender of any Company Certificate.

(c) Promptly following the date which is six months after the Effective Time, the Paying Agent shall deliver to Parent all cash and any documents in its possession relating to the transactions described in this Agreement, and the Paying Agent's duties shall terminate. Thereafter, each holder of a Company Certificate may surrender such Company Certificate to the Surviving Company or Parent and (subject to applicable abandoned property, escheat or other similar laws) receive in exchange therefor the Offer Price, payable upon due surrender of their Company Certificates without any interest thereon.

Section 3.3 Tax Withholding. Each of Parent and Surviving Company shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any former holder of Shares such amounts as Parent or Surviving Company is required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code of 1986, as amended (the "Code"), or any other provision of federal, state, local or foreign tax law. To the extent that amounts are so withheld by Parent or Surviving Company, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the former holder of the Shares in respect of which such deduction and withholding was made by Parent.

Section 3.4 Closing of the Company's Transfer Books. At and after the Effective Time, holders of Company Certificates shall cease to have any rights as shareholders of the Company, except for the right to receive the Offer Price pursuant to Section 3.1, without interest. All cash paid upon the surrender of the Company Certificates in accordance with this Article III shall be deemed to have been paid in full satisfaction of all rights pertaining to the Shares formerly evidenced by such Company Certificates. At the Effective Time, the stock transfer books of the Company shall be closed and no transfer of Shares which were outstanding immediately prior to the Effective Time shall thereafter be made. If, after the Effective Time, subject to the terms and conditions of this Agreement, Company Certificates formerly evidencing Shares are presented to the Surviving Company, they shall be canceled and exchanged for the Offer Price in accordance with this Article III.

Section 3.5 Lost, Stolen or Destroyed Company Certificates. If any Company Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Company Certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such person of a bond or other surety in such amount as Parent may direct, as indemnity against any claim that may be made with respect to such Company Certificate, and subject to such other reasonable conditions as Parent may impose, the Paying Agent shall deliver the Offer Price pursuant to Section 3.1 in respect of the Shares evidenced by such lost, stolen or destroyed Company Certificate.

Section 3.6 No Liability. None of Parent, Subsidiary, the Company, the Surviving Company or the Paying Agent shall be liable to any person in respect of any cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any Company Certificates shall not have been surrendered prior to two years after the Effective Time (or immediately prior to such earlier date on which any of the merger consideration would otherwise escheat or become the property of any Governmental Authority), any amounts payable in respect thereof shall, to the extent permitted by law, become the property of the Surviving Company, free and clear of all claims or interest on any person previously entitled thereto.

Section 3.7 Transferred Company Certificates. If any payment under this Article III is to be made to a person other than the person in whose name the applicable Company Certificate surrendered in exchange therefor is registered, it shall be a condition of payment that such Company Certificate so surrendered shall be properly endorsed or otherwise in proper form for transfer and that the person requesting such payment shall pay any transfer or other Taxes required by reason of the payment to a person other than the registered holder of such Company Certificate surrendered or such person shall establish to the satisfaction of the Surviving Company that such Tax has been paid or is not applicable.

Section 3.8 Restricted Shares. The Company has taken all necessary action, including obtaining any required consents or amendments to the Company's Equity Incentive Plan, to permit holders of outstanding restricted common shares of beneficial interest issued pursuant to the Company's Equity Incentive Plan to participate in the Offer and be treated in the Merger on the same terms and conditions as all other holders of unrestricted Shares.

Section 3.9 Dissenting Shares.

(a) Notwithstanding any provision of this Agreement to the contrary, to the extent that appraisal rights are available under the REIT Law and the MGCL, any outstanding Shares ("Dissenting Shares") held by a Dissenting Shareholder shall not be converted into the Offer Price but shall become the right to receive such consideration as may be determined to be due to such Dissenting Shareholder pursuant to the REIT Law; provided, however, that each Share outstanding immediately prior to the Effective Time and held by a Dissenting Shareholder who, after the Effective Time, withdraws his demand or fails to perfect or otherwise loses his right of appraisal, pursuant to the REIT Law, shall be deemed to be converted as of the Effective Time into the right to receive the Offer Price, without interest. As used in this Agreement, "Dissenting Shareholder" means any record holder or beneficial owner of Shares who is entitled to demand and receive payment of the fair value of such holder's shares pursuant to Section 8.501.1(j) of the REIT Law and Section 3-202 of the MGCL and who does not vote for the Merger and complies with all provisions of the MGCL (including all provisions of Section 3-203 of the MGCL) concerning the right of holders of Shares to dissent from the Merger and obtain fair value for their shares.

(b) The Company shall give Parent (i) prompt notice of any demands for appraisal pursuant to the applicable provisions of the REIT Law and the MGCL received by the Company, attempted withdrawals of such demands, and any other instruments served pursuant to the REIT Law and

the MGCL and received by the Company relating to rights of appraisal and (ii) the opportunity to participate in and direct the conduct of all negotiations and proceedings with respect to demands for appraisal under the REIT Law and the MGCL. The Company shall not, except with the prior written consent of Parent, make any payment with respect to any such demands for appraisal, or settle, or offer to settle, or otherwise negotiate any such demands for appraisal.

Section 3.10 Further Assurances. At and after the Effective Time, the officers and directors of the Surviving Company will be authorized to execute and deliver, in the name and on behalf of the Company or Subsidiary, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company or Subsidiary, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Company any and all right, title and interest in, to and under any of the rights, properties or assets acquired or to be acquired by the Surviving Company as a result of, or in connection with, the Merger.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Subsidiary that, except as set forth in the disclosure schedule delivered by the Company to Parent prior to or simultaneous with the execution and delivery of this Agreement (the "Company Disclosure Schedule"):

Section 4.1 Organization; Qualification.

(a) The Company is a real estate investment trust duly organized, validly existing and in good standing under the laws of Maryland and has all requisite trust power and authority to own, license, use, lease and operate its assets and properties and to carry on its business as it is now being conducted. Each of the Company's subsidiaries is a corporation, limited liability company, limited partnership or trust duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite corporate, limited liability company, limited partnership or trust, as the case may be, power and authority to own, license, use, lease and operate its assets and properties and to carry on its business as it is now being conducted. The Company has made available to Parent complete and correct copies of its Declaration of Trust and Bylaws and the certificate of incorporation and bylaws (or similar organizational documents) of each of its subsidiaries.

(b) Each of the Company and its subsidiaries is duly qualified or licensed to do business and in good standing in each jurisdiction in which the assets or property owned, licensed, used, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not have a Material Adverse Effect on the Company. For purposes of this Agreement, a "Material Adverse Effect" means, with respect to any person, an event, circumstance, change or effect that (i) has had a material adverse effect on the business, assets, condition (financial or otherwise), or results of operations of such person and its subsidiaries taken as a whole, or (ii) is reasonable likely to have a material adverse effect on the business, assets, condition (financial or otherwise), or results of operations of such person and its subsidiaries taken as a whole except, in the case of clause (ii), as a result of (A) changes in general economic conditions nationally or regionally or (B) changes affecting the finance or real estate industries generally which do not affect such person materially disproportionately related to other participants in the finance or real estate industries similarly situated. In determining whether there has been a Material Adverse Effect, (x) any event, circumstance, change or effect shall be considered both individually and together with all other events, circumstances, changes or effects and any event, circumstance, change or effect that reasonably would be expected to result in a Material Adverse Effect (individually or together with one or more other events, circumstances, changes or effects) shall be

considered a Material Adverse Effect and (y) the rejection of an insurance claim or insurance coverage or the lack or unavailability of insurance coverage will be considered as one factor.

Section 4.2 Capitalization.

(a) The authorized shares of beneficial interest of the Company consists of 100,000,000 Shares and 50,000,000 Preferred Shares of beneficial interest, par value $0.01 per share "Preferred Shares". Other than Shares issuable pursuant to the Share Option Agreement, at the close of business on January 18, 2005, (i) 15,963,232 Shares were issued and outstanding, (ii) no Preferred Shares were issued and outstanding, (iii) no Shares were issuable upon the exercise of stock, (iv) 198,271 restricted Shares were outstanding. All outstanding shares of beneficial interest of the Company have been duly authorized and validly issued and are fully paid and nonassessable, and have not been issued in violation of any preemptive or similar rights. Except as set forth above in this Section 4.2(a) or pursuant to the Share Option Agreement, there are no outstanding (x) shares of beneficial interest or other voting securities of the Company, (y) securities of the Company convertible into or exchangeable for shares of beneficial interest or other securities of the Company or (z) subscriptions, options, warrants, puts, calls, phantom stock rights, stock appreciation rights, stock-based performance units, agreements, understandings, claims or other commitments or rights of any type granted or entered into by the Company or any of its subsidiaries relating to the issuance, sale, repurchase or transfer of any securities of the Company or that give any person or entity the right to receive any economic benefit or right similar to or derived from the economic benefits and rights of securities of the Company. There are no outstanding obligations of the Company or any of the Company's subsidiaries (other than pursuant to the cancellation of unvested restricted Shares in accordance with the terms of the applicable restricted Share award) to repurchase, redeem or otherwise acquire any securities of the Company or any of the Company's subsidiaries or to vote or to dispose of any shares of the beneficial interest of the Company or any of the Company's subsidiaries.

(b) Section 4.2(b) of the Company Disclosure Schedule lists each outstanding restricted Share that was issued under the Company's Equity Incentive Plan and the holder thereof. Neither the Company nor any subsidiary has agreed to register any securities under the Securities Act or under any state securities law or granted registration rights to any individual or entity.

(c) Section 4.2(c) of the Company Disclosure Schedule lists each subsidiary of the Company. All the outstanding shares of capital stock (or other securities having by their terms voting power to elect a majority of directors or others performing similar functions) of each such subsidiary are owned by the Company, by another wholly owned subsidiary of the Company or by the Company and another wholly owned subsidiary of the Company, free and clear of all liens, charges, security interests, mortgages, pledges, options, preemptive rights, rights of first refusal or first offer, proxies, levies, voting trusts or agreements, or other adverse claims or restrictions on title or transfer of any nature whatsoever (collectively, "Encumbrances"), except for restrictions imposed by applicable U.S. federal or state securities laws, and are duly authorized, validly issued, fully paid and nonassessable (to the extent such concept is applicable to such securities). There are no (i) securities convertible into or exchangeable for shares of capital stock or other securities of any subsidiary of the Company, or (ii) subscriptions, options, warrants, puts, calls, phantom stock rights, stock appreciation rights, stock-based performance units, agreements, understandings or commitments or rights of any type granted or entered into by the Company or any of its subsidiaries relating to the issuance, sale, repurchase or transfer of any securities of any subsidiary of the Company or that give any person or entity the right to receive any economic benefit or right similar to or derived from the economic benefits and rights of securities of any subsidiary of the Company. Except for the capital stock of its

subsidiaries and except as set forth on Section 4.2(c) of the Company Disclosure Schedule, the Company does not own, directly or indirectly, any capital stock or other ownership interest in any entity. Excluding the loans provided by the Company and its subsidiaries

in the ordinary course of business, the Company is not subject to any obligation or requirement to provide funds to or make any investment (in the form of a loan, capital contribution or otherwise) in any entity or any other person.

Section 4.3 Authority. The Company has all requisite trust power and authority to execute and deliver this Agreement, subject only to the Shareholder Approval, to the extent required, and to perform and consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by the Company of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary trust action on the part of the Company and no other trust proceedings on the part of the Company are necessary to authorize this Agreement or to consummate such transactions, other than, with respect to the Merger and subject to Section 8-501(c)(4) of the REIT Law, the approval of the Merger by the holders of a majority of the outstanding Shares (the "Company Shareholder Approval"). This Agreement has been duly executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 4.4 Consents and Approvals; No Violations.

(a) The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated by this Agreement do not and will not require any filing or registration with, notification to, or authorization, permit, consent or approval of, or other action by or in respect of, any governmental body, court, agency, commission, official or regulatory or other authority (collectively, "Governmental Authority") other than (i) the filing of the Merger Filing as contemplated by Article II hereof, (ii) filings with the Securities and Exchange Commission (the "SEC") and compliance with any applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act and the rules and regulations thereunder and any other applicable U.S. federal and state securities laws, (iii) compliance with any applicable requirements of Nasdaq, and (iv) such other filings, registrations, notifications, authorizations, consents or approvals, the failure to make would not have a Material Adverse Effect or that would prevent or materially delay the consummation of the transactions contemplated hereby. No subsidiary of the Company is required to make any filings with the SEC or Nasdaq.

(b) The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated by this Agreement do not and will not (i) conflict with or result in any breach of any provision of the Declaration of Trust or Bylaws of the Company or any similar organizational documents of any of its subsidiaries, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to any right of termination, amendment, cancellation, acceleration or loss of benefits or the creation or acceleration of any right or obligation under or result in the creation of any Lien upon any of the properties or assets of the Company or any of its subsidiaries under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, loan, credit agreement, lease, license, permit, franchise, purchase order, sales order contract, agreement or other instrument, understanding or obligation, whether written or oral (a "contract"), to which the Company or any of its subsidiaries is a party or by which any of its properties or assets may be bound or (iii) subject to the government filings and other matters referred to in Section 4.4(a), violate any judgment, order, writ, preliminary or permanent injunction or decree or any statute, law, ordinance, rule or regulation of any Governmental Authority applicable to the Company, any of its subsidiaries or any of their properties or assets, except in the case of clauses (ii) or (iii) for violations, breaches or defaults that would not have a Material Adverse

Effect on the Company and that would not prevent or materially delay the consummation of the transactions contemplated hereby.

Section 4.5 SEC Reports and Financial Statements.

(a) The Company has timely filed with the SEC all forms, reports, schedules, statements and other documents required to be filed by it since December 22, 2003 (collectively, the "Company SEC Documents"). At the respective times they were filed, the Company SEC Documents (i) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (ii) comply in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as the case may be, and the applicable rules and regulations of the SEC thereunder.

(b) The financial statements of the Company included in the Company SEC Documents, including any related notes thereto, comply in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto and subject, in the case of the unaudited statements, to normal, year-end audit adjustments) and present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows for the periods indicated.

(c) The management of the Company has (i) implemented disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) which are designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the management of the Company by others within those entities, and (ii) has disclosed, based on its most recent evaluation, to the Company's outside auditors and the audit committee of the board of trustees of the Company that, to its knowledge, (x) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting. A summary of any of those disclosures made by management to the Company's auditors and audit committee is set forth in Section 4.5(c) of the Company Disclosure Schedule.

(d) Since December 31, 2003, (i) neither the Company nor any of its subsidiaries nor, to the knowledge of the officers of the Company, any trustee, director, officer, employee, auditor, accountant or representative of the Company or any of its subsidiaries has received any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of the Company or any of its subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that the Company or any of its subsidiaries has engaged in questionable accounting or auditing practices, and (ii) no attorney representing the Company or any of its subsidiaries, whether or not employed by the Company or any of its subsidiaries, has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by the Company or any of its officers, directors, employees or agents to the board of trustees of the Company or any committee thereof or to any director or officer of the Company.

(e) There are no liabilities of the Company or any of its subsidiaries of any kind whatsoever, that are of a nature that would be required to be disclosed in a balance sheet of the Company

or the footnotes thereto that was prepared in accordance with GAAP, whether or not accrued and whether or not contingent or absolute, other than (i) liabilities disclosed in the Company's consolidated balance sheets included in the Company SEC Documents filed and publicly available prior to the date of this Agreement (the "Company Filed SEC Documents"), and (ii) liabilities incurred in the ordinary course of business consistent with past practice since December 31, 2003, none of which have had a Material Adverse Effect on the Company.

(f) The Company has provided Parent true and complete copies of all management letters received from its independent auditors since January 1, 2003, and if no such management letters have been received, the Company has provided copies of all correspondence from its independent auditors during such period relating to subject matter of the same type as would be included in a management letter.

Section 4.6 Absence of Certain Changes or Events. Except as disclosed in the Company SEC Documents, since December 31, 2003, (i) there has not been any event, circumstance, change or effect that has had a Material Adverse Effect on the Company and (ii) the business of the Company and its subsidiaries has been conducted only in the ordinary course.

Section 4.7 Litigation. There is no suit, claim, action, proceeding or investigation (each, a "Claim") pending before any Governmental Authority or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries that would, if adversely determined, reasonably be expected to result in a loss to the Company or any of its subsidiaries in excess of $100,000 per Claim and $500,000 for all Claims, in the aggregate. Neither the Company nor any of its subsidiaries is subject to any outstanding order, writ, judgment, decree, injunction or settlement that would have a Material Adverse Effect on the Company.

Section 4.8 Information Supplied. None of the information supplied or to be supplied by the Company in writing for inclusion or incorporation by reference in the Offer Documents, the Schedule 14D-9, the Proxy Statement (if applicable), or the other documents required to be filed by Parent or the Company in connection with the Offer, the Merger and the other transactions contemplated hereby will at the time of its filing, dissemination to the Company's shareholders or, in the case of the Proxy Statement, at the time of the meeting at which the Company Shareholder Vote is to be taken, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Schedule 14D-9 and the Proxy Statement will (with respect to the Company, its officers, trustees and subsidiaries) comply in all material respects with the applicable requirements of the Securities Act and the Exchange Act.

Section 4.9 Compliance with Applicable Law. The Company and its subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Authorities necessary for the lawful conduct of their respective businesses (the "Company Permits"), except for failures to hold such Company Permits that would not have a Material Adverse Effect on the Company. The Company and its subsidiaries are in compliance with the terms of the Company Permits, except where the failure so to comply would not have a Material Adverse Effect on the Company. The businesses of the Company and its subsidiaries have not been and are not being conducted in violation of any law except for violations that would not have a Material Adverse Effect on the Company. No investigation or review by any Governmental Authority with respect to the Company or any of its subsidiaries is pending or, to the knowledge of the Company, threatened, nor has any Governmental Authority indicated an intention to conduct any such investigation or review, other than, in each case, where the outcome would not have a Material Adverse Effect on the Company.

Section 4.10 Contracts. Except as disclosed in or attached as exhibits to the Company Filed SEC Documents, (i) there are no contracts that are material to the business, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole, (ii) there are no contracts requiring the payment of commissions to any person, (iii) there are no contracts (which cannot be terminated on notice of 30 days or less without penalty) that involve the payment to or receipt by the Company of $100,000 per year, and (iv) neither the Company nor any of its subsidiaries is a party to or bound by any non-competition agreement or any other agreement or obligation that purports to limit in any material respect the manner in which, or the localities in which, all or any material portion of the business of the Company and its subsidiaries, taken as a whole, is or would be conducted. Neither the Company nor any of its subsidiaries, or to the knowledge of the Company, any other party, has received written notice within the last 12 months that it is in violation or breach of or in default (nor, to the knowledge of the Company does there exist any condition which upon the passage of time or the giving of notice would result in a violation or breach of, or constitute a default under, or give rise to any right of termination, amendment, cancellation, acceleration or loss of benefits, or result in the creation of any Lien upon any of the properties or assets of the Company or any of its subsidiaries) under any contract to which it is a party or by which it or any of its properties or assets is bound, except for violations, breaches or defaults that would not have a Material Adverse Effect on the Company.

Section 4.11 Tax Matters.

(a) Each of the Company and its subsidiaries has timely filed all Tax Returns required to be filed by it (after giving effect to any filing extension granted by a Governmental Entity having authority to do so). Each such Tax Return is accurate and complete in all material respects. The Company and each of its subsidiaries has paid (or the Company has paid on its behalf), all Taxes shown on such returns as required to be paid. All Taxes which the Company or its subsidiaries are required by law to withhold or collect, including Taxes required to have been withheld in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party and sales, gross receipts and use taxes, have been duly withheld or collected and, to the extent required, have been paid over to the proper governmental entities within the time period prescribed by law. The most

recent audited financial statements contained in the Company Filed SEC Documents reflect an adequate reserve for all material Taxes payable by the Company and its subsidiaries for all taxable periods and portions thereof through the date of such financial statements. The Company and each of its subsidiaries has established (and until the Closing Date shall continue to establish and maintain) on its books and records reserves that are adequate for the payment of all material Taxes not yet due and payable. Since December 31, 2003, the Company has incurred no liability for any material Taxes, other than Taxes that it has paid, under Sections 857(b), 860(c) or 4981 of the Code, IRS Notice 88-19, Treasury Regulation Section 1.337(d)-5, or Treasury Regulation Section 1.337(d)-6 including, without limitation, any material Tax arising from a prohibited transaction described in Section 857(b)(6) of the Code, and neither the Company nor any of its subsidiaries has incurred any material liability for Taxes other than in the ordinary course of business and other than transfer or similar Taxes arising in connection with the sales of property. No event has occurred, and no condition or circumstance exists, which presents a risk that any material Tax described in the preceding sentences will be imposed upon the Company or any of its subsidiaries. Neither the Company nor any of its subsidiaries is the subject of any audit, examination, or other proceeding in respect of Taxes; to the knowledge of the Company, no audit, examination or other proceeding in respect of Taxes involving the Company or any of its subsidiaries is being considered by any Tax authority; and no audit, examination or proceeding in respect of Taxes involving the Company or any of its subsidiaries has occurred. No deficiencies for any Taxes have been asserted or assessed in writing (or to the knowledge of the Company or any of its subsidiaries, proposed) against the Company or any of its subsidiaries, including claims by any taxing authority in a jurisdiction where the Company or any of its subsidiaries does not file Tax Returns but in which any of them is or may be subject to taxation and no requests for waivers of the time to assess any Taxes have been granted and remain in effect or are

pending. There are no liens for Taxes upon the assets of the Company or its subsidiaries except for statutory liens for Taxes not yet due.

(b) The Company (A) for each taxable year beginning with its taxable year ended on December 31, 2003 and ending at the time immediately prior to the Effective Time, has been subject to taxation as a real estate investment trust (a "REIT") within the meaning of the Code and has satisfied the requirements to qualify as a REIT for such years, (B) has operated, and intends to continue to operate, consistent with the requirements for qualification and taxation as a REIT through the Effective Time and (C) has not taken or omitted to take any action which could reasonably be expected to result in the loss of its qualification as a REIT, and no challenge to the Company's qualification as a REIT is pending or to the Company's knowledge is or has been threatened. Each, direct or indirect, subsidiary of the Company which is a partnership, joint venture or limited liability company has since its acquisition by the Company (A) (i) been classified for federal income tax purposes as a partnership or treated as a disregarded entity and not as an association taxable as a corporation, or a "publicly traded partnership" within the meaning of Section 7704(b) of the Code that is treated as a corporation for federal income tax purposes under Section 7704(a) of the Code, or (ii) has elected to be treated as an association taxable as a corporation for Federal income tax purposes and has elected with the Company to be treated as a taxable REIT subsidiary of the Company pursuant to Section 856(l) of the Code, and (B) not owned any assets (including, without limitation, securities) that would cause the Company to violate Section 856(c)(4) of the Code. Each subsidiary of the Company which is a corporation, and each other issuer of securities in which the Company holds securities (within the meaning of Section 856(c) of the Code but excluding securities of issuers as described in Section 856(m) of the Code) having a value of more than 10 percent of the total value of the outstanding securities of such issuer, has since its acquisition by the Company been a REIT, a qualified REIT subsidiary under Section 856(i) of the Code or a taxable REIT subsidiary under Section 856(l) of the Code or otherwise qualified as a "real estate asset" within the meaning of Section 856(c)(5)(B) of the Code. Neither the Company nor any of its subsidiaries holds any asset the disposition of which would be subject to rules similar to Section 1374 of the Code as announced in IRS Notice 88-19 or Treasury Regulation Section 1.337(d)-5 or Treasury Regulation Section 1.337(d)-6.

(c) As of the date of this Agreement, the Company does not have any earnings and profits attributable to it or any other corporation in any non-REIT year within the meaning of Section 857 of the Code.

(d) To the Company's knowledge, as of the date hereof, the Company (i) is a "domestically-controlled REIT" within the meaning of Section 897(h) of the Code and (ii) is not nor has it been at any time during the specified period in Section 897(c)(1)(A)(ii) of the Code a "United States Real Property Holding Corporation" as that term is defined in Section 897(c)(2) of the Code.

(e) Neither the Company nor any of its subsidiaries is a party to any Tax allocation or sharing agreement. None of the Company or any of its subsidiaries has distributed stock of any other person or has had its stock distributed by another person in a transaction that was purported or intended to be governed by Section 355 of the Code.

(f) The Company does not have any liability for the Taxes of any person other than the Company and its subsidiaries and the Company's subsidiaries do not have any liability for the Taxes of any person other than the Company and its subsidiaries (A) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), (B) as a transferee or successor, (C) by contract or (D) otherwise.

(g) The Company and its subsidiaries have disclosed to the IRS all positions taken on their federal income Tax Returns which could give rise to a substantial understatement of Tax under

Section 6662 of the Code. Neither the Company nor any of its subsidiaries has made any payments, is obligated to make any payments, or are parties to an agreement that could obligate them to make any payments that would not be deductible under Sections 280G or 162(m) of the Code.

(h) To the knowledge of the Company as of the Closing Date, neither the Company nor any of its subsidiaries is a party to any understanding or arrangement described in Section 6111(c), Section 6111(d) or Section 6662(d)(2)(C)(ii) of the Code, or has "participated in a potentially abusive tax transaction" within the meaning of Treasury Regulations Section 1.6011-4.

(i) For purposes of this Agreement: (i) "Tax" means any federal, state, local or foreign income, gross receipts, property, recording, stamp, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add on minimum, ad valorem, environmental, transfer or excise tax, or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest, penalty, additions thereto, whether disputed or not, or additional amount imposed by any governmental authority or any obligation to pay Taxes imposed on any entity for which a party to this Agreement is liable as a result of any indemnification provision or other contractual obligation, and (ii) "Tax Return" means any return, declaration, report or similar statement required to be filed with respect to any Tax (including any schedules, attachments thereto, and including amendments thereof), including, without limitation, any information return, claim for refund, amended return or declaration of estimated Tax.

Section 4.12 Benefit Plans; Employees and Employment Practices.

(a) Except as disclosed in the Company Filed SEC Documents, since December 31, 2003, there has not been any adoption or amendment in any material respect (including any material increase or improvements in benefits or coverage) by the Company or any of its subsidiaries of any Benefit Plan). Except as disclosed in the Company Filed SEC Documents, there exist no employment or consulting agreements, or any other similar arrangements or understandings (whether or not in writing), between the Company or any of its subsidiaries and any current or former employee, officer or director of the Company or any of its subsidiaries.

(b) Section 4.12(b) of the Company Disclosure Schedule lists each "employee pension benefit plan" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (referred to herein as "Pension Plans"), "employee welfare benefit plan" (as defined in Section 3(1) of ERISA), and each bonus, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, change of control, disability, death benefit, hospitalization, medical, fringe benefit, excess benefit, supplemental executive compensation, stock appreciation, restricted stock, indemnification, collective bargaining agreement or other material employee benefit plan, policy, agreement, arrangement or understanding (whether or not in writing) providing benefits to any current or former employee, officer, director or independent contractor of the Company or any of its subsidiaries or any entity that is or required under Section 414 of the Code to be treated with the Company as a single employer (an "ERISA Affiliate") or with respect to which the Company or any ERISA Affiliate could have any material liability (collectively, the "Benefit Plans"). The Company has provided to Parent true, complete and correct copies of (i) each Benefit Plan (or, in the case of any unwritten Benefit Plans, descriptions thereof) and each employment and consulting agreement, arrangement or understanding between the Company or any of its subsidiaries and any current or former employee, officer or director of the Company or any of its subsidiaries, (ii) the most recent annual report on Form 5500 (and related schedules and financial statements or opinions required in connection therewith) filed with the Internal Revenue Service with respect to each Benefit Plan (if any such report was required), (iii) the most recent actuarial report with respect to each Benefit Plan, as applicable, (iv) the most recent summary plan description (and a summary of material

modifications, if applicable) for each Benefit Plan, (v) each trust agreement and group annuity contract relating to any Benefit Plan, and (vi) the most recent determination or opinion letter, if any, issued with respect to such Benefit Plan.

(c) Each Benefit Plan has been administered in all material respects in accordance with its terms and the applicable requirements of ERISA, the Code and all other applicable laws. No event has occurred and to the knowledge of the Company there exists no condition or set of conditions in connection with the Benefit Plans that could have a Material Adverse Effect on, or give rise to material liability to, the Company or any ERISA Affiliate under ERISA, the Code or any other applicable law.

(d) Each Pension Plan intended to be qualified under Section 401(a) of the Code has been the subject of a determination letter from the Internal Revenue Service to the effect that such Pension Plan is so qualified under all currently applicable provisions of Section 401(a) of the Code and, to the knowledge of the Company, no circumstances exist that would adversely affect the qualification of any such Pension Plan.

(e) No Benefit Plan is subject to Section 412 of the Code or Title IV of ERISA. Each Benefit Plan may be amended or terminated without material liability to the Company or any ERISA Affiliate.

(f) Neither the Company nor any ERISA Affiliate currently sponsors, contributes to, maintains or has any liability (whether contingent or otherwise) under a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA).

(g) Parent, and its affiliates, including on and after the Effective Time, the Company and any subsidiary, shall have no liability for, under, with respect to or otherwise in connection with any Benefit Plan, which liability arises under ERISA or the Code, by virtue of the Company or any of its subsidiary being aggregated, with any other person that is an ERISA Affiliate (other than with the Company or a subsidiary), in a controlled group or affiliated service group for purposes of ERISA or the Code at any relevant time prior to the Effective Time.

(h) (i) There are no material controversies, strikes, work stoppages or disputes pending or threatened between the Company or any of its subsidiaries and any current or former employees, (ii) no labor union or other collective bargaining unit represents or has ever represented any employee of the Company or any of its subsidiaries with respect to employment by the Company or such subsidiary and (iii) no organizational effort by any labor union or other collective bargaining unit currently is under way or threatened with respect to any employee.

(i) Section 4.12(i) of the Company Disclosure Schedule lists each employment, severance, consulting or other contract or plan with or for the benefit of any officer, director, employee or agent of the Company or any subsidiary with a "change of control" provision that provides for any payment, additional benefits, vesting or acceleration of benefits or rights or otherwise upon such an event.

(j) Except as set forth on Section 4.12(i) of the Company Disclosure Schedule, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby, including the Merger, will (either alone or in conjunction with any other event, such as termination of employment) (i) result in any material payment (including, without limitation, severance, unemployment compensation, "parachute" or otherwise) becoming due to any director or any employee of the Company or any of its subsidiaries or affiliates from the Company or any of its subsidiaries or affiliates under any Benefit Plan or otherwise, (ii) materially increase any benefits

otherwise payable under any Benefit Plan or (iii) result in any acceleration of the time of payment or vesting of any material benefits.

Section 4.13 Real Property. Section 4.13 of the Company Disclosure Schedule contains a true and correct list of (i) each parcel of real property owned beneficially or of record by the Company or any of its Subsidiaries (the "Owned Real Property"") and (ii) each parcel of real property leased, subleased or occupied to or by the Company or any of its subsidiaries (the "Leased Real Property"). A true, complete and correct copy of all deeds, leases, mortgages, deeds of trust, certificates of occupancy, title insurance policies, title reports, surveys and similar documents, and all amendments thereof, with

respect to the Owned Real Property and all leases for the Leased Real Property have been made available to Parent by the Company. The Company or its subsidiaries, as applicable, has good and marketable, fee simple title to all Owned Real Property. Each lease for the Leased Real Property creates a valid leasehold interest in the Leased Real Property and is in full force and effect in all respects and the Company or its subsidiary is entitled to the benefit of such lease in accordance with its terms, with such exceptions as are not material and do not interfere with the use of such premises. To the Company's knowledge, the other party or parties thereto are not in default of its or their obligations thereunder nor does any such party have the right to terminate prior to its scheduled expiration the term of any lease or similar agreement.

Section 4.14 Environmental.

(a) Except to the extent that any of the following would not result in a Material Adverse Effect on the Company, (i) the Company and its subsidiaries comply and have complied with all applicable Environmental Laws, (ii) to the Company's knowledge, no Hazardous Substances are present at or have been disposed on or released or discharged from, onto or under any of the properties currently owned, leased, operated or otherwise used by the Company or its subsidiaries (including soils, groundwater, surface water, buildings or other structures), (iii) to the Company's knowledge, no Hazardous Substances were present at or disposed on or released or discharged from, onto or under any of the properties formerly owned, leased, operated or otherwise used by the Company or its subsidiaries during the period of ownership, lease, operation or use by Company or its subsidiaries, (iv) neither the Company nor any subsidiary is subject to any liability or obligation in connection with Hazardous Substances present at any location owned, leased, operated or otherwise used by any third party, (v) neither the Company nor any subsidiary has received any notice, demand, letter, claim or request for information alleging that the Company or any subsidiary is or may be in violation of or liable under any Environmental Law, (vi) neither the Company nor any subsidiary is subject to any order, decree, injunction or other directive of any governmental authority or is subject to any indemnity or other agreement with any person or entity imposing obligations on the Company or any subsidiary with respect to Hazardous Substances and (vii) there are no circumstances or conditions involving the Company and its subsidiaries, any assets (including real property) or businesses previously owned, leased, operated or otherwise used by Company or its subsidiaries, or any of the assets (including real property) or businesses of any predecessors of Company or its subsidiaries that could reasonably be expected to result in any damages or liabilities to the Company or any subsidiary arising under or pursuant to Environmental Law or in any restriction on the ownership, use or transfer of any of the assets of the Company or any subsidiary arising under or pursuant to any Environmental Law.

(b) As used herein, the term "Environmental Law" means any international, national, provincial, regional, federal, state, municipal or local law, regulation, order, judgment, decree, permit, authorization, opinion, common law or judicial decisions (including, without limitation, with respect to negligence and strict liability) or agency requirement relating to the protection, investigation or restoration of the environment (including, without limitation, natural resources) or the health or safety of human or other living organisms, including, without limitation, the manufacture, introduction into commerce, export, import, handling, use, presence, disposal, release or threatened release of any

Hazardous Substance or noise, odor, wetlands, pollution, contamination or any injury or threat of injury to persons or property.

(c) As used herein, the term "Hazardous Substance" means any element, compound, substance or other material (including any pollutant, contaminant, hazardous waste, hazardous substance, chemical substance, or product) that is listed, classified or regulated pursuant to any Environmental Law, including, without limitation, any petroleum product, by-product or additive, asbestos, presumed asbestos-containing material, asbestos-containing material, medical waste, chloroflourocarbon, hydrochloroflourocarbon, lead-containing paint or plumbing, polychlorinated biphenyls, radioactive material or radon.

Section 4.15 Intellectual Property. The Company and its subsidiaries own, or have a valid license to use or otherwise take advantage of, all Intellectual Property. To the knowledge of the Company, no claims or allegations have been made by anyone that the use or other exercise of any Intellectual Property by the Company and/or any subsidiary infringes or otherwise violates the rights of anyone, and, to the knowledge of the Company, the use or other exercise by the Company and/or its subsidiaries of any Intellectual Property does not infringe on the rights of anyone. To the knowledge of the Company, no entity is infringing, misappropriating or otherwise violating the Intellectual Property. The Intellectual Property is exclusively owned by, or licensed to or by, the Company and/or its subsidiaries and the owned Intellectual Property is not subject to any licenses or other encumbrances, other than encumbrances that do not materially interfere with the uses of such Intellectual Property. The Company and its subsidiaries have taken and, prior to the Effective Time will continue to take, such measures as are reasonably necessary to preserve and protect the Intellectual Property, other than third-party software generally available on a "shrink wrap" license or similar basis. The Company has provided Parent with true and correct copies of all contracts relating to Intellectual Property to which the Company and/or any of its subsidiaries is a party. As used herein, "Intellectual Property" includes all patents, copyrights, trade secrets, trademarks, trade names, service marks (including any applications for, and registrations of any of the foregoing), ideas, concepts, discoveries, know-how, technology, inventions, improvements, modifications, techniques, processes, methods, operations, products, services, models, prototypes, logos, styles, designs (whether the design is ornamental or otherwise), computer programs and related documentation, other works of authorship, mask works and the like that are subject to patent, copyright, trade secret, trademark or other intellectual property protection, and are used in, material to or necessary for the conduct of the business of the Company and/or its subsidiaries as conducted on the date hereof.

Section 4.16 Insurance. Section 4.16 of the Company Disclosure Schedule sets forth complete and correct list of all insurance policies maintained by the Company or its Subsidiaries. The Company has made available to Parent complete and correct copies of all such policies together with (i) all riders and amendments thereto and (ii) if completed, the applications for each of such policies. The Company and its subsidiaries maintain in full force and effect insurance policies with such deductibles and against such risks and losses as are customary for companies of similar size in the Company's industry.

Section 4.17 Transactions with Affiliates. All existing contracts, transactions, indebtedness or other arrangements, or any related series thereof, between the Company or any of the subsidiaries of the Company, on the one hand, and any of the trustees, officers or other affiliates of the Company and the subsidiaries of the Company or affiliates or associates of such persons, on the other hand, that would be required to be disclosed by the Company pursuant to the Exchange Act have been so disclosed in the Company Filed SEC Documents in accordance with the requirements of the Exchange Act.

Section 4.18 Assets and Receivables.

(a) Section 4.18(a) of the Company Disclosure Schedule sets forth a list, as of the date hereof, of each of the loan and other debt assets of the Company and its subsidiaries, including the original principal amount, borrower and location of the real estate collateral securing such assets. The Company has made available to Parent true and complete copies of the loan agreements, collateral instruments and all other documents related to such assets.

(b) Set forth on Section 4.18(b) of the Company Disclosure Schedule is a list of Defaulted Receivables and Charge-Off Receivables, in each case as of the date hereof, as such terms are defined in the Revolving Warehouse Financing Agreement dated as of April 28, 2004, among the Company, Parent and The Bank of New York (the "Warehouse Line"), as well as any other asset listed on Section 4.18(a) of the Company Disclosure Schedule which is more than 60 days past due or delinquent or is being specially serviced.

(c) As to each of the Company's tangible assets that, as of the date hereof, is a Warehouse Asset (as defined in the Warehouse Line), the Company represents and warrants that the representations on Schedule 3.1(y) of the Financing Agreement are true and correct in all material respects as of the date hereof.

(d) At the date of this Agreement, the assets of the Company and its subsidiaries are sufficient to enable them to operate their businesses after the Effective Time substantially as they are being operated on the date of this Agreement.

Section 4.19 Securitizations.

(a) Section 4.19(a) of the Company Disclosure Schedule sets forth a list of all of the securitization transactions (the "Securitizations") in which the Company or one of its affiliates is the issuer, primary servicer, special servicer or manager.

(b) Section 4.19(b) of the Company Disclosure Schedule sets forth a list of all of the operative agreements and instruments relating to the Securitizations (the "Securitization Documents"). The Company has provided Parent true and complete copies of the Securitization Documents.

(c) The Company is as of the date of this Agreement, the primary servicer, special servicer and manager of each of the Securitizations.

(d) The Company, in its role as special servicer, primary servicer, and manager, has not received any notice of any default and does not know of any written notice of default on the part of the special servicer, primary servicer or manager under any of the Servicing Agreements relating to any of the Securitizations.

(e) The Company has not received any written notice of any "Document Defect" or "Breach" or with the passing of time would constitute a "Document Defect" or "Breach" (as such terms are defined in the Servicing Agreements included in the Securitization Documents) under the Servicing Agreements or the Loan Sale Agreements relating to any of the Securitizations.

(f) None of the parties identified as "issuers" under the Securitization Documents have received any notices of default under any of the Indentures included in the Securitization Documents.

Section 4.20 Books and Records. The minute books and other similar records of the Company and its subsidiaries as made available to Parent prior to the execution of this Agreement contain a true and complete record, in all material respects, of all actions taken at all meetings and by written consents in lieu of meetings of the stockholders, board of trustees and committees of the board of trustees of the Company and its subsidiaries.

Section 4.21 State Takeover Statutes; Ownership Limitation. The Company has taken all action necessary to exempt the transactions contemplated by this Agreement from operation of any "fair price," "business combination," "moratorium," "control share acquisition" or any other anti takeover statute or similar statute enacted under the state laws of the United States or similar statute or regulation (a "Takeover Statute"). The Company and its board of trustees have adopted resolutions to except Parent and Subsidiary from the Ownership Limit as defined in Section 7.1 of the Declaration of Trust.

Section 4.22 Opinion of Financial Advisor. Lehman Brothers Inc. (the "Company Financial Advisor") has rendered to the Company's board of trustees its opinion to the effect that, as of the date of this Agreement, the Offer Price to be received pursuant to the Offer and the Merger by the holders of Shares is fair, from a financial point of view, to such holders, subject to the qualifications and assumptions contained therein. The Company has been advised that the Company Financial Advisor will permit the inclusion of the opinion in its entirety and, subject to prior review and consent by the Company Financial Advisor, a reference to the opinion in the Schedule 14D-9 and the Proxy Statement.

Section 4.23 Brokers. No broker, investment banker, financial advisor or other person, other than the Company Financial Advisor, the fees and expenses of which will be paid by the Company (as reflected in an agreement between such firm and the Company, a copy of which has been delivered to Parent), is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PARENT AND SUBSIDIARY

Section 5.1 Organization; Qualification. Each of Parent and Subsidiary is a corporation or limited liability company duly formed, validly existing and in good standing under the laws of Maryland and has all requisite power and authority to own, license, use, lease and operate its assets and properties and to carry on its business as it is now being conducted. Each of Parent and Subsidiary is duly qualified or licensed to do business and in good standing in each jurisdiction in which the assets or property owned, licensed, used, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not prevent or delay the consummation of the Offer or the Merger.

Section 5.2 Authority. Parent and Subsidiary have all requisite corporate or limited liability company, as applicable, power and authority to execute and deliver this Agreement and to perform and consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by Parent and Subsidiary of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate or limited liability company, as applicable, action on the part of Parent and Subsidiary and no other corporate or limited liability

company, as applicable, proceedings on the part of the Parent and Subsidiary are necessary to authorize this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by Parent and Subsidiary and constitutes a valid and binding obligation of Parent and

Subsidiary, enforceable against Parent and Subsidiary and in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). The Board of Directors of Parent (at a meeting duly called and held) has duly approved this Agreement and approved the Offer, the Merger and the other transactions contemplated hereby. No vote of the Stockholders of Parent is necessary to approve any of the transactions contemplated hereby.

Section 5.3 Consents and Approvals; No Violations.

(a) The execution, delivery and performance by Parent and Subsidiary of this Agreement and the consummation by Parent and Subsidiary of the transactions contemplated by this Agreement do not and will not require any filing or registration with, notification to, or authorization, permit, consent or approval of, or other action by or in respect of, any Governmental Authority other than (i) the filing of the Merger Filing as contemplated by Article II hereof, (ii) compliance with any applicable requirements of the Exchange Act and (iv) compliance with any applicable requirements of the New York Stock Exchange, Inc. or Nasdaq.

(b) The execution, delivery and performance by Parent and Subsidiary of this Agreement and the consummation by Parent and Subsidiary of the transactions contemplated by this Agreement do not and will not (i) conflict with or result in any breach of any provision of the organizational documents of Parent or Subsidiary, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to any right of termination, amendment, cancellation, acceleration or loss of benefits or the creation or acceleration of any right or obligation under or result in the creation of any Lien upon any of the properties or assets of Parent or Subsidiary or any of their subsidiaries under, any of the terms, conditions or provisions of any contract, to which Parent or Subsidiary is a party or by which any of their properties or assets may be bound or (iii) violate any judgment, order, writ, preliminary or permanent injunction or decree or any statute, law, ordinance, rule or regulation of any Governmental Authority applicable to Parent or Subsidiary or any of their properties or assets, except in the case of clauses (ii) or (iii) for violations, breaches or defaults that would not prevent or delay the consummation of the Offer or the Merger.

Section 5.4 Information Supplied. None of the information supplied or to be supplied by Parent in writing for inclusion or incorporation by reference in the Offer Documents, the Schedule 14D-9, the Proxy Statement (if applicable), or the other documents required to be filed by Parent or the Company in connection with the Offer, the Merger and the other transactions contemplated hereby will at the time of its filing, dissemination to the Company's shareholders or, in the case of the Proxy Statement, at the time of the meeting at which the Company Shareholder Vote is to be taken, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. If at any time prior to the expiration of the Offer or the Effective Time, as the case may be, any event with respect to Parent (including its officers, directors and subsidiaries) shall occur that is required to be described in an amendment of, or a supplement to, the Offer Documents, the Schedule 14D-9, the Proxy Statement or the other documents required to be filed by Parent or the Company in connection with the Offer, the Merger and the other transactions contemplated hereby, Parent shall notify the Company thereof and such event shall be so described. Any such amendment or supplement shall be promptly filed with the SEC and, as and to the extent required by law, disseminated to the shareholders of the Company, and such amendment or supplement shall comply in all material respects with all provisions of applicable law. The Offer Documents will (with respect to Parent, its officers, directors and subsidiaries) comply in all material respects with the applicable requirements of the Securities Act and the Exchange Act.

Section 5.5 Source of Funds. Parent has and will have at each of (i) the time of acceptance for purchase by Subsidiary of the Shares pursuant to the Offer and (ii) the Effective Time, and will make available to Subsidiary (or cause to be made available), the funds necessary to consummate the Offer and the Merger on the terms contemplated by this Agreement.

Section 5.6 Subsidiary. Subsidiary was formed solely for the purposes of engaging in the transactions contemplated hereby, and has engaged in no other business activities and has taken no actions other than those contemplated hereby.

Section 5.7 Brokers. No broker, investment banker, financial advisor or other person, other than Goldman, Sachs & Co., the fees and expenses of which will be paid by Parent, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Subsidiary, other than Goldman, Sachs & Co., whose fees and expenses will be paid by Parent.

ARTICLE VI

COVENANTS OF THE PARTIES

Section 6.1 Conduct of the Company's Business. During the period from the date of this Agreement and continuing until the earlier of the Effective Time and the date nominees of Parent or Subsidiary constitute a majority of the members of the board of trustees of the Company (such earlier time, the "Control Time"), except either as consented to in writing (including by email or other electronic transmission) by Parent in response to a written or oral request therefore from the Company (which response shall not be unreasonably delayed), the Company shall, and shall cause its subsidiaries to, conduct its and their business in the ordinary course and use commercially reasonable efforts to conduct its and their business relationships with third parties and to keep available the services of their present officers and employees, provided that it does not require additional compensation, and preserve its and their relationships with customers, suppliers and others having business dealings with the Company and its subsidiaries, and to maintain the Company's qualification as a REIT, in each case subject to the terms of or contemplated by this Agreement. In addition, without limiting the generality of the foregoing, except as expressly permitted in this Agreement, from the date hereof until the Control Time, the Company shall not, and shall cause its subsidiaries not to:

(a) (i) authorize, declare or pay any dividends on or make other distributions in respect of any of its stock (except for dividends by a wholly owned subsidiary of the Company to its parent and except for distributions necessary for the Company to maintain its REIT qualification, avoid the

incurrence of any taxes under Section 857 of the Code, avoid the imposition of any excise taxes under Section 4981 of the Code, or avoid the need to make one or more extraordinary or disproportionately larger distributions to meet any of the three preceding objectives), (ii) split, combine or reclassify any of its stock or issue or authorize or propose the issuance of any other securities or (iii) repurchase, redeem or otherwise acquire any shares of stock of the Company or any of its subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities;

(b) except in accordance with the Share Option Agreement, issue, deliver, sell, pledge or encumber, or authorize or propose the issuance, delivery, sale, pledge or encumbrance of, any shares of its beneficial interests, stock or any other security;

(c) amend or propose to amend its declaration of trust, certificate of incorporation or bylaws (or similar organizational documents);

(d) (i) acquire or agree to acquire any material assets (including securities) outside the ordinary course or merge or consolidate with any person or engage in any similar transaction or (ii) make any loans, advances or capital contributions to, or investments in, any other person, other than to the Company or any wholly owned subsidiary of the Company and other than loans to auto dealers in the ordinary course of business which would, when originated, qualify as Eligible Receivables under the Warehouse Line;

(e) sell, lease, license, encumber or otherwise dispose of any of its assets or any interest therein, other than in the ordinary course (including the disposition of any assets acquired as a result of a foreclosure), or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring or other reorganization;

(f) incur or suffer to exist any indebtedness for borrowed money or guarantee any such indebtedness, guarantee any debt of others, enter into any “keep-well” or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing, except for borrowings under the Warehouse Line;

(g) make or rescind any Tax election or settle or compromise any Tax liability of the Company or any of its subsidiaries;

(h) make or agree to make any capital expenditures other than in amounts of less than $75,000 in the aggregate;

(i) pay, discharge, settle or satisfy any Claim (whether absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge, settlement or satisfaction, in the ordinary course of business or in accordance with their terms, of Claims whether recognized or disclosed in the most recent financial statements (or the notes thereto) of the Company included in the Company Filed SEC Documents or incurred since the date of such financial statements in the ordinary course of business except for cash payments (x) paid by any insurer or person other than the Company and any subsidiary of the Company, plus (y) an amount paid by the Company or any subsidiary of the Company not exceeding $100,000 per Claim, liability or obligation or $500,000 for all Claims in the aggregate.

(j) (i) modify, amend or terminate any material contract, (ii) waive, release or assign any material rights or claims, (iii) waive the benefits of, or agree to modify in any manner, any confidentiality, standstill or similar agreement, or fail to enforce any such agreement to the fullest extent practicable, including by seeking injunctive relief and specific performance or (iv) except, with respect to this clause (iv), in the ordinary course of business, enter into any material contracts or transactions;

(k) (i) increase the compensation or benefits of any director, trustee, officer or employee, except for, in the cases of non-officer employees, increases in the ordinary course that are consistent with past practice, (ii) adopt any material amendment to a Benefit Plan, (iii) enter into, amend or modify any employment, consulting, severance, termination or similar agreement with any director, trustee, officer or employee, (iv) accelerate the payment of compensation or benefits to any director, officer or employee, (v) take any action to fund or in any other way secure the payment of compensation or benefits under any Benefit Plan or compensation agreement or arrangement; or change any actuarial or other assumption used to calculate funding obligations with respect to any pension plan or change the timing or manner in which contributions to any pension plan are made or the basis on which such contributions are determined or (vi) take any action that could give rise to severance benefits payable to any officer, trustee, director, or employee of the Company or any subsidiary as a result of consummation of any of the transactions contemplated by this Agreement; provided that nothing in this paragraph (k) shall preclude the payment by the Company of accrued, but unpaid bonuses to employees for 2004 and

retroactive salary adjustments in each case as set forth in Section 6.1(k) of the Company Disclosure Schedule;

(l) take any action to exempt or make not subject to or to otherwise waive or cause to be inapplicable (x) the provisions of any Takeover Statute or (y) Section 7.2 of the Declaration of Trust, in each case to any individual or entity (other than Parent or its subsidiaries), or any action taken thereby, which individual, entity or action would have otherwise been subject to the restrictive provisions thereof and not exempt therefrom;

(m) take any action to delist the Shares from Nasdaq;

(n) make any material change to its methods of accounting in effect on the date hereof, except as required by changes in GAAP as concurred with by the Company’s independent auditors, or change its fiscal year;

(o) enter into any transaction with any of its affiliates other than pursuant to arrangements in effect on the date hereof which have been disclosed to Parent;

(p) accelerate the collection of receivables or defer the payment of payables, or modify the payment terms of any receivables or payables, in each case, other than in the ordinary course of business;

(q) securitize, or create any financing arrangements in the nature of a collateralized debt obligation with respect to, any accounts receivable, loans or other assets;

(r) amend or modify the existing agreement between Company and Company Financial Advisor; or

(s) authorize any of, or commit or agree to take any of, the foregoing actions or any action that would result in a breach of any representation, warranty or agreement of the Company contained in this Agreement as of the date when made or as of any future date or would result in any of the conditions to the Merger not being satisfied or in a material delay in the satisfaction of such conditions.

Section 6.2 No Solicitation. From the date hereof until the Control Time:

(a) The Company shall, and shall cause its subsidiaries and its and their respective officers, trustees, directors, employees, representatives and agents to, immediately cease any discussions or negotiations with any parties that may be ongoing with respect to a Takeover Proposal, and request the return or destruction of all confidential information regarding the Company and its subsidiaries provided to any such persons on or prior to the date of this Agreement pursuant to the terms of any confidentiality agreements or otherwise. The Company shall not, and shall cause its subsidiaries and its and their respective officers, trustees, directors, employees, representatives and agents not to, directly or indirectly, (i) solicit, initiate or encourage (including by way of furnishing information), or take any other action designed or reasonably likely to facilitate or encourage, any inquiries or the making of any proposal that constitutes, or is reasonably expected to lead to, any Takeover Proposal or (ii) participate in any discussions or negotiations (including by way of furnishing information) regarding any Takeover Proposal; provided, however, that if, at any time prior to the Control Date, a majority of the board of trustees of the Company determines in good faith, after consultation with outside counsel and the Company Financial Advisor or other financial advisor of nationally recognized reputation selected by the Company, that such Takeover Proposal constitutes or is reasonably likely to result in a Superior Proposal

the Company may, in response to such Takeover Proposal that was not solicited subsequent to the date hereof, and subject to compliance with this Section 6.2, (x) furnish information with respect to the Company and its subsidiaries to the person making such Takeover Proposal pursuant to a confidentiality and standstill agreement no less restrictive on the other party than the Confidentiality Agreement and (y) participate in discussions or negotiations regarding such Takeover Proposal.

(b) Except as set forth in this Section 6.2, neither the board of trustees of the Company nor any committee thereof shall (i) withdraw or modify, or publicly propose to withdraw or modify, the approval or recommendation by such board of trustees or such committee of the Offer or the Merger of this Agreement, (ii) approve or recommend or take no position with respect to, or publicly propose to approve or recommend or take no position with respect to, any Takeover Proposal or (iii) cause the Company to enter into any agreement related to any Takeover Proposal (other than a confidentiality and standstill agreement with respect to a Takeover Proposal as contemplated by Section 6.2(a)). Notwithstanding the foregoing, if prior to the Control Date the board of trustees of the Company determines in good faith, after consultation with outside counsel and the Company Financial Advisor or other financial advisor of nationally recognized reputation selected by the Company, that such a Takeover Proposal constitutes a Superior Proposal, the board of trustees of the Company may, if such Superior Proposal was not solicited subsequent to the date hereof, (x) withdraw or modify its approval or recommendation of the Offer or the Merger or this Agreement or (y) subject to the provisions of Section 8.1(d) hereof, terminate this Agreement, but in each such case only at a time that is after the fifth business day following delivery of written notice to Parent advising Parent that the board of trustees of the Company has received a Superior Proposal, specifying the material terms and conditions of such Superior Proposal and identifying the person making such Superior Proposal, and only if the Company is in compliance with this Section 6.2.

(c) For purposes of this Agreement, "Takeover Proposal" means any inquiry, proposal, offer or expression of interest by any third party relating to a merger, consolidation or other business combination involving the Company or any subsidiary of the Company, or any purchase of more than 20% of the consolidated assets of the Company (including the shares and assets of its subsidiaries) or the Shares or the issuance of any securities (or rights to acquire securities) of the Company or any subsidiary of the Company, or any similar transaction, or any agreement, arrangement or understanding requiring the Company to abandon, terminate or fail to consummate the Merger or any other transaction contemplated by this Agreement. Any material modification of a Takeover Proposal (including any modification of the economic terms) shall constitute a new Takeover Proposal. For purposes of this Agreement, a "Superior Proposal" means any bona fide Takeover Proposal for a transaction in which all of the shares or all or substantially all of the assets of the Company would be acquired by a third party, including by merger, consolidation or other business combination on terms that a majority of the board of trustees of the Company determines in good faith (after consultation with outside counsel and the Company Financial Advisor or other financial advisor of nationally recognized reputation selected by the Company) would be more favorable to the Company's shareholders, from a financial point of view, than the Offer and the Merger (taking into account any changes to the Offer and the Merger proposed by Parent in response to the receipt by the Company of such Superior Proposal) and which is not subject to any material contingency, including any contingency related to financing, unless, the board of trustees of the Company determines in good faith that such contingency is reasonably capable of being satisfied, and that is otherwise reasonably capable of being consummated in a timely fashion.

(d) The Company shall immediately advise Parent orally and in writing of any request for information or of any Takeover Proposal, the material terms and conditions of such request or Takeover Proposal and the identity of the person making such request or Takeover Proposal. The Company will promptly (but in any event within 24 hours) inform Parent of any material change in the details (including amendments or proposed amendments) of any such request or Takeover Proposal.

(e) Nothing contained in this Section 6.2 shall prohibit the Company from taking and disclosing to its shareholders a position contemplated by Rule 14e-2 or Rule 14d-9 promulgated under the Exchange Act or from making any disclosure to the Company's shareholders if the board of trustees of the Company determines in good faith, after consultation with outside counsel, that failure so to disclose would be inconsistent with applicable law; provided, however, that neither the Company nor its board of trustees nor any committee thereof shall, except as specifically permitted by Section 6.2(b), withdraw or modify, or publicly propose to withdraw or modify, its position with respect to the Offer and the Merger or this Agreement or approve or recommend, or propose to approve or recommend, a Takeover Proposal.

(f) The Company agrees that the Company, its subsidiaries and any of the officers, directors, and trustees of the Company or its subsidiaries shall, and that the Company shall cause the Company's and its subsidiaries' employees, agents and representatives (including any investment banker, attorney or accountant retained by it or any of the Company Subsidiaries) to, immediately cease and cause to be terminated any activities, discussions

or negotiations existing as of the date of this Agreement with any parties conducted heretofore with respect to any Takeover Proposal. The Company shall, and shall cause its subsidiaries to, promptly request each person that has executed a confidentiality agreement in connection with its consideration of a possible Takeover Proposal to return (or, if required under the provisions of the confidentiality agreement, destroy) all confidential information previously furnished to such person. The Company will, and will cause its subsidiaries to, promptly inform its and their trustees, directors, officers, key employees, agents and representatives of the obligations undertaken in this Section 6.2.

Section 6.3 Access to Information. Subject to the requirements of confidentiality agreements with third parties in existence on the date hereof (copies of which, have been provided to Parent), the Company shall (i) provide Parent and its officers, directors, employees, agents, counsel, accountants, financial advisors, consultants and other representatives (together, its "Representatives") with full access, upon reasonable prior notice, to all personnel, officers, employees, agents, accountants, properties (including for the purpose of environmental testing to the extent permitted by applicable leases) and facilities, of the Company and its subsidiaries and the books and records relating to the Company and its subsidiaries and (ii) furnish Parent and its Representatives with all such information and data (including copies of contracts and other books and records) concerning the Company and its subsidiaries and operations of the Company and its subsidiaries as Parent or any of such Representatives reasonably may request in connection with such investigation. All such information shall be kept confidential by Parent and its Representatives in accordance with the terms of the Confidentiality Agreement, dated as of December 9, 2004, between Parent and the Company (the "Confidentiality Agreement").

Section 6.4 Notice Obligations. From time to time prior to the Effective Time, the Company shall notify Parent in writing with respect to any matter hereafter arising or any information obtained after the date hereof that, if existing, occurring or known at or prior to the date of this Agreement, would have been required to be set forth or described in the Company Disclosure Schedule or that is necessary to complete or correct any information in such schedule or in any representation and warranty of the Company that has been rendered inaccurate thereby or that would cause a condition to the closing hereof not to be satisfied, provided, however, that no such notification shall affect the representations, warranties, covenants or agreements of the Company or the conditions to the obligations of Parent under this Agreement. The Company shall promptly inform Parent of (i) any claim by a third party that a contract has been breached, is in default, may not be renewed or that a consent would be required as a result of the transactions contemplated by this Agreement, (ii) any debt asset of the Company, including, to the knowledge of the Company, any debt asset contributed or sold by the Company or a subsidiary to the securitization vehicle, that becomes more than 60 days past due or delinquent and any debt asset held in any of the Company's securitizations which the Company is required to re-acquire on account of default, breach of representations or otherwise and (iii) any notice by a rating agency that any of the

Company's securitizations have been downgraded or placed on credit watch for possible downgrade. The Company will consult with Parent a reasonable time prior to making publicly available its financial results or filing any document with the SEC.

Section 6.5 Commercially Reasonable Efforts.

(a) Upon the terms and subject to the conditions of this Agreement, each of the parties hereto shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, as promptly as practicable following the execution and delivery of this Agreement. The Company and Parent each shall comply as promptly as practicable with any other laws of any Governmental Authority that are applicable to any of the transactions contemplated hereby and pursuant to which any consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Authority or any other person in connection with such transactions is necessary. The Company and Parent each shall furnish to the other such necessary information and reasonable assistance as the other may request in connection with their preparation of any filing or registration that is necessary under any applicable laws, including the filings to be made pursuant to the Exchange Act. The Company and Parent shall keep each other apprised of the status of any communications with, and any inquiries or requests for additional information from, any Governmental Authority (or other person) regarding any of the transactions contemplated by this Agreement in respect of any such filing, registration or declaration, and shall comply promptly with any such inquiry or request (and, unless precluded by law, provide copies of any such communications that are in writing).

(b) Subject to the terms and conditions of this Agreement, each party shall use its commercially reasonable efforts to cause the Closing to occur as promptly as practicable, including by defending against any lawsuits, actions or proceedings, judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, and seeking to have any preliminary injunction, temporary restraining order, stay or other legal restraint or prohibition entered or imposed by any court or other Governmental Authority that is not yet final and nonappealable vacated or reversed.

(c) The Company and Parent will cooperate and use their respective commercially reasonable efforts to obtain as promptly as practicable all consents, approvals and waivers required by third persons so that all Company Permits and contracts of the Company and its subsidiaries will remain in full force and effect after the Effective Time.

(d) At any time after Subsidiary shall have accepted for payment and paid for all Shares validly tendered and not withdrawn pursuant to the Offer, Parent shall use its commercially reasonable efforts to cause the Company to comply with the provisions of Sections 856(a)(5) and 856(b) of the Code.

(e) Notwithstanding anything to the contrary in this Agreement, (i) neither Parent nor any of its subsidiaries shall be required to hold separate (including by trust or otherwise) or to divest any of their respective businesses or assets (including, following the Effective Time, any of the businesses or assets of the Surviving Company and its subsidiaries), or to take or agree to take any action or agree to any limitation with respect to the ownership or holding of any of their respective businesses or assets (including, following the Effective Time, any of the businesses or assets of the Surviving Company and its subsidiaries), (ii) neither any party hereto nor their respective subsidiaries shall be required to take any action that would, or could reasonably be expected to, substantially impair the benefits expected, as of the date of this Agreement, to be realized by Parent from consummation of the Merger and (iii) no party to

this Agreement shall be required to waive any of the conditions to the Merger set forth in Article VII as they apply to such party to this Agreement, except as provided in Section 1.1.

Section 6.6 Indemnification; Insurance.

(a) Parent and Subsidiary agree that all rights to indemnification for acts or omissions occurring prior to the Effective Time now existing in favor of the current or former trustees, directors or officers (the "Indemnified Parties") of the Company and its subsidiaries as provided in their respective declarations of trust, certificates of incorporation or bylaws (or similar organizational documents), shall survive the Merger and shall continue in full force and effect in accordance with their terms.

(b) (i) In addition to the rights provided in Section 6(a) above, in the event that any officer, director or trustee of the Company or any of the Company's subsidiaries (the "Indemnification Parties") is, or is threatened to be, made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including without limitation, actions by or on behalf of securityholders, (each, a "Proceeding"), by reason of the fact that he is or was an officer, employee, director or trustee of the Company or any of the Company's subsidiaries or any action or omission by such individual in his capacity as such (including any action or omission occurring in connection with the approval of this Agreement and the consummation of the transactions contemplated hereby), Parent and Subsidiary and their respective successors and assigns (the "Indemnifying Parties") shall, from and after the Effective Time, indemnify and hold harmless, as and to the full extent permitted by applicable law, each Indemnification Party against any losses, claims, liabilities, expenses (including reasonable documented attorneys' fees and expenses), judgments, fines and amounts paid in settlement in accordance herewith in connection with any such Proceeding.

(ii) Any Indemnification Party proposing to assert the right to be indemnified under this Section 6(b) shall, promptly after receipt of notice of commencement of any action against such Indemnification Party in respect of which a claim is to be made under this Section 6(b) against the Indemnifying Parties, notify the Indemnifying Parties of the commencement of such action, enclosing a copy of all papers served; provided, however, that the failure to provide such notice shall not affect the obligations of the Indemnifying Parties except to the extent such failure to notify materially prejudices the Indemnifying Parties' ability to defend such claim, action, suit, proceeding or investigation; and provided further, however, that, in the case of any Proceeding pending, to the knowledge of the Company, at the Control Time or Effective Time, the Company shall notify Parent pursuant to this Section 6(b) prior to the Control Time or Effective Time, as the case may be.

(iii) If any such action is brought against any of the Indemnification Parties and such Indemnification Parties notify the Indemnifying Parties of its commencement, the Indemnifying Parties will be entitled to participate in and, to the extent that they elect by delivering written notice to such Indemnification Parties promptly after receiving notice of the commencement of the action from the Indemnification Parties, to assume the defense of the action and after notice from the Indemnifying Parties to the Indemnification Parties of their election to assume the defense, the Indemnifying Parties will not be liable to the Indemnification Parties for any legal or other expenses of their counsel except as provided below. If the Indemnifying Parties assume the defense, the Indemnifying Parties shall have the right to settle such action without the consent of the Indemnification Parties; provided, however, that no Indemnifying Parties, in the defense of any such action shall, except with the consent of the Indemnification Parties, consent to entry of any judgment or enter into any settlement that (A) does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnification Parties of a full, unconditional release from all liability with respect to such action, or (B) contains obligations of such Indemnification Party other than with respect to the payment of money.

(iv) The Indemnification Parties will have the right to employ their own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such Indemnification Parties unless (A) the employment of counsel by the Indemnification Parties has been authorized in writing by the Indemnifying Parties, (B) the Indemnification Parties have reasonably concluded (based on advice of counsel to the Indemnification Parties) that there may be legal defenses available to them that are different from or in addition to and inconsistent with those available to the Indemnifying Parties, (C) a conflict or potential conflict exists (based on advice of counsel to the Indemnification Parties) between the Indemnification Parties and the Indemnifying Parties (in which case the Indemnifying Parties will not have the right to direct the defense of such action on behalf of the Indemnification Parties) or (D) the Indemnifying Parties have not in fact employed counsel to assume the defense of such action within a reasonable time (not to exceed 30 days) after receiving notice of the commencement of the action from the Indemnification Parties, in each of which cases, the reasonable documented fees, disbursements and other charges of counsel will be at the expense of the Indemnifying Parties and shall promptly be paid by each Indemnifying Party within 20 days of receipt by the Indemnifying Parties of notice and documentation that such fees and expenses are due and payable.

(v) Notwithstanding anything contained in this Section 6.6 to the contrary, the Indemnifying Parties shall not be obligated to advance any expenses or costs prior to receipt of (A) an undertaking by or on behalf of the Indemnification Party to repay any expenses advanced if it shall ultimately be determined that the Indemnification Party is not entitled to be indemnified against such expense pursuant to the last sentence of this Section 6(b) and (B) such other representations as may be required by law. It is understood that the Indemnifying Parties shall not, in connection with any Proceeding or Proceedings in the same jurisdiction, be liable for the reasonable documented fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for all such Indemnification Parties unless (x) the employment of more than one counsel has been authorized in writing by the Indemnifying Parties, (y) any of the Indemnification Parties have reasonably concluded (based on advice of counsel to the Indemnification Parties) that there may be legal defenses available to them that are different from or in addition to and inconsistent with those available to other Indemnification Parties or (z) a conflict or potential conflict exists (based on advice of counsel to the Indemnification Parties) between any of the Indemnification Parties and the other Indemnification Parties, in each case of which the Indemnifying Parties shall be obligated to pay the reasonable documented fees and expenses of such additional counsel or counsels on the same basis as provided in the immediately preceding sentence.

(vi) Notwithstanding anything to the contrary set forth in this Agreement, the Indemnifying Parties (A) shall not be liable for any settlement effected without their prior written consent and (B) shall not have any obligation hereunder to any Indemnification Party to the extent that a court of competent jurisdiction shall determine in a final and non-appealable order that such indemnification is prohibited by applicable law. In the event of a final and non-appealable determination by a court that any payment of expenses is prohibited by applicable law, the Indemnification Parties shall promptly refund to the Indemnifying Parties the amount of all such expenses theretofore advanced pursuant hereto.

(vii) In no event shall the Indemnifying Parties be responsible for any losses, claims, liabilities, expenses, judgments, fines or amounts paid in settlement of (A) any Proceedings arising due to violations of Section 16 under the Exchange Act or (B) for which the Indemnification Party has previously been reimbursed from other sources.

(c) For six years from the Effective Time, Parent shall maintain in effect the Company's current directors' and officers' liability insurance covering those trustees, directors and officers who are currently covered by the Company's directors' and officers' liability insurance policy (the

"Company Insured Parties") (a copy of which has been heretofore delivered to Parent) (or, in lieu of

maintaining such insurance, cause coverage to be provided under any policy maintained for the benefit of Parent or any of its subsidiaries or otherwise obtained by Parent, so long as the terms thereof are no less advantageous to the intended beneficiaries thereof than those of the Company's policy); provided, however, that in no event shall Parent be required to expend in excess of 200% of the annual premiums currently paid by the Company for such insurance, and; provided, further, that if the annual premiums of such insurance coverage exceed such amount, Parent shall be obligated to obtain a policy with the greatest coverage available for a cost not exceeding such amount. In lieu of the foregoing, Parent may purchase six-year "tail" coverage covering acts or omissions prior to the Effective Time on substantially similar terms to the existing policy of the Company.

(d) This Section 6.6 shall survive the consummation of the Merger, is intended to benefit the Indemnified Parties, and shall be binding on all successors and assigns of Parent and the Surviving Company. If Parent or Subsidiary or any of its respective successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then, and in each such case the successors and assigns of such entity shall assume the obligations set forth in this Section 6.6, which obligations are expressly intended to be for the irrevocable benefit of, and shall be enforceable by, each director, trustee and officer covered hereby.

Section 6.7 Publicity. The initial press release to be issued with respect to the transactions contemplated by this Agreement will be in the form agreed to by the parties prior to the execution of this Agreement. Except as otherwise required by law, court process or the rules of any applicable securities exchange or national quotation system or as contemplated or provided elsewhere herein, neither the Company nor Parent shall issue any press release or otherwise make any public statement with respect to the transactions contemplated by this Agreement without prior consultation with the other and without providing the other party with a reasonable opportunity to review and comment upon such press release.

Section 6.8 Employee Benefits. Parent shall, or shall cause the Surviving Company to, include all employees of the Company immediately prior to the Effective Time who remain employees of the Surviving Company in the benefit programs of Parent applicable to similarly situated employees of Parent; provided, however, that the Company acknowledges and agrees that this obligation shall not be construed to include equity-based awards or grants as such awards or grants are solely within the discretion of the board of directors of Parent. At all times following the Effective Time, Parent shall cause, or shall cause the Surviving Company to cause, each of the employee benefit plans and programs covering individuals who were employees of the Company before the Effective Time to recognize service (solely for eligibility and vesting purposes performed as an employee of the Company prior to the Effective Time) but such recognition of service will not be required to result in any duplication of benefits.

Section 6.9 Recommendation of the Company's Board of Trustees; Shareholder Approval; Preparation of Proxy Statement.

(a) If the Company Shareholders Approval is required by law to consummate the Merger, the Company shall, in accordance with applicable law and its Declaration of Trust and Bylaws, as promptly as practicable following the consummation of the Offer duly call, give notice of, convene and hold a meeting of its shareholders (the "Shareholders Meeting") for the purpose of obtaining such approval. The record date for determining eligibility to vote at the Shareholders Meeting shall be after the date on which Subsidiary shall have purchased and paid for, and been recognized by the Company as the record owner of, the Shares duly tendered in, and not withdrawn prior to the expiration of, the Offer. Subject to the duties of the Company's board of trustees under applicable law, the Company shall, through its board of trustees, advise the Merger and recommend to its shareholders that the Company

Shareholders' Approval be given. Notwithstanding the foregoing, if Parent and Subsidiary in the aggregate shall acquire 90% or more of the then outstanding Shares pursuant to the Offer or otherwise, the parties shall take all necessary and appropriate actions to cause the Merger, pursuant to the terms thereof, to become effective as soon as reasonably practicable after such acquisition without a meeting of the shareholders of the Company and otherwise in accordance with Section 8-501.1 of the REIT Law and the LLC Act (including, without limitation, filing of articles of merger with the SDAT in accordance with the REIT Law and the LLC Act and consistent with the terms of the Merger).

(b) If the Company Shareholders Approval is required by law to consummate the Merger, the Company shall, as soon as practicable following the expiration of the Offer, prepare and file a preliminary proxy statement (as amended and supplemented, the "Proxy Statement") with the SEC and shall use its commercially reasonable efforts to respond promptly to any comments of the SEC or its staff, and to cause the Proxy Statement to be mailed to the Company's shareholders as promptly as practicable after responding to all such comments to the satisfaction of the staff. If at any time prior to the Shareholders Meeting there shall occur any event that, in the judgment of the Company after consultation with its legal advisors, should be set forth in an amendment or supplement to the Proxy Statement, the Company shall promptly prepare and mail to its shareholders such an amendment or supplement. Parent shall cooperate with the Company in the preparation of the Proxy Statement or any amendment or supplement thereto and shall furnish the Company with all information required to be included therein with respect to Parent or Subsidiary. The Company shall not use any proxy material (including, without limitation, the Proxy Statement or any amendment or supplement thereto) in connection with the Shareholders Meeting without prior consultation with Parent which approval shall not be unreasonably withheld.

(c) Parent agrees to cause all Shares purchased pursuant to the Offer and all other Shares owned by Parent or Subsidiary to be voted in favor of the Merger.

(d) Without limiting the generality of the foregoing, each of the parties shall correct promptly any information provided by it to be used specifically in the Proxy Statement, if required, that shall have become false or misleading in any material respect and shall take all steps necessary to file with the SEC and have declared effective or cleared by the SEC any amendment or supplement to the Proxy Statement so as to correct the same and to cause the Proxy Statement as so corrected to be disseminated to the shareholders of the Company, in each case to the extent required by applicable law.

Section 6.10 Litigation. The Company shall give Parent the opportunity to participate in the defense or settlement of any shareholder litigation against the Company and its trustees relating to the Offer, the Merger and the other transactions contemplated by this Agreement until the consummation of the Offer, and thereafter, Parent shall direct the defense of such litigation and shall give the Company and its directors an opportunity to participate in such litigation; provided, however, that no settlement, other than a settlement permitted to be made under Section 6.1(i), shall be agreed to prior to the

consummation of the Offer without Parent's consent, which consent shall not be unreasonably withheld or delayed; and provided, further, that no settlement requiring a payment or an admission of any wrongdoing by a trustee shall be agreed to without such trustee's consent.

Section 6.11 Takeover Statute; Ownership Limitation. If any Takeover Statute, or any provision under applicable law or the Declaration of Trust restricting the ability of Parent or Subsidiary to enjoy full voting and economic rights of Shares to be acquired in the Offer, shall become applicable to the transactions contemplated hereby, each of Parent, Subsidiary and the Company and the members of their respective boards of directors or trustees, as the case may be, shall grant such approvals and take such actions as are reasonably necessary so that the transactions contemplated hereby may be consummated as promptly as practicable on the terms contemplated hereby and otherwise shall act to eliminate or

minimize the effects of any such provision, statute or regulation on the transactions contemplated hereby, provided that such approval or such action will not affect the status of the Company as a REIT.

Section 6.12 FIRPTA Certification. Within two days prior to the purchase of Shares pursuant to the Offer, the Company shall provide to the Parent and Subsidiary a certification in accordance with Sections 1.897-2(h) and 1.1445-2(c)(3) of the Treasury regulations to the effect that Company is not, nor has it been at any time during the specified period in Section 897(c)(1)(A)(ii), a "United States Real Property Holding Corporation" as that term is defined in Section 897(c)(2) of the Code.

Section 6.13 Officer's Certificate. The Company shall deliver to Parent a certificate, dated the date of the consummation of the Offer and duly executed by an officer of the Company in form and substance reasonably satisfactory to Parent, certifying that (i) the representations and warranties of the Company contained in this Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect or any similar standard or qualification (except for the representations and warranties contained in Section 4.6(i), for which such qualifiers shall not be disregarded), shall be true and correct at the date hereof and as of the date of the consummation of the Offer with the same effect as if made at and as of such time (other than representations and warranties that specifically relate to an earlier date or changes resulting from actions permitted under Section 6.1 of this Agreement, in which cases such representations and warranties shall be true and correct as of such earlier date), with only such exceptions as, individually or in the aggregate, have not had a Material Adverse Effect; (ii) the Company has performed and complied in all material respects with its covenants and obligations contained in the Agreement; and (iii) there has not occurred a Material Adverse Effect on the Company.

Section 6.14 Protective TRS Election. On the date of the purchase of Shares pursuant to the Offer, the Company shall make a protective election jointly with Parent for the Company to be a "taxable REIT subsidiary" (a "TRS"), as defined in Section 856(l)(1) of the Code, of Parent by executing an Internal Revenue Service Form 8875 (or any successor form), effective as of the date of the purchase of Shares pursuant to the Offer, which election shall state that it is to be effective only if the Company does not qualify as a REIT for any period covered by such election.

ARTICLE VII

CONDITIONS

Section 7.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger are subject to the satisfaction or waiver, where permissible, at or prior to the Effective Time, of each of the following conditions:

(a) if required by the REIT Law and the LLC Act, the Merger shall have been duly approved by the requisite affirmative vote of the shareholders of the Company in accordance with applicable law, the Declaration of Trust and Bylaws of the Company;

(b) no statute, rule, regulation, executive order, decree, ruling, judgment, decision, order or injunction shall have been enacted, entered, promulgated, issued or enforced by any court or other Governmental Authority which is in effect and has the effect of prohibiting, restraining or enjoining the consummation of the Merger; and

(c) Subsidiary shall have accepted for payment and paid for all Shares validly tendered and not withdrawn pursuant to the Offer.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

Section 8.1 Termination. This Agreement may be terminated and the Merger may be abandoned at any time before the Effective Time, whether before or after Subsidiary shall have accepted for payment and paid for all Shares validly tendered and not withdrawn pursuant to the Offer or after the Company Shareholder Approval (if required by applicable law) only:

(a) by mutual written consent of the parties;

(b) by either Parent or the Company:

(i) if the purchase of the Shares pursuant to the Offer shall not have occurred on or prior to the close of business on April 30, 2005 (the "Outside Date"); provided, however, that the right to terminate this Agreement pursuant to this paragraph (b)(i) shall not be available to any party whose failure to perform any of its obligations under this Agreement has been the cause of, or resulted in, such purchase not occurring before such date;

(ii) if any Governmental Authority shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree or ruling or other action shall

have become final and nonappealable; provided, however, that the right to terminate this Agreement pursuant to this paragraph (b)(ii) shall not be available to any party whose failure to comply with Section 6.5 has caused or primarily resulted in such action by such Governmental Authority;

(iii) if the representations and warranties of the other party contained in this Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect or any similar standard or qualification (except for the representations and warranties contained in Section 4.6(i), for which such qualifiers shall not be disregarded), shall not be true and correct, with only such exceptions as, individually or in the aggregate, have not had a Material Adverse Effect; provided, however, if such failure to be true and correct is curable on or before the Outside Date, then only upon the failure of the other party to cure such breach within 20 calendar days after receipt of written notice thereof or if such failure could not reasonably be expected to be cured within such 20 calendar days and the other party promptly commences an action to cure after receipt of notice and diligently prosecutes such cure to completion as promptly as practicable but in no event later than the Outside Date;

(iv) if the other party shall have breached or failed to perform in any material respect any of its covenants or other agreements contained in this Agreement; provided, however, if a breach or failure is curable on or before the Outside Date, then only upon the failure of the other party to cure such breach within 20 calendar days after receipt of written notice thereof or if such breach or failure could not reasonably be expected to be cured within such 20 calendar days and the other party promptly commences an action to cure after receipt of notice and diligently prosecutes such cure to completion as promptly as practicable but in no event later than the Outside Date.

(c) by Parent if before the purchase of the Shares pursuant to the Offer, (i) the board of trustees of the Company or any committee thereof shall have (x) withdrawn or modified in a manner adverse to Parent or Subsidiary its approval or recommendation of the Merger or the other transactions

contemplated by this Agreement, (y) approved or recommended any Takeover Proposal or (z) failed to reaffirm its recommendation of the Merger and the other transactions contemplated by this Agreement within five business days after the public announcement of a Takeover Proposal (including the filing of a Schedule 13D with the SEC) or (ii) the board of trustees of the Company or any committee thereof shall have resolved to take any of the foregoing actions; or

(d) by the Company in accordance with Section 6.2(b), provided that it has complied with all provisions thereof, including the notice provisions therein, and that it has paid Parent the fee contemplated by Section 8.3(b) in accordance with the terms of such section.

Notwithstanding anything else contained in this Agreement, the right to terminate this Agreement under this Section 8.1 shall not be available to any party (i) that is in material breach of its obligations hereunder or (ii) whose failure to fulfill its obligations or to comply with its covenants under this Agreement has been the cause of, or resulted in, the failure to satisfy any condition to the obligations of either party hereunder.

Section 8.2 Effect of Termination. In the event of a termination of this Agreement by either the Company or Parent as provided in Section 8.1, this Agreement shall forthwith become void except as specifically provided herein and, except as provided in this Section 8.2 and in Sections 6.3 and 8.3(b) and Article IX (each of which will survive termination), and there shall be no liability or obligation on the part of Parent, Subsidiary or the Company or their respective officers, directors or trustees; provided, however, that nothing herein shall relieve any party's liability for any breach by such party of any of its representations, warranties, covenants or agreements set forth in this Agreement.

Section 8.3 Fees and Expenses.

(a) Whether or not the Offer or the Merger is consummated and except as otherwise provided in this Agreement, including without limitation Section 8.3(b), each party shall bear its own expenses in connection with the transactions contemplated by this Agreement, provided that Parent and the Company shall each bear one-half of the costs of filing, printing and mailing the Proxy Statement, if necessary. As used in this Agreement, "expenses" means the out-of-pocket fees and expenses of any advisors, counsel and accountants, incurred by the party or on its behalf in connection with this Agreement and the transactions contemplated hereby, and the out-of-pocket expenses of the preparation, printing, filing and mailing of the Proxy Statement and the solicitation of Company Shareholder Approval.

(b) If this Agreement is terminated pursuant to (i) Section 8.1(b)(iii) by Parent and such termination was the result of a breach of a representation or warranty of the Company (x) made as of the date of this Agreement or (y) made after the date of this Agreement and that was the result of any action or inaction by the Company or any event, circumstance or occurrence that was within the control of the Company, (ii) Section 8.1(b)(iv) by Parent, (iii) Section 8.1(c) (i)(x) or (y) or 8.1(c)(ii) by Parent with regard to an action contemplated by 8.1(c)(i)(x) or (y), (iv) Section 8.1(d) by the Company, (v) Section 8.1(c)(i)(z) or 8.1(c)(ii) by Parent with regard to an action contemplated by 8.1(c)(i)(z) and prior to or within 12 months following such termination, the Company enters into a definitive written agreement with respect to or consummates a Takeover Proposal or (vi) or Section 8.1(b)(i) by the Company and prior to the time of such termination pursuant to Section 8.1(b)(i), the Company has received a Takeover Proposal that is still outstanding and prior to or within 12 months following such termination, the Company enters into a definitive written agreement with respect to or consummates such Takeover Proposal, then the Company shall pay to Parent a fee (the "Break Fee") equal to the lesser of (1) of $4,500,000 (the "Base Amount") and (2) the sum of (A) the maximum amount that can be paid to Parent without causing it to fail to meet the REIT requirements determined as if the payment of such amount did

not constitute income described in Section 856(c)(2) and (3) of the Code ("Qualifying Income"), as determined by independent accountants to Parent and (B) in the event Parent receives a tax opinion indicating that either (x) Parent's receipt of the Base Amount would either constitute Qualifying Income or would be excluded from Parent's gross income for purposes of Section 856(c)(2) and (3) of the Code or (y) in outside counsel's opinion the receipt by Parent of the Base Amount should not cause Parent to fail to qualify as a REIT, the Base Amount less the amount payable under clause (A) above. In the event that Parent is not able to receive the full Base Amount, the Company shall place the unpaid amount (*i.e.*, the difference between the Base Amount and the amount determined under this Section 8.3(b)) in escrow and shall not release any portion thereof to Parent unless and until the Company receives any one or combination of the following: (i) a letter(s) from Parent's outside counsel or independent accountants indicating the maximum amount that can be paid at that time to Parent without causing Parent to fail to meet the requirements of a REIT for any relevant taxable year, together with an IRS ruling or opinion of tax counsel to the effect that such payment would not be treated as included in income for any prior taxable year, in which event such maximum amount shall be

paid to Parent, or (ii) a tax opinion indicating that Parent's receipt of the Base Amount in whole or in part would not cause Parent to fail to qualify as a REIT and that such payment would not be treated as included in income for any prior taxable year, in which event the Company shall pay to Parent the unpaid Base Amount. The fee amount determined above shall be paid by wire transfer of immediately available funds to an account specified to the Company by Parent. Such fee shall be paid within one Business Day after the Company enters into a definitive agreement with respect to or consummates a Takeover Proposal in the case of clauses (v) and (vi) of the first sentence of this Section 8.3(b) and otherwise within one Business Day of termination. The Company acknowledges that the agreements contained in this Section 8.3(b) are an integral part of the transactions contemplated in this Agreement, and that, without these agreements, Parent would not enter into this Agreement. Accordingly, if the Company fails to pay the amount due pursuant to this Section 8.3(b) when it is required to be paid, and, in order to obtain such payment, Parent commences a suit that results in a judgment against the Company for the fee set forth in this Section 8.3(b), the Company shall pay to Parent its costs and expenses (including attorneys' fees) in connection with such suit, including any costs of collection, together with interest on the amount of the fee at the rate of 8% per annum from the date such fee was required to be paid. For the purposes of this section 8.3(b) only the term "Takeover Proposal" shall have the meaning set forth in Section 6.2(c), except that references to 20% in such definition shall be deemed to be references to 50%.

(c) Notwithstanding anything to the contrary in this Agreement and subject to Section 8.3(e), the parties hereto expressly acknowledge and agree that, with respect to any termination of this Agreement in circumstances where the Break Fee is payable (other than a termination by Parent pursuant to Section 8.1(b)(iii) or (iv) by reason of a willful or intentional breach of this Agreement by the Company), the payment of the Break Fee shall, in light of the difficulty of accurately determining actual damages, constitute liquidated damages with respect to any claim for damages or any other claim which Parent and Subsidiary would otherwise be entitled to assert against the Company or any of its assets, or against any of its trustees, officers, employees and shareholders with respect to this Agreement and the transactions contemplated hereby and shall constitute the sole and exclusive remedy available to Parent and Subsidiary. Except for nonpayment of the Break Fee the parties hereby agree that, upon termination of this Agreement in circumstances where the Break Fee is payable, in no event (other than a termination by Parent pursuant to Section 8.1(b)(iii) or (iv) by reason of a willful or intentional breach of this Agreement by the Company)shall Parent or Subsidiary (i) seek to obtain any recovery or judgment against the Company or any of its assets, or against any of its trustees, officers, employees or shareholders or (ii) be entitled to seek or obtain any other damages of any kind, including, without limitation, consequential, indirect or punitive damages.

(d) If the Agreement is terminated by the Company pursuant to Section 8.1(b)(iii) or (iv), then Parent shall pay to the Company an amount equal to the lesser of (i) the third-party, out of

pocket expenses incurred by the Company (plus any interest payable pursuant to this Section 8.3(d)) (the "Company Break-up Expenses"), which amount shall not exceed $2,000,000 and (2) the sum of (A) the maximum amount that can be paid to the Company without causing it to fail to meet the REIT requirements determined as if the payment of such amount did not constitute Qualifying Income, as determined by independent accountants to Company and (B) in the event Company receives an opinion from counsel indicating that it has received a ruling from the IRS holding that Company's receipt of the Company Break-up Expenses would either constitute Qualifying Income or would be excluded from Company's gross income for purposes of Section 856(c)(2) and (3) of the Code, the Company Break-up Expenses less the amount payable under clause (A) above. In the event that Company is not able to receive the full Company Break-up Expenses, the Parent shall place the unpaid amount (i.e., the difference between the Company Break-up Expenses and the amount determined under this Section 8.3(d)) in escrow and no portion thereof shall be released to Company unless and until the Parent receives any one or combination of the following: (i) a letter(s) from Company's outside counsel or independent accountants indicating the maximum amount of the unpaid Company Break-up expenses that can be paid at that time to Company without causing Company to fail to meet the requirements of a REIT for any relevant taxable year, together with an IRS ruling to the effect that such payment would not be treated as included in income for any prior taxable year, in which event such amount shall be released to the Company from escrow or (ii) an opinion of counsel indicating that the Company has received a ruling from the IRS holding that the Company's receipt of the Company Break-up Expenses in whole or in part would not cause Company to fail to qualify as a REIT and that such payment would not be treated as included in income for any prior taxable year, in which event the unpaid Company Break-up Expenses referenced in such opinion shall be released to the Company. The Parent's obligation to pay any unpaid portion of Payment shall terminate five years from the date of this Agreement. Subject to satisfaction of the conditions set forth in this Section 8.3(d), there is no limitation on the number of distributions that can be made from the escrow prior to the fifth anniversary of the date of this Agreement. Except as otherwise provided in this Section 8.3(d), the Company Break-Up Expenses shall be paid to the Company by wire transfer of immediately available funds to an account specified to Parent by the Company and such amount shall be paid within one Business Day of termination. Parent acknowledges that the agreements contained in this Section 8.3(d) are an integral part of the transactions contemplated in this Agreement, and that, without these agreements, the Company would not enter into this Agreement. Accordingly, if Parent fails to pay the amount due pursuant to this Section 8.3(d) when it is required to be paid, and, in order to obtain such payment, the Company commences a suit that results in a judgment against Parent for the fees set forth in this Section 8.3(d), Parent shall pay to the Company its costs and expenses (including attorneys' fees) in connection with such suit, including any costs of collection, together with interest on the amount of the fee at the rate of 8% per annum from the date such fee was required to be paid.

(e) If the Agreement is terminated by Parent pursuant to Section 8.1(b)(iii) or (iv) and the Break Fee is not payable pursuant to Section 8.3(b), then the Company shall pay to Parent an amount equal to the third-party, out of pocket expenses incurred by Parent (the "Parent Break-up Expenses"), which amount shall not exceed $2,000,000. The Parent Break-Up Expenses shall be paid to Parent by wire transfer of immediately available funds to an account specified to the Company by Parent. Such fee shall be paid within one Business Day of termination. The Company acknowledges that the agreements contained in this Section 8.3(e) are an integral part of the transactions contemplated in this Agreement, and that, without these agreements, Parent would not enter into this Agreement. Accordingly, if the Company fails to pay the amount due pursuant to this Section 8.3(e) when it is required to be paid, and, in order to obtain such payment, Parent commences a suit that results in a judgment against the Company for the fees set forth in this Section 8.3(e), the Company shall pay to Parent its costs and expenses (including attorneys' fees) in connection with such suit, including any costs of collection, together with interest on the amount of the fee at the rate of 8% per annum from the date such fee was required to be paid.

ARTICLE IX

GENERAL PROVISIONS

Section 9.1 Nonsurvival of Representations and Warranties. Other than as described in Section 8.2, none of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time. This Section 9.1 shall not limit any covenant or agreement which by its terms contemplates performance after the Effective Time.

Section 9.2 Notices. All notices, requests and other communications under this Agreement must be in writing and will be deemed to have been duly given upon receipt to the parties at the following addresses or facsimiles (or at such other address or facsimile for a party as shall be specified by the notice):

If to the Company:

Falcon Financial Investment Trust
15 Commerce Road
Stamford, Connecticut 06902
Attention: General Counsel
Facsimile: (203) 967-1717

With a copy (which shall not constitute notice) to:

Hogan & Hartson LLP
555 Thirteenth Street, N.W.
Washington, DC 20004
Attention: J. Warren Gorrell, Jr., Esq.
Stuart Barr, Esq.
Facsimile: (202) 637-5910

If to Parent or Subsidiary:

iStar Financial Inc.
1114 Avenue of the Americas
27th Floor
New York, New York 10036
Attention: General Counsel
Facsimile: (212) 930-9494

With a copy (which shall not constitute notice) to:

Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
Attention: Kathleen Werner, Esq.
Facsimile: (212) 878-8375

Section 9.3 Entire Agreement. This Agreement and the exhibits, annexes (including Annex A) and schedules hereto supersede all prior and contemporaneous discussions and agreements, both written and oral, among the parties with respect to the subject matter of this Agreement and constitute the

sole and entire agreement among the parties to this Agreement with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements and understandings, written or oral, with respect to the subject matter hereof.

Section 9.4 Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

Section 9.5 Amendment. This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party to this Agreement at any time before or after obtaining the Company Shareholder Approval, but, after the Company Shareholder Approval, no amendment shall be made that by law or in accordance with the rules of any relevant stock exchange requires further approval by such shareholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.6 No Third-Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person except as provided in Section 6.6.

Section 9.7 Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation under this Agreement may be assigned by any party to this Agreement by operation of law or otherwise without the prior written consent of the other parties to this Agreement and any attempt to do so will be void, except that Subsidiary may assign any or all of its rights, interests and obligations under this Agreement to Parent or any wholly owned subsidiary of Parent. Subject to the foregoing, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties to this Agreement and their respective successors and assigns.

Section 9.8 CONSENT TO JURISDICTION AND SERVICE OF PROCESS. **EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND OR ANY COURT**

OF THE STATE OF MARYLAND LOCATED IN BALTIMORE, MARYLAND IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING IN CONNECTION WITH THIS AGREEMENT AND THE TRANSACTION DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE BROUGHT ONLY IN SUCH COURT (AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS OR ANY OTHER OBJECTION TO VENUE THEREIN); PROVIDED, HOWEVER, THAT SUCH CONSENT TO JURISDICTION IS SOLELY FOR THE PURPOSE REFERRED TO IN THIS SECTION 9.8 AND SHALL NOT BE DEEMED TO BE A GENERAL SUBMISSION TO THE JURISDICTION OF SAID COURTS OR IN THE STATE OF MARYLAND OTHER THAN FOR SUCH PURPOSE. Any and all process may be served in any action, suit or proceeding arising in connection with this Agreement by complying with the provisions of Section 9.2. Such service of process shall have the same effect as if the party being served were a resident in the State of Maryland and had been lawfully served with such process in such jurisdiction. The parties hereby waive all claims of error by reason of such service. Nothing herein shall affect the right of any party to service process in any other manner

permitted by law or to commence legal proceedings or otherwise proceed against the other in any other jurisdiction to enforce judgments or rulings of the aforementioned courts.

Section 9.9 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 9.10 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 9.11 GOVERNING LAW. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD FOR THE CONFLICTS OF LAWS PRINCIPLES THEREOF**.

Section 9.12 Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute one and the same instrument.

Section 9.13 Interpretation.

(a) When a reference is made in this Agreement to an Article or a Section, such reference shall be to an Article or a Section of this Agreement unless otherwise indicated.

(b) The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(c) The parties have participated jointly in negotiating and drafting this Agreement. If an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

(d) The words “include,” “includes” or “including” shall be deemed to be followed by the words “without limitation.”

(e) The words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement.

(f) All terms defined in this Agreement have their defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein.

(g) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

(h) If any action is to be taken by any party hereto pursuant to this Agreement on a day that is not a Business Day, such action shall be taken on the next Business Day following such day.

(i) References to a person are also to its permitted successors and assigns.

(j) The use of “or” is not intended to be exclusive unless expressly indicated otherwise.

(k) “commercially reasonable efforts” or similar terms shall not require the waiver of any rights under this Agreement.

(l) A “subsidiary“ of any person means another person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its board of directors or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which) is owned directly or indirectly by such first person.

(m) The term “ordinary course of business” (or similar terms) shall be deemed to be followed by the words “consistent with past practice.”

(n) the phrase "made available" in this Agreement shall mean that the information referred to in (i) has been actually delivered to the party to whom such information is to be made available or its outside counsel, (ii) is included in a Company SEC Document (or in any document that is an exhibit thereto (including any exhibit incorporated by reference)), or (iii) was available for review at the Company's offices.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Parent, Subsidiary and the Company have caused this Agreement and Plan of Merger to be signed by their respective officers as of the date first written above.

ISTAR FINANCIAL INC.

By: /s/ Catherine Rice
Catherine Rice
Chief Financial Officer

FLASH ACQUISITION COMPANY LLC

By: /s/ Catherine Rice
Catherine Rice
Vice President

FALCON FINANCIAL INVESTMENT TRUST

By: /s/ David A. Karp
Name: David A. Karp
Title: President

ANNEX A
to
Agreement and Plan of Merger

Conditions to the Offer. Notwithstanding any other provision of the Offer or the Agreement, in addition to (and not in limitation of) Subsidiary's rights pursuant to the Agreement to extend and amend the Offer in accordance with the Agreement, and subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c)) under the Exchange Act relating to Subsidiary's obligation to pay for or return tendered Shares after termination of the Offer, Subsidiary shall not be required to accept for payment or pay for, and may delay the acceptance for payment of, or, subject to Rule 14e-1(c) of the Exchange Act, the payment for, any tendered Shares not theretofore accepted for payment or paid for, and Subsidiary may amend the Offer (subject to Section 1.1 of the Agreement) if (i) a number of Shares representing at least a majority of the sum of (x) the total number of outstanding Shares plus (y) the total number of Shares issuable upon exercise of outstanding options, warrants, conversion privileges and other similar rights (excluding any Shares issuable pursuant to the Share Option Agreement) shall not have been validly tendered prior to the expiration of the Offer and not withdrawn or otherwise acquired by Parent or any of its affiliates prior to the expiration of the Offer ("Minimum Condition"); or (ii) at any time on or after the date of the Agreement and prior to the time of acceptance of such Shares for payment pursuant to the Offer or the payment therefor, any of the following conditions has occurred and continues to exist through the time of acceptance for payment or payment:

(a) there shall be any statute, rule, regulation, executive order, decree, ruling, judgment, decision, order or injunction enacted, entered, enforced, promulgated, issued or enforced, or any statute, rule, regulation, executive order, decree, ruling, judgment, decision, order or injunction which has been proposed by the relevant legislative, judicial or regulatory body with respect to or deemed applicable to, or any material consent or approval withheld or any other action taken with respect to (i) Parent, the Company or any of their respective subsidiaries or affiliates or (ii) the Offer or the Merger or any of the other transactions contemplated by this Agreement, by any court or other Governmental Authority, in any case, that has resulted or, in the reasonable judgment of Parent, is reasonably likely to result, directly or indirectly, in making illegal, prohibiting or restraining the Offer, the Merger or the transactions contemplated by the Agreement;

(b) (i) the representations and warranties of the Company contained in this Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect or any similar standard or qualification (except for the representations and warranties contained in Section 4.6(i), for which such qualifiers shall not be disregarded), shall not be true and correct at the date of the Agreement and as of the date of the consummation of the Offer with the same effect as if made at and as of such time (other than representations and warranties that specifically relate to an earlier date or changes resulting from actions permitted under Section 6.1 of the Agreement, in which cases such representations and warranties shall be true and correct as of such earlier date), with only such exceptions as, individually or in the aggregate, have not had a Material Adverse Effect on the Company; (ii) the Company shall have failed to perform or comply in all material respects with its covenants and obligations contained in the Agreement, which failure to perform has not been cured within five business days after the giving of written notice to the Company; or (iii) there shall have occurred since the date of the Agreement any events or changes which, individually or in the aggregate, constitute a Material Adverse Effect on the Company;

(c) the board of trustees of the Company or any committee thereof shall have (i) withdrawn or modified in a manner adverse to Parent or Subsidiary its approval or recommendation of the Offer or the Merger or the other transactions contemplated by this Agreement, (ii) approved or recommended any Takeover Proposal, (iii) failed to reaffirm its recommendation of the Offer or the Merger or the other transactions contemplated by this Agreement within five business days after the public announcement of a Takeover Proposal (including the filing of a Schedule 13D with the SEC) or (iv) resolved to take any of the foregoing actions;

(d) the Agreement shall have been terminated in accordance with its terms;

(e) there shall have occurred and be continuing (i) any general suspension of trading in, or limitation in prices for securities on Nasdaq or any other national securities exchange or in the over-the-counter market upon which the Shares are traded or quoted (other than as a result of market circuit-breakers or other similar procedures) or (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory); or

(f) all consents, registrations, approvals, permits, authorizations, notices, reports or other filings required to be obtained or made by the Company, Parent or Subsidiary with or from any Governmental Authority or third party in connection with the execution, delivery and performance of the Agreement, the Offer and the consummation of the transactions contemplated by this Agreement shall not have been made or obtained and such failure could reasonably be expected to have a Material Adverse Effect on the Company.

In addition, it shall be a condition to Subsidiary's obligations to accept for payment or pay for any tendered shares that Parent and Subsidiary shall have received an opinion of Hogan & Hartson, LLP, dated as of the date of the purchase of Shares pursuant to the Offer, in a form and substance reasonably satisfactory to the Parent, to the effect that commencing with its taxable year ended on December 31, 2003 through the time immediately preceding the Effective Time of the Merger, the Company has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code. For purposes of such opinion, Hogan & Hartson LLP may rely on assumptions that (i) the Company will satisfy Section 856(a)(5) of the Code for its taxable year beginning January 1, 2005, and (ii) the Company (or Parent as successor to the Company) will make any potential distribution contemplated in Section 4.11(4) of the Company Disclosure Schedule.

Subject to the provisions of Section 1.1 of the Agreement, the foregoing conditions are solely for the benefit of Parent and Subsidiary and may be waived by either Parent or Subsidiary, in whole or in part at any time and from time to time, in the sole discretion of Parent and Subsidiary. The failure by Parent and Subsidiary at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

Exhibit A

FORM OF

FALCON FINANCIAL INVESTMENT TRUST

ARTICLES OF AMENDMENT AND RESTATEMENT OF DECLARATION OF TRUST

Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Trust"), under Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland, as amended from time to time ("Title 8"), desires to amend and restate its Declaration of Trust (as so amended and restated, the "Declaration of Trust"). The amendment to and restatement of the Declaration of Trust of the Trust as herein set forth has been duly approved and advised by the Board of Trustees by majority vote thereof and approved by the shareholders of the Trust as required by law. The following provisions are all of the provisions of the Declaration of Trust as hereby amended and restated:

ARTICLE I

FORMATION

The Trust is a real estate investment trust within the meaning of Title 8. The Trust shall not be deemed to be a general partnership, limited partnership, joint venture, joint stock company or a corporation (but nothing herein shall preclude the Trust from being treated for tax purposes as an association under the Internal Revenue Code of 1986, as amended from time to time (the "Code")).

ARTICLE II

NAME

The name of the Trust is:

Falcon Financial Investment Trust

Under circumstances in which the Board of Trustees of the Trust (the "Board of Trustees" or "Board") determines that the use of the name of the Trust is not practicable, the Trust may use any other designation or name for the Trust.

ARTICLE III

PURPOSES AND POWERS

Section 1. Purposes. The purposes for which the Trust is formed are to invest in and to acquire, hold, manage, administer, control and dispose of property (including mortgages), including, without limitation or obligation, engaging in business as a real estate investment trust or a qualified REIT subsidiary under the Code.

Section 2. Powers. The Trust shall have all of the powers granted to real estate investment trusts by Title 8 and all other powers which are not inconsistent with law and are appropriate to promote and attain the purposes set forth in the Declaration of Trust.

ARTICLE IV

RESIDENT AGENT

The name of the resident agent of the Trust in the State of Maryland is CSC Lawyers Incorporating Service Company, whose address is 11 E. Chase Street, Baltimore, Maryland 21202. The resident agent is a Maryland corporation. The Trust may have such offices or places of business within or outside the State of Maryland as the Board of Trustees may from time to time determine.

ARTICLE V

BOARD OF TRUSTEES

Section 1. Powers. Subject to any express limitations contained in the Declaration of Trust or in the Bylaws, (a) the business and affairs of the Trust shall be managed under the direction of the Board of Trustees and (b) the Board shall have full, exclusive and absolute power, control and authority over any and all property of the Trust. The Board may take any action as in its sole judgment and discretion is necessary or appropriate to conduct the business and affairs of the Trust. The Declaration of Trust shall be construed with the presumption in favor of the grant of power and authority to the Board. Any construction of the Declaration of Trust or determination made in good faith by the Board concerning its powers and authority hereunder shall be conclusive. The enumeration and definition of particular powers of the Board of Trustees included in the Declaration of Trust or in the Bylaws shall in no way be limited or restricted by reference to or inference from the terms of this or any other provision of the Declaration of Trust or the Bylaws or construed or deemed by inference or otherwise in any manner to exclude or limit the powers conferred upon the Board or the trustees of the Trust (collectively, the "Trustees" and, individually, a "Trustee") under the general laws of the State of Maryland or any other applicable laws.

The Board, without any action by the shareholders of the Trust (collectively, the "Shareholders" and, individually, a "Shareholder"), shall have and may exercise, on behalf of the Trust, without limitation, the power to terminate the status of the Trust as a real estate investment trust under the Code; to adopt, amend and repeal Bylaws; to elect officers in the manner prescribed in the Bylaws; to solicit proxies from holders of shares of beneficial interest of the Trust; and to do any other acts and deliver any other documents necessary or appropriate to the foregoing powers.

Section 2. Number. The number of Trustees initially shall be , which number may thereafter be increased or decreased by the Trustees then in office from time to time; however, the total number of Trustees shall be not less than one and not more than 15. No reduction in the number of Trustees shall cause the removal of any Trustee from office prior to the expiration of his term.

Section 3. Board. The names of the Trustees who shall serve until the next annual meeting of shareholders and until their successors are duly elected and qualify are:

Section 4. Term. The Trustees shall be elected at each annual meeting of the Shareholders and shall serve until the next annual meeting of the Shareholders and until their successors are duly elected and qualify.

Section 5. Resignation; Removal. Any Trustee may resign by written notice to the Board, effective upon execution and delivery to the Trust of such written notice or upon any future date specified in the notice. A Trustee may be removed, at any time, with or without cause, by the affirmative vote of the holders of a majority of the Shares then outstanding and entitled to vote generally in the election of Trustees.

ARTICLE VI

SHARES OF BENEFICIAL INTEREST

The beneficial interest in the Trust shall be divided into shares of beneficial interest ("Shares"). The total number of Shares which the Trust has authority to issue is 1,000, consisting of 1,000 common shares of beneficial interest, $.01 par value per share ("Common Shares"). The Board of Trustees may classify or reclassify any unissued Shares from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of the Shares.

The Board of Trustees may authorize the issuance from time to time of Shares of any class or series, whether now or hereafter authorized, or securities or rights convertible into Shares of any class or series, whether now or hereafter authorized, for such consideration (whether in cash, property, past or future services, obligation for future payment or otherwise) as the Board of Trustees may deem advisable (or without consideration in the case of a Share split or Share dividend), subject to such restrictions or limitations, if any, as may be set forth in the Declaration of Trust or the Bylaws of the Trust.

ARTICLE VII

SHAREHOLDERS

There shall be an annual meeting of the Shareholders, to be held after delivery of the annual report and on proper notice to the Shareholders, at such time and place as shall be determined by resolution of the Board of Trustees.

ARTICLE VIII

LIABILITY OF SHAREHOLDERS, TRUSTEES, OFFICERS, EMPLOYEES AND AGENTS AND TRANSACTIONS BETWEEN THEM AND THE TRUST

Section 1. Limitation of Shareholder Liability. No Shareholder shall be liable for any debt, claim, demand, judgment or obligation of any kind of, against or with respect to the Trust by reason of his being a Shareholder, nor shall any Shareholder be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the property or affairs of the Trust.

Section 2. Limitation of Trustee and Officer Liability. To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of trustees and officers of a real estate investment trust, no present or former Trustee or officer of the Trust shall be liable to the Trust or to any Shareholder for money damages. Neither the amendment nor repeal of this Section, nor the adoption or amendment of any other provision of this Declaration of Trust inconsistent with this Section, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

Section 3. Express Exculpatory Clauses in Instruments. Neither the Shareholders nor the Trustees, officers, employees or agents of the Trust shall be liable under any written instrument creating an obligation of the Trust, and all persons shall look solely to the property of the Trust for the payment of any claim under or for the performance of that instrument. The omission of the foregoing exculpatory language from any instrument shall not affect the validity or enforceability of such instrument and shall not render any Shareholder, Trustee, officer, employee or agent liable thereunder to any third party, nor shall the Trustees or any officer, employee or agent of the Trust be liable to anyone for such omission.

Section 4. Indemnification. The Trust shall have the power, to the maximum extent permitted by Maryland law, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, each Shareholder, Trustee or officer (including any person who, while a Trustee or officer of the Trust, is or was serving at the request of the Trust as a director, officer, partner, trustee, employee or agent of another foreign or domestic real estate investment trust, corporation, partnership, joint venture, trust, other enterprise or employee benefit plan) from all claims and liabilities to which such person may become subject by reason of his being or having been a Shareholder, Trustee, officer, employee or agent. The Trust shall have the power, with the approval of its Board of Trustees, to provide such indemnification and payment of expenses to a person who served a predecessor of the Trust in any of the capacities described in this Section 4 and to any employee or agent of the Trust or a predecessor of the Trust.

Section 5. Transactions Between the Trust and its Trustees, Officers, Employees and Agents. Subject to any express restrictions in this Declaration of Trust or adopted by the Trustees in the Bylaws or by resolution, the Trust may enter into any contract or transaction of any kind (including, without limitation, for the purchase or sale of property or for any type of services, including those in connection with underwriting or the offer or sale of Securities of the Trust) with any person, including any Trustee, officer, employee or agent of the Trust or any person affiliated with a Trustee, officer, employee or agent of the Trust, whether or not any of them has a financial interest in such transaction.

ARTICLE IX

AMENDMENT

Section 1. General. This Declaration of Trust may not be amended except as provided in this Article IX.

Section 2. By Trustees. The Trustees, by a two-thirds vote, may amend any provision of this Declaration of Trust from time to time to enable the Trust to qualify as a real estate investment trust under the Code or under Title 8.

Section 3. By Shareholders. Except as provided in Section 2 of this Article IX, this Declaration of Trust may be amended only by the affirmative vote of the holders of not less than a majority of the Shares then outstanding and entitled to vote thereon.

ARTICLE X

DURATION OF TRUST

The Trust shall continue perpetually unless terminated pursuant to any applicable provision of Title 8.

ARTICLE XI

MISCELLANEOUS

This Declaration of Trust is executed by the Trustees and delivered in the State of Maryland with reference to the laws thereof, and the rights of all parties and the validity, construction and effect of every provision hereof shall be subject to and construed according to the laws of the State of Maryland without regard to conflicts of laws provisions thereof.

SHAREHOLDER AGREEMENT

THIS SHAREHOLDER AGREEMENT (the "Agreement") is entered into as of January 19, 2005, by and among iStar Financial Inc., a Maryland corporation ("Parent"), Flash Acquisition Company LLC, a Maryland limited liability company and a wholly owned subsidiary of Parent ("Merger Subsidiary"), and Vernon B. Schwartz (the "Shareholder"), a shareholder, trustee and officer of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company").

RECITALS

WHEREAS, Parent, Merger Subsidiary and the Company have entered into an Agreement and Plan of Merger, dated as of January 19, 2005 (as the same may be amended or supplemented, the "Merger Agreement") which provides, among other things, that Merger Subsidiary will make a cash tender offer (the "Offer") for all of the issued and outstanding common shares of beneficial interest, par value $0.01 per share, of the Company (the "Common Shares") and, following the consummation of the Offer, will merge with and into the Company (the "Merger"), in each case upon the terms and subject to the conditions set forth in the Merger Agreement.

WHEREAS the Shareholder is the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of such number of Common Shares of the Company as indicated on the Schedule I to this Agreement (such Shares, as they may be adjusted from time to time pursuant to Section 9.14, together with any shares which the Shareholder acquires during the term of this Agreement, the "Shares");

WHEREAS, the Company has advised Parent and Merger Subsidiary that the board of trustees of the Company has unanimously approved the terms of this Agreement, and such approval has not been withdrawn; and

WHEREAS, as an inducement and a condition to its entering into the Merger Agreement and incurring the obligations set forth therein, Parent has required that the Shareholder enter into this Agreement.

NOW, THEREFORE, in contemplation of the foregoing and in consideration of the mutual agreements, covenants, representations and warranties contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

For purposes of this Agreement:

Section 1.1 Person. Person shall mean any individual, corporation, limited liability company, partnership, trust or other entity, or governmental authority.

Section 1.2 Transfer. A Person shall be deemed to have effected a "Transfer" of a security if such Person directly or indirectly: (i) sells, pledges, encumbers, grants an option with respect to, transfers, distributes or disposes of such security or any interest in such security; or (ii) enters into an agreement or commitment contemplating the sale of, pledge of, encumbrance of, grant of an option with respect to, transfer of or disposition of such security or any interest therein.

Section 1.3 Other Terms. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Merger Agreement.

ARTICLE II

TRANSFER OF SHARES

Section 2.1 Transfer of the Shares. Prior to the termination of this Agreement, except as otherwise provided or permitted herein, the Shareholder agrees not to: (a) Transfer any of the Shares or any right or interest therein; (b) enter into any contract, option or other agreement, arrangement or understanding with respect to any Transfer of Shares; (c) grant any proxy, power-of-attorney or other authorization for any of the Shares with respect to any matters described in Section 4.1; (d) deposit any of the Shares into a voting trust, or enter into a voting agreement or arrangement with respect to any of the Shares with respect to any matters described in Section 4.1; or (e) take any other action that is intended to restrict, limit or interfere with the performance of such Shareholder's obligations hereunder or the transactions contemplated hereby.

ARTICLE III

TENDER OF SHARES

Section 3.1 Tendering Shares. The Shareholder agrees (a) to tender the Shares into the Offer (the "Tendered Shares") promptly, and in any event no later than five business days following the commencement of the Offer pursuant to the Merger Agreement, free and clear of any liens, claims, options, rights of first refusal, co-sale rights, charges or other encumbrances (collectively, "Liens"), except in the case of restricted shares held by the Shareholder, which restricted shares are subject to the restrictions and encumbrances pursuant to the terms of the restricted share award and (b) not to withdraw any Tendered Shares so tendered unless (i) the Offer is terminated or has terminated without Parent purchasing all Common Shares validly tendered in the Offer or (ii) this Agreement is terminated pursuant to Section 9.13. The Shareholder shall make such tender of the Tendered Shares into the Offer pursuant to the terms and conditions of the Offer in accordance with the Offer Documents.

Section 3.2 Disclosure. The Shareholder agrees to permit Parent, Merger Subsidiary and the Company to publish and disclose in the Offer Documents and Schedule 14D-9 and, if approval of the shareholders of the Company is required under applicable law, the Proxy Statement (including all

documents and schedules filed with the SEC) and any similar filing required by applicable law in connection with the transactions contemplated by the Offer and Merger Agreement, the Shareholder's identity and ownership of the Shares and the nature of the Shareholder's commitments, arrangements and understandings under this Agreement.

ARTICLE IV

VOTING OF SHARES

Section 4.1 Grant of Proxy; Appointment of Proxy.

(a) The Shareholder hereby grants to, and appoints, Parent and any designee thereof, the Shareholder's proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of the Shareholder, to vote the Shares, or to grant a consent or approval in respect of the Shares, in connection with any meeting of shareholders of the Company or any action by written consent in lieu of a meeting of shareholders of the Company (i) in favor of the Merger and (ii) against any action or

agreement which would impede, interfere with or prevent the Merger, including, but not limited to, any other Takeover Proposal.

(b) The Shareholder hereby affirms that the proxy granted by Section 4.1(a) above revokes any prior proxies given in respect of the matters set forth in Section 4.1(a).

(c) The Shareholder hereby affirms that the proxy set forth in this Section 4.1 is given in connection with the execution of the Merger Agreement, and that such proxy is given to secure the performance of the duties of the Shareholder under this Agreement. The Shareholder hereby further affirms that the proxy is coupled with an interest and, except as set forth in this Section 4.1, is intended to be irrevocable in accordance with the provisions of the MGCL for the period in which this Agreement is in effect, it being understood that if this Agreement is terminated as provided in Section 9.13, then (and only then) the proxy hereby granted shall be likewise ineffective and revoked thereafter. If for any reason the proxy granted herein is not irrevocable, then the Shareholder will, in accordance with Section 4.1(a) above, vote the Shares in favor of the transaction contemplated by the Merger Agreement as instructed by Parent in writing.

ARTICLE V

NO SOLICITATION

Section 5.1 Prohibition of Solicitation. During the term of this Agreement, the Shareholder shall not, nor shall the Shareholder authorize or permit any representative of the Shareholder to, directly or indirectly take any action prohibited by Section 6.2 of the Merger Agreement.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS

The Shareholder hereby represents and warrants to Parent and Merger Subsidiary as follows:

Section 6.1 Power; Due Authorization; Binding Agreement. The Shareholder has the legal capacity to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly and validly executed and delivered by the Shareholder and constitutes a legal, valid and binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 6.2 No Conflicts or Consents.

(a) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not: (A) conflict with or violate any law, rule, regulation, order, decree or judgment applicable to the Shareholder or by which the Shareholder or any of the Shareholder's properties or assets is or may be bound or affected; or (B) result in or constitute (with or without notice or lapse of time) any breach of or default under, or give to any other Person (with or without notice or lapse of time) any right of termination, amendment, acceleration or cancellation of, or result (with or without notice or lapse of time) in the creation of any Lien on any of the Shares pursuant to, any contract, agreement or understanding to which the Shareholder is a party or by which the Shareholder or any of the Shareholder's affiliates or properties is or may be bound or affected, in each

case, except where any such conflicts, violations, breaches or defaults would not adversely affect the Shareholder's obligations under this Agreement.

(b) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not, require (A) any consent, authorization or permit of, or filing with or notification to, any Governmental Authority, other than any filings required under the Exchange Act, or (B) any consent or approval of any other Person.

Section 6.3 Securities Owned By Shareholder. As of the date of this Agreement, other than the "Shares Owned" on Schedule I hereto, the Shareholder does not directly or indirectly own any shares of capital stock or other securities of the Company, or any option, warrant or other right to acquire (by purchase, conversion or otherwise) any shares of capital stock or other securities of the Company.

Section 6.4 Absence of Litigation. As of the date hereof, there is no litigation, suit, claim, action, proceeding or investigation pending, or to the knowledge of the Shareholder, threatened against the Shareholder, or any property or asset of the Shareholder, before any Governmental Authority

that seeks to delay or prevent the performance of such Shareholder's obligations under this Agreement.

Section 6.5 Shareholder Has Adequate Information. The Shareholder is a sophisticated seller with respect to the Shares and has adequate information concerning the business and financial condition of the Company to make an informed decision regarding the sale of the Shares and has independently and without reliance upon either Parent or Merger Subsidiary and based on such information as the Shareholder has deemed appropriate, made its own analysis and decision to enter into this Agreement. The Shareholder acknowledges that Parent has not made and does not make any representation or warranty, whether express or implied, of any kind or character except as expressly set forth in this Agreement.

Section 6.6 Accuracy of Representations. The representations and warranties contained in this Agreement are true and correct as of the date of this Agreement and will be true and correct in all material respects at all times during the term of this Agreement. None of the representations or warranties contained in this Agreement shall survive the termination of this Agreement.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUBSIDIARY

Section 7.1 Organization; Good Standing. Each of Parent and Merger Subsidiary is a corporation or limited liability company duly formed, validly existing and in good standing under the laws of Maryland.

Section 7.2 Authority. Parent and Merger Subsidiary have all requisite corporate or limited liability company, as applicable, power and authority to execute and deliver this Agreement and to perform and consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by Parent and Merger Subsidiary of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate or limited liability company, as applicable, action on the part of Parent and Merger Subsidiary and no other corporate or limited liability company, as applicable, proceedings on the part of the Parent and Merger Subsidiary are necessary to authorize this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by Parent and Merger Subsidiary and constitutes a valid and binding obligation of Parent and Merger Subsidiary, enforceable against Parent and Merger Subsidiary and in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency,

reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

ARTICLE VIII

FURTHER ASSURANCES

Section 8.1 Additional Documentation. From time to time the Shareholder, Parent and Merger Subsidiary shall execute and deliver, or cause to be executed and delivered, such additional transfers, assignments, endorsements, proxies, consents and other instruments, and shall take such further actions, as the other parties hereto may reasonably request for the purpose of carrying out and furthering the intent of this Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Notices. All notices, requests and other communications under this Agreement must be in writing and will be deemed to have been duly given upon receipt to the parties at the following addresses or facsimiles (or at such other address or facsimile for a party as shall be specified by the notice):

If to the Shareholder: to the address set forth on Schedule I.

If to Parent or Merger Subsidiary:

iStar Financial Inc.
1114 Avenue of the Americas
27th Floor
New York, New York 10036
Attention: General Counsel
Facsimile: (212) 930-9494

With a copy (which shall not constitute notice) to:

Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
Attention: Kathleen Werner, Esq.
Facsimile: (212) 878-8375

Section 9.2 Entire Agreement. This Agreement and Schedule I attached hereto supersede all prior and contemporaneous discussions and agreements, both written and oral, among the parties with respect to the subject matter of this Agreement and constitute the sole and entire agreement among the parties to this Agreement with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements and understandings, written or oral, with respect to the subject matter hereof.

Section 9.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a

written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

Section 9.4 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.5 No Third-Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person.

Section 9.6 Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation under this Agreement may be assigned by any party to this Agreement by operation of law or otherwise without the prior written consent of the other parties to this Agreement and any attempt to do so will be void, except that Merger Subsidiary may assign any or all of its rights, interests and obligations under this Agreement to Parent or any wholly owned subsidiary of Parent. Subject to the foregoing, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties to this Agreement and their respective successors and assigns.

Section 9.7 CONSENT TO JURISDICTION AND SERVICE OF PROCESS. **EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND OR ANY COURT OF THE STATE OF MARYLAND LOCATED IN BALTIMORE, MARYLAND IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OFFER DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE BROUGHT ONLY IN SUCH COURT (AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS OR ANY OTHER OBJECTION TO VENUE THEREIN); PROVIDED, HOWEVER, THAT SUCH CONSENT TO JURISDICTION IS SOLELY FOR THE PURPOSE REFERRED TO IN THIS SECTION 9.7 AND SHALL NOT BE DEEMED TO BE A GENERAL SUBMISSION TO THE JURISDICTION OF SAID COURTS OR IN THE STATE OF MARYLAND OTHER THAN FOR SUCH PURPOSE**. Any and all process may be served in any action, suit or proceeding arising in connection with this Agreement by complying with the provisions of Section 9.1. Such service of process shall have the same effect as if the party being served were a resident in the State of Maryland and had been lawfully served with such process in such jurisdiction. The parties hereby waive all claims of error by reason of such service. Nothing herein shall affect the right of any party to service process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the other in any other jurisdiction to enforce judgments or rulings of the aforementioned courts.

Section 9.8 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement are not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 9.9 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will

be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 9.10 Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD FOR THE CONFLICTS OF LAWS PRINCIPLES THEREOF**.

Section 9.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute one and the same instrument.

Section 9.12 Expenses. Except as specifically provided elsewhere in this Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such costs and expenses.

Section 9.13 Termination. This Agreement, and all rights and obligations of the parties hereunder, shall terminate immediately upon the earlier of (a) the termination of the Merger Agreement in accordance with its terms or (b) the Effective Time.

Section 9.14 Certain Events. In the event of any stock split, stock dividend, merger, reorganization, recapitalization or other change in the capital structure of the Company affecting the Shares or the acquisition of additional Shares or other securities or rights of the Company by the Shareholder, through the exercise of options or otherwise, the number of Shares shall be adjusted appropriately, and this Agreement and the obligations hereunder shall attach to any additional Shares or other securities or rights of the Company issued to or acquired by the Shareholder.

Section 9.15 Shareholder Capacity. Notwithstanding anything in this Agreement to the contrary, no person executing this Agreement (including, without limitation, such person's representatives, designees or affiliates) who is or becomes during the term hereof a trustee or officer of the Company makes any agreement or understanding herein or is obligated hereunder in his capacity as such trustee or officer. The Shareholder executes this Agreement solely in such Shareholder's capacity as a shareholder of the Company, and nothing herein shall limit or affect any actions taken by the

Shareholder (including, without limitation, such person's representatives, designees or affiliates) in that person's capacity as an officer or trustee of the Company.

Section 9.16 Stop Transfer Order. In furtherance of this Agreement, the Shareholder hereby does authorize the Company or its counsel to, notify the Company's transfer agent that there is a stop transfer order with respect to all of the Shares (and that this Agreement places limits on the voting and transfer of such Shares); provided that, the stop transfer order shall not restrict or prohibit any Transfer of the Shares if such transfer is made pursuant to the Offer or such Transfer is made at any time following termination of this Agreement.

[The remainder of this page is intentionally blank]

IN WITNESS WHEREOF, Parent, Merger Subsidiary and the Shareholder have caused this Agreement to be executed as of the date first written above.

ISTAR FINANCIAL INC.

By: /s/ Catherine Rice
Catherine Rice
Chief Financial Officer

FLASH ACQUISITION COMPANY LLC

By: /s/ Catherine Rice
Catherine Rice
Vice President

SHAREHOLDER:

By: /s/Vernon B. Schwartz
Name: Vernon B. Schwartz

SCHEDULE I

Shareholder	Shares Owned	Company Options Owned
Vernon B. Schwartz	349,135	0

Address of Shareholder:

Vernon B. Schwartz
c/o Falcon Financial Investment Trust
15 Commerce Road
Stamford, Connecticut 06902

SHAREHOLDER AGREEMENT

THIS SHAREHOLDER AGREEMENT (the "Agreement") is entered into as of January 19, 2005, by and among iStar Financial Inc., a Maryland corporation ("Parent"), Flash Acquisition Company LLC, a Maryland limited liability company and a wholly owned subsidiary of Parent ("Merger Subsidiary"), and David A. Karp (the "Shareholder"), a shareholder, trustee and officer of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company").

RECITALS

WHEREAS, Parent, Merger Subsidiary and the Company have entered into an Agreement and Plan of Merger, dated as of January 19, 2005 (as the same may be amended or supplemented, the "Merger Agreement") which provides, among other things, that Merger Subsidiary will make a cash tender offer (the "Offer") for all of the issued and outstanding common shares of beneficial interest, par value $0.01 per share, of the Company (the "Common Shares") and, following the consummation of the Offer, will merge with and into the Company (the "Merger"), in each case upon the terms and subject to the conditions set forth in the Merger Agreement.

WHEREAS the Shareholder is the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of such number of Common Shares of the Company as indicated on the Schedule I to this Agreement (such Shares, as they may be adjusted from time to time pursuant to Section 9.14, together with any shares which the Shareholder acquires during the term of this Agreement, the "Shares");

WHEREAS, the Company has advised Parent and Merger Subsidiary that the board of trustees of the Company has unanimously approved the terms of this Agreement, and such approval has not been withdrawn; and

WHEREAS, as an inducement and a condition to its entering into the Merger Agreement and incurring the obligations set forth therein, Parent has required that the Shareholder enter into this Agreement.

NOW, THEREFORE, in contemplation of the foregoing and in consideration of the mutual agreements, covenants, representations and warranties contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

For purposes of this Agreement:

Section 1.1 Person. Person shall mean any individual, corporation, limited liability company, partnership, trust or other entity, or governmental authority.

Section 1.2 Transfer. A Person shall be deemed to have effected a "Transfer" of a security if such Person directly or indirectly: (i) sells, pledges, encumbers, grants an option with respect to, transfers, distributes or disposes of such security or any interest in such security; or (ii) enters into an agreement or commitment contemplating the sale of, pledge of, encumbrance of, grant of an option with respect to, transfer of or disposition of such security or any interest therein.

Section 1.3 Other Terms. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Merger Agreement.

ARTICLE II

TRANSFER OF SHARES

Section 2.1 Transfer of the Shares. Prior to the termination of this Agreement, except as otherwise provided or permitted herein, the Shareholder agrees not to: (a) Transfer any of the Shares or any right or interest therein; (b) enter into any contract, option or other agreement, arrangement or understanding with respect to any Transfer of Shares; (c) grant any proxy, power-of-attorney or other authorization for any of the Shares with respect to any matters described in Section 4.1; (d) deposit any of the Shares into a voting trust, or enter into a voting agreement or arrangement with respect to any of the Shares with respect to any matters described in Section 4.1; or (e) take any other action that is intended to restrict, limit or interfere with the performance of such Shareholder's obligations hereunder or the transactions contemplated hereby.

ARTICLE III

TENDER OF SHARES

Section 3.1 Tendering Shares. The Shareholder agrees (a) to tender the Shares into the Offer (the "Tendered Shares") promptly, and in any event no later than five business days following the commencement of the Offer pursuant to the Merger Agreement, free and clear of any liens, claims, options, rights of first refusal, co-sale rights, charges or other encumbrances (collectively, "Liens"), except in the case of restricted shares held by the Shareholder, which restricted shares are subject to the restrictions and encumbrances pursuant to the terms of the restricted share award and (b) not to withdraw any Tendered Shares so tendered unless (i) the Offer is terminated or has terminated without Parent purchasing all Common Shares validly tendered in the Offer or (ii) this Agreement is terminated pursuant to Section 9.13. The Shareholder shall make such tender of the Tendered Shares into the Offer pursuant to the terms and conditions of the Offer in accordance with the Offer Documents.

Section 3.2 Disclosure. The Shareholder agrees to permit Parent, Merger Subsidiary and the Company to publish and disclose in the Offer Documents and Schedule 14D-9 and, if approval of the shareholders of the Company is required under applicable law, the Proxy Statement (including all

documents and schedules filed with the SEC) and any similar filing required by applicable law in connection with the transactions contemplated by the Offer and Merger Agreement, the Shareholder's identity and ownership of the Shares and the nature of the Shareholder's commitments, arrangements and understandings under this Agreement.

ARTICLE IV

VOTING OF SHARES

Section 4.1 Grant of Proxy; Appointment of Proxy.

(a) The Shareholder hereby grants to, and appoints, Parent and any designee thereof, the Shareholder's proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of the Shareholder, to vote the Shares, or to grant a consent or approval in respect of the Shares, in connection with any meeting of shareholders of the Company or any action by written consent in lieu of a meeting of shareholders of the Company (i) in favor of the Merger and (ii) against any action or

agreement which would impede, interfere with or prevent the Merger, including, but not limited to, any other Takeover Proposal.

(b) The Shareholder hereby affirms that the proxy granted by Section 4.1(a) above revokes any prior proxies given in respect of the matters set forth in Section 4.1(a).

(c) The Shareholder hereby affirms that the proxy set forth in this Section 4.1 is given in connection with the execution of the Merger Agreement, and that such proxy is given to secure the performance of the duties of the Shareholder under this Agreement. The Shareholder hereby further affirms that the proxy is coupled with an interest and, except as set forth in this Section 4.1, is intended to be irrevocable in accordance with the provisions of the MGCL for the period in which this Agreement is in effect, it being understood that if this Agreement is terminated as provided in Section 9.13, then (and only then) the proxy hereby granted shall be likewise ineffective and revoked thereafter. If for any reason the proxy granted herein is not irrevocable, then the Shareholder will, in accordance with Section 4.1(a) above, vote the Shares in favor of the transaction contemplated by the Merger Agreement as instructed by Parent in writing.

ARTICLE V

NO SOLICITATION

Section 5.1 Prohibition of Solicitation. During the term of this Agreement, the Shareholder shall not, nor shall the Shareholder authorize or permit any representative of the Shareholder to, directly or indirectly take any action prohibited by Section 6.2 of the Merger Agreement.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS

The Shareholder hereby represents and warrants to Parent and Merger Subsidiary as follows:

Section 6.1 Power; Due Authorization; Binding Agreement. The Shareholder has the legal capacity to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly and validly executed and delivered by the Shareholder and constitutes a legal, valid and binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 6.2 No Conflicts or Consents.

(a) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not: (A) conflict with or violate any law, rule, regulation, order, decree or judgment applicable to the Shareholder or by which the Shareholder or any of the Shareholder's properties or assets is or may be bound or affected; or (B) result in or constitute (with or without notice or lapse of time) any breach of or default under, or give to any other Person (with or without notice or lapse of time) any right of termination, amendment, acceleration or cancellation of, or result (with or without notice or lapse of time) in the creation of any Lien on any of the Shares pursuant to, any contract, agreement or understanding to which the Shareholder is a party or by which the Shareholder or any of the Shareholder's affiliates or properties is or may be bound or affected, in each

case, except where any such conflicts, violations, breaches or defaults would not adversely affect the Shareholder's obligations under this Agreement.

(b) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not, require (A) any consent, authorization or permit of, or filing with or notification to, any Governmental Authority, other than any filings required under the Exchange Act, or (B) any consent or approval of any other Person.

Section 6.3 Securities Owned By Shareholder. As of the date of this Agreement, other than the "Shares Owned" on Schedule I hereto, the Shareholder does not directly or indirectly own any shares of capital stock or other securities of the Company, or any option, warrant or other right to acquire (by purchase, conversion or otherwise) any shares of capital stock or other securities of the Company.

Section 6.4 Absence of Litigation. As of the date hereof, there is no litigation, suit, claim, action, proceeding or investigation pending, or to the knowledge of the Shareholder, threatened against the Shareholder, or any property or asset of the Shareholder, before any Governmental Authority

that seeks to delay or prevent the performance of such Shareholder's obligations under this Agreement.

Section 6.5 Shareholder Has Adequate Information. The Shareholder is a sophisticated seller with respect to the Shares and has adequate information concerning the business and financial condition of the Company to make an informed decision regarding the sale of the Shares and has independently and without reliance upon either Parent or Merger Subsidiary and based on such information as the Shareholder has deemed appropriate, made its own analysis and decision to enter into this Agreement. The Shareholder acknowledges that Parent has not made and does not make any representation or warranty, whether express or implied, of any kind or character except as expressly set forth in this Agreement.

Section 6.6 Accuracy of Representations. The representations and warranties contained in this Agreement are true and correct as of the date of this Agreement and will be true and correct in all material respects at all times during the term of this Agreement. None of the representations or warranties contained in this Agreement shall survive the termination of this Agreement.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUBSIDIARY

Section 7.1 Organization; Good Standing. Each of Parent and Merger Subsidiary is a corporation or limited liability company duly formed, validly existing and in good standing under the laws of Maryland.

Section 7.2 Authority. Parent and Merger Subsidiary have all requisite corporate or limited liability company, as applicable, power and authority to execute and deliver this Agreement and to perform and consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by Parent and Merger Subsidiary of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate or limited liability company, as applicable, action on the part of Parent and Merger Subsidiary and no other corporate or limited liability company, as applicable, proceedings on the part of the Parent and Merger Subsidiary are necessary to authorize this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by Parent and Merger Subsidiary and constitutes a valid and binding obligation of Parent and Merger Subsidiary, enforceable against Parent and Merger Subsidiary and in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency,

reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

ARTICLE VIII

FURTHER ASSURANCES

Section 8.1 Additional Documentation. From time to time the Shareholder, Parent and Merger Subsidiary shall execute and deliver, or cause to be executed and delivered, such additional transfers, assignments, endorsements, proxies, consents and other instruments, and shall take such further actions, as the other parties hereto may reasonably request for the purpose of carrying out and furthering the intent of this Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Notices. All notices, requests and other communications under this Agreement must be in writing and will be deemed to have been duly given upon receipt to the parties at the following addresses or facsimiles (or at such other address or facsimile for a party as shall be specified by the notice):

If to the Shareholder: to the address set forth on Schedule I.

If to Parent or Merger Subsidiary:

iStar Financial Inc.
1114 Avenue of the Americas
27th Floor
New York, New York 10036
Attention: General Counsel
Facsimile: (212) 930-9494

With a copy (which shall not constitute notice) to:

Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
Attention: Kathleen Werner, Esq.
Facsimile: (212) 878-8375

Section 9.2 Entire Agreement. This Agreement and Schedule I attached hereto supersede all prior and contemporaneous discussions and agreements, both written and oral, among the parties with respect to the subject matter of this Agreement and constitute the sole and entire agreement among the parties to this Agreement with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements and understandings, written or oral, with respect to the subject matter hereof.

Section 9.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a

written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

Section 9.4 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.5 No Third-Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person.

Section 9.6 Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation under this Agreement may be assigned by any party to this Agreement by operation of law or otherwise without the prior written consent of the other parties to this Agreement and any attempt to do so will be void, except that Merger Subsidiary may assign any or all of its rights, interests and obligations under this Agreement to Parent or any wholly owned subsidiary of Parent. Subject to the foregoing, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties to this Agreement and their respective successors and assigns.

Section 9.7 CONSENT TO JURISDICTION AND SERVICE OF PROCESS. **EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND OR ANY COURT OF THE STATE OF MARYLAND LOCATED IN BALTIMORE, MARYLAND IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OFFER DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE BROUGHT ONLY IN SUCH COURT (AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS OR ANY OTHER OBJECTION TO VENUE THEREIN); PROVIDED, HOWEVER, THAT SUCH CONSENT TO JURISDICTION IS SOLELY FOR THE PURPOSE REFERRED TO IN THIS SECTION 9.7 AND SHALL NOT BE DEEMED TO BE A GENERAL SUBMISSION TO THE JURISDICTION OF SAID COURTS OR IN THE STATE OF MARYLAND OTHER THAN FOR SUCH PURPOSE**. Any and all process may be served in any action, suit or proceeding arising in connection with this Agreement by complying with the provisions of Section 9.1. Such service of process shall have the same effect as if the party being served were a resident in the State of Maryland and had been lawfully served with such process in such jurisdiction. The parties hereby waive all claims of error by reason of such service. Nothing herein shall affect the right of any party to service process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the other in any other jurisdiction to enforce judgments or rulings of the aforementioned courts.

Section 9.8 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement are not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 9.9 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will

be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 9.10 Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD FOR THE CONFLICTS OF LAWS PRINCIPLES THEREOF**.

Section 9.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute one and the same instrument.

Section 9.12 Expenses. Except as specifically provided elsewhere in this Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such costs and expenses.

Section 9.13 Termination. This Agreement, and all rights and obligations of the parties hereunder, shall terminate immediately upon the earlier of (a) the termination of the Merger Agreement in accordance with its terms or (b) the Effective Time.

Section 9.14 Certain Events. In the event of any stock split, stock dividend, merger, reorganization, recapitalization or other change in the capital structure of the Company affecting the Shares or the acquisition of additional Shares or other securities or rights of the Company by the Shareholder, through the exercise of options or otherwise, the number of Shares shall be adjusted appropriately, and this Agreement and the obligations hereunder shall attach to any additional Shares or other securities or rights of the Company issued to or acquired by the Shareholder.

Section 9.15 Shareholder Capacity. Notwithstanding anything in this Agreement to the contrary, no person executing this Agreement (including, without limitation, such person's representatives, designees or affiliates) who is or becomes during the term hereof a trustee or officer of the Company makes any agreement or understanding herein or is obligated hereunder in his capacity as such trustee or officer. The Shareholder executes this Agreement solely in such Shareholder's capacity as a shareholder of the Company, and nothing herein shall limit or affect any actions taken by the

Shareholder (including, without limitation, such person's representatives, designees or affiliates) in that person's capacity as an officer or trustee of the Company.

Section 9.16 Stop Transfer Order. In furtherance of this Agreement, the Shareholder hereby does authorize the Company or its counsel to, notify the Company's transfer agent that there is a stop transfer order with respect to all of the Shares (and that this Agreement places limits on the voting and transfer of such Shares); provided that, the stop transfer order shall not restrict or prohibit any Transfer of the Shares if such transfer is made pursuant to the Offer or such Transfer is made at any time following termination of this Agreement.

[The remainder of this page is intentionally blank]

IN WITNESS WHEREOF, Parent, Merger Subsidiary and the Shareholder have caused this Agreement to be executed as of the date first written above.

ISTAR FINANCIAL INC.

By: /s/ Catherine Rice
Catherine Rice
Chief Financial Officer

FLASH ACQUISITION COMPANY LLC

By: /s/ Catherine Rice
Catherine Rice
Vice President

SHAREHOLDER:

By: /s/ David A. Karp
Name: David A. Karp

SCHEDULE I

Shareholder	Shares Owned	Company Options Owned
David A. Karp	325,900	0

Address of Shareholder:

David A. Karp
c/o Falcon Financial Investment Trust
15 Commerce Road
Stamford, Connecticut 06902

SHAREHOLDER AGREEMENT

THIS SHAREHOLDER AGREEMENT (the "Agreement") is entered into as of January 19, 2005, by and among iStar Financial Inc., a Maryland corporation ("Parent"), Flash Acquisition Company LLC, a Maryland limited liability company and a wholly owned subsidiary of Parent ("Merger Subsidiary"), and James K. Hunt (the "Shareholder"), a shareholder and trustee of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company").

RECITALS

WHEREAS, Parent, Merger Subsidiary and the Company have entered into an Agreement and Plan of Merger, dated as of January 19, 2005 (as the same may be amended or supplemented, the "Merger Agreement") which provides, among other things, that Merger Subsidiary will make a cash tender offer (the "Offer") for all of the issued and outstanding common shares of beneficial interest, par value $0.01 per share, of the Company (the "Common Shares") and, following the consummation of the Offer, will merge with and into the Company (the "Merger"), in each case upon the terms and subject to the conditions set forth in the Merger Agreement.

WHEREAS the Shareholder is the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of such number of Common Shares of the Company as indicated on the Schedule I to this Agreement (such Shares, as they may be adjusted from time to time pursuant to Section 9.14, together with any shares which the Shareholder acquires during the term of this Agreement, the "Shares");

WHEREAS, the Company has advised Parent and Merger Subsidiary that the board of trustees of the Company has unanimously approved the terms of this Agreement, and such approval has not been withdrawn; and

WHEREAS, as an inducement and a condition to its entering into the Merger Agreement and incurring the obligations set forth therein, Parent has required that the Shareholder enter into this Agreement.

NOW, THEREFORE, in contemplation of the foregoing and in consideration of the mutual agreements, covenants, representations and warranties contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

For purposes of this Agreement:

Section 1.1 Person. Person shall mean any individual, corporation, limited liability company, partnership, trust or other entity, or governmental authority.

Section 1.2 Transfer. A Person shall be deemed to have effected a "Transfer" of a security if such Person directly or indirectly: (i) sells, pledges, encumbers, grants an option with respect to, transfers, distributes or disposes of such security or any interest in such security; or (ii) enters into an agreement or commitment contemplating the sale of, pledge of, encumbrance of, grant of an option with respect to, transfer of or disposition of such security or any interest therein.

Section 1.3 Other Terms. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Merger Agreement.

ARTICLE II

TRANSFER OF SHARES

Section 2.1 Transfer of the Shares. Prior to the termination of this Agreement, except as otherwise provided or permitted herein, the Shareholder agrees not to: (a) Transfer any of the Shares or any right or interest therein; (b) enter into any contract, option or other agreement, arrangement or understanding with respect to any Transfer of Shares; (c) grant any proxy, power-of-attorney or other authorization for any of the Shares with respect to any matters described in Section 4.1; (d) deposit any of the Shares into a voting trust, or enter into a voting agreement or arrangement with respect to any of the Shares with respect to any matters described in Section 4.1; or (e) take any other action that is intended to restrict, limit or interfere with the performance of such Shareholder's obligations hereunder or the transactions contemplated hereby.

ARTICLE III

TENDER OF SHARES

Section 3.1 Tendering Shares. The Shareholder agrees (a) to tender the Shares into the Offer (the "Tendered Shares") promptly, and in any event no later than five business days following the commencement of the Offer pursuant to the Merger Agreement, free and clear of any liens, claims, options, rights of first refusal, co-sale rights, charges or other encumbrances (collectively, "Liens"), except in the case of restricted shares held by the Shareholder, which restricted shares are subject to the restrictions and encumbrances pursuant to the terms of the restricted share award and (b) not to withdraw any Tendered Shares so tendered unless (i) the Offer is terminated or has terminated without Parent purchasing all Common Shares validly tendered in the Offer or (ii) this Agreement is terminated pursuant to Section 9.13. The Shareholder shall make such tender of the Tendered Shares into the Offer pursuant to the terms and conditions of the Offer in accordance with the Offer Documents.

Section 3.2 Disclosure. The Shareholder agrees to permit Parent, Merger Subsidiary and the Company to publish and disclose in the Offer Documents and Schedule 14D-9 and, if approval of the shareholders of the Company is required under applicable law, the Proxy Statement (including all

documents and schedules filed with the SEC) and any similar filing required by applicable law in connection with the transactions contemplated by the Offer and Merger Agreement, the Shareholder's identity and ownership of the Shares and the nature of the Shareholder's commitments, arrangements and understandings under this Agreement.

ARTICLE IV

VOTING OF SHARES

Section 4.1 Grant of Proxy; Appointment of Proxy.

(a) The Shareholder hereby grants to, and appoints, Parent and any designee thereof, the Shareholder's proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of the Shareholder, to vote the Shares, or to grant a consent or approval in respect of the Shares, in connection with any meeting of shareholders of the Company or any action by written consent in lieu of a meeting of shareholders of the Company (i) in favor of the Merger and (ii) against any action or

agreement which would impede, interfere with or prevent the Merger, including, but not limited to, any other Takeover Proposal.

(b) The Shareholder hereby affirms that the proxy granted by Section 4.1(a) above revokes any prior proxies given in respect of the matters set forth in Section 4.1(a).

(c) The Shareholder hereby affirms that the proxy set forth in this Section 4.1 is given in connection with the execution of the Merger Agreement, and that such proxy is given to secure the performance of the duties of the Shareholder under this Agreement. The Shareholder hereby further affirms that the proxy is coupled with an interest and, except as set forth in this Section 4.1, is intended to be irrevocable in accordance with the provisions of the MGCL for the period in which this Agreement is in effect, it being understood that if this Agreement is terminated as provided in Section 9.13, then (and only then) the proxy hereby granted shall be likewise ineffective and revoked thereafter. If for any reason the proxy granted herein is not irrevocable, then the Shareholder will, in accordance with Section 4.1(a) above, vote the Shares in favor of the transaction contemplated by the Merger Agreement as instructed by Parent in writing.

ARTICLE V

NO SOLICITATION

Section 5.1 Prohibition of Solicitation. During the term of this Agreement, the Shareholder shall not, nor shall the Shareholder authorize or permit any representative of the Shareholder to, directly or indirectly take any action prohibited by Section 6.2 of the Merger Agreement.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS

The Shareholder hereby represents and warrants to Parent and Merger Subsidiary as follows:

Section 6.1 Power; Due Authorization; Binding Agreement. The Shareholder has the legal capacity to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly and validly executed and delivered by the Shareholder and constitutes a legal, valid and binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 6.2 No Conflicts or Consents.

(a) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not: (A) conflict with or violate any law, rule, regulation, order, decree or judgment applicable to the Shareholder or by which the Shareholder or any of the Shareholder's properties or assets is or may be bound or affected; or (B) result in or constitute (with or without notice or lapse of time) any breach of or default under, or give to any other Person (with or without notice or lapse of time) any right of termination, amendment, acceleration or cancellation of, or result (with or without notice or lapse of time) in the creation of any Lien on any of the Shares pursuant to, any contract, agreement or understanding to which the Shareholder is a party or by which the Shareholder or any of the Shareholder's affiliates or properties is or may be bound or affected, in each

case, except where any such conflicts, violations, breaches or defaults would not adversely affect the Shareholder's obligations under this Agreement.

(b) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not, require (A) any consent, authorization or permit of, or filing with or notification to, any Governmental Authority, other than any filings required under the Exchange Act, or (B) any consent or approval of any other Person.

Section 6.3 Securities Owned By Shareholder. As of the date of this Agreement, other than the "Shares Owned" on Schedule I hereto, the Shareholder does not directly or indirectly own any shares of capital stock or other securities of the Company, or any option, warrant or other right to acquire (by purchase, conversion or otherwise) any shares of capital stock or other securities of the Company.

Section 6.4 Absence of Litigation. As of the date hereof, there is no litigation, suit, claim, action, proceeding or investigation pending, or to the knowledge of the Shareholder, threatened against the Shareholder, or any property or asset of the Shareholder, before any Governmental Authority

that seeks to delay or prevent the performance of such Shareholder's obligations under this Agreement.

Section 6.5 Shareholder Has Adequate Information. The Shareholder is a sophisticated seller with respect to the Shares and has adequate information concerning the business and financial condition of the Company to make an informed decision regarding the sale of the Shares and has independently and without reliance upon either Parent or Merger Subsidiary and based on such information as the Shareholder has deemed appropriate, made its own analysis and decision to enter into this Agreement. The Shareholder acknowledges that Parent has not made and does not make any representation or warranty, whether express or implied, of any kind or character except as expressly set forth in this Agreement.

Section 6.6 Accuracy of Representations. The representations and warranties contained in this Agreement are true and correct as of the date of this Agreement and will be true and correct in all material respects at all times during the term of this Agreement. None of the representations or warranties contained in this Agreement shall survive the termination of this Agreement.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUBSIDIARY

Section 7.1 Organization; Good Standing. Each of Parent and Merger Subsidiary is a corporation or limited liability company duly formed, validly existing and in good standing under the laws of Maryland.

Section 7.2 Authority. Parent and Merger Subsidiary have all requisite corporate or limited liability company, as applicable, power and authority to execute and deliver this Agreement and to perform and consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by Parent and Merger Subsidiary of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate or limited liability company, as applicable, action on the part of Parent and Merger Subsidiary and no other corporate or limited liability company, as applicable, proceedings on the part of the Parent and Merger Subsidiary are necessary to authorize this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by Parent and Merger Subsidiary and constitutes a valid and binding obligation of Parent and Merger Subsidiary, enforceable against Parent and Merger Subsidiary and in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency,

reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

ARTICLE VIII

FURTHER ASSURANCES

Section 8.1 Additional Documentation. From time to time the Shareholder, Parent and Merger Subsidiary shall execute and deliver, or cause to be executed and delivered, such additional transfers, assignments, endorsements, proxies, consents and other instruments, and shall take such further actions, as the other parties hereto may reasonably request for the purpose of carrying out and furthering the intent of this Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Notices. All notices, requests and other communications under this Agreement must be in writing and will be deemed to have been duly given upon receipt to the parties at the following addresses or facsimiles (or at such other address or facsimile for a party as shall be specified by the notice):

If to the Shareholder: to the address set forth on Schedule I.

If to Parent or Merger Subsidiary:

iStar Financial Inc.
1114 Avenue of the Americas
27th Floor
New York, New York 10036
Attention: General Counsel
Facsimile: (212) 930-9494

With a copy (which shall not constitute notice) to:

Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
Attention: Kathleen Werner, Esq.
Facsimile: (212) 878-8375

Section 9.2 Entire Agreement. This Agreement and Schedule I attached hereto supersede all prior and contemporaneous discussions and agreements, both written and oral, among the parties with respect to the subject matter of this Agreement and constitute the sole and entire agreement among the parties to this Agreement with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements and understandings, written or oral, with respect to the subject matter hereof.

Section 9.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a

written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

Section 9.4 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.5 No Third-Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person.

Section 9.6 Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation under this Agreement may be assigned by any party to this Agreement by operation of law or otherwise without the prior written consent of the other parties to this Agreement and any attempt to do so will be void, except that Merger Subsidiary may assign any or all of its rights, interests and obligations under this Agreement to Parent or any wholly owned subsidiary of Parent. Subject to the foregoing, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties to this Agreement and their respective successors and assigns.

Section 9.7 CONSENT TO JURISDICTION AND SERVICE OF PROCESS. **EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND OR ANY COURT OF THE STATE OF MARYLAND LOCATED IN BALTIMORE, MARYLAND IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OFFER DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE BROUGHT ONLY IN SUCH COURT (AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS OR ANY OTHER OBJECTION TO VENUE THEREIN); PROVIDED, HOWEVER, THAT SUCH CONSENT TO JURISDICTION IS SOLELY FOR THE PURPOSE REFERRED TO IN THIS SECTION 9.7 AND SHALL NOT BE DEEMED TO BE A GENERAL SUBMISSION TO THE JURISDICTION OF SAID COURTS OR IN THE STATE OF MARYLAND OTHER THAN FOR SUCH PURPOSE**. Any and all process may be served in any action, suit or proceeding arising in connection with this Agreement by complying with the provisions of Section 9.1. Such service of process shall have the same effect as if the party being served were a resident in the State of Maryland and had been lawfully served with such process in such jurisdiction. The parties hereby waive all claims of error by reason of such service. Nothing herein shall affect the right of any party to service process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the other in any other jurisdiction to enforce judgments or rulings of the aforementioned courts.

Section 9.8 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement are not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 9.9 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will

be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 9.10 Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD FOR THE CONFLICTS OF LAWS PRINCIPLES THEREOF**.

Section 9.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute one and the same instrument.

Section 9.12 Expenses. Except as specifically provided elsewhere in this Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such costs and expenses.

Section 9.13 Termination. This Agreement, and all rights and obligations of the parties hereunder, shall terminate immediately upon the earlier of (a) the termination of the Merger Agreement in accordance with its terms or (b) the Effective Time.

Section 9.14 Certain Events. In the event of any stock split, stock dividend, merger, reorganization, recapitalization or other change in the capital structure of the Company affecting the Shares or the acquisition of additional Shares or other securities or rights of the Company by the Shareholder, through the exercise of options or otherwise, the number of Shares shall be adjusted appropriately, and this Agreement and the obligations hereunder shall attach to any additional Shares or other securities or rights of the Company issued to or acquired by the Shareholder.

Section 9.15 Shareholder Capacity. Notwithstanding anything in this Agreement to the contrary, no person executing this Agreement (including, without limitation, such person's representatives, designees or affiliates) who is or becomes during the term hereof a trustee or officer of the Company makes any agreement or understanding herein or is obligated hereunder in his capacity as such trustee or officer. The Shareholder executes this Agreement solely in such Shareholder's capacity as a shareholder of the Company, and nothing herein shall limit or affect any actions taken by the

Shareholder (including, without limitation, such person's representatives, designees or affiliates) in that person's capacity as an officer or trustee of the Company.

Section 9.16 Stop Transfer Order. In furtherance of this Agreement, the Shareholder hereby does authorize the Company or its counsel to, notify the Company's transfer agent that there is a stop transfer order with respect to all of the Shares (and that this Agreement places limits on the voting and transfer of such Shares); provided that, the stop transfer order shall not restrict or prohibit any Transfer of the Shares if such transfer is made pursuant to the Offer or such Transfer is made at any time following termination of this Agreement.

[The remainder of this page is intentionally blank]

IN WITNESS WHEREOF, Parent, Merger Subsidiary and the Shareholder have caused this Agreement to be executed as of the date first written above.

ISTAR FINANCIAL INC.

By: /s/ Catherine Rice
Catherine Rice
Chief Financial Officer

FLASH ACQUISITION COMPANY LLC

By: /s/ Catherine Rice
Catherine Rice
Vice President

SHAREHOLDER:

By: /s/ James K. Hunt
Name: James K. Hunt

SCHEDULE I

Shareholder	Shares Owned	Company Options Owned
James K. Hunt	3,000	0

Address of Shareholder:

James K. Hunt
c/o Falcon Financial Investment Trust
15 Commerce Road
Stamford, Connecticut 06902

SHAREHOLDER AGREEMENT

THIS SHAREHOLDER AGREEMENT (the "Agreement") is entered into as of January 19, 2005, by and among iStar Financial Inc., a Maryland corporation ("Parent"), Flash Acquisition Company LLC, a Maryland limited liability company and a wholly owned subsidiary of Parent ("Merger Subsidiary"), and Maryann N. Keller (the "Shareholder"), a shareholder and trustee of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company").

RECITALS

WHEREAS, Parent, Merger Subsidiary and the Company have entered into an Agreement and Plan of Merger, dated as of January 19, 2005 (as the same may be amended or supplemented, the "Merger Agreement") which provides, among other things, that Merger Subsidiary will make a cash tender offer (the "Offer") for all of the issued and outstanding common shares of beneficial interest, par value $0.01 per share, of the Company (the "Common Shares") and, following the consummation of the Offer, will merge with and into the Company (the "Merger"), in each case upon the terms and subject to the conditions set forth in the Merger Agreement.

WHEREAS the Shareholder is the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of such number of Common Shares of the Company as indicated on the Schedule I to this Agreement (such Shares, as they may be adjusted from time to time pursuant to Section 9.14, together with any shares which the Shareholder acquires during the term of this Agreement, the "Shares");

WHEREAS, the Company has advised Parent and Merger Subsidiary that the board of trustees of the Company has unanimously approved the terms of this Agreement, and such approval has not been withdrawn; and

WHEREAS, as an inducement and a condition to its entering into the Merger Agreement and incurring the obligations set forth therein, Parent has required that the Shareholder enter into this Agreement.

NOW, THEREFORE, in contemplation of the foregoing and in consideration of the mutual agreements, covenants, representations and warranties contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

For purposes of this Agreement:

Section 1.1 Person. Person shall mean any individual, corporation, limited liability company, partnership, trust or other entity, or governmental authority.

Section 1.2 Transfer. A Person shall be deemed to have effected a "Transfer" of a security if such Person directly or indirectly: (i) sells, pledges, encumbers, grants an option with respect to, transfers, distributes or disposes of such security or any interest in such security; or (ii) enters into an agreement or commitment contemplating the sale of, pledge of, encumbrance of, grant of an option with respect to, transfer of or disposition of such security or any interest therein.

Section 1.3 Other Terms. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Merger Agreement.

ARTICLE II

TRANSFER OF SHARES

Section 2.1 Transfer of the Shares. Prior to the termination of this Agreement, except as otherwise provided or permitted herein, the Shareholder agrees not to: (a) Transfer any of the Shares or any right or interest therein; (b) enter into any contract, option or other agreement, arrangement or understanding with respect to any Transfer of Shares; (c) grant any proxy, power-of-attorney or other authorization for any of the Shares with respect to any matters described in Section 4.1; (d) deposit any of the Shares into a voting trust, or enter into a voting agreement or arrangement with respect to any of the Shares with respect to any matters described in Section 4.1; or (e) take any other action that is intended to restrict, limit or interfere with the performance of such Shareholder's obligations hereunder or the transactions contemplated hereby.

ARTICLE III

TENDER OF SHARES

Section 3.1 Tendering Shares. The Shareholder agrees (a) to tender the Shares into the Offer (the "Tendered Shares") promptly, and in any event no later than five business days following the commencement of the Offer pursuant to the Merger Agreement, free and clear of any liens, claims, options, rights of first refusal, co-sale rights, charges or other encumbrances (collectively, "Liens"), except in the case of restricted shares held by the Shareholder, which restricted shares are subject to the restrictions and encumbrances pursuant to the terms of the restricted share award and (b) not to withdraw any Tendered Shares so tendered unless (i) the Offer is terminated or has terminated without Parent purchasing all Common Shares validly tendered in the Offer or (ii) this Agreement is terminated pursuant to Section 9.13. The Shareholder shall make such tender of the Tendered Shares into the Offer pursuant to the terms and conditions of the Offer in accordance with the Offer Documents.

Section 3.2 Disclosure. The Shareholder agrees to permit Parent, Merger Subsidiary and the Company to publish and disclose in the Offer Documents and Schedule 14D-9 and, if approval of the shareholders of the Company is required under applicable law, the Proxy Statement (including all

documents and schedules filed with the SEC) and any similar filing required by applicable law in connection with the transactions contemplated by the Offer and Merger Agreement, the Shareholder's identity and ownership of the Shares and the nature of the Shareholder's commitments, arrangements and understandings under this Agreement.

ARTICLE IV

VOTING OF SHARES

Section 4.1 Grant of Proxy; Appointment of Proxy.

(a) The Shareholder hereby grants to, and appoints, Parent and any designee thereof, the Shareholder's proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of the Shareholder, to vote the Shares, or to grant a consent or approval in respect of the Shares, in connection with any meeting of shareholders of the Company or any action by written consent in lieu of a meeting of shareholders of the Company (i) in favor of the Merger and (ii) against any action or

agreement which would impede, interfere with or prevent the Merger, including, but not limited to, any other Takeover Proposal.

(b) The Shareholder hereby affirms that the proxy granted by Section 4.1(a) above revokes any prior proxies given in respect of the matters set forth in Section 4.1(a).

(c) The Shareholder hereby affirms that the proxy set forth in this Section 4.1 is given in connection with the execution of the Merger Agreement, and that such proxy is given to secure the performance of the duties of the Shareholder under this Agreement. The Shareholder hereby further affirms that the proxy is coupled with an interest and, except as set forth in this Section 4.1, is intended to be irrevocable in accordance with the provisions of the MGCL for the period in which this Agreement is in effect, it being understood that if this Agreement is terminated as provided in Section 9.13, then (and only then) the proxy hereby granted shall be likewise ineffective and revoked thereafter. If for any reason the proxy granted herein is not irrevocable, then the Shareholder will, in accordance with Section 4.1(a) above, vote the Shares in favor of the transaction contemplated by the Merger Agreement as instructed by Parent in writing.

ARTICLE V

NO SOLICITATION

Section 5.1 Prohibition of Solicitation. During the term of this Agreement, the Shareholder shall not, nor shall the Shareholder authorize or permit any representative of the Shareholder to, directly or indirectly take any action prohibited by Section 6.2 of the Merger Agreement.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS

The Shareholder hereby represents and warrants to Parent and Merger Subsidiary as follows:

Section 6.1 Power; Due Authorization; Binding Agreement. The Shareholder has the legal capacity to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly and validly executed and delivered by the Shareholder and constitutes a legal, valid and binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 6.2 No Conflicts or Consents.

(a) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not: (A) conflict with or violate any law, rule, regulation, order, decree or judgment applicable to the Shareholder or by which the Shareholder or any of the Shareholder's properties or assets is or may be bound or affected; or (B) result in or constitute (with or without notice or lapse of time) any breach of or default under, or give to any other Person (with or without notice or lapse of time) any right of termination, amendment, acceleration or cancellation of, or result (with or without notice or lapse of time) in the creation of any Lien on any of the Shares pursuant to, any contract, agreement or understanding to which the Shareholder is a party or by which the Shareholder or any of the Shareholder's affiliates or properties is or may be bound or affected, in each

case, except where any such conflicts, violations, breaches or defaults would not adversely affect the Shareholder's obligations under this Agreement.

(b) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not, require (A) any consent, authorization or permit of, or filing with or notification to, any Governmental Authority, other than any filings required under the Exchange Act, or (B) any consent or approval of any other Person.

Section 6.3 Securities Owned By Shareholder. As of the date of this Agreement, other than the "Shares Owned" on Schedule I hereto, the Shareholder does not directly or indirectly own any shares of capital stock or other securities of the Company, or any option, warrant or other right to acquire (by purchase, conversion or otherwise) any shares of capital stock or other securities of the Company.

Section 6.4 Absence of Litigation. As of the date hereof, there is no litigation, suit, claim, action, proceeding or investigation pending, or to the knowledge of the Shareholder, threatened against the Shareholder, or any property or asset of the Shareholder, before any Governmental Authority

that seeks to delay or prevent the performance of such Shareholder's obligations under this Agreement.

Section 6.5 Shareholder Has Adequate Information. The Shareholder is a sophisticated seller with respect to the Shares and has adequate information concerning the business and financial condition of the Company to make an informed decision regarding the sale of the Shares and has independently and without reliance upon either Parent or Merger Subsidiary and based on such information as the Shareholder has deemed appropriate, made its own analysis and decision to enter into this Agreement. The Shareholder acknowledges that Parent has not made and does not make any representation or warranty, whether express or implied, of any kind or character except as expressly set forth in this Agreement.

Section 6.6 Accuracy of Representations. The representations and warranties contained in this Agreement are true and correct as of the date of this Agreement and will be true and correct in all material respects at all times during the term of this Agreement. None of the representations or warranties contained in this Agreement shall survive the termination of this Agreement.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUBSIDIARY

Section 7.1 Organization; Good Standing. Each of Parent and Merger Subsidiary is a corporation or limited liability company duly formed, validly existing and in good standing under the laws of Maryland.

Section 7.2 Authority. Parent and Merger Subsidiary have all requisite corporate or limited liability company, as applicable, power and authority to execute and deliver this Agreement and to perform and consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by Parent and Merger Subsidiary of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate or limited liability company, as applicable, action on the part of Parent and Merger Subsidiary and no other corporate or limited liability company, as applicable, proceedings on the part of the Parent and Merger Subsidiary are necessary to authorize this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by Parent and Merger Subsidiary and constitutes a valid and binding obligation of Parent and Merger Subsidiary, enforceable against Parent and Merger Subsidiary and in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency,

reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

ARTICLE VIII

FURTHER ASSURANCES

Section 8.1 Additional Documentation. From time to time the Shareholder, Parent and Merger Subsidiary shall execute and deliver, or cause to be executed and delivered, such additional transfers, assignments, endorsements, proxies, consents and other instruments, and shall take such further actions, as the other parties hereto may reasonably request for the purpose of carrying out and furthering the intent of this Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Notices. All notices, requests and other communications under this Agreement must be in writing and will be deemed to have been duly given upon receipt to the parties at the following addresses or facsimiles (or at such other address or facsimile for a party as shall be specified by the notice):

If to the Shareholder: to the address set forth on Schedule I.

If to Parent or Merger Subsidiary:

iStar Financial Inc.
1114 Avenue of the Americas
27th Floor
New York, New York 10036
Attention: General Counsel
Facsimile: (212) 930-9494

With a copy (which shall not constitute notice) to:

Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
Attention: Kathleen Werner, Esq.
Facsimile: (212) 878-8375

Section 9.2 Entire Agreement. This Agreement and Schedule I attached hereto supersede all prior and contemporaneous discussions and agreements, both written and oral, among the parties with respect to the subject matter of this Agreement and constitute the sole and entire agreement among the parties to this Agreement with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements and understandings, written or oral, with respect to the subject matter hereof.

Section 9.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a

written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

Section 9.4 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.5 No Third-Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person.

Section 9.6 Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation under this Agreement may be assigned by any party to this Agreement by operation of law or otherwise without the prior written consent of the other parties to this Agreement and any attempt to do so will be void, except that Merger Subsidiary may assign any or all of its rights, interests and obligations under this Agreement to Parent or any wholly owned subsidiary of Parent. Subject to the foregoing, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties to this Agreement and their respective successors and assigns.

Section 9.7 CONSENT TO JURISDICTION AND SERVICE OF PROCESS. **EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND OR ANY COURT OF THE STATE OF MARYLAND LOCATED IN BALTIMORE, MARYLAND IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OFFER DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE BROUGHT ONLY IN SUCH COURT (AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS OR ANY OTHER OBJECTION TO VENUE THEREIN); PROVIDED, HOWEVER, THAT SUCH CONSENT TO JURISDICTION IS SOLELY FOR THE PURPOSE REFERRED TO IN THIS SECTION 9.7 AND SHALL NOT BE DEEMED TO BE A GENERAL SUBMISSION TO THE JURISDICTION OF SAID COURTS OR IN THE STATE OF MARYLAND OTHER THAN FOR SUCH PURPOSE**. Any and all process may be served in any action, suit or proceeding arising in connection with this Agreement by complying with the provisions of Section 9.1. Such service of process shall have the same effect as if the party being served were a resident in the State of Maryland and had been lawfully served with such process in such jurisdiction. The parties hereby waive all claims of error by reason of such service. Nothing herein shall affect the right of any party to service process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the other in any other jurisdiction to enforce judgments or rulings of the aforementioned courts.

Section 9.8 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement are not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 9.9 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will

be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 9.10 Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD FOR THE CONFLICTS OF LAWS PRINCIPLES THEREOF**.

Section 9.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute one and the same instrument.

Section 9.12 Expenses. Except as specifically provided elsewhere in this Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such costs and expenses.

Section 9.13 Termination. This Agreement, and all rights and obligations of the parties hereunder, shall terminate immediately upon the earlier of (a) the termination of the Merger Agreement in accordance with its terms or (b) the Effective Time.

Section 9.14 Certain Events. In the event of any stock split, stock dividend, merger, reorganization, recapitalization or other change in the capital structure of the Company affecting the Shares or the acquisition of additional Shares or other securities or rights of the Company by the Shareholder, through the exercise of options or otherwise, the number of Shares shall be adjusted appropriately, and this Agreement and the obligations hereunder shall attach to any additional Shares or other securities or rights of the Company issued to or acquired by the Shareholder.

Section 9.15 Shareholder Capacity. Notwithstanding anything in this Agreement to the contrary, no person executing this Agreement (including, without limitation, such person's representatives, designees or affiliates) who is or becomes during the term hereof a trustee or officer of the Company makes any agreement or understanding herein or is obligated hereunder in his capacity as such trustee or officer. The Shareholder executes this Agreement solely in such Shareholder's capacity as a shareholder of the Company, and nothing herein shall limit or affect any actions taken by the

Shareholder (including, without limitation, such person's representatives, designees or affiliates) in that person's capacity as an officer or trustee of the Company.

Section 9.16 Stop Transfer Order. In furtherance of this Agreement, the Shareholder hereby does authorize the Company or its counsel to, notify the Company's transfer agent that there is a stop transfer order with respect to all of the Shares (and that this Agreement places limits on the voting and transfer of such Shares); provided that, the stop transfer order shall not restrict or prohibit any Transfer of the Shares if such transfer is made pursuant to the Offer or such Transfer is made at any time following termination of this Agreement.

[The remainder of this page is intentionally blank]

IN WITNESS WHEREOF, Parent, Merger Subsidiary and the Shareholder have caused this Agreement to be executed as of the date first written above.

ISTAR FINANCIAL INC.

By: /s/ Catherine Rice
Catherine Rice
Chief Financial Officer

FLASH ACQUISITION COMPANY LLC

By: /s/ Catherine Rice
Catherine Rice
Vice President

SHAREHOLDER:

By: /s/ Maryann N. Keller
Name: Maryann N. Keller

SCHEDULE I

Shareholder	Shares Owned	Company Options Owned
Maryann N. Keller	1,000	0

Address of Shareholder:

Maryann N. Keller
c/o Falcon Financial Investment Trust
15 Commerce Road
Stamford, Connecticut 06902

SHAREHOLDER AGREEMENT

THIS SHAREHOLDER AGREEMENT (the "Agreement") is entered into as of January 19, 2005, by and among iStar Financial Inc., a Maryland corporation ("Parent"), Flash Acquisition Company LLC, a Maryland limited liability company and a wholly owned subsidiary of Parent ("Merger Subsidiary"), and George G. Lowrance (the "Shareholder"), a shareholder and trustee of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company").

RECITALS

WHEREAS, Parent, Merger Subsidiary and the Company have entered into an Agreement and Plan of Merger, dated as of January 19, 2005 (as the same may be amended or supplemented, the "Merger Agreement") which provides, among other things, that Merger Subsidiary will make a cash tender offer (the "Offer") for all of the issued and outstanding common shares of beneficial interest, par value $0.01 per share, of the Company (the "Common Shares") and, following the consummation of the Offer, will merge with and into the Company (the "Merger"), in each case upon the terms and subject to the conditions set forth in the Merger Agreement.

WHEREAS the Shareholder is the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of such number of Common Shares of the Company as indicated on the Schedule I to this Agreement (such Shares, as they may be adjusted from time to time pursuant to Section 9.14, together with any shares which the Shareholder acquires during the term of this Agreement, the "Shares");

WHEREAS, the Company has advised Parent and Merger Subsidiary that the board of trustees of the Company has unanimously approved the terms of this Agreement, and such approval has not been withdrawn; and

WHEREAS, as an inducement and a condition to its entering into the Merger Agreement and incurring the obligations set forth therein, Parent has required that the Shareholder enter into this Agreement.

NOW, THEREFORE, in contemplation of the foregoing and in consideration of the mutual agreements, covenants, representations and warranties contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

For purposes of this Agreement:

Section 1.1 Person. Person shall mean any individual, corporation, limited liability company, partnership, trust or other entity, or governmental authority.

Section 1.2 Transfer. A Person shall be deemed to have effected a "Transfer" of a security if such Person directly or indirectly: (i) sells, pledges, encumbers, grants an option with respect to, transfers, distributes or disposes of such security or any interest in such security; or (ii) enters into an agreement or commitment contemplating the sale of, pledge of, encumbrance of, grant of an option with respect to, transfer of or disposition of such security or any interest therein.

Section 1.3 Other Terms. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Merger Agreement.

ARTICLE II

TRANSFER OF SHARES

Section 2.1 Transfer of the Shares. Prior to the termination of this Agreement, except as otherwise provided or permitted herein, the Shareholder agrees not to: (a) Transfer any of the Shares or any right or interest therein; (b) enter into any contract, option or other agreement, arrangement or understanding with respect to any Transfer of Shares; (c) grant any proxy, power-of-attorney or other authorization for any of the Shares with respect to any matters described in Section 4.1; (d) deposit any of the Shares into a voting trust, or enter into a voting agreement or arrangement with respect to any of the Shares with respect to any matters described in Section 4.1; or (e) take any other action that is intended to restrict, limit or interfere with the performance of such Shareholder's obligations hereunder or the transactions contemplated hereby.

ARTICLE III

TENDER OF SHARES

Section 3.1 Tendering Shares. The Shareholder agrees (a) to tender the Shares into the Offer (the "Tendered Shares") promptly, and in any event no later than five business days following the commencement of the Offer pursuant to the Merger Agreement, free and clear of any liens, claims, options, rights of first refusal, co-sale rights, charges or other encumbrances (collectively, "Liens"), except in the case of restricted shares held by the Shareholder, which restricted shares are subject to the restrictions and encumbrances pursuant to the terms of the restricted share award and (b) not to withdraw any Tendered Shares so tendered unless (i) the Offer is terminated or has terminated without Parent purchasing all Common Shares validly tendered in the Offer or (ii) this Agreement is terminated pursuant to Section 9.13. The Shareholder shall make such tender of the Tendered Shares into the Offer pursuant to the terms and conditions of the Offer in accordance with the Offer Documents.

Section 3.2 Disclosure. The Shareholder agrees to permit Parent, Merger Subsidiary and the Company to publish and disclose in the Offer Documents and Schedule 14D-9 and, if approval of the shareholders of the Company is required under applicable law, the Proxy Statement (including all

documents and schedules filed with the SEC) and any similar filing required by applicable law in connection with the transactions contemplated by the Offer and Merger Agreement, the Shareholder's identity and ownership of the Shares and the nature of the Shareholder's commitments, arrangements and understandings under this Agreement.

ARTICLE IV

VOTING OF SHARES

Section 4.1 Grant of Proxy; Appointment of Proxy.

(a) The Shareholder hereby grants to, and appoints, Parent and any designee thereof, the Shareholder's proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of the Shareholder, to vote the Shares, or to grant a consent or approval in respect of the Shares, in connection with any meeting of shareholders of the Company or any action by written consent in lieu of a meeting of shareholders of the Company (i) in favor of the Merger and (ii) against any action or

agreement which would impede, interfere with or prevent the Merger, including, but not limited to, any other Takeover Proposal.

(b) The Shareholder hereby affirms that the proxy granted by Section 4.1(a) above revokes any prior proxies given in respect of the matters set forth in Section 4.1(a).

(c) The Shareholder hereby affirms that the proxy set forth in this Section 4.1 is given in connection with the execution of the Merger Agreement, and that such proxy is given to secure the performance of the duties of the Shareholder under this Agreement. The Shareholder hereby further affirms that the proxy is coupled with an interest and, except as set forth in this Section 4.1, is intended to be irrevocable in accordance with the provisions of the MGCL for the period in which this Agreement is in effect, it being understood that if this Agreement is terminated as provided in Section 9.13, then (and only then) the proxy hereby granted shall be likewise ineffective and revoked thereafter. If for any reason the proxy granted herein is not irrevocable, then the Shareholder will, in accordance with Section 4.1(a) above, vote the Shares in favor of the transaction contemplated by the Merger Agreement as instructed by Parent in writing.

ARTICLE V

NO SOLICITATION

Section 5.1 Prohibition of Solicitation. During the term of this Agreement, the Shareholder shall not, nor shall the Shareholder authorize or permit any representative of the Shareholder to, directly or indirectly take any action prohibited by Section 6.2 of the Merger Agreement.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS

The Shareholder hereby represents and warrants to Parent and Merger Subsidiary as follows:

Section 6.1 Power; Due Authorization; Binding Agreement. The Shareholder has the legal capacity to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly and validly executed and delivered by the Shareholder and constitutes a legal, valid and binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 6.2 No Conflicts or Consents.

(a) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not: (A) conflict with or violate any law, rule, regulation, order, decree or judgment applicable to the Shareholder or by which the Shareholder or any of the Shareholder's properties or assets is or may be bound or affected; or (B) result in or constitute (with or without notice or lapse of time) any breach of or default under, or give to any other Person (with or without notice or lapse of time) any right of termination, amendment, acceleration or cancellation of, or result (with or without notice or lapse of time) in the creation of any Lien on any of the Shares pursuant to, any contract, agreement or understanding to which the Shareholder is a party or by which the Shareholder or any of the Shareholder's affiliates or properties is or may be bound or affected, in each

case, except where any such conflicts, violations, breaches or defaults would not adversely affect the Shareholder's obligations under this Agreement.

(b) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not, require (A) any consent, authorization or permit of, or filing with or notification to, any Governmental Authority, other than any filings required under the Exchange Act, or (B) any consent or approval of any other Person.

Section 6.3 Securities Owned By Shareholder. As of the date of this Agreement, other than the "Shares Owned" on Schedule I hereto, the Shareholder does not directly or indirectly own any shares of capital stock or other securities of the Company, or any option, warrant or other right to acquire (by purchase, conversion or otherwise) any shares of capital stock or other securities of the Company.

Section 6.4 Absence of Litigation. As of the date hereof, there is no litigation, suit, claim, action, proceeding or investigation pending, or to the knowledge of the Shareholder, threatened against the Shareholder, or any property or asset of the Shareholder, before any Governmental Authority that

seeks to delay or prevent the performance of such Shareholder's obligations under this Agreement.

Section 6.5 Shareholder Has Adequate Information. The Shareholder is a sophisticated seller with respect to the Shares and has adequate information concerning the business and financial condition of the Company to make an informed decision regarding the sale of the Shares and has independently and without reliance upon either Parent or Merger Subsidiary and based on such information as the Shareholder has deemed appropriate, made its own analysis and decision to enter into this Agreement. The Shareholder acknowledges that Parent has not made and does not make any representation or warranty, whether express or implied, of any kind or character except as expressly set forth in this Agreement.

Section 6.6 Accuracy of Representations. The representations and warranties contained in this Agreement are true and correct as of the date of this Agreement and will be true and correct in all material respects at all times during the term of this Agreement. None of the representations or warranties contained in this Agreement shall survive the termination of this Agreement.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUBSIDIARY

Section 7.1 Organization; Good Standing. Each of Parent and Merger Subsidiary is a corporation or limited liability company duly formed, validly existing and in good standing under the laws of Maryland.

Section 7.2 Authority. Parent and Merger Subsidiary have all requisite corporate or limited liability company, as applicable, power and authority to execute and deliver this Agreement and to perform and consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by Parent and Merger Subsidiary of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate or limited liability company, as applicable, action on the part of Parent and Merger Subsidiary and no other corporate or limited liability company, as applicable, proceedings on the part of the Parent and Merger Subsidiary are necessary to authorize this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by Parent and Merger Subsidiary and constitutes a valid and binding obligation of Parent and Merger Subsidiary, enforceable against Parent and Merger Subsidiary and in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency,

reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

ARTICLE VIII

FURTHER ASSURANCES

Section 8.1 Additional Documentation. From time to time the Shareholder, Parent and Merger Subsidiary shall execute and deliver, or cause to be executed and delivered, such additional transfers, assignments, endorsements, proxies, consents and other instruments, and shall take such further actions, as the other parties hereto may reasonably request for the purpose of carrying out and furthering the intent of this Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Notices. All notices, requests and other communications under this Agreement must be in writing and will be deemed to have been duly given upon receipt to the parties at the following addresses or facsimiles (or at such other address or facsimile for a party as shall be specified by the notice):

If to the Shareholder: to the address set forth on Schedule I.

If to Parent or Merger Subsidiary:

iStar Financial Inc.
1114 Avenue of the Americas
27th Floor
New York, New York 10036
Attention: General Counsel
Facsimile: (212) 930-9494

With a copy (which shall not constitute notice) to:

Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
Attention: Kathleen Werner, Esq.
Facsimile: (212) 878-8375

Section 9.2 Entire Agreement. This Agreement and Schedule I attached hereto supersede all prior and contemporaneous discussions and agreements, both written and oral, among the parties with respect to the subject matter of this Agreement and constitute the sole and entire agreement among the parties to this Agreement with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements and understandings, written or oral, with respect to the subject matter hereof.

Section 9.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a

written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

Section 9.4 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.5 No Third-Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person.

Section 9.6 Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation under this Agreement may be assigned by any party to this Agreement by operation of law or otherwise without the prior written consent of the other parties to this Agreement and any attempt to do so will be void, except that Merger Subsidiary may assign any or all of its rights, interests and obligations under this Agreement to Parent or any wholly owned subsidiary of Parent. Subject to the foregoing, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties to this Agreement and their respective successors and assigns.

Section 9.7 CONSENT TO JURISDICTION AND SERVICE OF PROCESS. **EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND OR ANY COURT OF THE STATE OF MARYLAND LOCATED IN BALTIMORE, MARYLAND IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OFFER DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE BROUGHT ONLY IN SUCH COURT (AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS OR ANY OTHER OBJECTION TO VENUE THEREIN); PROVIDED, HOWEVER, THAT SUCH CONSENT TO JURISDICTION IS SOLELY FOR THE PURPOSE REFERRED TO IN THIS SECTION 9.7 AND SHALL NOT BE DEEMED TO BE A GENERAL SUBMISSION TO THE JURISDICTION OF SAID COURTS OR IN THE STATE OF MARYLAND OTHER THAN FOR SUCH PURPOSE**. Any and all process may be served in any action, suit or proceeding arising in connection with this Agreement by complying with the provisions of Section 9.1. Such service of process shall have the same effect as if the party being served were a resident in the State of Maryland and had been lawfully served with such process in such jurisdiction. The parties hereby waive all claims of error by reason of such service. Nothing herein shall affect the right of any party to service process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the other in any other jurisdiction to enforce judgments or rulings of the aforementioned courts.

Section 9.8 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement are not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 9.9 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will

be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 9.10 Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD FOR THE CONFLICTS OF LAWS PRINCIPLES THEREOF**.

Section 9.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute one and the same instrument.

Section 9.12 Expenses. Except as specifically provided elsewhere in this Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such costs and expenses.

Section 9.13 Termination. This Agreement, and all rights and obligations of the parties hereunder, shall terminate immediately upon the earlier of (a) the termination of the Merger Agreement in accordance with its terms or (b) the Effective Time.

Section 9.14 Certain Events. In the event of any stock split, stock dividend, merger, reorganization, recapitalization or other change in the capital structure of the Company affecting the Shares or the acquisition of additional Shares or other securities or rights of the Company by the Shareholder, through the exercise of options or otherwise, the number of Shares shall be adjusted appropriately, and this Agreement and the obligations hereunder shall attach to any additional Shares or other securities or rights of the Company issued to or acquired by the Shareholder.

Section 9.15 Shareholder Capacity. Notwithstanding anything in this Agreement to the contrary, with the exception of Section 9.17, no person executing this Agreement (including, without limitation, such person's representatives, designees or affiliates) makes any agreement or understanding herein or is obligated hereunder in his capacity as such trustee or officer. The Shareholder executes this Agreement in such Shareholder's capacity as a shareholder of the Company, with the exception of Section 9.17, and nothing herein shall limit or affect any actions taken by the Shareholder (including, without limitation, such person's representatives, designees or affiliates) in that person's capacity as an officer or trustee of the Company.

Section 9.16 Stop Transfer Order. In furtherance of this Agreement, the Shareholder hereby does authorize the Company or its counsel to, notify the Company's transfer agent that there is a stop transfer order with respect to all of the Shares (and that this Agreement places limits on the voting and transfer of such Shares); provided that, the stop transfer order shall not restrict or prohibit any Transfer of the Shares if such transfer is made pursuant to the Offer or such Transfer is made at any time following termination of this Agreement.

Section 9.17 Trustee Resignation. The Shareholder hereby resigns as a trustee of the Company effective upon the following events: (a) the purchase by Subsidiary of at least a majority of the outstanding Shares in the Offer and (b) receipt of notice by Parent indicating that it desires such resignation to be made effective.

IN WITNESS WHEREOF, Parent, Merger Subsidiary and the Shareholder have caused this Agreement to be executed as of the date first written above.

ISTAR FINANCIAL INC.

By: /s/ Catherine Rice
Catherine Rice
Chief Financial Officer

FLASH ACQUISITION COMPANY LLC

By: /s/ Catherine Rice
Catherine Rice
Vice President

SHAREHOLDER:

By: /s/ George G. Lowrance
Name: George G. Lowrance

SCHEDULE I

Shareholder	Shares Owned	Company Options Owned
George G. Lowrance	1,000	0

Address of Shareholder:

George G. Lowrance
c/o Falcon Financial Investment Trust
15 Commerce Road
Stamford, Connecticut 06902

SHAREHOLDER AGREEMENT

THIS SHAREHOLDER AGREEMENT (the "Agreement") is entered into as of January 19, 2005, by and among iStar Financial Inc., a Maryland corporation ("Parent"), Flash Acquisition Company LLC, a Maryland limited liability company and a wholly owned subsidiary of Parent ("Merger Subsidiary"), and Thomas F. Gilman (the "Shareholder"), a shareholder and trustee of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company").

RECITALS

WHEREAS, Parent, Merger Subsidiary and the Company have entered into an Agreement and Plan of Merger, dated as of January 19, 2005 (as the same may be amended or supplemented, the "Merger Agreement") which provides, among other things, that Merger Subsidiary will make a cash tender offer (the "Offer") for all of the issued and outstanding common shares of beneficial interest, par value $0.01 per share, of the Company (the "Common Shares") and, following the consummation of the Offer, will merge with and into the Company (the "Merger"), in each case upon the terms and subject to the conditions set forth in the Merger Agreement.

WHEREAS the Shareholder is the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of such number of Common Shares of the Company as indicated on the Schedule I to this Agreement (such Shares, as they may be adjusted from time to time pursuant to Section 9.14, together with any shares which the Shareholder acquires during the term of this Agreement, the "Shares");

WHEREAS, the Company has advised Parent and Merger Subsidiary that the board of trustees of the Company has unanimously approved the terms of this Agreement, and such approval has not been withdrawn; and

WHEREAS, as an inducement and a condition to its entering into the Merger Agreement and incurring the obligations set forth therein, Parent has required that the Shareholder enter into this Agreement.

NOW, THEREFORE, in contemplation of the foregoing and in consideration of the mutual agreements, covenants, representations and warranties contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

For purposes of this Agreement:

Section 1.1 Person. Person shall mean any individual, corporation, limited liability company, partnership, trust or other entity, or governmental authority.

Section 1.2 Transfer. A Person shall be deemed to have effected a "Transfer" of a security if such Person directly or indirectly: (i) sells, pledges, encumbers, grants an option with respect to, transfers, distributes or disposes of such security or any interest in such security; or (ii) enters into an agreement or commitment contemplating the sale of, pledge of, encumbrance of, grant of an option with respect to, transfer of or disposition of such security or any interest therein.

Section 1.3 Other Terms. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Merger Agreement.

ARTICLE II

TRANSFER OF SHARES

Section 2.1 Transfer of the Shares. Prior to the termination of this Agreement, except as otherwise provided or permitted herein, the Shareholder agrees not to: (a) Transfer any of the Shares or any right or interest therein; (b) enter into any contract, option or other agreement, arrangement or understanding with respect to any Transfer of Shares; (c) grant any proxy, power-of-attorney or other authorization for any of the Shares with respect to any matters described in Section 4.1; (d) deposit any of the Shares into a voting trust, or enter into a voting agreement or arrangement with respect to any of the Shares with respect to any matters described in Section 4.1; or (e) take any other action that is intended to restrict, limit or interfere with the performance of such Shareholder's obligations hereunder or the transactions contemplated hereby.

ARTICLE III

TENDER OF SHARES

Section 3.1 Tendering Shares. The Shareholder agrees (a) to tender the Shares into the Offer (the "Tendered Shares") promptly, and in any event no later than five business days following the commencement of the Offer pursuant to the Merger Agreement, free and clear of any liens, claims, options, rights of first refusal, co-sale rights, charges or other encumbrances (collectively, "Liens"), except in the case of restricted shares held by the Shareholder, which restricted shares are subject to the restrictions and encumbrances pursuant to the terms of the restricted share award and (b) not to withdraw any Tendered Shares so tendered unless (i) the Offer is terminated or has terminated without Parent purchasing all Common Shares validly tendered in the Offer or (ii) this Agreement is terminated pursuant to Section 9.13. The Shareholder shall make such tender of the Tendered Shares into the Offer pursuant to the terms and conditions of the Offer in accordance with the Offer Documents.

Section 3.2 Disclosure. The Shareholder agrees to permit Parent, Merger Subsidiary and the Company to publish and disclose in the Offer Documents and Schedule 14D-9 and, if approval of the shareholders of the Company is required under applicable law, the Proxy Statement (including all

documents and schedules filed with the SEC) and any similar filing required by applicable law in connection with the transactions contemplated by the Offer and Merger Agreement, the Shareholder's identity and ownership of the Shares and the nature of the Shareholder's commitments, arrangements and understandings under this Agreement.

ARTICLE IV

VOTING OF SHARES

Section 4.1 Grant of Proxy; Appointment of Proxy.

(a) The Shareholder hereby grants to, and appoints, Parent and any designee thereof, the Shareholder's proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of the Shareholder, to vote the Shares, or to grant a consent or approval in respect of the Shares, in connection with any meeting of shareholders of the Company or any action by written consent in lieu of a meeting of shareholders of the Company (i) in favor of the Merger and (ii) against any action or

agreement which would impede, interfere with or prevent the Merger, including, but not limited to, any other Takeover Proposal.

(b) The Shareholder hereby affirms that the proxy granted by Section 4.1(a) above revokes any prior proxies given in respect of the matters set forth in Section 4.1(a).

(c) The Shareholder hereby affirms that the proxy set forth in this Section 4.1 is given in connection with the execution of the Merger Agreement, and that such proxy is given to secure the performance of the duties of the Shareholder under this Agreement. The Shareholder hereby further affirms that the proxy is coupled with an interest and, except as set forth in this Section 4.1, is intended to be irrevocable in accordance with the provisions of the MGCL for the period in which this Agreement is in effect, it being understood that if this Agreement is terminated as provided in Section 9.13, then (and only then) the proxy hereby granted shall be likewise ineffective and revoked thereafter. If for any reason the proxy granted herein is not irrevocable, then the Shareholder will, in accordance with Section 4.1(a) above, vote the Shares in favor of the transaction contemplated by the Merger Agreement as instructed by Parent in writing.

ARTICLE V

NO SOLICITATION

Section 5.1 Prohibition of Solicitation. During the term of this Agreement, the Shareholder shall not, nor shall the Shareholder authorize or permit any representative of the Shareholder to, directly or indirectly take any action prohibited by Section 6.2 of the Merger Agreement.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS

The Shareholder hereby represents and warrants to Parent and Merger Subsidiary as follows:

Section 6.1 Power; Due Authorization; Binding Agreement. The Shareholder has the legal capacity to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly and validly executed and delivered by the Shareholder and constitutes a legal, valid and binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 6.2 No Conflicts or Consents.

(a) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not: (A) conflict with or violate any law, rule, regulation, order, decree or judgment applicable to the Shareholder or by which the Shareholder or any of the Shareholder's properties or assets is or may be bound or affected; or (B) result in or constitute (with or without notice or lapse of time) any breach of or default under, or give to any other Person (with or without notice or lapse of time) any right of termination, amendment, acceleration or cancellation of, or result (with or without notice or lapse of time) in the creation of any Lien on any of the Shares pursuant to, any contract, agreement or understanding to which the Shareholder is a party or by which the Shareholder or any of the Shareholder's affiliates or properties is or may be bound or affected, in each

case, except where any such conflicts, violations, breaches or defaults would not adversely affect the Shareholder's obligations under this Agreement.

(b) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not, require (A) any consent, authorization or permit of, or filing with or notification to, any Governmental Authority, other than any filings required under the Exchange Act, or (B) any consent or approval of any other Person.

Section 6.3 Securities Owned By Shareholder. As of the date of this Agreement, other than the "Shares Owned" on Schedule I hereto, the Shareholder does not directly or indirectly own any shares of capital stock or other securities of the Company, or any option, warrant or other right to acquire (by purchase, conversion or otherwise) any shares of capital stock or other securities of the Company.

Section 6.4 Absence of Litigation. As of the date hereof, there is no litigation, suit, claim, action, proceeding or investigation pending, or to the knowledge of the Shareholder, threatened against the Shareholder, or any property or asset of the Shareholder, before any Governmental Authority that seeks to delay or prevent the performance of such Shareholder's obligations under this Agreement.

Section 6.5 Shareholder Has Adequate Information. The Shareholder is a sophisticated seller with respect to the Shares and has adequate information concerning the business and financial condition of the Company to make an informed decision regarding the sale of the Shares and has independently and without reliance upon either Parent or Merger Subsidiary and based on such information as the Shareholder has deemed appropriate, made its own analysis and decision to enter into this Agreement. The Shareholder acknowledges that Parent has not made and does not make any representation or warranty, whether express or implied, of any kind or character except as expressly set forth in this Agreement.

Section 6.6 Accuracy of Representations. The representations and warranties contained in this Agreement are true and correct as of the date of this Agreement and will be true and correct in all material respects at all times during the term of this Agreement. None of the representations or warranties contained in this Agreement shall survive the termination of this Agreement.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUBSIDIARY

Section 7.1 Organization; Good Standing. Each of Parent and Merger Subsidiary is a corporation or limited liability company duly formed, validly existing and in good standing under the laws of Maryland.

Section 7.2 Authority. Parent and Merger Subsidiary have all requisite corporate or limited liability company, as applicable, power and authority to execute and deliver this Agreement and to perform and consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by Parent and Merger Subsidiary of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate or limited liability company, as applicable, action on the part of Parent and Merger Subsidiary and no other corporate or limited liability company, as applicable, proceedings on the part of the Parent and Merger Subsidiary are necessary to authorize this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by Parent and Merger Subsidiary and constitutes a valid and binding obligation of Parent and Merger Subsidiary, enforceable against Parent and Merger Subsidiary and in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency,

reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

ARTICLE VIII

FURTHER ASSURANCES

Section 8.1 Additional Documentation. From time to time the Shareholder, Parent and Merger Subsidiary shall execute and deliver, or cause to be executed and delivered, such additional transfers, assignments, endorsements, proxies, consents and other instruments, and shall take such further actions, as the other parties hereto may reasonably request for the purpose of carrying out and furthering the intent of this Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Notices. All notices, requests and other communications under this Agreement must be in writing and will be deemed to have been duly given upon receipt to the parties at the following addresses or facsimiles (or at such other address or facsimile for a party as shall be specified by the notice):

If to the Shareholder: to the address set forth on Schedule I.

If to Parent or Merger Subsidiary:

iStar Financial Inc.
1114 Avenue of the Americas
27th Floor
New York, New York 10036
Attention: General Counsel
Facsimile: (212) 930-9494

With a copy (which shall not constitute notice) to:

Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
Attention: Kathleen Werner, Esq.
Facsimile: (212) 878-8375

Section 9.2 Entire Agreement. This Agreement and Schedule I attached hereto supersede all prior and contemporaneous discussions and agreements, both written and oral, among the parties with respect to the subject matter of this Agreement and constitute the sole and entire agreement among the parties to this Agreement with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements and understandings, written or oral, with respect to the subject matter hereof.

Section 9.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a

written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

Section 9.4 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.5 No Third-Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person.

Section 9.6 Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation under this Agreement may be assigned by any party to this Agreement by operation of law or otherwise without the prior written consent of the other parties to this Agreement and any attempt to do so will be void, except that Merger Subsidiary may assign any or all of its rights, interests and obligations under this Agreement to Parent or any wholly owned subsidiary of Parent. Subject to the foregoing, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties to this Agreement and their respective successors and assigns.

Section 9.7 CONSENT TO JURISDICTION AND SERVICE OF PROCESS. **EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND OR ANY COURT OF THE STATE OF MARYLAND LOCATED IN BALTIMORE, MARYLAND IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OFFER DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE BROUGHT ONLY IN SUCH COURT (AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS OR ANY OTHER OBJECTION TO VENUE THEREIN); PROVIDED, HOWEVER, THAT SUCH CONSENT TO JURISDICTION IS SOLELY FOR THE PURPOSE REFERRED TO IN THIS SECTION 9.7 AND SHALL NOT BE DEEMED TO BE A GENERAL SUBMISSION TO THE JURISDICTION OF SAID COURTS OR IN THE STATE OF MARYLAND OTHER THAN FOR SUCH PURPOSE**. Any and all process may be served in any action, suit or proceeding arising in connection with this Agreement by complying with the provisions of Section 9.1. Such service of process shall have the same effect as if the party being served were a resident in the State of Maryland and had been lawfully served with such process in such jurisdiction. The parties hereby waive all claims of error by reason of such service. Nothing herein shall affect the right of any party to service process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the other in any other jurisdiction to enforce judgments or rulings of the aforementioned courts.

Section 9.8 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement are not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 9.9 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will

be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 9.10 Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD FOR THE CONFLICTS OF LAWS PRINCIPLES THEREOF**.

Section 9.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute one and the same instrument.

Section 9.12 Expenses. Except as specifically provided elsewhere in this Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such costs and expenses.

Section 9.13 Termination. This Agreement, and all rights and obligations of the parties hereunder, shall terminate immediately upon the earlier of (a) the termination of the Merger Agreement in accordance with its terms or (b) the Effective Time.

Section 9.14 Certain Events. In the event of any stock split, stock dividend, merger, reorganization, recapitalization or other change in the capital structure of the Company affecting the Shares or the acquisition of additional Shares or other securities or rights of the Company by the Shareholder, through the exercise of options or otherwise, the number of Shares shall be adjusted appropriately, and this Agreement and the obligations hereunder shall attach to any additional Shares or other securities or rights of the Company issued to or acquired by the Shareholder.

Section 9.15 Shareholder Capacity. Notwithstanding anything in this Agreement to the contrary, no person executing this Agreement (including, without limitation, such person's representatives, designees or affiliates) who is or becomes during the term hereof a trustee or officer of the Company makes any agreement or understanding herein or is obligated hereunder in his capacity as such trustee or officer. The Shareholder executes this Agreement solely in such Shareholder's capacity as a shareholder of the Company, and nothing herein shall limit or affect any actions taken by the

Shareholder (including, without limitation, such person's representatives, designees or affiliates) in that person's capacity as an officer or trustee of the Company.

Section 9.16 Stop Transfer Order. In furtherance of this Agreement, the Shareholder hereby does authorize the Company or its counsel to, notify the Company's transfer agent that there is a stop transfer order with respect to all of the Shares (and that this Agreement places limits on the voting and transfer of such Shares); provided that, the stop transfer order shall not restrict or prohibit any Transfer of the Shares if such transfer is made pursuant to the Offer or such Transfer is made at any time following termination of this Agreement.

[The remainder of this page is intentionally blank]

IN WITNESS WHEREOF, Parent, Merger Subsidiary and the Shareholder have caused this Agreement to be executed as of the date first written above.

ISTAR FINANCIAL INC.

By: /s/ Catherine Rice
Catherine Rice
Chief Financial Officer

FLASH ACQUISITION COMPANY LLC

By: /s/ Catherine Rice
Catherine Rice
Vice President

SHAREHOLDER:

By: /s/ Thomas F. Gilman
Name: Thomas F. Gilman

SCHEDULE I

Shareholder	Shares Owned	Company Options Owned
Thomas F. Gilman	3,000	0

Address of Shareholder:

Thomas F. Gilman
c/o Falcon Financial Investment Trust
15 Commerce Road
Stamford, Connecticut 06902

SHAREHOLDER AGREEMENT

THIS SHAREHOLDER AGREEMENT (the "Agreement") is entered into as of January 19, 2005, by and among iStar Financial Inc., a Maryland corporation ("Parent"), Flash Acquisition Company LLC, a Maryland limited liability company and a wholly owned subsidiary of Parent ("Merger Subsidiary"), and Thomas R. Gibson (the "Shareholder"), a shareholder and trustee of Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company").

RECITALS

WHEREAS, Parent, Merger Subsidiary and the Company have entered into an Agreement and Plan of Merger, dated as of January 19, 2005 (as the same may be amended or supplemented, the "Merger Agreement") which provides, among other things, that Merger Subsidiary will make a cash tender offer (the "Offer") for all of the issued and outstanding common shares of beneficial interest, par value $0.01 per share, of the Company (the "Common Shares") and, following the consummation of the Offer, will merge with and into the Company (the "Merger"), in each case upon the terms and subject to the conditions set forth in the Merger Agreement.

WHEREAS the Shareholder is the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of such number of Common Shares of the Company as indicated on the Schedule I to this Agreement (such Shares, as they may be adjusted from time to time pursuant to Section 9.14, together with any shares which the Shareholder acquires during the term of this Agreement, the "Shares");

WHEREAS, the Company has advised Parent and Merger Subsidiary that the board of trustees of the Company has unanimously approved the terms of this Agreement, and such approval has not been withdrawn; and

WHEREAS, as an inducement and a condition to its entering into the Merger Agreement and incurring the obligations set forth therein, Parent has required that the Shareholder enter into this Agreement.

NOW, THEREFORE, in contemplation of the foregoing and in consideration of the mutual agreements, covenants, representations and warranties contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

For purposes of this Agreement:

Section 1.1 Person. Person shall mean any individual, corporation, limited liability company, partnership, trust or other entity, or governmental authority.

Section 1.2 Transfer. A Person shall be deemed to have effected a "Transfer" of a security if such Person directly or indirectly: (i) sells, pledges, encumbers, grants an option with respect to, transfers, distributes or disposes of such security or any interest in such security; or (ii) enters into an agreement or commitment contemplating the sale of, pledge of, encumbrance of, grant of an option with respect to, transfer of or disposition of such security or any interest therein.

Section 1.3 Other Terms. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Merger Agreement.

ARTICLE II

TRANSFER OF SHARES

Section 2.1 Transfer of the Shares. Prior to the termination of this Agreement, except as otherwise provided or permitted herein, the Shareholder agrees not to: (a) Transfer any of the Shares or any right or interest therein; (b) enter into any contract, option or other agreement, arrangement or understanding with respect to any Transfer of Shares; (c) grant any proxy, power-of-attorney or other authorization for any of the Shares with respect to any matters described in Section 4.1; (d) deposit any of the Shares into a voting trust, or enter into a voting agreement or arrangement with respect to any of the Shares with respect to any matters described in Section 4.1; or (e) take any other action that is intended to restrict, limit or interfere with the performance of such Shareholder's obligations hereunder or the transactions contemplated hereby.

ARTICLE III

TENDER OF SHARES

Section 3.1 Tendering Shares. The Shareholder agrees (a) to tender the Shares into the Offer (the "Tendered Shares") promptly, and in any event no later than five business days following the commencement of the Offer pursuant to the Merger Agreement, free and clear of any liens, claims, options, rights of first refusal, co-sale rights, charges or other encumbrances (collectively, "Liens"), except in the case of restricted shares held by the Shareholder, which restricted shares are subject to the restrictions and encumbrances pursuant to the terms of the restricted share award and (b) not to withdraw any Tendered Shares so tendered unless (i) the Offer is terminated or has terminated without Parent purchasing all Common Shares validly tendered in the Offer or (ii) this Agreement is terminated pursuant to Section 9.13. The Shareholder shall make such tender of the Tendered Shares into the Offer pursuant to the terms and conditions of the Offer in accordance with the Offer Documents.

Section 3.2 Disclosure. The Shareholder agrees to permit Parent, Merger Subsidiary and the Company to publish and disclose in the Offer Documents and Schedule 14D-9 and, if approval of the shareholders of the Company is required under applicable law, the Proxy Statement (including all

documents and schedules filed with the SEC) and any similar filing required by applicable law in connection with the transactions contemplated by the Offer and Merger Agreement, the Shareholder's identity and ownership of the Shares and the nature of the Shareholder's commitments, arrangements and understandings under this Agreement.

ARTICLE IV

VOTING OF SHARES

Section 4.1 Grant of Proxy; Appointment of Proxy.

(a) The Shareholder hereby grants to, and appoints, Parent and any designee thereof, the Shareholder's proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of the Shareholder, to vote the Shares, or to grant a consent or approval in respect of the Shares, in connection with any meeting of shareholders of the Company or any action by written consent in lieu of a meeting of shareholders of the Company (i) in favor of the Merger and (ii) against any action or

agreement which would impede, interfere with or prevent the Merger, including, but not limited to, any other Takeover Proposal.

(b) The Shareholder hereby affirms that the proxy granted by Section 4.1(a) above revokes any prior proxies given in respect of the matters set forth in Section 4.1(a).

(c) The Shareholder hereby affirms that the proxy set forth in this Section 4.1 is given in connection with the execution of the Merger Agreement, and that such proxy is given to secure the performance of the duties of the Shareholder under this Agreement. The Shareholder hereby further affirms that the proxy is coupled with an interest and, except as set forth in this Section 4.1, is intended to be irrevocable in accordance with the provisions of the MGCL for the period in which this Agreement is in effect, it being understood that if this Agreement is terminated as provided in Section 9.13, then (and only then) the proxy hereby granted shall be likewise ineffective and revoked thereafter. If for any reason the proxy granted herein is not irrevocable, then the Shareholder will, in accordance with Section 4.1(a) above, vote the Shares in favor of the transaction contemplated by the Merger Agreement as instructed by Parent in writing.

ARTICLE V

NO SOLICITATION

Section 5.1 Prohibition of Solicitation. During the term of this Agreement, the Shareholder shall not, nor shall the Shareholder authorize or permit any representative of the Shareholder to, directly or indirectly take any action prohibited by Section 6.2 of the Merger Agreement.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS

The Shareholder hereby represents and warrants to Parent and Merger Subsidiary as follows:

Section 6.1 Power; Due Authorization; Binding Agreement. The Shareholder has the legal capacity to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly and validly executed and delivered by the Shareholder and constitutes a legal, valid and binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 6.2 No Conflicts or Consents.

(a) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not: (A) conflict with or violate any law, rule, regulation, order, decree or judgment applicable to the Shareholder or by which the Shareholder or any of the Shareholder's properties or assets is or may be bound or affected; or (B) result in or constitute (with or without notice or lapse of time) any breach of or default under, or give to any other Person (with or without notice or lapse of time) any right of termination, amendment, acceleration or cancellation of, or result (with or without notice or lapse of time) in the creation of any Lien on any of the Shares pursuant to, any contract, agreement or understanding to which the Shareholder is a party or by which the Shareholder or any of the Shareholder's affiliates or properties is or may be bound or affected, in each

case, except where any such conflicts, violations, breaches or defaults would not adversely affect the Shareholder's obligations under this Agreement.

(b) The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not, require (A) any consent, authorization or permit of, or filing with or notification to, any Governmental Authority, other than any filings required under the Exchange Act, or (B) any consent or approval of any other Person.

Section 6.3 Securities Owned By Shareholder. As of the date of this Agreement, other than the "Shares Owned" on Schedule I hereto, the Shareholder does not directly or indirectly own any shares of capital stock or other securities of the Company, or any option, warrant or other right to acquire (by purchase, conversion or otherwise) any shares of capital stock or other securities of the Company.

Section 6.4 Absence of Litigation. As of the date hereof, there is no litigation, suit, claim, action, proceeding or investigation pending, or to the knowledge of the Shareholder, threatened against the Shareholder, or any property or asset of the Shareholder, before any Governmental Authority that seeks to delay or prevent the performance of such Shareholder's obligations under this Agreement.

Section 6.5 Shareholder Has Adequate Information. The Shareholder is a sophisticated seller with respect to the Shares and has adequate information concerning the business and financial condition of the Company to make an informed decision regarding the sale of the Shares and has independently and without reliance upon either Parent or Merger Subsidiary and based on such information as the Shareholder has deemed appropriate, made its own analysis and decision to enter into this Agreement. The Shareholder acknowledges that Parent has not made and does not make any representation or warranty, whether express or implied, of any kind or character except as expressly set forth in this Agreement.

Section 6.6 Accuracy of Representations. The representations and warranties contained in this Agreement are true and correct as of the date of this Agreement and will be true and correct in all material respects at all times during the term of this Agreement. None of the representations or warranties contained in this Agreement shall survive the termination of this Agreement.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUBSIDIARY

Section 7.1 Organization; Good Standing. Each of Parent and Merger Subsidiary is a corporation or limited liability company duly formed, validly existing and in good standing under the laws of Maryland.

Section 7.2 Authority. Parent and Merger Subsidiary have all requisite corporate or limited liability company, as applicable, power and authority to execute and deliver this Agreement and to perform and consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by Parent and Merger Subsidiary of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate or limited liability company, as applicable, action on the part of Parent and Merger Subsidiary and no other corporate or limited liability company, as applicable, proceedings on the part of the Parent and Merger Subsidiary are necessary to authorize this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by Parent and Merger Subsidiary and constitutes a valid and binding obligation of Parent and Merger Subsidiary, enforceable against Parent and Merger Subsidiary and in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency,

reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

ARTICLE VIII

FURTHER ASSURANCES

Section 8.1 Additional Documentation. From time to time the Shareholder, Parent and Merger Subsidiary shall execute and deliver, or cause to be executed and delivered, such additional transfers, assignments, endorsements, proxies, consents and other instruments, and shall take such further actions, as the other parties hereto may reasonably request for the purpose of carrying out and furthering the intent of this Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Notices. All notices, requests and other communications under this Agreement must be in writing and will be deemed to have been duly given upon receipt to the parties at the following addresses or facsimiles (or at such other address or facsimile for a party as shall be specified by the notice):

If to the Shareholder: to the address set forth on Schedule I.

If to Parent or Merger Subsidiary:

iStar Financial Inc.
1114 Avenue of the Americas
27th Floor
New York, New York 10036
Attention: General Counsel
Facsimile: (212) 930-9494

With a copy (which shall not constitute notice) to:

Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
Attention: Kathleen Werner, Esq.
Facsimile: (212) 878-8375

Section 9.2 Entire Agreement. This Agreement and Schedule I attached hereto supersede all prior and contemporaneous discussions and agreements, both written and oral, among the parties with respect to the subject matter of this Agreement and constitute the sole and entire agreement among the parties to this Agreement with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements and understandings, written or oral, with respect to the subject matter hereof.

Section 9.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a

written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

Section 9.4 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.5 No Third-Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person.

Section 9.6 Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation under this Agreement may be assigned by any party to this Agreement by operation of law or otherwise without the prior written consent of the other parties to this Agreement and any attempt to do so will be void, except that Merger Subsidiary may assign any or all of its rights, interests and obligations under this Agreement to Parent or any wholly owned subsidiary of Parent. Subject to the foregoing, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties to this Agreement and their respective successors and assigns.

Section 9.7 CONSENT TO JURISDICTION AND SERVICE OF PROCESS. **EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND OR ANY COURT OF THE STATE OF MARYLAND LOCATED IN BALTIMORE, MARYLAND IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OFFER DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE BROUGHT ONLY IN SUCH COURT (AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS OR ANY OTHER OBJECTION TO VENUE THEREIN); PROVIDED, HOWEVER, THAT SUCH CONSENT TO JURISDICTION IS SOLELY FOR THE PURPOSE REFERRED TO IN THIS SECTION 9.7 AND SHALL NOT BE DEEMED TO BE A GENERAL SUBMISSION TO THE JURISDICTION OF SAID COURTS OR IN THE STATE OF MARYLAND OTHER THAN FOR SUCH PURPOSE**. Any and all process may be served in any action, suit or proceeding arising in connection with this Agreement by complying with the provisions of Section 9.1. Such service of process shall have the same effect as if the party being served were a resident in the State of Maryland and had been lawfully served with such process in such jurisdiction. The parties hereby waive all claims of error by reason of such service. Nothing herein shall affect the right of any party to service process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the other in any other jurisdiction to enforce judgments or rulings of the aforementioned courts.

Section 9.8 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement are not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 9.9 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will

be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 9.10 Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD FOR THE CONFLICTS OF LAWS PRINCIPLES THEREOF**.

Section 9.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute one and the same instrument.

Section 9.12 Expenses. Except as specifically provided elsewhere in this Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such costs and expenses.

Section 9.13 Termination. This Agreement, and all rights and obligations of the parties hereunder, shall terminate immediately upon the earlier of (a) the termination of the Merger Agreement in accordance with its terms or (b) the Effective Time.

Section 9.14 Certain Events. In the event of any stock split, stock dividend, merger, reorganization, recapitalization or other change in the capital structure of the Company affecting the Shares or the acquisition of additional Shares or other securities or rights of the Company by the Shareholder, through the exercise of options or otherwise, the number of Shares shall be adjusted appropriately, and this Agreement and the obligations hereunder shall attach to any additional Shares or other securities or rights of the Company issued to or acquired by the Shareholder.

Section 9.15 Shareholder Capacity. Notwithstanding anything in this Agreement to the contrary, with the exception of Section 9.17, no person executing this Agreement (including, without limitation, such person's representatives, designees or affiliates) makes any agreement or understanding herein or is obligated hereunder in his capacity as such trustee or officer. The Shareholder executes this Agreement in such Shareholder's capacity as a shareholder of the Company, with the exception of Section 9.17, and nothing herein shall limit or affect any actions taken by the Shareholder (including, without limitation, such person's representatives, designees or affiliates) in that person's capacity as an officer or trustee of the Company.

Section 9.16 Stop Transfer Order. In furtherance of this Agreement, the Shareholder hereby does authorize the Company or its counsel to, notify the Company's transfer agent that there is a stop transfer order with respect to all of the Shares (and that this Agreement places limits on the voting and transfer of such Shares); provided that, the stop transfer order shall not restrict or prohibit any Transfer of the Shares if such transfer is made pursuant to the Offer or such Transfer is made at any time following termination of this Agreement.

Section 9.17 Trustee Resignation. The Shareholder hereby resigns as a trustee of the Company effective upon the following events: (a) the purchase by Subsidiary of at least a majority of the outstanding Shares in the Offer and (b) receipt of notice by Parent indicating that it desires such resignation to be made effective.

IN WITNESS WHEREOF, Parent, Merger Subsidiary and the Shareholder have caused this Agreement to be executed as of the date first written above.

ISTAR FINANCIAL INC.

By: /s/ Catherine Rice
Catherine Rice
Chief Financial Officer

FLASH ACQUISITION COMPANY LLC

By: /s/ Catherine Rice
Catherine Rice
Vice President

SHAREHOLDER:

By: /s/ Thomas R. Gibson
Name: Thomas R. Gibson

SCHEDULE I

Shareholder	Shares Owned	Company Options Owned
Thomas R. Gibson	1,000	0

Address of Shareholder:

Thomas R. Gibson
c/o Falcon Financial Investment Trust
15 Commerce Road
Stamford, Connecticut 06902

Exhibit 99(d)(9)

EXECUTION COPY

SHARE OPTION AGREEMENT

SHARE OPTION AGREEMENT (this "Agreement"), dated as of January 19, 2005, by and among Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Company") and Flash Acquisition Company LLC, a Maryland limited liability company ("Purchaser") and wholly owned subsidiary of iStar Financial Inc., a Maryland corporation ("Parent"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Merger Agreement.

WHEREAS, the Company, Parent and Purchaser have contemporaneously with the execution of this Agreement entered into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), which provides, among other things, that upon the terms and subject to the conditions thereof, Purchaser will commence a tender offer (the "Offer") for all of the issued and outstanding common shares of beneficial interest, par value $0.01 per share, of the Company, including restricted shares (the "Shares"), and after accepting for payment and paying for the Shares validly tendered and not withdrawn pursuant to the Offer (the "Tendered Shares"), the Purchaser shall be merged with and into Company, the separate existence of the Purchaser shall thereupon cease and Company shall continue as the surviving entity as a wholly owned subsidiary of Parent; and

WHEREAS, as an essential condition and inducement to Parent and Purchaser entering into the Merger Agreement and in consideration therefor, the Company has agreed to grant Purchaser the Option (as defined below).

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein and in the Merger Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereby agree as follows:

1. Grant of Option. The Company hereby grants to Purchaser an irrevocable option (the "Option") to purchase from the Company a number of fully paid and nonassessable Shares (such Shares being referred to herein as the "Option Shares") equal to the Applicable Amount (as defined below) at any time prior to the Expiration Date (as defined below), at a price per share equal to the Offer Price (the "Exercise Price"), subject to the terms and conditions set forth herein, including, without limitation, the conditions to exercise set forth in Section 2(a) of this Agreement. If not exercised prior to the Expiration Date, the Option and all rights granted under the Option shall expire and lapse. The "Applicable Amount" shall be the number of Shares which, when added to the number of Shares owned (of record or beneficially) by Parent, Purchaser and their respective subsidiaries immediately prior to the exercise of the Option, would result in Parent, Purchaser and their respective subsidiaries owning (of record or beneficially) in the aggregate, immediately after exercise of the Option, one Share more than ninety percent (90%) of the then issued and outstanding Shares; provided, however, that the Applicable Amount shall not exceed 19.9% of the then issued and outstanding Shares and shall not exceed the number of authorized Shares available for issuance under the Declaration of Trust.

2. Exercise of Option.

(a) Conditions to Exercise of Option. Purchaser may exercise the Option if, but only if (i) Purchaser shall have accepted for payment and paid for all Shares validly tendered and not withdrawn pursuant to the Offer (the "Accepted Shares"), (ii) the Accepted Shares shall equal at least eight-five percent (85%) but less than ninety percent (90%) of the issued and outstanding Shares, and (iii) the Accepted Shares, together with the Option Shares immediately after exercise of the Option, would

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result in Parent, Purchaser and their respective subsidiaries owning (of record or beneficially) in the aggregate, at least ninety percent (90%) of the issued and outstanding Shares. If at any time prior to the Expiration Date, the conditions to the exercise of the Option set forth in this Section 2(a) are satisfied, Parent and Purchaser hereby agree to exercise the Option and to take all actions required under this Agreement to consummate the Option Closing.

(b) Expiration of the Option. The right to exercise this Option shall expire upon the earlier of (i) the termination of the Merger Agreement, (ii) the Effective Time or (iii) at 5:00 p.m., New York City, New York time, on the 30th Business Day following the consummation of the Offer (the "Expiration Date").

(c) Exercise of the Option. Subject to the conditions set forth in Section 2(a) of this Agreement, the Option may be exercised by Purchaser by surrender and presentment of this Agreement to the Company, accompanied by a duly executed written notice (such notice being herein referred to as an "Exercise Notice" and the date of delivery of an Exercise Notice being herein referred to as the "Notice Date") indicating that Purchaser is exercising the Option and specifying (i) the total number of Option Shares that it will purchase from the Company pursuant to such exercise, and (ii) the place and date (which shall be between one business day and five business days from the Notice Date) for the closing of such purchase (the "Option Closing"), together with the amount of the aggregate Exercise Price ("Aggregate Exercise Price") for the number of Option Shares specified in the Exercise Notice to be paid in the manner specified in Section 2(d) of this Agreement.

(d) Delivery of Exercise Price. At the Option Closing, the Aggregate Exercise Price shall be paid by Purchaser to the Company by delivery of a full recourse promissory note in the form attached hereto as Exhibit A in a principal amount equal to the Aggregate Exercise Price.

(e) Issuance of Option Shares. At the Option Closing, simultaneously with the payment of the Aggregate Exercise Price in the manner provided in Section 2(d) of this Agreement, the Company shall deliver to Purchaser a certificate or certificates representing the Option Shares purchased upon such exercise.

(f) Record Holder; Expenses. Upon the delivery by Purchaser of the Exercise Notice and payment of the Exercise Price in the manner specified in Section 2(d) of this Agreement, Purchaser shall be deemed to be the holder of record of the Option Shares issuable upon such exercise, notwithstanding that the stock transfer books of the Company may then be closed or that certificates representing such Option Shares may not then have been actually delivered to Purchaser. The Company shall pay all expenses that may be payable in connection with the preparation, issuance and delivery of stock certificates.

3. Reservation of Shares. Subject to the terms and conditions hereof, and for so long as the Merger Agreement has not been terminated pursuant to the provisions thereof, the Company agrees (a) that it shall at all times maintain, free from preemptive rights, sufficient authorized but unissued or treasury shares of Shares issuable pursuant to this Agreement so that the Option may be exercised without additional authorization of Shares after giving effect to all other options, warrants, convertible securities and other rights to purchase Shares, (b) that it will not, by charter amendment or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act, avoid or seek to avoid the observance or performance of any of the covenants to be observed or performed hereunder by the Company, and (c) promptly to take all action as may from time to time be required in order to permit Purchaser to exercise the Option and the Company to duly and effectively issue the Shares pursuant hereto.

4. Representations and Warranties of the Company. The Company hereby represents and warrants to Purchaser as follows:

(a) Authority. The Company has all requisite trust power and authority to execute and deliver this Agreement and to perform and consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary trust action on the part of the Company and no other trust proceedings on the part of the Company are necessary to authorize this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

(b) Other Actions. The Company has taken all necessary action to (1) authorize and reserve and to permit it to issue, and at all times from the date hereof through the Expiration Date will have reserved for issuance upon the exercise of the Option, that number of Shares equal to the maximum number of Shares at any such time and from time to time issuable hereunder and (2) to render Section 7.2 of the Declaration of Trust to be inapplicable to the grant to Purchaser, and the exercise by Purchaser, of the Option and the purchase of the Shares pursuant to the Option, and all such Shares, upon issuance pursuant hereto and in accordance with the terms hereof, will be duly authorized, validly issued, fully paid, nonassessable, and will be delivered free and clear of all Encumbrances created by the Company and not subject to any preemptive rights.

(c) Consents and Approvals; No Violations. The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated by this Agreement do not and will not (i) conflict with or result in any breach of any provision of the Declaration of Trust or Bylaws of the Company or any similar organizational documents of any of its subsidiaries, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to any right of termination, amendment, cancellation, acceleration or loss of benefits or the creation or acceleration of any right or obligation under or result in the creation of any Lien upon any of the properties or assets of the Company or any of its subsidiaries under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, loan, credit agreement, lease, license, permit, concession, franchise, purchase order, sales order contract, agreement or other instrument, understanding or obligation, whether written or oral, to which the Company or any of its subsidiaries is a party or by which any of its properties or assets may be bound or (iii) violate any judgment, order, writ, preliminary or permanent injunction or decree or any statute, law, ordinance, rule or regulation of any Governmental Authority applicable to the Company, any of its subsidiaries or any of their properties or assets, except in the case of clauses (ii) or (iii) for violations, breaches or defaults that would not have a Material Adverse Effect on the Company. The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated by this Agreement do not and will not require any filing or registration with, notification to, or authorization, permit, consent or approval of, or other action by or in respect of, any Governmental Authority.

5. Representations and Warranties of Parent and Purchaser. Parent and Purchaser hereby represent and warrant to the Company as follows:

(a) Authority. Purchaser and Parent each have all requisite corporate and limited liability company, as applicable, power and authority to execute and deliver this Agreement and to perform and consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by Parent and Purchaser of the transactions contemplated hereby have been duly authorized by all necessary corporate or limited liability company, as applicable, action on the part of Parent and Purchaser and no other corporate or limited liability company, as applicable, proceedings on the part of Parent or Purchaser are necessary to authorize this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by each of Parent and Purchaser and constitutes a valid and binding obligation of each of Parent and Purchaser, enforceable against each of Parent and Purchaser in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

(b) Consents and Approvals; No Violations. The execution, delivery and performance by each of Parent and Purchaser of this Agreement and the consummation by each of Parent and Purchaser of the transactions contemplated by this Agreement do not and will not (i) conflict with or result in any breach of any provision of the organization documents of Parent and Purchaser or any of each of their subsidiaries, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to any right of termination, amendment, cancellation, acceleration or loss of benefits or the creation or acceleration of any right or obligation under or result in the creation of any Lien upon any of the properties or assets of either Parent of Purchaser or any of their subsidiaries under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, loan, credit agreement, lease, license, permit, concession, franchise, purchase order, sales order contract, agreement or other instrument, understanding or obligation, whether written or oral, to which either Parent or Purchaser or any of their subsidiaries is a party or by which any of their properties or assets may be bound or (iii) violate any judgment, order, writ, preliminary or permanent injunction or decree or any statute, law, ordinance, rule or regulation of any Governmental Authority applicable to either Parent or Purchaser, or any of their properties or assets, except in the case of clauses (ii) or (iii) for violations, breaches or defaults that would not have prevent or delay the consummation of the Offer or the Merger or the exercise of the Option. The execution, delivery and performance by Parent and Purchaser of this Agreement and the consummation by each of Parent and Purchaser of the transactions contemplated by this Agreement do not and will not require any filing or registration with, notification to, or authorization, permit, consent or approval of, or other action by or in respect of, any Governmental Authority.

(c) Investment. Parent and Purchaser each acknowledge and agree that the neither the Option Shares nor any other security issued or issuable upon exercise of the Option have been registered under applicable federal or state securities laws, and that the Company is under no obligation to register the Option Shares or any other security issued or issuable upon exercise of the Option under any such federal or any state securities laws. Purchaser will acquire the Option Shares and any other security issued or issuable upon exercise of the Option solely for investment purposes and for its own account and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Act"). Purchaser represents that it is an "Accredited Investor" as that term is defined in Regulation D promulgated under the Act.

6. No Transfer; No Assignment.

(a) The Option may not be offered, sold, assigned, pledged, hypotheticated, or otherwise transferred (a "Transfer"). Further, neither the Option Shares nor any other security issued or

issuable upon exercise of the Option may be Transferred except in compliance with the Act and any applicable state securities laws. The Company may cause a legend to this effect to be set forth on each certificate representing the Option Shares.

(b) Neither Purchaser nor the Company may assign any of its rights or obligations under this Agreement without the prior, express written consent of the other party. Any purported assignment in violation of the foregoing prohibitions shall be void and of no force or effect whatsoever.

7. Specific Performance. Except after the termination of the Merger Agreement, the parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

8. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

9. Notices. All notices, claims, demands and other communications hereunder shall be deemed to have been duly given or made when delivered in accordance with Section 9.2 of the Merger Agreement.

10. Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD FOR THE CONFLICTS OF LAWS PRINCIPLES THEREOF**.

11. Consent to Jurisdiction and Service of Process. **EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND OR ANY COURT OF THE STATE OF MARYLAND LOCATED IN BALTIMORE, MARYLAND IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING IN CONNECTION WITH THIS AGREEMENT AND THE TRANSACTION DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE BROUGHT ONLY IN SUCH COURT (AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS OR ANY OTHER OBJECTION TO VENUE THEREIN); PROVIDED, HOWEVER, THAT SUCH CONSENT TO JURISDICTION IS SOLELY FOR THE PURPOSE REFERRED TO IN THIS SECTION 11 AND SHALL NOT BE DEEMED TO BE A GENERAL SUBMISSION TO THE JURISDICTION OF SAID COURTS OR IN THE STATE OF MARYLAND OTHER THAN FOR SUCH PURPOSE.** Any and all process may be served in any action, suit or proceeding arising in connection with this Agreement by complying with the provisions of Section 9.2 of the Merger Agreement. Such service of process shall have the same effect as if the party being served were a resident in the State of Maryland and had been lawfully served with such process in such jurisdiction. The parties hereby waive all claims of error by reason of such service. Nothing herein shall affect the right of any party to service process in any other manner permitted by law or to commence

legal proceedings or otherwise proceed against the other in any other jurisdiction to enforce judgments or rulings of the aforementioned courts.

12. Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute one and the same instrument.

13. Expenses. Except as otherwise expressly provided herein or in the Merger Agreement, each of the parties hereto shall bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including fees and expenses of its own financial consultants, investment bankers, accountants and counsel.

14. Entire Agreement. Except as otherwise expressly provided herein or in the Merger Agreement, this Agreement and the exhibits hereto supersede all prior and contemporaneous discussions and agreements, both written and oral, among the parties with respect to the subject matter of this Agreement and constitute the sole and entire agreement among the parties to this Agreement with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements and understandings, written or oral, with respect to the subject matter hereof.

15. Amendment. This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party to this Agreement. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

16. Waivers. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or

condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

17. Further Assurances. In the event of any exercise of the Option by Purchaser, the Company and Purchaser shall execute and deliver all other documents and instruments and take all other action that may be reasonably necessary to the fullest extent permitted by law in order to consummate the transactions provided for by such exercise. Nothing contained in this Agreement shall be deemed to authorize the Company or Purchaser to violate, breach or otherwise fail to perform any provision of the Merger Agreement.

18. Captions. The captions contained in this Agreement are for reference purposes only and are not part of this Agreement.

[Signature pages follow.]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

FALCON FINANCIAL INVESTMENT TRUST

By: /s/ David A. Karp
Name: David A. Karp
Title: President

FLASH ACQUISITION COMPANY LLC

By: /s/ Catherine Rice
Catherine Rice
Vice President

EXHIBIT A

FORM OF FULL RECOURSE PROMISSORY NOTE (the "Note")

FOR VALUE RECEIVED, Flash Acquisition Company LLC, a Maryland limited liability company (the "Maker"), hereby promises to pay to Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Payee"), the principal amount of [ ] ($[ ]), with interest bearing at five percent (5%), on [ ], 200 by wire transfer of immediately available funds to an account designated by the Payee. The amount due hereunder shall be payable in money of the United States of America lawful at such time for the payment of public and private debts.

The Maker hereby waives presentment, diligence, protest and demand, notice of protest, demand, dishonor and nonpayment of this Note, and all other notices of any kind in connection with the delivery, acceptance, performance, default or enforcement of this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Maryland without giving effect to the principles of conflicts of laws thereof.

IN WITNESS WHEREOF, the Maker has caused this Note to be executed as of the day of [ ], 200 .

FLASH ACQUISITION COMPANY LLC

By: _____
Name:
Title:

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99(d)(10)

CONFIDENTIALITY AND STANDSTILL AGREEMENT

THIS CONFIDENTIALITY AND STANDSTILL AGREEMENT (this "Agreement") is entered into as of December 9, 2004 by and between iStar Financial Inc., a Maryland corporation (the "Receiving Company"), and Falcon Financial Investment Trust, a Maryland real estate investment trust (the "Disclosing Company").

WHEREAS, the Receiving Company and the Disclosing Company have initiated discussions regarding a possible acquisition of the Disclosing Company (the "Transaction"), and the Receiving Company desires, in connection with considering and analyzing the Transaction, to receive confidential and proprietary information concerning the Disclosing Company and its business; and

WHEREAS, the Disclosing Company is willing to provide such confidential and proprietary information to the Receiving Company in connection with the Transaction upon and subject to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereby agree as follows:

Section 1. ***Definitions.***

For purposes of this Agreement, the following terms shall have the following meanings (all terms defined in this Section 1 or in other provisions of this Agreement in the singular shall have the same meanings when used in the plural and vice versa):

"affiliate" shall mean any corporation, partnership, limited liability company or other person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with the Receiving Company or the Disclosing Company, as the case may be. For purposes of the preceding sentence, "control" (including the terms "controlling," "controlled by" or "under common control with") means possession, directly or indirectly, of the power to direct or cause direction of management and policies of a person through ownership of voting securities, by contract, pursuant to a voting trust or otherwise.

"beneficial owner" or "beneficially owned" or "beneficial ownership" shall have the meaning assigned to such term in Rule 13d-3 under the Exchange Act, as in effect on the date hereof.

"Disclosing Party" shall mean the Disclosing Company or any trustee, partner, lender, officer, employee, representative, advisor or agent of the Disclosing Company.

"Evaluation Material" shall mean, without limitation, all data, reports, interpretations, financial statements, budgets, business plans, marketing plans, studies, forecasts and records and other documents and information, whether written or oral, that the Disclosing Party furnishes or otherwise discloses to the Receiving Company or any of its Representatives in connection with the Receiving Company's evaluation of the Transaction, whether furnished or otherwise disclosed before or after the date of this Agreement and regardless of the manner in which it is furnished or which becomes known by the Receiving Company or any of its Representatives as a consequence of or through its relationship with the Disclosing Company in connection with the Transaction, together with all analyses, compilations, studies, forecasts or documents, records or data prepared by the Receiving Company or any of its Representatives to the extent they contain or otherwise reflect or are generated from such information and documents. The term "Evaluation Material" does not include any information that:

(a) at the time of disclosure is or thereafter becomes generally available to the public (other than as a result of a disclosure directly or indirectly by the Receiving Company or any of its Representatives in violation of this Agreement);

(b) was available to the Receiving Company or any of its Representatives from a source other than the Disclosing Company, provided that such source is not and was not known by the Receiving Company or such Representative to be prohibited from transmitting the information to the Receiving Company by a contractual, legal or fiduciary obligation to the Disclosing Company; or

(c) is or becomes available to the Receiving Company in connection with the Credit Relationship (as defined herein).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"person" shall mean any association, corporation, company, limited liability company, trust, group or partnership or other entity or individual.

Section 2. Agreements Concerning Use of Evaluation Material.

2.1 *Use and Confidentiality of Evaluation Material.* The Receiving Company has requested that the Disclosing Company furnish Evaluation Material for the sole purpose of evaluating the Transaction, and the Receiving Company shall use (and cause its Representatives to use) the Evaluation Material solely for such purpose. Unless and until such Transaction, if any, has been completed pursuant to a written definitive agreement, if any, to which the Disclosing Company is a party (the "Definitive Agreement"), all of the Evaluation Material will be kept confidential by the Receiving Company and not disclosed to any person except as provided herein or as otherwise required by law in accordance with Section 2.6; the Receiving Company may disclose the Evaluation Material or portions thereof to its directors, officers, employees, attorneys, accountants, advisors, and financing sources (including prospective bank, institutional and other lenders) who need to know such information for the purpose of evaluating such possible Transaction (the persons to whom such disclosure is permissible being hereinafter collectively called the "Representatives"), it being understood that the Receiving Company will cause each such Representative to be informed of the confidential nature of the Evaluation Material and to be directed to treat such information confidentially in accordance with the terms of this Agreement. The Receiving Company understands and agrees that it is responsible for any noncompliance with the applicable provisions of this Agreement by its Representatives.

2.2 *No Disclosure of Discussions, Etc.* Unless otherwise required by law in accordance with Section 2.6, each of the Receiving Company and the Disclosing Company will not, and will direct and cause its Representatives not to, during the term of this Agreement, disclose to any person (i) the fact that any investigations, discussions or negotiations are taking place concerning a possible Transaction, (ii) that the Receiving Company has requested or received Evaluation Material from the Disclosing Company, or (iii) any of the terms, conditions or other facts with respect to any such possible Transaction, including the status thereof. Except in connection with the Credit Relationship, the Receiving Company will not contact or solicit information regarding the Disclosing Company's operations from any of the Disclosing Company's equityholders, trustees, officers, employees, managers, clients, customers, vendors or franchisees except to the extent approved in writing in advance by the Disclosing Company. In the event that either the Disclosing Company or the Receiving Company shall have given written notice to the other that it no longer desires to pursue discussions regarding a possible Transaction, then the Disclosing Company and the Receiving Company shall thereafter be permitted to disclose the fact that no discussions are taking place regarding a possible Transaction; provided, that such disclosure shall be made solely in response to inquiries by third parties as to the existence of such discussions in circumstances where there is reasonable cause to believe that rumors may exist regarding the possibility of such discussions; and *provided, further*, that the Disclosing Company or the Receiving Company, as the case may be, shall notify the other party by telephone of the name of such third party promptly after such disclosure is made, and the other party shall likewise be permitted to disclose to such third party the fact that no discussions are taking place regarding a possible Transaction.

2.3 *Return or Destruction of Materials.* In the event that either party elects to discontinue discussions of a possible Transaction, the Receiving Company, upon the written request of the Disclosing Company, shall return promptly to the Disclosing Company all copies of the Evaluation Material then in the Receiving Company's possession or in the possession of any of its Representatives, without retaining any copy thereof, except that the Receiving Company shall destroy promptly all copies of any analyses, compilations, studies or other documents, records or data prepared by the Receiving Company or its Representatives to the extent they contain or otherwise reflect the Evaluation Material, and the fact that such destruction has been accomplished shall be certified to by an authorized officer supervising such destruction upon the written request of the Disclosing Company.

2.4 *No Representation or Warranty.* Neither the Disclosing Company nor any of its trustees, officers, employees, representatives, equityholders, affiliates, advisors or agents have made or shall make any representation or warranty hereby as to the accuracy or completeness of the Evaluation Material furnished by such Disclosing Party. Neither the Disclosing Company nor any of its directors, trustees, officers, employees, representatives, equityholders, affiliates, advisors or agents shall have any liability hereunder to the Receiving Company or any other person resulting from the use of the Evaluation Material by the Receiving Company or any of its Representatives. Only those representations or warranties that are made in a Definitive Agreement, if any, when, as and if it is executed, and subject to such limitations and restrictions as may be specified in such Definitive Agreement, if any, will have any legal effect.

2.5 *Definitive Agreement.* Except for the matters specifically agreed to herein, no contract or agreement providing for any Transaction involving the Receiving Company and the Disclosing Company or any affiliate or their respective Representatives shall be deemed to exist, and neither the Receiving Company nor the Disclosing Company shall be under any legal obligation of any kind whatsoever with respect to any such Transaction by virtue of this or any written or oral expression with respect to such a Transaction by any of its partners, directors, trustees, officers, employees, representatives, equityholders, affiliates, advisors or agents, unless and until a Definitive Agreement, if any, approved by the Board of Directors of the Receiving Company and the Board of Trustees of the Disclosing Company with respect to such Transaction has been executed and delivered by each party thereto.

2.6 *Legally Required Disclosures.* In the event that the Receiving Company or any of its Representatives is required (a) by law (by deposition, interrogatory, request for information or documents, subpoena, civil investigative demand or similar process); (b) by any regulatory or supervisory authority having jurisdiction over the Receiving Company; or (c) pursuant to the rules of any stock exchange or trading system on which the Receiving Company's securities are listed or traded, to disclose any of the Evaluation Material, the Receiving Company shall, to the extent permitted by applicable law, provide the Disclosing Company with prompt prior written notice of such requirement, and shall use commercially reasonable efforts to cooperate with the Disclosing Company so that the Disclosing Company may seek a protective order or other appropriate remedy ("Protective Action"). In the event that the Disclosing Company fails to seek Protective Action or such Protective Action is not obtained prior to the time that the Receiving Company or its Representative is required to disclose the Evaluation Material, the Receiving Company or such Representative, as the case may be, may disclose only that portion of the Evaluation Material that the Receiving Company is advised by its counsel is so required to be disclosed, and shall use commercially reasonable efforts to cooperate with any efforts the Disclosing Company wishes to make to obtain assurance that confidential treatment will be accorded such Evaluation Material.

2.7 *Securities Law Matters.* Each of the parties hereby acknowledges that it is aware, and that it will advise its Representatives who are informed as to the matters that are the subject of this Agreement, that the United States and other applicable securities laws prohibit any person in possession of material non-public information concerning an issuer from purchasing or selling securities of such issuer or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

2.8 *Absence of License or Warranty: No Obligation to Provide.* This Agreement shall not be construed as granting or conferring any rights to the Receiving Company by license or otherwise, expressly or implicitly, to the Evaluation Material, or any invention, discovery or improvement related to the Evaluation Material, made, conceived or acquired prior to or after the date of this Agreement including, but not limited to, "derivative works" (as such term is defined in Section 101 of the United States Copyright Act of 1976, as amended, and as construed under applicable case law) thereof and the Disclosing Company shall retain all of its proprietary rights (including, but not limited to, patents, copyrights and trade secrets) with respect thereto. The Disclosing Company makes no representation, warranty, or assurance under this Agreement as to the accuracy or completeness of the Evaluation Material furnished or to be furnished, its sufficiency or fitness for any purpose, or the absence of any conflict or infringement of the intellectual property or other rights of other parties and disclaims any and all liability that may be based on the Evaluation Material, errors therein, or omissions therefrom. Nothing contained in this Agreement shall constitute a commitment by either party to the development or release of any future products or designs. Additionally, this Agreement does not constitute or imply a commitment by any party to favor or recommend any product or service of another party.

Section 3. ***Standstill Agreement***.

Except pursuant to the terms of a Transaction that has previously been authorized by the Disclosing Company, the Receiving Company agrees that, during the term of this Agreement, neither the Receiving Company nor any of its affiliates shall, directly or indirectly: (a) in any manner acquire or offer to acquire or agree to acquire, directly or indirectly, by purchase or otherwise, beneficial ownership of any securities of the Disclosing Company and/or any of its affiliates; (b) "solicit," or participate in the "solicitation" of, "proxies" (as such terms are defined or used in Rule 14a-1 under the Exchange Act and such terms to have such meanings throughout this Agreement) in opposition to the recommendation of the Board of Trustees of the Disclosing Company or any board of directors, manager or general partner of any Disclosing Company affiliate or become a participant in an election contest with respect to the election of trustees or other similar elected persons of the Disclosing Company and/or any of its affiliates, or otherwise seek to influence or affect the vote of any equityholder of the Disclosing Company and/or any of its affiliates; (c) enter into, directly or indirectly, any merger, tender or exchange offer, restructuring or business combination involving the Disclosing Company or any of its affiliates; (d) acquire, directly or indirectly, a material portion of the assets of the Disclosing Company or any of its affiliates, other than in connection with the Credit Relationship; (e) form, join or participate in a partnership, limited liability company, syndicate or other group or enter into any contract, arrangement, understanding or relationship or otherwise act in concert with any other person for the purpose of acquiring, holding, voting or disposing of securities of the Disclosing Company and/or any of its affiliates; (f) seek to appoint, elect or remove any member of the Board of Trustees of the Disclosing Company and/or any director, manager or general partner of any Disclosing Company affiliate or make any public statements proposing or suggesting any change in the Board of Trustees or management of the Disclosing Company; (g) initiate or propose to the holders of securities of the Disclosing Company and/or any of its affiliates, or otherwise solicit their approval of, any proposal to be voted on by the holders of securities of the Disclosing Company and/or any of its affiliates; or (h) disclose any intention, plan or arrangement to take any of the actions enumerated in clauses (a) through (g) above or participate in, aid or abet or otherwise induce or attempt to induce or encourage any person to take any of the actions enumerated in clauses (a) through (g) above.

Section 4. ***Nonsolicitation of Officers***.

During the term of this Agreement, the Receiving Company agrees that neither it nor any of its affiliates will directly, or indirectly, knowingly solicit, entice, hire or induce for employment any executive officer, officer or senior or key employee of the Disclosing Company or any of its affiliates; provided, however, that such prohibition shall not apply to (a) the placement of advertisements for employment in a newspaper or other publication of general circulation not directed to the specified employees, (b) responses to search firms or employment agencies that have not been instructed by the Receiving Company or its affiliates to solicit any such employees, or (c) other persons who initiate

contact with the Receiving Company or its affiliates regarding employment without any solicitation by the Receiving Company.

Section 5. ***Disclosures to Receiving Company as Lender***.

The Receiving Company and Disclosing Company acknowledge and agree that (a) the Receiving Company is a lender to Disclosing Company under the Revolving Warehouse Financing Agreement, dated as of April 28, 2004, among Falcon Financial Investment Trust, iStar Financial Inc. and The Bank of New York (the "Warehouse Credit Line") and has made loans ("Loans"; the Warehouse Credit Line and Loans shall be collectively referred to as the "Credit Relationship") to Disclosing Company under the Warehouse Credit Line that are secured by loans made by Disclosing Company to third parties; (b) that Disclosing Company has provided and will continue to provide information to Receiving Company in connection with the Credit Relationship and the Receiving Company has agreed to keep such information confidential pursuant to Section 12.10 of the Warehouse Credit Line; (c) any and all information provided to Receiving Company in connection with the Credit Relationship is not and shall not be governed by this Confidentiality and Standstill Agreement and instead shall be governed by the Warehouse Credit Line; and (d) nothing contained herein shall prevent Receiving Company from exercising any or all of its rights and remedies in its capacity as lender to Disclosing Company in connection with the Credit Relationship.

Section 6. ***Term of Agreement***.

The respective covenants and agreements of the Disclosing Company and the Receiving Company contained in this Agreement will continue in full force and effect for the greater of (i) one year, and (ii) as long as the Evaluation Material remains confidential.

Section 7. ***General***.

7.1 *Remedies.* Each of the Disclosing Company and the Receiving Company acknowledge and agree that each would be irreparably damaged in the event that any of the provisions of this Agreement are not performed by the other (or its Representatives, as the case may be) in accordance with their specific terms or are otherwise breached and that money damages alone would not be sufficient and would not be a sufficient remedy for any breach of this Agreement. Accordingly, each party shall be entitled, without the requirement of posting a bond or other security, to equitable relief, including injunctive relief and specific performance, in the event of any breach of the provisions of this Agreement by the other, in addition to seek all other remedies available at law or in equity.

7.2 *No Waiver.* No failure or delay in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

7.3 *Severability.* If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the terms, provisions, covenants and restrictions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

7.4 *Amendments.* This Agreement may be amended only by an agreement between the parties in writing.

7.5 *Descriptive Headings.* Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

7.6 *Counterparts.* For the convenience of the parties, any number of counterparts of this Agreement may be executed by either party hereto (and delivery thereof to the other party may occur by facsimile transmission) and each such executed counterpart shall be, and shall be deemed to be, an original instrument.

7.7 *Successors and Assigns.* Except as expressly provided otherwise herein, this Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors of the parties hereto.

7.8 *Governing Law.* This Agreement shall be governed by the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned have caused this Confidentiality and Standstill Agreement to be duly executed and delivered in their name and on their behalf as of the date first hereinabove set forth.

FALCON FINANCIAL INVESTMENT TRUST,
a Maryland real estate investment trust

By: /s/ DAVID A. KARP

Name: David A. Karp
Title: President

iSTAR FINANCIAL INC.,
a Maryland Corporation

By: /s/ JAY S. SUGARMAN

Name: Jay S. Sugarman
Title: Chairman and Chief Executive Officer

QuickLinks

CONFIDENTIALITY AND STANDSTILL AGREEMENT

Exhibit 99(d)(11)

iStar Financial Inc.
1114 Avenue of the Americas
27th Floor
New York, New York 10036

December 23, 2004

Falcon Financial Investment Trust
15 Commerce Road
Stamford, CT 06902

Attn: Vernon B. Schwartz
Chairman and Chief Executive Officer

Dear Mr. Schwartz:

Each of iStar Financial Inc. (together with its subsidiaries, "*iStar*" and Falcon Financial Investment Trust (together with its subsidiaries, "*Ice*") has held preliminary discussions regarding our mutual consideration of a possible business combination transaction involving iStar and Falcon (the "*Transaction*"). iStar has also entered into a confidentiality agreement with Falcon in connection with the Transaction. iStar would like to continue discussions regarding a Transaction with Falcon, and commence good faith negotiations of the terms of a definitive agreement for a Transaction on the basis of our recent discussions with you, subject to the terms of this letter.

As you know, iStar is very familiar with Falcon, its assets and its management team because iStar provides Falcon with its primary source of financing under a secured credit line. Given this existing relationship, iStar believes that it could complete its due diligence and negotiate the terms of a definitive Transaction agreement on a prompt basis. iStar is willing to expend the resources necessary to move quickly, provided that iStar is given the opportunity to engage in discussions and negotiations with Falcon on an exclusive basis.

By executing this letter agreement in the space indicated below, Falcon agrees as follows:

1. In connection with the Transaction, and in consideration of the significant resources that iStar proposes to devote to the diligence and negotiation process, during the period beginning on the date of acceptance of this letter by you through 11:59 p.m., New York City time, on January 14, 2005 (as the same may be amended by mutual agreement of iStar and Falcon, the "*Exclusivity Period*"), neither Falcon nor any of its Representatives (as hereinafter defined) will solicit, encourage or facilitate (including by furnishing information), or conduct, engage or continue any negotiations or other discussions regarding, any offer or proposal on the part of any person other than iStar to acquire any significant part of the assets, business operations or capital stock of Falcon, or engage in any other transaction similar to any of the foregoing, whether by way of a merger, acquisition of equity or debt securities, or otherwise (any of the foregoing, a "*Competing Transaction*"). Falcon further agrees to terminate immediately all discussions and negotiations with third parties in respect of any Competing Transaction. In addition, during the Exclusivity Period, Falcon agrees not to consummate any securitization transaction involving assets of Falcon.

2. If at any time prior to the earlier of (i) the end of the Exclusivity Period or (ii) the consummation or abandonment of a Transaction between iStar and Falcon, Falcon or any of its Representatives is approached by a third party concerning participation in a Competing Transaction, Falcon will promptly notify iStar of the occurrence and substance of the contact in reasonable detail, without being required to identify the parties making the contact. "*Representatives*" means Falcon's directors, officers, employees, legal and financial advisers, accountants and other agents and representatives, as the case may be. The term "*person*" shall be construed broadly and includes natural persons, corporations, ventures, partnerships, trusts and all other entities.

3. During the Exclusivity Period, none of Falcon or any of its Representatives will disclose or allow disclosure to others of (i) the existence and terms of this letter agreement or the existing confidentiality agreement between Falcon and iStar, and the fact that confidential information has been made available to iStar or any of its representatives under such confidentiality agreement; (ii) the fact that discussions or negotiations have been considered or are or may be taking place with respect to a possible Transaction involving iStar and Falcon, and the proposed terms of any such Transaction; or (iii) the existence or terms of any proposal made by iStar with regard to a Transaction. Notwithstanding anything herein to the contrary, a public announcement or governmental filing disclosing such information may be made by Falcon if, upon the advice of counsel, such disclosure is at such time required by law or applicable stock exchange rules and then only after giving prompt prior written notice to iStar.

4. Money damages would not be a sufficient remedy for any breach of any agreement contained herein; therefore, in addition to all other remedies which iStar may have, iStar will be entitled to specific performance and injunctive or other equitable relief as a remedy for any breach of this letter agreement by Falcon. No failure or delay by iStar in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

As you know, iStar is the leading publicly-traded finance company focused on the real estate industry, with a history of increasing earnings and dividends since its inception. We believe that a Transaction with iStar would be very favorably received by Falcon's shareholders. Given iStar's access to significant capital resources, iStar would need no financing contingency in a definitive agreement regarding a Transaction. We have been very pleased with our relationship with Falcon and we are very excited about the prospect of a possible Transaction involving the two companies.

As discussed above, we are prepared to move forward promptly and dedicate all resources necessary toward the completion of due diligence and the negotiation of a definitive agreement, subject to your agreement to an exclusivity period in which we may do so. We are not prepared to move forward at this time without your exclusivity commitment.

It is expressly understood that this letter agreement is not intended to, and does not, constitute an agreement to consummate the Transaction or to enter into a definitive agreement with respect to the Transaction, and, except as expressly provided herein, neither party will have any rights or obligations of any kind whatsoever with respect to the Transaction by virtue of this agreement or any other written or oral expression by our respective Representatives unless and until a definitive agreement between us is executed and delivered, other than for the matters specifically agreed to herein.

We look forward to hearing from you at your earliest convenience. Please feel free to contact me if you have any questions.

Sincerely,

iSTAR FINANCIAL INC.

/s/ JAY S. SUGARMAN

Jay S. Sugarman
Chairman and Chief Executive Officer

By signing below, Falcon Financial Investment Trust agrees to be bound by the agreement set forth in numbered paragraphs 1-4 of this letter agreement.

Accepted and Agreed this 23rd day of December, 2004:

FALCON FINANCIAL INVESTMENT TRUST

/s/ VERNON B. SCHWARTZ

Vernon B. Schwartz
Chairman and Chief Executive Officer