
U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g)
OF THE SECURITIES EXCHANGE ACT OF 1934

STAR HOLDINGS

(Exact name of registrant as specified in charter)

Maryland

(State or other jurisdiction of
incorporation or registration)

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

(Address of principal executive offices)

37-6762818

(I.R.S. Employer
Identification No.)

10036

(Zip Code)

(212) 930-9400

(Registrant's telephone number, including area code)

with copies to:

**Kathleen Werner, Esq.
Clifford Chance US LLP
31 West 52nd Street
New York, NY 10019
(212) 878-8000**

Securities to be registered pursuant to Section 12(b) of the Act:
Common shares of beneficial interest, par value \$0.001 per share
(Title of class)

Securities to be registered pursuant to Section 12(g) of the Act:
None

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

**INFORMATION REQUIRED IN REGISTRATION STATEMENT
CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT AND ITEMS OF FORM 10**

Certain information required to be included herein is incorporated by reference to specifically identified portions of the body of the information statement filed herewith as Exhibit 99.1. None of the information contained in the information statement shall be incorporated by reference herein or deemed to be a part hereof unless such information is specifically incorporated by reference herein.

Item 1. *Business*

The information required by this item is contained under the sections of the information statement entitled "Information Statement Summary," "Risk Factors," "Cautionary Statement Concerning Forward-Looking Statements," "The Spin-Off," "Capitalization," "Selected Historical Combined and Consolidated Financial Data — iStar Included Assets," "Unaudited Pro Forma Combined and Consolidated Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business and Properties," "Our Manager and the Management Agreement," "Management," "Certain Relationships and Related Person Transactions," "Description of Material Indebtedness," and "Where You Can Find More Information." Those sections are incorporated herein by reference.

Item 1A. *Risk Factors*

The information required by this item is contained under the sections of the information statement entitled "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors." Those sections are incorporated herein by reference.

Item 2. *Financial Information*

The information required by this item is contained under the sections of the information statement entitled "Capitalization," "Selected Historical Combined and Consolidated Financial Data — iStar Included Assets," "Unaudited Pro Forma Combined and Consolidated Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Index to Financial Statements." Those sections are incorporated herein by reference.

Item 3. *Properties*

The information required by this item is contained under the sections of the information statement entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business and Properties." Those sections are incorporated herein by reference.

Item 4. *Security Ownership of Certain Beneficial Owners and Management*

The information required by this item is contained under the section of the information statement entitled "Security Ownership of Certain Beneficial Owners and Management." That section is incorporated herein by reference.

Item 5. *Directors and Executive Officers*

The information required by this item is contained under the sections of the information statement entitled "Our Manager and the Management Agreement" and "Management." Those sections are incorporated herein by reference.

Item 6. *Executive Compensation*

The information required by this item is contained under the section of the information statement entitled "Our Manager and the Management Agreement." That section is incorporated herein by reference.

Item 7. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item is contained under the sections of the information statement entitled "Our Manager and the Management Agreement," "Management" and "Certain Relationships and Related Person Transactions." Those sections are incorporated herein by reference.

Item 8. *Legal Proceedings*

The information required by this item is contained under the section of the information statement entitled “Business and Properties — Legal Proceedings.” That section is incorporated herein by reference.

Item 9. *Market Price of, and Dividends on, the Registrant’s Common Equity and Related Stockholder Matters*

The information required by this item is contained under the sections of the information statement entitled “Risk Factors,” “The Spin-Off,” “Dividend Policy,” “Our Manager and the Management Agreement,” “Description of Our Shares of Beneficial Interest,” “Certain Provisions of Maryland Law and our Declaration of Trust and Bylaws” and “Shares Eligible for Future Sale.” Those sections are incorporated herein by reference.

Item 10. *Recent Sales of Unregistered Securities*

Not applicable.

Item 11. *Description of Registrant’s Securities to be Registered*

The information required by this item is contained under the sections of the information statement entitled “Risk Factors,” “Dividend Policy,” “The Spin-Off,” “Description of Our Shares of Beneficial Interest,” “Certain Provisions of Maryland Law and Our Declaration of Trust and Bylaws” and “Shares Eligible for Future Sale.” Those sections are incorporated herein by reference.

Item 12. *Indemnification of Directors and Officers*

The information required by this item is contained under the section of the information statement entitled “Description of Our Shares of Beneficial Interest — Indemnification and Limitation of Trustees’ and Officers’ Liability.” That section is incorporated herein by reference.

Item 13. *Financial Statements and Supplementary Data*

The information required by this item is contained under the sections of the information statement entitled “Selected Historical Combined and Consolidated Financial Data — iStar Included Assets,” “Unaudited Pro Forma Combined and Consolidated Financial Statements,” and “Index to Financial Statements” and the financial statements referenced therein. Those sections are incorporated herein by reference.

Item 14. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 15. *Financial Statements and Exhibits.*

(a) *Financial Statements*

The information required by this item includes (1) the information contained under the section of the information statement entitled “Index to Financial Statements” and the financial statements referenced therein, which is incorporated herein by reference; and (2) the Consolidated Financial Statements of Safehold Inc., which are incorporated by reference to Item 8 of Safehold Inc.’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (File No. 001-38122) filed with the SEC on February 15, 2022.

(b) Exhibits

The following documents are filed as exhibits hereto:

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1	Form of Separation and Distribution Agreement, by and between iStar Inc. and Star Holdings.**
3.1	Declaration of Trust of Star Holdings.*
3.2	Bylaws of Star Holdings.*
10.1	Form of Management Agreement, by and between Star Holdings and Manager.**
10.2	Form of Governance Agreement, by and between Star Holdings and Safehold Inc.**
10.3	Form of Registration Rights Agreement, by and between Star Holdings and Safehold Inc.**
10.4	Form of Trustee and Officer Indemnification Agreement*
21.1	Subsidiaries of Star Holdings.**
99.1	Information Statement of Star Holdings, preliminary and subject to completion, dated December 16, 2022.**
99.2	Consolidated balance sheets of Safehold Inc. and subsidiaries as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021 (incorporated by reference to Item 8 of Safehold Inc.'s Annual Report on Form 10-K filed February 15, 2022 (File No. 001-38122)).

* To be filed by amendment.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

STAR HOLDINGS

By: /s/ Jay Sugarman

Name: Jay Sugarman

Title: Chairman and Chief Executive Officer

Date: December 16, 2022

Dated as of [●]

iSTAR INC.
and
[SPINCO]

SEPARATION AND DISTRIBUTION AGREEMENT

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SEPARATION AND DISTRIBUTION AGREEMENT

THIS SEPARATION AND DISTRIBUTION AGREEMENT, dated as of [●] (this “**Agreement**”), is by and among iStar Inc., a Maryland corporation (together with its successors and assigns, “**iStar**”), and [SPINCO]¹, a Maryland business trust (together with its successors and assigns, “**SpinCo**”).

RECITALS

WHEREAS, iStar entered into an Agreement and Plan of Merger, dated August 10, 2022 (as amended from time to time, the “**Merger Agreement**”), by and among iStar and Safehold Inc., a Maryland corporation (together with its successors and assigns, “**SAFE**”), pursuant to which SAFE will merge with and into iStar (the “**Merger**”), with iStar continuing as the surviving corporation and operating under the name “Safehold Inc.”;

WHEREAS, as a condition to the closing of the Merger, iStar has agreed to consummate a series of reorganization and separation transactions (the “**Separation**”) pursuant to which, among other things, the direct or indirect ownership interests in certain properties and other assets of iStar and its subsidiaries, as well as certain Liabilities of iStar and its subsidiaries, will be contributed to SpinCo;

WHEREAS, following the Separation, but prior to the effective time of the Merger, iStar will distribute to the stockholders of iStar all of the issued and outstanding SpinCo Common Stock (the “**Distribution**,” and together with the Separation, the “**Separation Transactions**”);

WHEREAS, the Parties have completed certain preliminary actions in connection with the Separation and the Distribution, including the formation of SpinCo as a wholly owned Subsidiary of iStar;

WHEREAS, SpinCo has prepared and filed with the Securities and Exchange Commission (the “**SEC**”) a registration statement on Form 10, which includes an information statement, with respect to the shares of SpinCo Common Stock to be distributed by iStar in the Distribution, which was declared effective by the SEC on [●];

WHEREAS, contemporaneously with the execution of this Agreement, in furtherance of the foregoing, the board of directors of iStar (the “**iStar Board**”) has approved the Distribution of all of the issued and outstanding shares of SpinCo common stock, par value \$0.01 per share (“**SpinCo Common Stock**”), at a ratio of one share of SpinCo Common Stock for one share of iStar common stock, par value \$0.001 per share, subject to adjustment as provided in Section 3.4(a) (the “**Distribution Ratio**”) held as of the close of business on the Record Date, subject to the satisfaction of the conditions of the Distribution set forth in this Agreement; and

WHEREAS, the Parties desire to enter into this Agreement to set forth each of the Separation Transactions to be effectuated by the Parties, and to set forth certain other agreements relating to the Separation Transactions and the relationship of iStar, SpinCo and their respective Affiliates following the Distribution.

¹ Name of SpinCo to be jointly determined by Star and Safe prior to the Distribution Effective Time.

NOW, THEREFORE, in consideration of the foregoing and the respective agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

For the purpose of this Agreement, the following terms shall have the following meanings:

“**Accounting Principles**” shall mean GAAP applied on a consistent basis.

“**Action**” shall mean any demand, action, claim, dispute, suit, countersuit, arbitration, subpoena, proceeding or investigation of any nature (whether criminal, civil, legislative, administrative, regulatory, prosecutorial or otherwise) by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

“**Adjustment Request**” means any formal or informal claim or request filed with any Tax Authority, or with any administrative agency or court, for the adjustment, refund, or credit of Taxes, including (i) any amended Tax Return claiming adjustment to the Taxes as reported on the Tax Return or, if applicable, as previously adjusted, (ii) any claim for equitable recoupment or other offset, and (iii) any claim for refund or credit of Taxes previously paid.

“**Affiliate**” shall mean, when used with respect to a specified Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For the purpose of this definition, “**control**” (including with correlative meanings, “**controlled by**” and “**under common control with**”), when used with respect to any specified Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment, undertaking or otherwise. It is expressly agreed that, prior to, from and after the Distribution Effective Time, for purposes of this Agreement and the Ancillary Agreements, (a) no member of the SpinCo Group shall be deemed to be an Affiliate of any member of the iStar Group and (b) no member of the iStar Group shall be deemed to be an Affiliate of any member of the SpinCo Group.

“**Agent**” shall mean a distribution agent, transfer agent and registrar that is duly appointed by iStar to act in such capacities for the SpinCo Common Stock in connection with the Distribution.

“**Agreement**” shall have the meaning set forth in the preamble hereof.

“**Allowed Amount**” shall have the meaning set forth in Section 7.7.

“**Ancillary Agreement**” shall mean all agreements (other than this Agreement) entered into by the Parties and/or members of their respective Groups (but as to which no Third Party is a party) in connection with the Separation Transactions or the other transactions contemplated by this Agreement, including the Management Agreement, the Governance Agreement, the Term Loan Facility, the Registration Rights Agreement and the Transfer Documents.

“**Approvals or Notifications**” shall mean any consents, waivers, approvals, Permits or authorizations to be obtained from, notices, registrations or reports to be submitted to, or other filings to be made with, any Third Party, including any Governmental Authority.

“**Assets**” shall mean, with respect to any Person, the assets, properties, claims and rights (including goodwill) of such Person, wherever located (including in the possession of vendors or other Third Parties or elsewhere), of every kind, character and description, whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of such Person, including: (i) rights and benefits pursuant to any contract, license, Permit, indenture, note, bond, mortgage, agreement, concession, franchise, instrument, undertaking, commitment, understanding or other arrangement; (ii) all interests in any capital stock or other equity interests of any Subsidiary or any other Person or all loans, advances or other extensions of credit or capital contribution to any Subsidiary or any other Person; (iii) all other investments in securities of any Person; (iv) all rights as a partner, joint venturer or participant; and (v) all deposits, letters of credit, performance bonds and other surety bonds.

“**Assumed Liabilities**” shall mean (without duplication) all of the Liabilities of iStar, SpinCo or any member of the SpinCo Group or iStar Group, other than the Excluded Liabilities, which Assumed Liabilities shall include:

- (i) except as otherwise expressly set forth in any Transaction Document, all Liabilities to the extent relating to, arising out of or resulting from any Transferred Assets or the operation or conduct of the Transferred Business whether arising before, at or after the Distribution Effective Time, including any divested Assets or operations of the Transferred Business;
- (ii) all liabilities reflected in the most recent unaudited pro forma balance sheet of the SpinCo Group included in the Form 10;
- (iii) the obligations related to the SpinCo Group portion of any Shared Contract pursuant to Section 2.7;
- (iv) all Liabilities expressly provided by this Agreement or any other Transaction Document to be assumed or retained by SpinCo or any other member of the SpinCo Group (including indemnification obligations thereunder);
- (v) all Liabilities pursuant to the SpinCo Loan Agreements;
- (vi) all Liabilities of the iStar Group relating to any Disclosure Document (excluding any Liabilities to the extent relating to information supplied by the iStar Group regarding its role as the manager of the SpinCo Group or the Management Agreement, which for the avoidance of doubt shall be Excluded Liabilities); and

(vii) those Liabilities set forth on Exhibit A.

“**Business Day**” shall mean any day other than a Saturday, Sunday or any other day on which banks in New York, New York are closed for business.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended.

“**Cutoff Date**” shall have the meaning set forth in Section 7.1(a).

“**Deed**” shall have the meaning set forth in Section 5.3(a).

“**Designated Exchange**” means Nasdaq or NYSE (or any such exchange’s affiliated exchanges) or such other primary stock exchange on which the SpinCo Common Stock will be listed following the consummation of the transactions contemplated by this Agreement; provided, that the Designated Exchange shall be NYSE, unless (a) in the case of Nasdaq (or one of its affiliated exchanges), (i) iStar reasonably determines, in good faith and after consultation with SAFE, that the Designated Exchange should be Nasdaq (or one of its affiliated exchanges) based on adverse developments in the listing process of NYSE following the date hereof and such change from NYSE to Nasdaq would not reasonably be expected to materially delay the closing of the transactions contemplated hereby and the Merger Agreement and would not adversely affect any of the covenants, agreements, rights or obligations of any Party to this Agreement or the Merger Agreement or (ii) such exchange is mutually agreed to in writing by SAFE and iStar prior to the Closing (such agreement not to be unreasonably withheld, conditioned or delayed by Safe or iStar) or (b) in the case of any exchange other than Nasdaq or NYSE (or their affiliated exchanges), such exchange is mutually agreed to in writing by Safe and iStar prior to the Separation (such agreement not to be unreasonably withheld, conditioned or delayed by SAFE or iStar).

“**Disclosure Document**” shall mean any registration statement (including the Form 10) filed with the SEC by or on behalf of any Party or any member of its Group, and also includes any information statement (including the Information Statement), prospectus, offering memorandum, offering circular, periodic report or similar disclosure document, whether or not filed with the SEC or any other Governmental Authority, in each case which describes the Separation, the Distribution or the SpinCo Group, or primarily relates to the transactions contemplated hereby.

“**Distribution**” shall have the meaning set forth in the recitals hereof.

“**Distribution Date**” shall mean the date on which the Distribution occurs.

“**Distribution Steps Plan**” shall have the meaning set forth in Section 2.1.

“**Distribution Effective Time**” shall mean 12:01 p.m., Eastern time, on the Distribution Date.

“**Environmental Law**” shall mean any Law relating to (a) releases, discharges, emissions or disposals to air, water, land or groundwater of Hazardous Materials, (b) the use, handling or disposal of polychlorinated biphenyls, asbestos or urea formaldehyde or any other Hazardous Material, (c) the treatment, storage, disposal or management of Hazardous Materials, (d) exposure to Hazardous Materials or any other toxic, hazardous or other controlled, prohibited or regulated substances, (e) the transportation, release or any other use of Hazardous Materials, or (f) the pollution, protection or regulation of the environmental or natural resources.

“Environmental Liabilities” shall mean all Liabilities relating to, arising out of or resulting from any Hazardous Materials, Environmental Law or contract or agreement relating to environmental, health or safety matters (including all removal, remediation or cleanup costs, investigatory costs, response costs, natural resources damages, property damages, personal injury damages, costs of compliance with any product take-back requirements or with any settlement, judgment or other determination of Liability and indemnity, contribution or similar obligations) and all costs and expenses, interest, fines, penalties or other monetary sanctions in connection therewith.

“Escrowed Amount” shall have the meaning set forth in Section 7.7.

“Exchange Act” shall mean the U.S. Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

“Excluded Assets” shall mean, other than the Transferred Assets, all of the Assets of the iStar Group (which, for the avoidance of doubt, shall include the SAFE Group after the effective time of the Merger). Without limiting the foregoing, the Excluded Assets shall include each of the Assets set forth on Exhibit B.

“Excluded Business” shall mean the businesses, operations and activities of (i) the iStar Group conducted prior to the Distribution Effective Time that relate to the origination, acquisition, creation of, investment in, financing of, management of or fundraising for, fee and leasehold interests in ground leases, ground lease related assets and entities that own and hold such assets (including SAFE, any other member of the SAFE Group and iStar GL Venture REIT LLC; (ii) the SAFE Group, whether conducted before or after the Distribution Effective Time (including as part of the iStar Group after the effective time of the Merger); and (iii) the iStar Group conducted after the Distribution Effective Time.

“Excluded Liabilities” shall mean:

- (i) all Liabilities to the extent relating to, arising out of or resulting from:
 - (1) the operation or conduct of the Excluded Business as conducted at any time prior to the Distribution Effective Time by the iStar Group (including any Liability to the extent relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative, which act or failure to act relates to the Excluded Business);
 - (2) the operation or conduct of the Excluded Business or any other business conducted by the iStar Group at any time after the Distribution Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative, which act or failure to act relates to the Excluded Business or such other business); or

- (3) the Excluded Assets;
- (ii) the obligations related to the iStar Group portion of any Shared Contract pursuant to Section 2.7;
- (iii) all Liabilities expressly provided by this Agreement or any other Transaction Document to be assumed or retained by iStar or any member of the iStar Group (including indemnification obligations thereunder);
- (iv) all Liabilities for payment of amounts due in respect of indebtedness and preferred stock of iStar; and
- (v) those Liabilities set forth on Exhibit B.

“**Form 10**” shall mean the registration statement on Form 10 filed by SpinCo with the SEC to effect the registration of SpinCo Common Stock pursuant to the Exchange Act in connection with the Distribution, as such registration statement may be amended or supplemented from time to time prior to the Distribution.

“**Governance Agreement**” shall mean the Governance Agreement entered into at the closing of the Merger between iStar and SpinCo.

“**Governmental Authority**” shall mean any nation or government, any state, municipality or other political subdivision thereof, and any entity, body, agency, commission, department, board, bureau, court, tribunal, industry self-regulatory organization or other instrumentality, whether federal, state, local, domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory, administrative or other similar functions of, or pertaining to, government and any executive official thereof.

“**Group**” shall mean the SpinCo Group, the iStar Group and/or the SAFE Group, as the context requires.

“**Hazardous Materials**” shall mean each element, compound, chemical mixture, contaminant, pollutant, material, waste or other substance which is defined, regulated or identified under applicable Environmental Laws because of its hazardous, toxic, dangerous or deleterious properties.

“**Indemnifying Party**” shall have the meaning set forth in Section 4.4(a).

“**Indemnitee**” shall have the meaning set forth in Section 4.4(a).

“**Indemnity Payment**” shall have the meaning set forth in Section 4.4(a).

“**Information**” shall mean information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

“**Information Statement**” shall mean the information statement to be sent to the holders of iStar common stock in connection with the Distribution, as such information statement may be amended or supplemented from time to time prior to the Distribution.

“**Insurance Proceeds**” shall mean those monies (i) received by an insured from an insurance carrier; or (ii) paid by an insurance carrier on behalf of the insured; in any such case net of any applicable premium adjustments (including reserves and retrospectively rated premium adjustments) and net of any costs or expenses incurred in the collection thereof.

“**Insurance Termination Date**” shall have the meaning set forth in Section 5.1(c).

“**Insured Party**” shall have the meaning set forth in Section 5.1(c).

“**Intellectual Property**” shall mean all of the following anywhere in the world: (a) all inventions and designs (whether patentable or unpatentable and whether or not reduced to practice), patents and patent applications, and all continuations and continuations in part, divisions, reissues, reexaminations, renewals, and extensions thereof, (b) all copyrightable works, copyrights, mask works, and industrial designs, and all registrations and applications for registration thereof, (c) all trademarks, service marks, trade dress trade names, logos, domain names, social media accounts and handles, and other indicia of origin, and all registrations and applications for the registration thereof, and all goodwill of the business connected with the use thereof and symbolized thereby, (d) all trade secrets, and other intellectual property and proprietary rights in know-how, technology, technical data, confidential business information, manufacturing and production processes and techniques, research and development information, financial, marketing and business data, pricing and cost information, business and marketing plans, advertising and promotional materials, customer, distributor, reseller and supplier lists and information, correspondence, records, and other documentation, and all other proprietary information of every kind (collectively, “**Know-How**”), (e) all software (including source and object code), firmware, development tools, algorithms, files, records, technical drawings and related documentation, data and manuals, (f) all databases and data collections, (g) all other intellectual property rights, and (h) all copies and tangible embodiments of any of the foregoing (in whatever form or medium).

“**iStar**” shall have the meaning set forth in the preamble hereof.

“**iStar Accounts**” shall have the meaning set forth in Section 2.8(a).

“**iStar Board**” shall have the meaning set forth in the recitals hereof.

“**iStar Group**” shall mean iStar and each Person that is a Subsidiary of iStar, including, after the effective time of the Merger, SAFE and each Person that is a Subsidiary of SAFE (in each case, other than SpinCo and any other member of the SpinCo Group).

“iStar Indemnitees” shall have the meaning set forth in Section 4.2.

“iStar Statement” shall have the meaning set forth in Section 2.10(a).

“Joint Proxy Statement / Prospectus” shall mean the joint proxy statement / prospectus of iStar and SAFE filed on Form S-4 with the SEC, which was declared effective by the SEC on [●].

“Law” shall mean any national, supranational, federal, state, provincial, local or similar law (including common law), statute, code, order, ordinance, rule, regulation, treaty, license, Permit, authorization, approval, consent, decree, injunction, binding judicial or administrative interpretation or other requirement, in each case, enacted, promulgated, issued or entered by a Governmental Authority.

“Liabilities” shall mean all debts, guarantees, assurances, commitments, liabilities, responsibilities, Losses, remediation, deficiencies, damages, fines, penalties, settlements, sanctions, costs, expenses, interest and obligations of any nature or kind, whether accrued or fixed, absolute or contingent, matured or unmatured, accrued or not accrued, asserted or unasserted, liquidated or unliquidated, foreseen or unforeseen, known or unknown, reserved or unreserved, or determined or determinable, including those arising under any Law, claim (including any Third-Party Claim), demand, Action, or order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority or arbitration tribunal, and those arising under any contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment or undertaking, or any fines, damages or equitable relief that is imposed, in each case, including all costs and expenses relating thereto.

“Linked” shall have the meaning set forth in Section 2.8(a).

“Loss Party” shall have the meaning set forth in Section 5.1(d).

“Losses” shall mean actual losses (including any diminution in value), costs, damages, Taxes, penalties and expenses (including legal and accounting fees, and expenses and costs of investigation and litigation), whether or not involving a Third-Party Claim.

“Management Agreement” shall mean the management agreement to be entered into by and between iStar and SpinCo or the members of their respective Groups in connection with the Separation, the Distribution or the other transactions contemplated by this Agreement in the form attached hereto as Exhibit C.

“Margin Loan” shall mean the \$140.0 million margin loan to be entered into by SpinCo on the date of the Separation and secured by the SAFE Shares.

“Merger” shall have the meaning set forth in the recitals hereof.

“Merger Agreement” shall have the meaning set forth in the recitals hereof.

“Parties” shall mean the parties to this Agreement.

“**Payor**” shall have the meaning set forth in Section 7.2(c).

“**Permit**” shall mean a permit, approval, authorization, consent, license or certificate of any kind issued by any Governmental Authority.

“**Person**” shall mean an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity and any Governmental Authority.

“**Policy**” shall have the meaning set forth in Section 5.3(b).

“**Positive Tax Opinion or Ruling**” shall have the meaning set forth in Section 7.7.

“**Privileged Information**” shall mean any information, in written, oral, electronic, or other tangible or intangible forms, including any communications by or to attorneys (including attorney-client privileged communications), memoranda and other materials prepared by attorneys or under their direction (including attorney work product), as to which a Party or any member of its Group would be entitled to assert or have asserted a privilege, including the attorney-client and attorney work product privileges.

“**Qualifying Income**” shall have the meaning set forth in Section 7.7.

“**Real Property**” shall have the meaning set forth in Section 5.3(a).

“**Record Date**” shall mean the close of business on the date to be determined by the iStar Board as the record date for determining holders of iStar capital stock entitled to receive shares of SpinCo Common Stock pursuant to the Distribution.

“**Record Holders**” shall mean the holders of record of iStar capital stock as of the Record Date.

“**Registration Rights Agreement**” shall mean the Registration Rights Agreement entered into at the closing of the Merger between iStar and SpinCo.

“**REIT**” shall mean “a real estate investment trust” within the meaning of Section 856 of the Code.

“**Required Party**” shall have the meaning set forth in Section 7.2(c).

“**Representatives**” shall mean, with respect to any Person, any of such Person’s directors, officers, employees, agents, consultants, advisors, accountants, attorneys or other representatives.

“**SAFE**” shall have the meaning set forth in the preamble hereof.

“**SAFE Group**” shall mean SAFE and each Person that is a Subsidiary of SAFE, including, after the effective time of the Merger, SAFE and each Person that is a Subsidiary of SAFE.

“**SAFE Shares**” shall mean the number of shares of common stock of SAFE equal to the SpinCo Share Contribution transferred to the SpinCo Group in the Separation Transactions.

“SEC” shall mean the U.S. Securities and Exchange Commission.

“**Security Interest**” shall mean any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever.

“**Separation**” shall have the meaning set forth in the recitals hereof.

“**Separation Transactions**” shall have the meaning set forth in the recitals hereof.

“**Shared Contract**” shall have the meaning set forth in Section 2.7(a).

“**SpinCo**” shall have the meaning set forth in the preamble hereof.

“**SpinCo Account**” shall have the meaning set forth in Section 2.8(a).

“**SpinCo Common Stock**” shall have the meaning set forth in the recitals hereof.

“**SpinCo Group**” shall mean (a) prior to the Distribution Effective Time, SpinCo and each Person that will be a Subsidiary of SpinCo as of or immediately after the Distribution Effective Time, including the Transferred Entities, even if, prior to the Distribution Effective Time, such Person is not a Subsidiary of SpinCo; and (b) from and after the Distribution Effective Time, SpinCo and each Person that is a Subsidiary of SpinCo or that was a Subsidiary of iStar prior to the Distribution Effective Time and is not a Subsidiary of the iStar Group after the Distribution Effective Time.

“**SpinCo Indemnitees**” shall have the meaning set forth in Section 4.3.

“**SpinCo Loan Agreements**” shall mean, collectively, the Margin Loan and the Term Loan Facility, each entered into by SpinCo in connection with the Distribution.

“**SpinCo Share Contribution**” shall mean a number of shares of common stock of SAFE having a value of \$400 million as determined in accordance with the terms of the Margin Loan.

“**Spin-Off Distribution**” shall mean the \$140.0 million distribution to be made by SpinCo to iStar immediately prior to the Separation (using the proceeds of the Margin Loan) in consideration of the Transferred Assets.

“**Subsidiary**” shall mean, with respect to any Person, any corporation, partnership, limited liability company, joint venture, REIT, or other organization, whether incorporated or unincorporated, or other legal entity of which such Person (i) beneficially owns, either directly or indirectly, more than fifty percent (50%) of (a) the total combined voting power of all classes of voting securities of such entity; (b) the total combined equity interests of such entity, or (c) the capital or profit interests, in the case of a partnership, or (ii) otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors or similar governing body of such entity.

“**Tangible Information**” shall mean information that is contained in written, electronic or other tangible forms.

“**Tax**” or “**Taxes**” shall mean any income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, ad valorem, value added, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, escheat, alternative minimum, universal service fund, estimated or other tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax), imposed by any Governmental Authority or political subdivision thereof, and any interest, penalty, additions to tax or additional amounts in respect of the foregoing.

“**Tax Advisor**” shall mean a Tax counsel or accountant, in each case of recognized national standing.

“**Tax Authority**” shall mean, with respect to any Tax, the Governmental Authority or political subdivision thereof that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such entity or subdivision.

“**Tax Benefit**” shall mean any refund, credit, or other item that causes reduction in otherwise required liability for Taxes.

“**Tax Contest**” shall mean an audit, review, examination, contest, litigation, investigation or any other administrative or judicial proceeding with the purpose or effect of redetermining Taxes (including any administrative or judicial review of any claim for refund).

“**Tax Law**” shall mean the Law of any Governmental Authority or political subdivision thereof relating to any Tax.

“**Tax Period**” shall mean, with respect to any Tax, the period for which the Tax is reported as provided under the Code or other applicable Tax Law.

“**Tax Return**” shall mean any report of Taxes due, any claim for refund of Taxes paid, any information return with respect to Taxes, or any other similar report, statement, declaration, or document filed or required to be filed under the Code or other Tax Law with respect to Taxes, including any attachments, exhibits, or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing.

“**Term Loan Facility**” shall mean the Term Loan Facility entered into between a member of the iStar Group and SpinCo prior to the date hereof in an initial aggregate principal amount of \$100.0 million (as amended and restated in connection with the closing of the Merger).

“**Third Party**” shall mean any Person other than the Parties or any members of their respective Groups.

“**Third-Party Claim**” shall have the meaning set forth in Section 4.5(a).

“**Transaction Documents**” shall mean this Agreement, the Ancillary Agreements, the SpinCo Loan Agreements and the Merger Agreement.

“**Transfer**” shall have the meaning set forth in Section 2.1(a).

“**Transferee**” shall have the meaning set forth in Section 5.3(a).

“**Transferor**” shall have the meaning set forth in Section 5.3(a).

“**Transfer Documents**” shall mean any documents relating to the transfer of Assets and/or Liabilities in connection with the Separation Transactions, including such deeds, bills of sale, asset transfer agreements, business transfer agreements, demerger plans, deeds or agreements, endorsements, assignments, assumptions (including liability assumption agreements), leases, subleases, affidavits and other instruments of sale, conveyance, contribution, distribution, lease, transfer and assignment between the Parties or members of their respective Groups, as applicable, as may be necessary or advisable under the Laws of the relevant jurisdictions to effect the Separation Transactions.

“**Transfer Taxes**” shall mean all sales, use, transfer, real property transfer, intangible, recordation, registration, documentary, stamp or similar Taxes imposed in connection with the Separation Transactions (excluding in each case, for the avoidance of doubt, any Income Taxes).

“**Transferred Assets**” shall mean (i) all of the equity interests in each of the Subsidiaries comprising the SpinCo Group (other than SpinCo) and each of the other Assets identified as Transferred Assets on Exhibit A, taking into account the effect to the Separation Transactions, (ii) any other Assets mutually agreed by iStar and SAFE and reflected on the most recent unaudited pro forma balance sheet of the SpinCo Group included in the Form 10 and (iii) the Cash Contribution and other cash payable to SpinCo, if any, pursuant to Section 2.10; **provided, however**, that in the cases of clauses (i) and (ii), Transferred Assets shall not include any such Assets that are disposed of or that are repaid prior to the Distribution Effective Time, but shall include the Additional Cash Proceeds (as such term is defined in the Merger Agreement) remaining after iStar has satisfied its obligations under Section 6.12 of the Merger Agreement.

“**Transferred Business**” shall mean the businesses, operations, activities, Assets and Liabilities of iStar and its Subsidiaries prior to the Separation Transactions other than the Excluded Business.

“**Transferred Entities**” shall have the meaning set forth on Exhibit A.

ARTICLE II

THE SEPARATION

2.1 **Separation Transactions.** Promptly following the execution of this Agreement, the Parties shall engage in and effectuate the Separation Transactions in accordance with this Agreement, including the Distribution Steps Plan attached hereto as Exhibit D (the “**Distribution Steps Plan**”). The Parties acknowledge that the Separation Transactions are intended to result in the iStar Group retaining the Excluded Assets and the Excluded Liabilities and the SpinCo Group owning the Transferred Assets and assuming the Assumed Liabilities. For the avoidance of doubt, to the extent a specific aspect of the Separation Transactions is expressly depicted by the Distribution Steps Plan, the Distribution Steps Plan shall take precedence in the event of any conflict between the terms of this Article II and the Distribution Steps Plan, and any transfers of assets or liabilities made pursuant to this Agreement or any Ancillary Agreement after the Distribution Effective Time shall be deemed to have been made prior to the Distribution Effective Time consistent with the Distribution Steps Plan. Upon the terms and subject to the conditions set forth in this Agreement:

(a) **Transferred Assets.** iStar shall, and shall cause the members of the iStar Group to, contribute, convey, transfer, assign and/or deliver (“**Transfer**”) to SpinCo or the applicable SpinCo Group member, and SpinCo or the applicable SpinCo Group member shall acquire and accept from iStar or its applicable member of the iStar Group, all of the respective right, title and interest of iStar or its applicable member of the iStar Group in and to the Transferred Assets. The Parties acknowledge and agree that any Transferred Asset held by any Transferred Entity shall be Transferred for all purposes hereunder as a result of the Transfer of the equity interests in such Transferred Entity. For the avoidance of doubt, the Transferred Assets do not include any Excluded Assets, and iStar or the applicable member of the iStar Group shall retain all right, title and interest in and to any and all Excluded Assets.

(b) **Assumed Liabilities.** SpinCo shall, and shall cause the applicable SpinCo Group member to, assume and agree to perform and fulfill when due and, to the extent applicable, comply with, any and all of the Assumed Liabilities in accordance with their respective terms. The Parties acknowledge and agree that any Assumed Liability of any Transferred Entity shall be assumed for all purposes hereunder as a result of the Transfer of the equity interests in such Transferred Entity. For the avoidance of doubt, the Assumed Liabilities do not include any Excluded Liabilities, and no SpinCo Group member is assuming or agreeing to perform and fulfill when due or comply with any Excluded Liabilities.

2.2 **Transfer Documents.** Following the execution of this Agreement and prior to the Distribution Effective Time, the Parties shall, and shall cause the applicable members of their respective Groups to, execute and deliver all Transfer Documents that are necessary or desirable to effect the Separation. The Parties agree that each Transfer Document shall be in a form consistent with the terms and conditions of this Agreement or the applicable Ancillary Agreement(s) with such provisions as are required by applicable Law in the jurisdiction in which the relevant Assets or Liabilities are located.

2.3 **Waiver of Bulk-Sale and Bulk-Transfer Laws.** Each Party hereby waives compliance by each other Party and its respective Group members with the requirements and provisions of any “bulk-sale” or “bulk-transfer” Laws of any jurisdiction that may otherwise be applicable with respect to any of the Separation Transactions.

2.4 **Approvals and Notifications.**

(a) To the extent that the Transfer of any Asset or assumption of any Liability contemplated by Section 2.1 requires any Approvals or Notifications, from and after the date hereof, the Parties shall use their commercially reasonable efforts to obtain or make such Approvals or Notifications as soon as reasonably practicable. SpinCo shall reimburse and make whole any member of the iStar Group that makes such payment, incurs such Liability or grants any accommodation to any Third Party to obtain any such Approvals or Notifications, to such Party’s reasonable satisfaction.

(b) If and to the extent that the valid and complete Transfer of any Asset or the valid and complete assumption of any Liability contemplated by Section 2.1 would be a violation of applicable Law or require any Approvals or Notifications that have not been obtained or made prior to the Distribution Effective Time, then, unless the Parties mutually shall otherwise determine, the Transfer of such Asset, or assumption of such Liability, as the case may be, shall be automatically deemed deferred and any such purported Transfer or assumption shall be null and void until such time as all legal impediments are removed or such Approvals or Notifications have been obtained or made. Notwithstanding the foregoing, any Asset that constitutes an Excluded Asset or Transferred Asset shall continue to constitute an Excluded Asset or Transferred Asset, and any Liability that constitutes an Excluded Liability or Assumed Liability shall continue to constitute an Excluded Liability or Assumed Liability for all other purposes of this Agreement and be subject to Section 2.4(c). In respect of the deferral of any such Liabilities, the applicable Group member to whom such Liability shall Transfer shall, to the extent not prohibited by Law, (i) indemnify, defend and hold harmless the Group of each other Party and pay, perform and discharge fully all of its obligations or other Liabilities that constitute a deferred Liability from and after the Distribution Effective Time, and (ii) use its commercially reasonable efforts to effect such payment, performance or discharge prior to any demand for such payment, performance or discharge is permitted to be made by the obligee thereunder on any member of the applicable Group. If and when the legal or contractual impediments the presence of which caused the deferral of Transfer or assumption of any Asset or Liability pursuant to this Section 2.4(b) are removed or any Approvals or Notifications the absence of which caused the deferral of Transfer or assumption of any Asset or Liability pursuant to this Section 2.4(b) are obtained or made, the Transfer or assumption of the applicable Asset or Liability shall be effected promptly without further consideration in accordance with the terms of this Agreement and shall, to the extent possible without the imposition of any undue cost on any Party, be deemed to have become effective as of the Distribution Effective Time.

(c) If the Transfer or assumption of any Asset or Liability intended to be Transferred or assumed pursuant to Section 2.1 is not consummated prior to or at the Distribution Effective Time as a result of the provisions of Section 2.4(b) or for any other reason (including any misallocated transfers subject to Section 3.2), then, insofar as reasonably possible and to the extent permitted by applicable Law, the Person retaining such Asset or Liability, as the case may be, (i) shall thereafter hold such Asset or Liability, as the case may be, in trust for the use and benefit and burden of the Person entitled thereto (and at such Person's sole expense) until the consummation of the Transfer or assumption thereof (or as otherwise determined by the Parties); and (ii) with respect to any deferred Assets or Liabilities, use commercially reasonable efforts to develop and implement mutually acceptable arrangements to place the Person entitled to receive such Asset or Liability in substantially the same economic position as if such Asset or Liability had been Transferred or assumed as contemplated by Section 2.1 and so that all the benefits and burdens relating to such Asset or Liability, including possession, use, risk of loss, potential for gain, dominion, ability to enforce the rights under or with respect to and control and command over such Asset or Liability, are to inure from and after the Distribution Effective Time to the applicable member or members of the Group entitled to the receipt of such Asset or required to assume such Liability and as a result, to the extent reasonably practicable, no decisions shall be made with respect thereto without consent of the party entitled to receive such asset. Subject to Section 2.4(a), any Person retaining an Asset or a Liability due to the deferral of the Transfer or assumption of such Asset or Liability, as the case may be, shall not be required, in connection with the foregoing, to make any payments, incur any Liability or offer or grant any accommodation to any Third Party, except to the extent that the Person entitled to the Asset or responsible for the Liability, as applicable, agrees to reimburse and make whole the Person retaining an Asset or a Liability, to such Person's reasonable satisfaction, for any payment or other accommodation made by the Person retaining an Asset or a Liability at the request of the Person entitled to the Asset or responsible for the Liability.

2.5 **Release of Guarantees.** In furtherance of, and not in limitation of, the obligations set forth in Section 2.4:

(a) Each of iStar and SpinCo shall, at the request of the other Party and with the reasonable cooperation of such other Party and the applicable member(s) of such Party's Group, use commercially reasonable efforts to, as soon as reasonably practicable following the applicable Separation Transactions, (i) have any member(s) of the iStar Group removed as guarantor of, indemnitor of or obligor for any Assumed Liability, including the termination and release of any Security Interest on or in any Excluded Asset that may serve as collateral or security for any such Assumed Liability; and (ii) have any member(s) of the SpinCo Group removed as guarantor of, indemnitor of or obligor for any Excluded Liability, including the termination and release of any Security Interest on or in any Transferred Asset that may serve as collateral or security for any such Excluded Liability.

(b) If and to the extent required:

(i) to obtain a release of any member of the iStar Group from a guarantee or indemnity for any Assumed Liability, SpinCo or one or more members of the SpinCo Group shall execute a guarantee or indemnity agreement in substantially the form of the existing guarantee or indemnity or such other form as is reasonably agreed to by the relevant parties to such guarantee or indemnity agreement, which agreement shall include the termination and release of any Security Interest on or in any Excluded Asset that may serve as collateral or security for any such Assumed Liability; **provided, that**, no such new guarantee or indemnity shall be required to the extent that the corresponding existing guarantee or indemnity contains representations, covenants or other terms or provisions either (i) with which SpinCo or the SpinCo Group would be reasonably unable to comply or (ii) which SpinCo or the SpinCo Group would not reasonably be able to avoid breaching;

(ii) to obtain a release of any member of the SpinCo Group from a guarantee or indemnity for any Excluded Liability, iStar or one or more members of the iStar Group shall execute a guarantee or indemnity agreement in substantially the form of the existing guarantee or indemnity or such other form as is reasonably agreed to by the relevant parties to such guarantee or indemnity agreement, which agreement shall include the termination and release of any Security Interest on or in any Transferred Asset that may serve as collateral or security for any such Excluded Liability; **provided, that**, no such new guarantee or indemnity shall be required to the extent that the corresponding existing guarantee or indemnity contains representations, covenants or other terms or provisions either (i) with which iStar or the iStar Group would be reasonably unable to comply or (ii) which iStar or the iStar Group would not reasonably be able to avoid breaching.

(c) Until such time as iStar or SpinCo has obtained, or has caused to be obtained, any removal or release as set forth in clauses (a) and (b) of this Section 2.5, (i) the Party or the relevant member of its Group that has assumed the Liability related to such guarantee shall indemnify, defend and hold harmless the guarantor or obligor against or from any Liability (in respect of a mortgage or otherwise) arising from or relating thereto in accordance with the provisions of Article IV and shall, as agent or subcontractor for such guarantor, indemnitor or obligor, pay, perform and discharge fully all the obligations or other Liabilities (in respect of mortgages or otherwise) of such guarantor, indemnitor or obligor thereunder; and (ii) each of iStar and SpinCo, on behalf of itself and the other members of their respective Group, agree not to renew or extend the term of, increase any obligations under, decrease any rights under or transfer to a Third Party, any loan, guarantee, lease, contract or other obligation for which the other Party or a member of its Group is or may be liable unless all obligations of such other Party and the members of such other Party's Group with respect thereto have theretofore terminated by documentation satisfactory in form and substance to such other Party.

2.6 Termination of Agreements, Settlement of Accounts between iStar and SpinCo.

(a) Except as set forth in Section 2.6(b), in furtherance of the releases and other provisions of Section 4.1, SpinCo and each member of the SpinCo Group, on the one hand, and iStar and each member of the iStar Group, on the other hand, hereby terminate all contracts and agreements between such Groups, effective as of the Distribution Effective Time. No such terminated agreement, arrangement, commitment or understanding (including any provision thereof which purports to survive termination) shall be of any further force or effect after the Distribution Effective Time. Each Party shall, at the reasonable request of the other Party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 2.6(a) shall not apply to any of the following agreements, arrangements, commitments or understandings: (i) the Transaction Documents and any other agreement entered into in connection with the Transaction Documents (and each other agreement or instrument contemplated by, or that would be in furtherance of consummating the transactions contemplated by, the Transaction Documents), or any other agreement to be entered into by any of the Parties or any of the members of their respective Groups or to be continued from and after the Distribution Effective Time); (ii) any agreements, arrangements, commitments or understandings to which any Third Party is a party thereto; (iii) any intercompany accounts payable or accounts receivable accrued as of the Distribution Effective Time that are reflected in the books and records of the Parties or otherwise documented in writing in accordance with past practices, which shall be settled in the manner contemplated by Section 2.6(c); (iv) any agreements, arrangements, commitments or understandings to which any non-wholly owned Subsidiary of iStar or SpinCo, as the case may be, is a party (it being understood that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned); and (v) any Shared Contracts.

(c) Except as provided for in Section 2.10, all of the intercompany accounts receivable and accounts payable between any member of the iStar Group, on the one hand, and any member of the SpinCo Group, on the other hand, outstanding as of the Distribution Effective Time shall, as promptly as practicable after the Distribution Effective Time, but in any event, no later than the last day of the quarter in which the Distribution Effective Time occurs, be repaid, settled or otherwise eliminated by means of cash payments or otherwise as determined by the Parties acting in good faith.

2.7 Treatment of Shared Contracts.

(a) Subject to applicable Law and without limiting the generality of the obligations set forth in Section 2.1, unless the Parties otherwise agree, the portion of any contract, agreement, arrangement, commitment or understanding to which any member of the iStar Group is a party or by which any of their respective Assets is bound, in each case, as of immediately prior to the Distribution Effective Time, that is related to the Transferred Business (any such contract, agreement, arrangement, commitment or understanding, a “**Shared Contract**”), shall be assigned, at or prior to the Distribution Effective Time, in relevant part to the applicable member(s) of the SpinCo Group, or appropriately amended prior to, at or after the Distribution Effective Time, so that the applicable member(s) of the SpinCo Group shall, as of the Distribution Effective Time, be entitled to the rights and benefits, and shall assume the related portion of any Liabilities, inuring to the Transferred Business to the same extent received and borne as of immediately prior to the Distribution Effective Time with respect to such Shared Contract; **provided, however, that** (i) in no event shall any member of any iStar Group be required to assign (or amend) any portion of any Shared Contract which is not so assignable (or cannot be so amended) by its terms (including any terms imposing consents or conditions on an assignment where such consents or conditions have not been obtained or fulfilled) and (ii) if any Shared Contract cannot be so partially assigned by its terms or otherwise, or cannot be amended or if such assignment or amendment would impair the benefit the parties thereto derive from such Shared Contract, then the Parties shall, and shall cause each of the members of their respective Groups to, take such other reasonable and permissible actions (including by providing prompt notice to the other Party with respect to any relevant claim of Liability or other relevant matters arising in connection with a Shared Contract so as to allow such other Party the ability to exercise any applicable rights under such Shared Contract) to cause a member of the SpinCo Group to receive the rights and benefits of that portion of each Shared Contract that relates to the Transferred Business, as the case may be (in each case, to the extent so related), as if such Shared Contract had been assigned to (or amended to allow) a member of the SpinCo Group pursuant to this Section 2.7(a), and to bear the burden of the corresponding Liabilities (including any Liabilities that may arise by reason of such arrangement), as if such Liabilities had been assumed by a member of the SpinCo Group pursuant to this Section 2.7. Notwithstanding the foregoing, no member of the iStar Group shall be required by this Section 2.7 to maintain in effect any Shared Contract, and no member of the SpinCo Group shall have any approval or other rights with respect to any amendment, termination or other modification of any Shared Contract.

2.8 Bank Accounts.

(a) Each Party agrees to use commercially reasonable efforts to take, or cause the members of its Group to take, at the Distribution Effective Time (or such earlier time as the Parties may agree), all actions necessary to amend or substitute all contracts or agreements governing each bank and brokerage account owned by SpinCo (including any iStar bank or brokerage account that is part of the Transferred Business) or any other member of the SpinCo Group (collectively, the “**SpinCo Accounts**”) and all contracts or agreements governing each bank or brokerage account owned by iStar (including any iStar bank or brokerage account that is not part of the Transferred Business) or any other member of the iStar Group (collectively, the “**iStar Accounts**”) so that each such SpinCo Account and iStar Account, if currently linked (whether by automatic withdrawal, automatic deposit or any other authorization to transfer funds from or to, hereinafter “**Linked**”) to any iStar Account or SpinCo Account, respectively, is de-Linked from such iStar Account or SpinCo Account, respectively.

(b) With respect to any outstanding checks issued or payments initiated by iStar, SpinCo, or any of the members of their respective Groups prior to the Distribution Effective Time, such outstanding checks and payments shall be honored following the Distribution Effective Time by the Person or Group owning the account on which the check is drawn or from which the payment was initiated, respectively.

2.9 **Cash Contribution.** At or prior to the Distribution Effective Time, iStar shall have made a cash contribution of \$50.0 million to SpinCo (the “**Cash Contribution**”).

2.10 **Prorations.**

(a) Within 30 Business Days following the Distribution Effective Time, iStar shall prepare and deliver to SpinCo a statement, with reasonably detailed supporting calculations, setting forth its good faith calculation of proration amounts for customary items between the iStar Group and the SpinCo Group (the “**iStar Statement**”). Within fifteen (15) Business Days following the date on which iStar shall have delivered the iStar Statement, the relevant party shall pay, or cause to be paid, to the other Party or its designee the amount due as shown on the statement. The Parties will work together in good faith to resolve any questions or disagreements regarding the calculation of the proration payments due.

2.11 **Disclaimer of Representations and Warranties.** EACH OF ISTAR (ON BEHALF OF ITSELF AND EACH MEMBER OF THE ISTAR GROUP) AND SPINCO (ON BEHALF OF ITSELF AND EACH MEMBER OF THE SPINCO GROUP) UNDERSTANDS AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, NO PARTY TO THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR OTHERWISE, IS REPRESENTING OR WARRANTING IN ANY WAY, EXPRESS OR IMPLIED, AS TO THE ASSETS, BUSINESSES OR LIABILITIES TRANSFERRED OR ASSUMED AS CONTEMPLATED HEREBY OR THEREBY, AS TO ANY CONSENTS OR APPROVALS REQUIRED IN CONNECTION THEREWITH, AS TO THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS OF, AS TO THE PURCHASE AND SALE AGREEMENT PHYSICAL CONDITION OF ANY ASSETS, RIGHTS OR PROPERTIES COMPRISING ANY PART OF ANY TRANSFERRED ASSET OR EXCLUDED ASSET OR WHICH IS THE SUBJECT OF ANY LEASE, SUBLEASE, LOAN AGREEMENT, PURCHASE AND SALE AGREEMENT OR OTHER CONTRACT TO BE ASSUMED AT THE DISTRIBUTION EFFECTIVE TIME, THE ENVIRONMENTAL CONDITION OR OTHER MATTER RELATING TO THE PHYSICAL CONDITION OF ANY REAL PROPERTY OR IMPROVEMENTS WHICH ARE PART OF ANY TRANSFERRED ASSET OR THE SUBJECT OF ANY REAL PROPERTY LEASE, SUBLEASE OR PURCHASE AND SALE AGREEMENT TO BE ASSUMED AT THE DISTRIBUTION EFFECTIVE TIME, THE ZONING OF ANY SUCH REAL PROPERTY OR IMPROVEMENTS, OR ANY OTHER MATTER CONCERNING, ANY ASSETS OF SUCH PARTY, OR AS TO THE ABSENCE OF ANY DEFENSES OR RIGHT OF SET-OFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY CLAIM OR OTHER ASSET, INCLUDING ANY ACCOUNTS RECEIVABLE, OF ANY PARTY, OR AS TO THE LEGAL SUFFICIENCY OF ANY ASSIGNMENT, DOCUMENT OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF. WITHOUT IN ANY WAY LIMITING THE FOREGOING, EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, EACH OF ISTAR (ON BEHALF OF ITSELF AND EACH MEMBER OF THE ISTAR GROUP) AND SPINCO (ON BEHALF OF ITSELF AND EACH MEMBER OF THE SPINCO GROUP) HEREBY DISCLAIMS ANY WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AS TO ANY PORTION OF ANY ASSETS TRANSFERRED HEREUNDER. EACH PARTY FURTHER ACKNOWLEDGES AND AGREES THAT IT HAS CONDUCTED, OR HAS HAD AN OPPORTUNITY TO CONDUCT, AN INDEPENDENT INSPECTION AND INVESTIGATION OF THE PHYSICAL CONDITION OF THE ASSETS TRANSFERRED HEREUNDER AND ALL SUCH OTHER MATTERS RELATING TO OR AFFECTING THE ASSETS TRANSFERRED HEREUNDER AS SUCH PARTY HAS DEEMED NECESSARY OR APPROPRIATE, EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT. EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, ALL SUCH ASSETS ARE BEING TRANSFERRED ON AN “AS IS, WHERE IS” BASIS (AND, IN THE CASE OF ANY REAL PROPERTY, BY MEANS OF A QUITCLAIM OR SIMILAR FORM OF DEED OR CONVEYANCE) AND THE RESPECTIVE TRANSFEREES SHALL BEAR THE ECONOMIC AND LEGAL RISKS THAT (A) ANY CONVEYANCE WILL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE GOOD AND MARKETABLE TITLE, FREE AND CLEAR OF ANY SECURITY INTEREST, AND (B) ANY NECESSARY APPROVALS OR NOTIFICATIONS ARE NOT OBTAINED OR MADE OR THAT ANY REQUIREMENTS OF LAWS OR JUDGMENTS ARE NOT COMPLIED WITH.

ARTICLE III

ADDITIONAL COVENANTS; CONDITIONS

3.1 **Commercially Reasonable Efforts.** Upon the terms and subject to the conditions set forth in this Agreement, in addition to the actions specifically provided for elsewhere in this Agreement, and subject to Section 2.4, each of the Parties agrees to use commercially reasonable efforts, prior to, at and after the Distribution Effective Time, to take or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary to consummate and make effective the Separation Transactions and the other transactions contemplated by this Agreement and the Ancillary Agreements, including using commercially reasonable efforts to (a) cause the conditions precedent set forth in Section 3.3 to be satisfied; (b) obtain all necessary actions, waivers, consents, approvals, waiting period expirations or terminations, orders and authorizations from Governmental Authorities and the making of all necessary registrations, declarations and filings (including registrations, declarations and filings with Governmental Authority, if any); (c) obtain all third party consents required to be obtained in order to effectuate the Separation Transactions (subject to Article II above); and (d) execute and/or deliver such other instruments as may be reasonably necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. To the extent any Liability to any Governmental Authority or any Third Party arises out of any such action or inaction described in clauses (a) through (d), the transferee of the applicable Asset hereby assumes and agrees to pay any such Liability subject to Section 2.4.

3.2 **Cooperation; Misallocations.**

(a) Without limiting the foregoing, each Party shall, and shall cause each of its respective Group members to, cooperate with the other Party, subject to Section 2.4, to execute and deliver, or use its commercially reasonable efforts to cause to be executed and delivered, all Transfer Documents and to make all filings with and provide all required Approvals or Notifications to, and to obtain all required Approvals or Notifications from, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument, and to take all such other actions as such Party may reasonably be requested to take by the other Party from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the transfers of the Transferred Assets and the Excluded Assets and the assignment and assumption of the Assumed Liabilities and the Excluded Liabilities and the other transactions contemplated hereby and thereby.

(b) To the extent that, from time to time after the Distribution Effective Time, any Asset (including the receipt of payments made pursuant to contracts and proceeds from accounts receivable) retained by SpinCo or the SpinCo Group is ultimately determined to be an Excluded Asset, or SpinCo or the SpinCo Group is found to be subject to an Excluded Liability or otherwise identifies, receives or otherwise comes to possess an Asset (including the receipt of payments made pursuant to contracts and proceeds from accounts receivable) or Liability that is allocated under this Agreement to the iStar Group but is received by or otherwise in the possession of SpinCo or the SpinCo Group, SpinCo will or will cause the applicable SpinCo Group member to Transfer (for no additional consideration) such Asset or Liability to the Person to which such Asset or Liability has been allocated under this Agreement or is otherwise determined to be an Excluded Asset or Excluded Liability, and such Person shall accept such Asset or Liability. Conversely, to the extent that, from time to time after the Distribution Effective Time, any Asset (including the receipt of payments made pursuant to contracts and proceeds from accounts receivable) retained by iStar or the iStar Group is ultimately determined to be a Transferred Asset, or iStar or the iStar Group is found to be subject to an Assumed Liability or otherwise identifies, receives or otherwise comes to possess an Asset (including the receipt of payments made pursuant to contracts and proceeds from accounts receivable) or Liability that is allocated under this Agreement to the SpinCo Group but is received by or otherwise in the possession of iStar or the iStar Group, iStar will or will cause the applicable iStar Group member to Transfer (for no additional consideration) such Asset or Liability to the Person to which such Asset or Liability has been allocated under this Agreement or is otherwise determined to be a Transferred Asset or Assumed Liability, and such Person shall accept such Asset or Liability.

(c) In each of the scenarios described in Section 3.2(b), the Parties or their respective Group members shall execute such Transfer Documents and take such further acts which are reasonably necessary or desirable to effect the Transfer of such Assets or Liability to the Person to which such Asset or Liability has been allocated or determined under this Agreement, in each case such that each Party is put into the same after-Tax economic position as if such action had been taken on or prior to the Distribution Effective Time. In furtherance of the foregoing, each Party shall promptly pay or deliver to the Person to which such Asset or Liability has been allocated or otherwise determined under this Agreement any monies or checks which have been sent to such Party or its respective Group members by customers, suppliers or other contracting parties of the relevant business in respect of that business and which should have been sent to the Person to which such Asset or Liability has been allocated or otherwise determined (including promptly forwarding any invoices or similar documentation received in connection therewith).

(d) Prior to the time any such Asset or Liability is so transferred, assigned or delivered to the applicable Person pursuant to this Section 3.2, such Asset or Liability shall be held in accordance with Section 2.4.

(e) On or prior to the Distribution Effective Time, iStar and SpinCo in their respective capacities as direct and indirect stockholders of the members of their Groups, shall each ratify any actions which are reasonably necessary or desirable to be taken by iStar, SpinCo or any of the members of their respective Groups, as the case may be, to effectuate the transactions contemplated by this Agreement and the Ancillary Agreements.

3.3 Conditions to the Distribution.

(a) The consummation of the Distribution will be subject to the satisfaction of, or waiver by iStar of, the following conditions:

(i) the SpinCo Loan Agreements shall have been executed or shall be ready to be executed, subject only to completion of the Distribution and the Merger;

(ii) the SEC shall have declared effective the Form 10, with no order suspending the effectiveness of the Form 10 in effect, and with no proceedings for such purposes instituted or threatened by the SEC;

(iii) the Information Statement shall have been mailed to, or shall be concurrently mailed to, the Record Holders;

(iv) each of the Ancillary Agreements shall have been duly executed and delivered by the applicable parties thereto or shall be ready to be executed upon consummation of the Merger;

(v) no order, injunction or decree issued by any Governmental Authority of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Separation Transactions, the Distribution or any of the transactions related thereto shall be in effect;

(vi) the SpinCo Common Stock to be distributed to the iStar stockholders in the Distribution shall have been accepted for listing on the Designated Exchange, subject to official notice of distribution; and

(vii) the Parties to the Merger Agreement shall have confirmed that the conditions to the closing of the Merger have been satisfied or waived, other than the Distribution, the filing of Articles of Merger and any other conditions that by their nature are satisfied at the closing of the Merger.

(b) The foregoing conditions are for the sole benefit of iStar and shall not give rise to or create any duty on the part of iStar or the iStar Board to waive or not waive any such condition or in any way limit iStar's right to terminate this Agreement as set forth in Article VIII or alter the consequences of any such termination from those specified in Article VIII. Any determination made by the iStar Board prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in Section 3.3(a) shall be conclusive and binding on the Parties.

3.4 Certain Provisions Regarding the Distribution.

(a) If iStar undertakes a stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or similar change in its common stock prior to the Distribution Effective Time, the Distribution Ratio shall be appropriately adjusted and publicly reported in advance of the Distribution Effective Time.

(b) Subject to Section 3.3, on or prior to the Distribution Effective Time, iStar will deliver to the Agent, for the benefit of the Record Holders, book-entry transfer authorizations for such number of the outstanding shares of SpinCo Common Stock as is necessary to effect the Distribution, and shall cause the transfer agent for the iStar common stock to instruct the Agent to distribute at the Distribution Effective Time the appropriate number of shares of SpinCo Common Stock to each such holder or designated transferee or transferees of such holder by way of direct registration in book-entry form. SpinCo will not issue paper stock certificates in respect of shares of SpinCo Common Stock. The Distribution shall be effective at the Distribution Effective Time.

(c) No fractional shares will be distributed or credited to book-entry accounts in connection with the Distribution, and any such fractional shares interests to which a Record Holder would otherwise be entitled shall not entitle such Record Holder to vote or to any other rights as a stockholder of SpinCo. In lieu of any such fractional shares, each Record Holder who, but for the provisions of this Section 3.4(c), would be entitled to receive a fractional share interest of a share of SpinCo Common Stock pursuant to the Distribution, shall be paid cash, without any interest thereon, as hereinafter provided. As soon as practicable after the Distribution Effective Time, iStar shall direct the Agent to determine the number of whole and fractional shares of SpinCo Common Stock allocable to each Record Holder, to aggregate all such fractional shares into whole shares, and to sell the whole shares obtained thereby in the open market at the then-prevailing market prices on behalf of each Record Holder who otherwise would be entitled to receive fractional share interests (with the Agent, in its sole and absolute discretion, determining when, how and through which broker-dealer and at what price to make such sales), and to cause to be distributed to each such Record Holder, in lieu of any fractional share, such Record Holder's or owner's ratable share of the total proceeds of such sale, after deducting any Taxes required to be withheld and applicable transfer Taxes, and after deducting the costs and expenses of such sale and distribution, including brokers fees and commissions. None of iStar, SpinCo or the Agent will be required to guarantee any minimum sale price for the fractional shares of SpinCo Common Stock sold in accordance with this Section 3.4(c). Neither iStar nor SpinCo will be required to pay any interest on the proceeds from the sale of fractional shares. Neither the Agent nor the broker-dealers through which the aggregated fractional shares are sold shall be Affiliates of iStar or SpinCo. Solely for purposes of computing fractional share interests pursuant to this Section 3.4(c) and Section 3.4(d), the beneficial owner of iStar capital stock held of record in the name of a nominee in any nominee account shall be treated as the Record Holder with respect to such shares.

(d) Any shares of SpinCo Common Stock or cash in lieu of fractional shares with respect to shares of SpinCo Common Stock that remain unclaimed by any Record Holder one hundred and eighty (180) days after the Distribution Date shall be delivered to SpinCo, and SpinCo shall hold such shares of SpinCo Common Stock for the account of such Record Holder, and the Parties agree that all obligations to provide such shares of SpinCo Common Stock and cash, if any, in lieu of fractional share interests shall be obligations of SpinCo, subject in each case to applicable escheat or other abandoned property Laws, and iStar shall have no Liability with respect thereto.

(e) Until the shares of SpinCo Common Stock are duly transferred in accordance with this Section 3.4 and applicable Law, from and after the Distribution Effective Time, SpinCo will regard the Persons entitled to receive such shares of SpinCo Common Stock as record holders of SpinCo Common Stock in accordance with the terms of the Distribution without requiring any action on the part of such Persons. SpinCo agrees that, subject to any transfers of such shares, from and after the Distribution Effective Time (i) each such holder will be entitled to receive all dividends payable on, and exercise voting rights and all other rights and privileges with respect to, the shares of SpinCo Common Stock then held by such holder, and (ii) each such holder will be entitled, without any action on the part of such holder, to receive evidence of ownership of the shares of SpinCo Common Stock then held by such holder.

ARTICLE IV

MUTUAL RELEASES; INDEMNIFICATION

4.1 Release of Pre-Distribution Claims.

(a) **Release of iStar.** Except as provided in Sections 4.1(c) and 4.1(d), effective as of the Distribution Effective Time, SpinCo does hereby, for itself and each other member of the SpinCo Group, and their respective successors and assigns, and, to the extent permitted by Law, all Persons who at any time prior to the Distribution Effective Time have been stockholders, directors, officers, agents or employees of any member of the SpinCo Group (in each case, in their respective capacities as such), release and forever discharge (i) iStar and the members of the iStar Group, and their respective successors and assigns, (ii) all Persons who at any time prior to the Distribution Effective Time have been stockholders, directors, officers, agents or employees of any member of the iStar Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, and (iii) all Persons who at any time prior to the Distribution Effective Time are or have been stockholders, directors, officers, agents or employees of any Transferred Entity and who are not, as of immediately following the Distribution Effective Time, directors, officers or employees of SpinCo or a member of the SpinCo Group, in each case from: (A) all Assumed Liabilities, (B) all Liabilities arising from or in connection with the transactions and all other activities to implement the Separation Transactions, and (C) all Liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Distribution Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Distribution Effective Time), in each case to the extent relating to, arising out of or resulting from the Transferred Business, the Transferred Assets or the Assumed Liabilities.

(b) **Release of SpinCo.** Except as provided in Sections 4.1(c) and 4.1(d), effective as of the Distribution Effective Time, iStar does hereby, for itself and each other member of the iStar Group and their respective successors and assigns, and, to the extent permitted by Law, all Persons who at any time prior to the Distribution Effective Time have been stockholders, directors, officers, agents or employees of any member of the iStar Group (in each case, in their respective capacities as such), release and forever discharge (i) SpinCo and the members of the SpinCo Group, and their respective successors and assigns and (ii) all Persons who at any time prior to the Distribution Effective Time have been stockholders, directors, officers, agents or employees of any member of the SpinCo Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, in each case from: (A) all Excluded Liabilities and (B) all Liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Distribution Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Distribution Effective Time), in each case to the extent relating to, arising out of or resulting from the Excluded Business, the Excluded Assets or the Excluded Liabilities.

(c) **Obligations Not Affected.** Nothing contained in Section 4.1(a) or 4.1(b) shall impair any right of any Person to enforce any Transaction Document or any agreements, arrangements, commitments or understandings that are specified in Section 2.6(b) as not to terminate as of the Distribution Effective Time, in each case in accordance with its terms. For the avoidance of doubt, nothing contained in Section 4.1(a) or 4.1(b) shall release any Person from:

(i) any Liability provided in or resulting from any agreement among any members of the iStar Group or the SpinCo Group that is specified in Section 2.6(b) as not to terminate as of the Distribution Effective Time, or any other Liability specified in Section 2.6(b) as not to terminate as of the Distribution Effective Time;

(ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under any Transaction Document;

(iii) any Liability that the Parties may have arising out of any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in any Disclosure Document filed by SpinCo, iStar or any member of their respective Groups;

(iv) any Liability that the Parties may have with respect to indemnification or contribution or other obligation pursuant to this Agreement, any Transaction Document or otherwise for claims brought against the Parties by Third Parties, which Liability shall be governed by the provisions of this Article IV and Article V and, if applicable, the appropriate provisions of the Transaction Documents;

(v) any Liability that the Parties may have arising out of such Party's willful or intentional misconduct or fraud; or

(vi) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 4.1.

In addition, nothing contained in Section 4.1(a) shall release any member of the iStar Group from honoring its existing obligations to indemnify any director, officer or employee of SpinCo who was a director, officer or employee of any member of the iStar Group on or prior to the Distribution Effective Time, subject to the applicable exceptions in any indemnification agreement to which such director, officer, or employee is a party, to the extent such director, officer or employee becomes a named defendant in any Action with respect to which such director, officer or employee was entitled to such indemnification pursuant to such existing obligations; it being understood that, if the underlying obligation giving rise to such Action is an Assumed Liability, SpinCo shall indemnify iStar for such Liability (including iStar's costs to indemnify the director, officer or employee) in accordance with the provisions set forth in this Article IV.

(d) **No Actions.** SpinCo shall not make, and shall not permit any member of the SpinCo Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against iStar or any other member of the iStar Group, or any other Person released pursuant to Section 4.1(a), with respect to any Liabilities released pursuant to Section 4.1(a), except for Liabilities excluded pursuant to Section 4.1(c). iStar shall not make, and shall not permit any other member of the iStar Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification against SpinCo or any other member of the SpinCo Group, or any other Person released pursuant to Section 4.1(b), with respect to any Liabilities released pursuant to Section 4.1(b), except for Liabilities excluded pursuant to Section 4.1(c).

(e) **Execution of Further Releases.** At any time at or after the Distribution Effective Time, at the request of either Party, the other Party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions of this Section 4.1.

4.2 **Indemnification by SpinCo.** Except as otherwise specifically set forth in this Agreement (including Section 9.13) or in any Transaction Document, from and after the Distribution Effective Time, to the fullest extent permitted by Law, SpinCo shall, and shall cause its Subsidiaries to, indemnify, defend and hold harmless iStar, each other member of the iStar Group (including the SAFE Group after the effective time of the Merger) and each of their respective past, present and future directors, officers, employees and agents, in each case in their respective capacities as such, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the “iStar Indemnitees”), from and against any and all Liabilities of the iStar Indemnitees to the extent relating to, arising out of or resulting from, directly or indirectly, any of the following items (without duplication):

(a) any Assumed Liability, or any failure of SpinCo, any other member of the SpinCo Group or any other Person to pay, perform or otherwise promptly discharge any Assumed Liabilities in accordance with their terms, whether prior to, on or after the Distribution Effective Time;

(b) third-party claims relating to the Transferred Business or Transferred Assets;

(c) any breach by SpinCo or any other member of the SpinCo Group of any of the Transaction Documents;

(d) any use by SpinCo or any other member of the SpinCo Group of any Know-How licensed to the SpinCo Group pursuant to this Agreement;

(e) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the Form 10, the Information Statement, or any other Disclosure Document filed by SpinCo or any member of the SpinCo Group, other than the matters described in Section 4.3(d); and

(f) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to statements made explicitly in SpinCo’s or any SpinCo Group member’s name in the Joint Proxy Statement / Prospectus or any other Disclosure Document filed by iStar or any member of the iStar Group; it being agreed that all other information in the Joint Proxy Statement / Prospectus or any other Disclosure Document filed by iStar or any member of the iStar Group shall be deemed to be information supplied by iStar or any member of the iStar Group.

4.3 **Indemnification by iStar.** Except as otherwise specifically set forth in this Agreement (including Section 9.13) or in any Transaction Document, from and after the Distribution Effective Time, to the fullest extent permitted by Law, iStar shall, and shall cause its Subsidiaries to, indemnify, defend and hold harmless SpinCo each other member of the SpinCo Group and each of their respective past, present and future directors, officers, employees or agents, in each case in their respective capacities as such, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the “SpinCo Indemnitees”), from and against any and all Liabilities of the SpinCo Indemnitees to the extent relating to, arising out of or resulting from, directly or indirectly, any of the following items (without duplication):

(a) any Excluded Liability, or any failure of iStar, any other member of the iStar Group or any other Person to pay, perform or otherwise promptly discharge any Excluded Liabilities in accordance with their terms, whether prior to, on or after the Distribution Effective Time;

- (b) third-party claims relating to the Excluded Business or Excluded Assets;
- (c) a breach by iStar or any other member of the iStar Group of any of the Transaction Documents;

(d) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to statements made explicitly in iStar or any iStar Group member's name in the Form 10, the Information Statement or any other Disclosure Document filed by SpinCo or any member of the SpinCo Group; it being agreed that all other information in the Form 10, the Information Statement or any other Disclosure Document filed by SpinCo or any member of the SpinCo Group shall be deemed to be information supplied by SpinCo or any member of the SpinCo Group; and

(e) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the Joint Proxy Statement / Prospectus or any other Disclosure Document filed by iStar or any member of the iStar Group, other than the matters described in Section 4.2(e).

4.4 Limitations on Indemnification Obligations.

(a) The Parties intend that any Liability subject to indemnification, contribution or reimbursement pursuant to this Article IV or Article V will be net of Insurance Proceeds or other amounts actually recovered (net of any out-of-pocket costs or expenses incurred in the collection thereof) from any Person by or on behalf of the Indemnitee in respect of any indemnifiable Liability. Accordingly, the amount which either Party (an "**Indemnifying Party**") is required to pay to any Person entitled to indemnification or contribution hereunder (an "**Indemnitee**") will be reduced by any Insurance Proceeds or other amounts actually recovered (net of any out-of-pocket costs or expenses incurred in the collection thereof) from any Person by or on behalf of the Indemnitee in respect of the related Liability. If an Indemnitee receives a payment (an "**Indemnity Payment**") required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds or any other amounts in respect of the related Liability, then the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds or such other amounts (net of any out-of-pocket costs or expenses incurred in the collection thereof) had been received, realized or recovered before the Indemnity Payment was made.

(b) The Parties agree that an insurer that would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of any provision contained in this Agreement or any Ancillary Agreement, have any subrogation rights with respect thereto, it being understood that no insurer or any other Third Party shall be entitled to a "windfall" (*i.e.*, a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of the indemnification and contribution provisions hereof. Each Party shall, and shall cause the members of its Group to, use commercially reasonable efforts (taking into account the probability of success on the merits and the cost of expending such efforts, including attorneys' fees and expenses) to collect or recover any Insurance Proceeds that may be collectible or recoverable respecting the Liabilities for which indemnification or contribution may be available under this Article IV. Notwithstanding the foregoing, an Indemnifying Party may not delay making any indemnification payment required under the terms of this Agreement, or otherwise satisfying any indemnification obligation, pending the outcome of any Action to collect or recover Insurance Proceeds, and an Indemnitee need not attempt to collect any Insurance Proceeds prior to making a claim for indemnification or contribution or receiving any Indemnity Payment otherwise owed to it under any Transaction Document.

(c) The Parties agree that no Indemnitee shall be entitled to indemnification, contribution or reimbursement pursuant to this Article IV for any special, punitive or exemplary damages, except, in each case, to the extent such damages are finally awarded and actually paid by the Indemnitee to a Third Party in connection with a Third-Party Claim.

4.5 Procedures for Indemnification of Third-Party Claims.

(a) **Notice of Claims.** If, at or following the date of this Agreement, an Indemnitee shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the iStar Group or the SpinCo Group of any claim or of the commencement by any such Person of any Action (collectively, a “**Third-Party Claim**”) with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to Section 4.2 or 4.3, or any other Section of this Agreement or any Ancillary Agreement, such Indemnitee shall give such Indemnifying Party written notice thereof as soon as practicable, but in any event within twenty (20) days (or sooner if the nature of the Third-Party Claim so requires) after becoming aware of such Third-Party Claim. Any such notice shall describe the Third-Party Claim in reasonable detail, and include copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim. Notwithstanding the foregoing, the failure of an Indemnitee to provide notice in accordance with this Section 4.5(a) shall not relieve an Indemnifying Party of its indemnification obligations under this Agreement, except to the extent to which the Indemnifying Party is materially prejudiced by the Indemnitee’s failure to provide notice in accordance with this Section 4.5(a).

(b) **Control of Defense.** An Indemnifying Party may elect to defend (and seek to settle or compromise), at its own expense and with its own counsel, any Third-Party Claim; **provided that**, prior to the Indemnifying Party assuming and controlling defense of such Third-Party Claim, it shall first confirm to the Indemnitee in writing that, assuming the facts presented to the Indemnifying Party by the Indemnitee being true, the Indemnifying Party shall indemnify the Indemnitee for any such damages to the extent resulting from, or arising out of, such Third-Party Claim. Notwithstanding the foregoing, if the Indemnifying Party assumes such defense and, in the course of defending such Third-Party Claim, (i) the Indemnifying Party discovers that the facts presented at the time the Indemnifying Party acknowledged its indemnification obligation in respect of such Third-Party Claim were not true in all material respects and (ii) such untruth provides a reasonable basis for asserting that the Indemnifying Party does not have an indemnification obligation in respect of such Third-Party Claim, then (A) the Indemnifying Party shall not be bound by such acknowledgment, (B) the Indemnifying Party shall promptly thereafter provide the Indemnitee written notice of its assertion that it does not have an indemnification obligation in respect of such Third-Party Claim, and (C) the Indemnitee shall have the right to assume the defense of such Third-Party Claim. Within thirty (30) days after the receipt of a notice from an Indemnitee in accordance with Section 4.5(a) (or sooner, if the nature of the Third-Party Claim so requires), the Indemnifying Party shall provide written notice to the Indemnitee indicating whether the Indemnifying Party shall assume responsibility for defending the Third-Party Claim. If an Indemnifying Party elects not to assume responsibility for defending any Third-Party Claim or fails to notify an Indemnitee of its election within thirty (30) days after receipt of the notice from an Indemnitee as provided in Section 4.5(a), then the Indemnitee that is the subject of such Third-Party Claim shall be entitled to continue to conduct and control the defense of such Third-Party Claim.

(c) **Allocation of Defense Costs.** If an Indemnifying Party has elected to assume the defense of a Third-Party Claim, then such Indemnifying Party shall be solely liable for all fees and expenses incurred by it in connection with the defense of such Third-Party Claim and shall not be entitled to seek any indemnification or reimbursement from the Indemnitee for any such fees or expenses incurred by the Indemnifying Party during the course of the defense of such Third-Party Claim by such Indemnifying Party, regardless of any subsequent decision by the Indemnifying Party to reject or otherwise abandon its assumption of such defense. If an Indemnifying Party elects not to assume responsibility for defending any Third-Party Claim or fails to notify an Indemnitee of its election within thirty (30) days after receipt of a notice from an Indemnitee as provided in Section 4.5(a), and the Indemnitee conducts and controls the defense of such Third-Party Claim and the Indemnifying Party has an indemnification obligation with respect to such Third-Party Claim, then the Indemnifying Party shall be liable for all reasonable fees and expenses incurred by the Indemnitee in connection with the defense of such Third-Party Claim.

(d) **Right to Monitor and Participate.** An Indemnitee that does not conduct and control the defense of any Third-Party Claim, or an Indemnifying Party that has failed to elect to defend any Third-Party Claim as contemplated hereby, nevertheless shall have the right to employ separate counsel (including local counsel as necessary) of its own choosing to monitor and participate in (but not control) the defense of any Third-Party Claim for which it is a potential Indemnitee or Indemnifying Party, but the fees and expenses of such counsel shall be at the expense of such Indemnitee or Indemnifying Party, as the case may be, and the provisions of Section 4.5(c) shall not apply to such fees and expenses. Notwithstanding the foregoing, but subject to Sections 6.6 and 6.7, such Party shall cooperate with the Party entitled to conduct and control the defense of such Third-Party Claim in such defense and make available to the controlling Party, at the non-controlling Party's expense, all witnesses, information and materials in such Party's possession or under such Party's control relating thereto as are reasonably required by the controlling Party. In addition to the foregoing, if any Indemnitee shall in good faith determine that such Indemnitee and the Indemnifying Party have actual or potential differing defenses or conflicts of interest between them that make joint representation inappropriate, then the Indemnitee shall have the right to employ separate counsel (including local counsel as necessary) and to participate in (but not control) the defense, compromise, or settlement thereof, and the Indemnifying Party shall bear the reasonable fees and expenses of such counsel for all Indemnitees if the Indemnifying Party has an indemnification obligation with respect to such Third-Party Claim.

(e) **No Settlement.** Neither Party may settle or compromise any Third-Party Claim for which either Party is seeking to be indemnified hereunder without the prior written consent of the other Party, which consent may not be unreasonably withheld, unless such settlement or compromise is solely for monetary damages that are fully payable by the settling or compromising Party, does not involve any admission, finding or determination of wrongdoing or violation of Law by the other Party and provides for a full, unconditional and irrevocable release of the other Party from all Liability in connection with the Third-Party Claim. The Parties hereby agree that if a Party presents the other Party with a written notice containing a proposal to settle or compromise a Third-Party Claim for which either Party is seeking to be indemnified hereunder and the Party receiving such proposal does not respond in any manner to the Party presenting such proposal within thirty (30) days (or within any such shorter time period that may be required by applicable Law or court order) of receipt of such proposal, then the Party receiving such proposal shall be deemed to have consented to the terms of such proposal.

4.6 **Additional Matters.**

(a) **Timing of Payments.** Indemnification or contribution payments in respect of any Liabilities for which an Indemnitee is entitled to indemnification or contribution under this Article IV shall be paid reasonably promptly (but in any event within thirty (30) days of the final determination of the amount that the Indemnitee is entitled to indemnification or contribution under this Article IV) by the Indemnifying Party to the Indemnitee as such Liabilities are incurred upon demand by the Indemnitee, including reasonably satisfactory documentation setting forth the basis for the amount of such indemnification or contribution payment, including documentation with respect to calculations made and consideration of any Insurance Proceeds that actually reduce the amount of such Liabilities. The indemnity and contribution provisions contained in this Article IV shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Indemnitee, and (ii) the knowledge by the Indemnitee of Liabilities for which it might be entitled to indemnification hereunder.

(b) **Notice of Direct Claims.** Any claim for indemnification or contribution under this Agreement or any Ancillary Agreement that does not result from a Third-Party Claim shall be asserted by written notice given by the Indemnitee to the applicable Indemnifying Party; **provided that** the failure by an Indemnitee to so assert any such claim shall not prejudice the ability of the Indemnitee to do so at a later time except to the extent (if any) that the Indemnifying Party is prejudiced thereby. Such Indemnifying Party shall have a period of thirty (30) days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within the thirty (30)-day period, the Indemnitee shall send a second notice to the Indemnifying Party, marked at the top in bold lettering with the following language: "A RESPONSE IS REQUIRED WITHIN 10 BUSINESS DAYS OF RECEIPT OF THIS NOTICE PURSUANT TO THE TERMS OF THE SEPARATION DISTRIBUTION, AND TRANSITION SERVICES AGREEMENT WITH THE UNDERSIGNED AND FAILURE TO RESPOND SHALL RESULT IN YOUR RIGHT TO OBJECT BEING WAIVED" and the envelope containing the notice must be marked "PRIORITY." If the Indemnifying Party does not respond within such ten (10)-day period, such specified claim shall be conclusively deemed a Liability of the Indemnifying Party under this Section 4.6(b) or, in the case of any written notice in which the amount of the claim (or any portion thereof) is estimated, on such later date when the amount of the claim (or such portion thereof) becomes finally determined. If such Indemnifying Party does not respond within such later ten (10)-day period or rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Ancillary Agreements, as applicable, without prejudice to its continuing rights to pursue indemnification or contribution hereunder.

(c) **Pursuit of Claims Against Third Parties.** If (i) a Party incurs any Liability arising out of this Agreement or any Ancillary Agreement; (ii) an adequate legal or equitable remedy is not available for any reason against the other Party to satisfy the Liability incurred by the incurring Party; and (iii) a legal or equitable remedy may be available to the other Party against a Third Party for such Liability, then the other Party shall use its commercially reasonable efforts to cooperate with the incurring Party, at the incurring Party's expense, to permit the incurring Party to obtain the benefits of such legal or equitable remedy against the Third Party.

(d) **Subrogation.** In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim or against any other Person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(e) **Substitution.** In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnitee or Indemnifying Party shall so request, the Parties shall endeavor to substitute the Indemnifying Party for the named defendant. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in Section 4.5 and this Section 4.6, and the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts fees and all other external expenses), the costs of any judgment or settlement and the cost of any interest or penalties relating to any judgment or settlement.

4.7 **Right of Contribution.**

(a) **Contribution.** If any right of indemnification contained in Section 4.2 or Section 4.3 is held unenforceable or is unavailable for any reason, or is insufficient to hold harmless an Indemnitee in respect of any Liability for which such Indemnitee is entitled to indemnification hereunder, then the Indemnifying Party shall contribute to the amounts paid or payable by the Indemnitees as a result of such Liability (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and the members of its Group, on the one hand, and the Indemnitees entitled to contribution, on the other hand, as well as any other relevant equitable considerations.

(b) **Allocation of Relative Fault.** Solely for purposes of determining relative fault pursuant to this Section 4.7: (i) any fault associated with the ownership, operation or activities of the Transferred Business (except for the gross negligence or intentional misconduct of a member of the iStar Group) prior to the Distribution Effective Time shall be deemed to be the fault of SpinCo and the other members of the SpinCo Group, and no such fault shall be deemed to be the fault of iStar or any other member of the iStar Group; and (ii) any fault associated with the ownership, operation or activities of the Excluded Business prior to the Distribution Effective Time shall be deemed to be the fault of iStar and the other members of the iStar Group, and no such fault shall be deemed to be the fault of SpinCo or any other member of the SpinCo Group.

4.8 **Covenant Not to Sue.** Each Party hereby covenants and agrees that none of it, the members of such Party's Group or any Person claiming through it shall bring suit or otherwise assert any claim against any Indemnitee, or assert a defense against any claim asserted by any Indemnitee, before any court, arbitrator, mediator or administrative agency anywhere in the world, alleging that: (a) the assumption of any Assumed Liabilities by SpinCo or a member of the SpinCo Group on the terms and conditions set forth in this Agreement and the Ancillary Agreements is void or unenforceable for any reason; (b) the retention of any Excluded Liabilities by iStar or a member of the iStar Group on the terms and conditions set forth in this Agreement and the Ancillary Agreements is void or unenforceable for any reason; or (c) the provisions of this Article IV are void or unenforceable for any reason.

4.9 **Remedies Cumulative.** The remedies provided in this Article IV shall be cumulative and, subject to the provisions of Article VIII, shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

4.10 **Survival of Indemnities.** The rights and obligations of each of iStar and SpinCo and their respective Indemnitees under this Article IV shall survive (a) any merger, consolidation, business combination, sale of all or substantially all of its Assets; (b) any restructuring, recapitalization, reorganization or similar transaction involving either Party or any of the members of its Group or (c) any sale or other transfer by any Party or its Affiliates of any Assets or businesses or the assignment by it of any Liabilities. In the event of any transaction described in clause (a), (b) or (c), the surviving company of such transaction shall expressly assume and be bound by this Agreement.

ARTICLE V

CERTAIN OTHER MATTERS

5.1 Insurance Matters.

(a) From and after the Distribution Effective Time, (i) iStar shall be entitled to terminate, or cause to be terminated, coverage under existing insurance policies with respect to the Transferred Assets and Assumed Liabilities, (ii) iStar shall be entitled to cause the Excluded Assets and Excluded Liabilities to be covered by existing or new insurance policies of the iStar Group, and (iii) SpinCo shall cause the Transferred Assets and the Assumed Liabilities to be covered by existing or new insurance policies of the SpinCo Group.

(b) This Agreement shall not be considered as an attempted assignment of any policy of insurance or as a contract of insurance and shall not be construed to waive any right or remedy of any member of either Group in respect of any insurance policy or any other contract or policy of insurance.

(c) From and after the Distribution Effective Time, with respect to any losses, damages and Liability incurred by any member of the SpinCo Group or the iStar Group, as the case may be (the “**Loss Party**”), arising from events or occurrences prior to the date on which the Distribution Effective Time occurs (“**Insurance Termination Date**”), iStar or SpinCo, respectively (the “**Insured Party**”), will provide the Loss Party with access to, and the Loss Party may, upon ten (10) days’ prior written notice to the Insured Party, make claims under the Insured Party’s third-party insurance policies in place prior to the Insurance Termination Date and the Insured Party’s historical policies of insurance, but solely to the extent that such policies provided coverage for members of the Loss Party’s Group prior to the Insurance Termination Date; **provided that** such access to, and the right to make claims under, such insurance policies, shall be subject to the terms and conditions of such insurance policies, including any limits on coverage or scope, any deductibles and other fees and expenses, and shall be subject to the following additional conditions:

(i) the Loss Party shall report any claim to the Insured Party as promptly as practicable, and in any event in sufficient time so that such claim may be made in accordance with the Insured Party’s claim reporting procedures provided in advance to the Loss Party and in effect immediately prior to the Insurance Termination Date (or in accordance with any modifications to such procedures after the Insurance Termination Date communicated by the Insured Party to the Loss Party in writing in advance of any such claim);

(ii) the Loss Party and the members of its Group shall exclusively bear and be liable for (and neither the Insured Party, nor any member of its Group, shall have any obligation to repay or reimburse Loss Party or any member of its Group for), and shall indemnify, hold harmless and reimburse the Insured Party and the members of its Group for, any deductibles, self-insured retention, fees and expenses incurred by the Insured Party or any members of its Group to the extent resulting from any access by the Loss Party or any other members of its Group to, or any claims made by the Loss Party or any other members of its Group under, any insurance provided pursuant to this Section 5.1(c), including any indemnity payments, settlements, judgments, legal fees and allocated claims expenses and claim handling fees, whether such claims are made by members of the Loss Party’s Group, its employees or Third Parties; and

(d) All payments and reimbursements by the Loss Party pursuant to this Section 5.1 will be made within thirty (30) days after the Loss Party’s receipt of an invoice therefor from the Insured Party. If the Insured Party incurs costs to enforce the Loss Party’s obligations herein, the Loss Party agrees to indemnify and hold harmless the Insured Party for such enforcement costs, including reasonable attorneys’ fees. The Insured Party shall retain the exclusive right to control its insurance policies and programs, including the right to exhaust, settle, release, commute, buy-back or otherwise resolve disputes with respect to any of its insurance policies and programs and to amend, modify or waive any rights under any such insurance policies and programs, notwithstanding whether any such policies or programs apply to any Loss Party Liabilities and/or claims the Loss Party has made or could make in the future, and no member of the Loss Party’s Group shall erode, exhaust, settle, release, commute, buyback or otherwise resolve disputes with the Insured Party’s insurers with respect to any of the Insured Party’s insurance policies and programs, or amend, modify or waive any rights under any such insurance policies and programs. The Loss Party shall cooperate with the Insured Party and share such information as is reasonably necessary in order to permit the Insured Party to manage and conduct its insurance matters as it deems appropriate. Neither the Insured Party nor any of the members of the Insured Party’s Group shall have any obligation to secure extended reporting for any claims under any Liability policies of the Insured Party or any member of the Insured Party’s Group for any acts or omissions by any member of the Loss Party’s Group incurred prior to the Insurance Termination Date.

5.2 **Late Payments.** Except as expressly provided to the contrary in this Agreement, any amounts billed or otherwise invoiced or demanded and properly payable that are not paid within thirty (30) days of such bill, invoice or other demand shall accrue interest at a rate per annum equal to the prime lending rate prevailing at such time, as published in *The Wall Street Journal*.

5.3 **Warranties of Title to Real Property.**

(a) The parties acknowledge that certain land, improvements, fixtures, and related rights with respect to certain real property (“**Real Property**”) will be transferred as a Transferred Asset via a special warranty, limited warranty, grant deed, or similar instrument (each “**Deed**”) by one or members of iStar Group (each, “**Transferor**”) to a member of the SpinCo Group receiving such Real Property (each, “**Transferee**”) as set forth on Schedule 5.3(a) attached hereto.

(b) Each such Transferor is the named insured (or successor insured) under that certain Owner’s Policy of Title Insurance covering the Real Property owned by such Transferor and being conveyed by Deed to a Transferee as set forth on such Schedule 5.3(b) attached hereto (each, a “**Policy**”) listed opposite the name of such Transferor, Transferee and Real Property.

5.4 **Inducement.** SpinCo acknowledges and agrees that iStar’s willingness to cause, effect and consummate the Separation and the Distribution has been conditioned upon and induced by SpinCo’s covenants and agreements in this Agreement and the Ancillary Agreements, including SpinCo’s assumption of the Assumed Liabilities pursuant to the Separation Transactions and the provisions of this Agreement and SpinCo’s covenants and agreements contained in Article IV.

5.5 **Post-Effective Time Conduct.** The Parties acknowledge that, after the Distribution Effective Time, each Party shall be independent of the other Party, with responsibility for its own actions and inactions and its own Liabilities relating to, arising out of or resulting from the conduct of its business, operations and activities following the Distribution Effective Time, except as may otherwise be provided in any Ancillary Agreement, and each Party shall (except as otherwise provided in Article IV) use commercially reasonable efforts to prevent such Liabilities from being inappropriately borne by the other Party or members of such other Party’s Group.

5.6 **Non-Solicitation Covenant.** For a period of two (2) years from and after the Distribution Effective Time, neither SpinCo nor any of its Subsidiaries shall, and SpinCo shall use reasonable best efforts to cause its and its Subsidiaries’ Representatives not to directly or indirectly solicit for employment or employ or cause to leave the employ of iStar or any of its Subsidiaries any employee of iStar or any of its Subsidiaries with a title of Vice President or higher. Nothing in this Section 5.6 shall prohibit SpinCo (and its Subsidiaries or Representatives acting on their behalf) from (i) making general solicitations for employment not specifically directed at iStar, its Subsidiaries or Affiliates or any of its employees and employing any person who responds to such solicitations, (ii) soliciting for employment, hiring or employing any person referred to it by a recruiter who has not been engaged for the purpose of specifically recruiting, nor given instructions to recruit specifically, such person or employees of iStar or its Subsidiaries or Affiliates generally, or (iii) soliciting for employment, hiring or employing any person who ceased to be employed by iStar or its Subsidiaries at least six (6) months prior to such solicitation, hiring or employment.

ARTICLE VI

EXCHANGE OF INFORMATION; CONFIDENTIALITY

6.1 **Agreement for Exchange of Information.** Subject to Section 6.8 and any other applicable confidentiality obligations, each of iStar and SpinCo, on behalf of itself and each member of its Group, agrees to use commercially reasonable efforts to provide or make available, or cause to be provided or made available, to the other Party and the members of such other Party's Group, at any time before, on or after the Distribution Effective Time, as soon as reasonably practicable after written request therefor, any Information (or a copy thereof) in the possession or under the control of such Party or its Group which the requesting Party or its Group reasonably requests to the extent that (i) such Information relates to the Transferred Business, or any Transferred Asset or Assumed Liability (including information, books and records primarily related to the Transferred Business contained on the Yardi Systems accounts of iStar or the iStar Group), if SpinCo is the requesting Party, or to the Excluded Business, or any Excluded Asset or Excluded Liability, if iStar is the requesting Party; (ii) such Information is reasonably required by the requesting Party to comply with its obligations under this Agreement or any Ancillary Agreement; or (iii) such Information is reasonably required by the requesting Party to comply with any obligation imposed by any Governmental Authority; **provided, however, that**, in the event that the Party to whom the request has been made determines that any such provision of Information could be commercially detrimental to the Party providing the Information, could violate any Law or agreement or waive any privilege available under applicable Law, including any attorney-client privilege or the work product doctrine, then the Parties shall use commercially reasonable efforts to permit compliance with such obligations to the extent and in a manner that avoids any such harm or consequence. The Party providing Information pursuant to this Section 6.1 shall only be obligated to provide such Information in the form, condition and format in which it then exists, and in no event shall such Party be required to perform any improvement, modification, conversion, updating or reformatting of any such Information, and nothing in this Section 6.1 shall expand the obligations of a Party under Section 6.3.

6.2 **Ownership of Information.** The provision of any Information pursuant to Section 6.1 or Section 6.6 shall not affect the ownership of such Information (which shall be determined solely in accordance with the terms of this Agreement and the Ancillary Agreements), or constitute a grant of rights in or to any such Information.

6.3 **Record Retention.** For a period of two (2) years from and after the Distribution Effective Time or until such later date as may be required by applicable Law or the policies of iStar or SpinCo in effect as of the Distribution Effective Time, to facilitate the possible exchange of Information pursuant to this Article VI and other provisions of this Agreement after the Distribution Effective Time, the Parties agree to use their commercially reasonable efforts, which shall be no less rigorous than those used for retention of such Party's own Information, to retain all Information in their respective possession or control at the Distribution Effective Time.

6.4 **Limitations of Liability.** Neither Party shall have any Liability to the other Party in the event that any Information exchanged or provided pursuant to this Agreement is found to be inaccurate in the absence of gross negligence, bad faith or willful misconduct by the Party providing such Information. No Party shall be liable to any other Party if any Information is destroyed after commercially reasonable efforts by such Party to comply with the provisions of Section 6.3.

6.5 **Other Agreements Providing for Exchange of Information.**

(a) The rights and obligations granted under this Article VI are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange, retention or confidential treatment of Information set forth in any Ancillary Agreement.

(b) Any Party that receives, pursuant to a request for Information in accordance with this Article VI, Tangible Information that is not relevant to its request shall, at the request of the providing Party, (i) return it to the providing Party or, at the providing Party's request, destroy such Tangible Information; and (ii) deliver to the providing Party written confirmation that such Tangible Information was returned or destroyed, as the case may be, which confirmation shall be signed by an authorized representative of the requesting Party.

6.6 **Production of Witnesses; Records; Cooperation.**

(a) Subject to Section 6.8 and any other applicable confidentiality obligations, after the Distribution Effective Time, except in the case of an adversarial Action or dispute between iStar and SpinCo, or any members of their respective Groups, each Party shall use its commercially reasonable efforts to make available to the other Party, upon reasonable advance written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available without undue burden, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any Action in which the requesting Party (or member of its Group) may from time to time be involved, regardless of whether such Action is a matter with respect to which indemnification may be sought hereunder. The requesting Party shall bear all costs and expenses in connection therewith.

(b) If an Indemnifying Party chooses to defend or to seek to compromise or settle any Third-Party Claim, the other Party shall make available to such Indemnifying Party, upon reasonable advance written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available without undue burden, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with such defense, settlement or compromise, or such prosecution, evaluation or pursuit, as the case may be, and shall otherwise cooperate in such defense, settlement or compromise, or such prosecution, evaluation or pursuit, as the case may be.

(c) Without limiting any provision of this Section 6.6, the Parties shall cooperate and consult to the extent reasonably necessary with respect to any Actions, each of the Parties shall cooperate, and to cause each member of its respective Group to cooperate, with each other in the defense of any infringement or similar claim with respect to any Intellectual Property and shall not claim to acknowledge, or permit any member of its respective Group to claim to acknowledge, the validity or infringing use of any Intellectual Property of a Third Party in a manner that would hamper or undermine the defense of such infringement or similar claim.

(d) The obligation of the Parties to provide witnesses pursuant to this Section 6.6 is intended to be interpreted in a manner so as to facilitate cooperation and shall include the obligation to provide as witnesses, directors, officers, employees, other personnel and agents without regard to whether such persons could assert a possible business conflict (subject to the exception set forth in the first sentence of Section 6.6(a)).

6.7 Privileged Matters.

(a) The Parties recognize that legal and other professional services that have been and will be provided prior to the Distribution Effective Time have been and will be rendered for the collective benefit of each of the members of the iStar Group and the SpinCo Group, and that each of the members of the iStar Group and the SpinCo Group should be deemed to be the client with respect to such services for the purposes of asserting all privileges which may be asserted under applicable Law in connection therewith. The Parties recognize that legal and other professional services will be provided following the Distribution Effective Time, which services will be rendered solely for the benefit of the iStar Group or the SpinCo Group, as the case may be.

(b) The Parties agree as follows:

(i) iStar shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to the Excluded Business and not to the Transferred Business, whether or not the Privileged Information is in the possession or under the control of any member of the iStar Group or any member of the SpinCo Group. iStar shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to any Excluded Liabilities resulting from any Actions that are now pending or may be asserted in the future, whether or not the Privileged Information is in the possession or under the control of any member of the iStar Group or any member of the SpinCo Group;

(ii) SpinCo shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to the Transferred Business and not to the Excluded Business, whether or not the Privileged Information is in the possession or under the control of any member of the SpinCo Group or any member of the iStar Group. SpinCo shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to any Assumed Liabilities resulting from any Actions that are now pending or may be asserted in the future, whether or not the privileged Information is in the possession or under the control of any member of the SpinCo Group or any member of the iStar Group; and

(iii) if the Parties do not agree as to whether certain Information is Privileged Information, then such Information shall be treated as Privileged Information, and the Party that believes that such information is Privileged Information shall be entitled to control the assertion or waiver of all privileges and immunities in connection with any such Information unless the Parties otherwise agree.

(c) Subject to the remaining provisions of this Section 6.7, the Parties agree that they shall have a shared privilege or immunity with respect to all privileges and immunities not allocated pursuant to Section 6.7(b) and all privileges and immunities relating to any Actions or other matters that involve both Parties (or one or more members of their respective Groups) and in respect of which both Parties have Liabilities under this Agreement, and that no such shared privilege or immunity may be waived by either Party without the consent of the other Party.

(d) If any dispute arises between the Parties or any members of their respective Group regarding whether a privilege or immunity should be waived to protect or advance the interests of either Party and/or any member of their respective Group, each Party agrees that it shall (i) negotiate with the other Party in good faith; (ii) endeavor to minimize any prejudice to the rights of the other Party; and (iii) not unreasonably withhold consent to any request for waiver by the other Party. Further, each Party specifically agrees that it shall not withhold its consent to the waiver of a privilege or immunity for any purpose except in good faith to protect its own legitimate interests.

(e) In the event of any adversarial Action or dispute between iStar and SpinCo, or any members of their respective Groups, either Party may waive a privilege in which the other Party or member of such other Party's Group has a shared privilege, without obtaining consent pursuant to Section 6.7(c); **provided that** such waiver of a shared privilege shall be effective only as to the use of Information with respect to the Action between the Parties and/or the applicable members of their respective Groups, and shall not operate as a waiver of the shared privilege with respect to any Third Party.

(f) Upon receipt by either Party, or by any member of its respective Group, of any subpoena, discovery or other request that may reasonably be expected to result in the production or disclosure of Privileged Information subject to a shared privilege or immunity or as to which another Party has the sole right hereunder to assert a privilege or immunity, or if either Party obtains knowledge that any of its, or any member of its respective Group's, current or former directors, officers, agents or employees have received any subpoena, discovery or other requests that may reasonably be expected to result in the production or disclosure of such Privileged Information, such Party shall promptly notify the other Party of the existence of the request (which notice shall be delivered to such other Party no later than five (5) Business Days following the receipt of any such subpoena, discovery or other request) and shall provide the other Party a reasonable opportunity to review the Privileged Information and to assert any rights it or they may have under this Section 6.7 or otherwise, to prevent the production or disclosure of such Privileged Information.

(g) In the event either Party inadvertently discloses any Privileged Information or inadvertently waives any privilege or immunity as to which the other Party has any interest, that Party shall immediately (i) advise the other Party of the inadvertent disclosure or waiver and (ii) take all reasonably available steps to claw back any waived or disclosed Information and restore the privilege or immunity.

(h) Any furnishing of, or access or transfer of, any Information pursuant to this Agreement is made in reliance on the agreement of iStar and SpinCo set forth in this Section 6.7 and in Section 6.8 to maintain the confidentiality of Privileged Information and to assert and maintain all applicable privileges and immunities. The Parties agree that their respective rights to any access to Information, witnesses and other Persons, the furnishing of notices and documents and other cooperative efforts between the Parties contemplated by this Agreement, and the transfer of Privileged Information between the Parties and members of their respective Groups pursuant to this Agreement, shall not be deemed a waiver of any privilege that has been or may be asserted under this Agreement or otherwise.

(i) In connection with any matter contemplated by Section 6.6 or this Section 6.7, the Parties agree to, and to cause the applicable members of their Group to, use commercially reasonable efforts to maintain their respective separate and joint privileges and immunities, including by executing joint defense and/or common interest agreements where necessary or useful for this purpose.

6.8 Confidentiality.

(a) **Confidentiality.** Subject to Section 6.9, from and after the Distribution Effective Time until the five (5) year anniversary of the Distribution Effective Time or, as it relates to confidential and proprietary Information that is a trade secret, until such time such Information is no longer a trade secret, each of iStar and SpinCo, on behalf of itself and each member of its respective Group, agrees to hold, and to cause its respective Representatives to hold, in strict confidence, with at least the same degree of care that is applied to protecting such Party's own Information, all confidential and proprietary Information concerning the other Party or any member of the other Party's Group or their respective businesses that is either in its possession (including confidential and proprietary Information in its possession prior to the date hereof) or furnished by any such other Party or any member of such Party's Group or their respective Representatives at any time pursuant to this Agreement, any Ancillary Agreement or otherwise, and shall not use any such confidential and proprietary Information other than for such purposes as shall be expressly permitted hereunder or thereunder, except, in each case, to the extent that such confidential and proprietary Information has been (i) is generally available to the public, other than as a result of a disclosure by such Party or any member of such Party's Group or any of their respective Representatives in violation of this Agreement, (ii) later lawfully acquired from other sources by such Party (or any member of such Party's Group) which sources are not themselves bound by a confidentiality obligation or other contractual, legal or fiduciary obligation of confidentiality with respect to such confidential and proprietary Information, or (iii) independently developed or generated without reference to or use of any proprietary or confidential Information of the other Party or any member of such Party's Group. If any confidential and proprietary Information of one Party or any member of its Group is disclosed to the other Party or any member of such other Party's Group in connection with providing services to such first Party or any member of such first Party's Group under this Agreement or any Ancillary Agreement, then such disclosed confidential and proprietary Information shall be used only as required to perform such services.

(b) **No Release; Return or Destruction.** Each Party agrees not to release or disclose, directly or indirectly, or permit to be released or disclosed, any Information addressed in Section 6.8(a) to any other Person, except its Representatives who need to know such Information in their capacities as such (who shall be advised of their obligations hereunder with respect to such Information), and except in compliance with Section 6.9. Without limiting the foregoing, when any such Information is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement, each Party will promptly after written request of the other Party either return to the other Party all Tangible Information (including all copies thereof and all notes, extracts or summaries based thereon) or destroy, and notify the other Party in writing that it has destroyed, such Tangible Information (and such copies thereof and such notes, extracts or summaries based thereon); **provided that** the Parties may retain electronic back-up versions of such Tangible Information maintained on routine computer system backup tapes, disks or other backup storage.

(c) **Third-Party Information; Privacy or Data Protection Laws.** Each Party acknowledges that it and members of its Group may presently have and, following the Distribution Effective Time, may gain access to or possession of confidential or proprietary Information of, or personal Information relating to, Third Parties (i) that was received under confidentiality or non-disclosure agreements entered into between such Third Parties, on the one hand, and the other Party or members of such Party's Group, on the other hand, prior to the Distribution Effective Time; or (ii) that, as between the two Parties, was originally collected by the other Party or members of such Party's Group and that may be subject to and protected by privacy, data protection or other applicable Laws. Each Party agrees that it shall hold, protect and use, and shall cause the members of its Group and its and their respective Representatives to hold, protect and use, in strict confidence the confidential and proprietary Information of, or personal Information relating to, Third Parties in accordance with privacy, data protection or other applicable Laws and the terms of any agreements that were either entered into before the Distribution Effective Time or affirmative commitments or representations that were made before the Distribution Effective Time by, between or among the other Party or members of the other Party's Group, on the one hand, and such Third Parties, on the other hand.

6.9 **Protective Arrangements.** In the event that a Party or any member of its Group either determines on the advice of its counsel that it is required to disclose any Information pursuant to applicable Law or the rules of an applicable stock exchange or receives any request or demand under lawful process or from any Governmental Authority to disclose or provide Information of the other Party (or any member of the other Party's Group) that is subject to the confidentiality provisions hereof, such Party shall notify the other Party (to the extent legally permitted) as promptly as practicable under the circumstances prior to disclosing or providing such Information and shall cooperate, at the expense of the other Party, in seeking any appropriate protective order requested by the other Party. In the event that such other Party fails to receive such appropriate protective order in a timely manner and the Party receiving the request or demand reasonably determines that its failure to disclose or provide such Information shall prejudice the Party receiving the request or demand, then the Party that received such request or demand may thereafter disclose or provide Information to the extent required by such Law (as so advised by its counsel) or by lawful process or such Governmental Authority, and the disclosing Party shall promptly provide the other Party with a copy of the Information so disclosed, in the same form and format so disclosed, together with a list of all Persons to whom such Information was disclosed, in each case to the extent legally permitted.

ARTICLE VII

TAX MATTERS

7.1 Allocation of Tax Liabilities

(a) iStar shall be liable for, and shall indemnify and hold harmless the SpinCo Group from and against, any liability for Taxes that are attributable to Tax Periods, or portions thereof, ending on the date that SpinCo is distributed out of, and is no longer wholly-owned by, iStar REO Holdings TRS LLC (the “**Cutoff Date**”). SpinCo shall be liable for, and shall indemnify and hold harmless the iStar Group from and against, any liability for any Taxes of SpinCo that are attributable to any Tax Period, or portion thereof, beginning after the Cutoff Date.

(b) To the extent that any Tax Period begins before and ends after the Cutoff Date, all Taxes of SpinCo shall be apportioned between the periods before and after the Cutoff Date based on a closing of the books and records on the close of the Cutoff Date, provided that any items not susceptible to such apportionment shall be apportioned on the basis of elapsed days during the relevant portion of the Tax Period.

(c) Any Transfer Taxes resulting from the Distribution or any related transaction shall be payable by SpinCo, unless otherwise agreed by iStar.

(d) Any payment made pursuant to this Section 7.1 shall be made without duplication for any payment made under Section 2.10 as a proration payment.

7.2 Tax Return Filings and Tax Payments.

(a) SpinCo shall prepare and file, or cause to be prepared and filed, all Tax Returns required to be filed by it after the Cutoff Date. With respect to any such Tax Return that could reasonably be expected to materially impact the Tax Liability of any member of the iStar Group, SpinCo shall notify iStar within 15 Business Days prior to filing such Tax Return and shall prepare such Tax Return in accordance with reasonable Tax accounting practices selected by iStar.

(b) SpinCo hereby agrees that, unless iStar consents in writing (which consent may not be unreasonably withheld, conditioned or delayed) or as required by Law, no member of the SpinCo Group (nor its successors) shall file any Adjustment Request with respect to any Tax Return that could affect any Tax Return of the iStar Group or any Tax allocable to iStar under Section 7.1 without the prior consent of iStar.

(c) If any Party (the “**Payor**”) is required under applicable Tax Law to pay to a Tax Authority a Tax that another Party (the “**Required Party**”) is liable for under this Agreement, the Required Party shall reimburse the Payor within twenty (20) Business Days of delivery by the Payor to the Required Party of an invoice for the amount due, accompanied by evidence of payment and a statement detailing the Taxes paid and describing in reasonable detail the particulars relating thereto. The Required Party shall also pay to the Payor any reasonable costs and expenses related to the foregoing (including reasonable attorneys’ fees and expenses) within five (5) Business Days after the Payor’s written demand therefor.

7.3 **Tax Refunds.** The iStar Group shall be entitled to any refund (and any interest thereon received from the applicable Tax Authority) of Taxes allocable to iStar pursuant to Section 7.1, and SpinCo shall be entitled to any refund (and any interest thereon received from the applicable Tax Authority) of Taxes for which SpinCo is liable hereunder. A party receiving a refund to which another party is entitled hereunder shall pay over such refund to such other party within twenty (20) Business Days after such refund is received.

7.4 **Assistance and Cooperation**

(a) The Parties shall cooperate (and cause their respective Affiliates to cooperate) with each other and with each other's agents, including accounting firms and legal counsel, in connection with Tax matters relating to the Parties and their Affiliates, including (i) preparation and filing of Tax Returns, (ii) determining the liability for and amount of any Taxes due (including estimated Taxes) or the right to and amount of any refund of Taxes, (iii) examinations of Tax Returns, and (iv) any administrative or judicial proceeding in respect of Taxes assessed or proposed to be assessed. Such cooperation shall include making all information and documents in their possession relating to any other Party and its Affiliates reasonably available to such other Party. Each of the Parties shall also make available to any other Party, as reasonably requested and available, personnel (including officers, directors, employees and agents of the Parties or their respective Affiliates) responsible for preparing, maintaining, and interpreting information and documents relevant to Taxes, and personnel reasonably required as witnesses or for purposes of providing information or documents in connection with any administrative or judicial proceedings relating to Taxes.

(b) Any information or documents provided under this Article VII shall be kept confidential by the Party receiving the information or documents, except as may otherwise be necessary in connection with the filing of Tax Returns or in connection with any administrative or judicial proceedings relating to Taxes. In addition, in the event that iStar determines that the provision of any information or documents to SpinCo or any of its Affiliates, or SpinCo determines that the provision of any information or documents to iStar or any iStar Affiliate, could be commercially detrimental, violate any Law or agreement or waive any privilege, the Parties shall use commercially reasonable efforts to permit each other's compliance with its obligations under this Article VII in a manner that avoids any such harm or consequence.

7.5 **Tax Contests.** Any matters arising from a pending Tax audit, assessment or proceeding or any other Tax Contest shall be governed by Section 4.5 of this Agreement.

7.6 **Tax Treatment of Indemnity Payments.** Unless otherwise required by applicable Law, the Parties will treat any Indemnity Payments made pursuant to this Agreement or any Ancillary Agreement by iStar or SpinCo, or vice versa, or any of their Affiliates, in the same manner as if such payment were a non-taxable distribution or capital contribution, as the case may be, made immediately prior to the Distribution, except to the extent that iStar and SpinCo treat a payment as the settlement of an intercompany liability; provided, however, that any such payment that is made or received by a Person other than iStar or SpinCo, as the case may be, or their Affiliates shall be treated as if made or received by the payor or the recipient as agent for iStar or SpinCo, in each case as appropriate. No Party shall take any position inconsistent with the treatment described in the preceding sentence; provided, however, that neither Party shall be required to litigate before any court any challenge to such treatment. To the extent any payment to any member of the iStar Group is properly attributable to a taxable REIT subsidiary of iStar (or any successor thereto), the parties shall treat such payment in a manner consistent with the receipt of such payment by the taxable REIT subsidiary or its successor, rather than any other entity in the iStar Group.

7.7 **Indemnity Payment Escrow.** Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreement, if SpinCo is required to pay any member of the iStar Group any Indemnity Payment that could reasonably result in income to iStar for U.S. federal income Tax purposes if paid, then, unless iStar shall have received a tax opinion of a Tax Advisor or a ruling from the Internal Revenue Service to the effect that its receipt of such payment should be treated as qualifying income with respect to iStar for purposes of Section 856(c)(2) and 856(c)(3) of the Code ("**Qualifying Income**") or shall be excluded from income for such purposes (such opinion or ruling, a "**Positive Tax Opinion or Ruling**"), and notified SpinCo in writing of its receipt of such Positive Tax Opinion or Ruling and directed that payment be made otherwise than into escrow as provided below, the amounts payable to iStar shall be limited to the maximum amount ("**Allowed Amount**") that can be paid without causing iStar's receipt of its share of such funds to cause iStar to fail to meet the requirements of Sections 856(c)(2) and (3) of the Code, determined as if the payment of such amount did not constitute Qualifying Income and iStar has 0.5% of its gross income from unknown sources during such year that does not constitute Qualifying Income (in addition to any known or anticipated income that is not Qualifying Income), as determined by independent accountants to iStar, and any excess of the amount of the indemnification payment over the Allowed Amount (such excess, the "**Escrowed Amount**") shall be placed into escrow. Any such Escrowed Amount shall be retained by the escrow agent in a separate interest-bearing, segregated account for the account of SpinCo. iStar shall pay all costs associated with obtaining any tax opinion of a Tax Advisor or ruling from the Internal Revenue Service described above. The Escrowed Amount shall be fully disbursed (and therefore any unpaid portion of the indemnification payment shall be paid to iStar) upon the escrow agent's receipt of a Positive Tax Opinion or Ruling. To the extent not previously paid, upon any determination by independent accountants to iStar that any additional amount of the indemnification payment may be disbursed to iStar without causing iStar to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute Qualifying Income and iStar has 0.5% of its gross income from unknown sources during such year that does not constitute Qualifying Income (in addition to any known or anticipated income that is not Qualifying Income), the determination of such independent accountants shall be provided to the escrow agent and such additional amount shall be disbursed to iStar. At the end of the third calendar year beginning after the date on which SpinCo's obligation to pay the indemnification payment arose (or earlier if directed by iStar), any remainder of the Escrowed Amount (together with interest thereon) then being held by the escrow agent shall be disbursed to SpinCo and, in the event that the indemnification payment has not by then been paid in full, such unpaid portion shall never be due. SpinCo shall bear any and all expenses associated with the escrow of the Escrowed Amount.

7.8 **Intended Tax Treatment.** The Parties intend to treat the Distribution as a distribution under Section 301 of the Code. No Party shall take any position inconsistent with the treatment described in the preceding sentence.

ARTICLE VIII

TERMINATION

8.1 **Termination.** This Agreement may be terminated prior to the Distribution Effective Time by iStar, on behalf of the iStar Group or on behalf of the SpinCo Group, only if (1) the Merger Agreement is terminated or (2) any order, injunction or decree issued by any Governmental Authority of competent jurisdiction or any other legal restraint or prohibition shall be in effect permanently preventing the consummation of the Separation Transactions or any of the transactions related thereto, which order, decree, ruling or other action is final and nonappealable. After the Distribution Effective Time, this Agreement may not be terminated except by an agreement in writing signed by a duly authorized officer of each of the Parties with the prior authorization of the independent directors of each Party.

8.2 **Effect of Termination.** In the event of any termination of this Agreement prior to the Distribution Effective Time, no Party (nor any of its directors, officers or employees) shall have any Liability or further obligation to the other Party by reason of this Agreement.

ARTICLE IX

MISCELLANEOUS

9.1 Counterparts; Entire Agreement; Corporate Power.

(a) This Agreement (including the exhibits, schedules and appendices hereto), along with the Merger Agreement, the schedules and exhibits thereto and the Ancillary Agreements contain the entire agreement between the Parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein.

(b) iStar represents on behalf of itself and each other member of the iStar Group, and SpinCo represents on behalf of itself and each other member of the SpinCo Group, as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and each Ancillary Agreement to which it is a party and to consummate the transactions contemplated hereby and thereby; and

(ii) this Agreement and each Ancillary Agreement to which it is a party has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof.

(c) This Agreement may be executed in counterparts, each of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the Parties and delivered to each other Party (including by means of electronic delivery), it being understood that the Parties need not sign the same counterpart. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" ("pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

9.2 **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally (notice deemed given upon receipt), transmitted by email (notice deemed given upon delivery if no automated notice of delivery failure is received by the sender), or sent by a nationally recognized overnight courier service, such as Federal Express (notice deemed given upon receipt of proof of delivery), to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice):

If to iStar, to:

iStar Inc.
1114 Avenue of the Americas
39th Floor
New York, New York 10036
Attention: Chief Legal Officer
E-mail: dheitner@istar.com

If to SpinCo, to:

[SPINCO]
1114 Avenue of the Americas
39th Floor
New York, New York 10036
Attention: Chief Financial Officer
E-mail: basnas@istar.com

A Party may, by notice to the other Party, change the address to which such notices are to be given.

9.3 **Interpretation.** When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference shall be to a Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. 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. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The phrase "made available" in this Agreement shall mean that the information referred to has been made available if requested by the Party to whom such information is to be made available. The phrases "herein," "hereof," "hereunder" and words of similar import shall be deemed to refer to this Agreement as a whole, including the Exhibits hereto, and not to any particular provision of this Agreement. Any pronoun shall include the corresponding masculine, feminine and neuter forms. In the event that 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 provision of this Agreement.

9.4 **Third-Party Beneficiaries.** Except for the indemnification rights under this Agreement of any iStar Indemnitee or SpinCo Indemnitee in their respective capacities as such and the consent rights of the Special Committee of the Board of Directors of SAFE provided in Section 9.12, (a) the provisions of this Agreement and each Ancillary Agreement are solely for the benefit of the Parties and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and (b) there are no third-party beneficiaries of this Agreement or any Ancillary Agreement and neither this Agreement nor any Ancillary Agreement shall provide any Third Party with any remedy, claim, Liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement or any Ancillary Agreement.

9.5 **Governing Law.** This Agreement and, unless expressly provided therein, each Ancillary Agreement (and any claims or disputes arising out of or related hereto or thereto or to the transactions contemplated hereby and thereby or to the inducement of any Party to enter herein and therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common Law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of Maryland irrespective of the choice of Laws principles of the State of Maryland including all matters of validity, construction, effect, enforceability, performance and remedies. Each of the Parties hereby agree that (a) any and all litigation arising out of this Agreement shall be conducted only in the Circuit Court for Baltimore City, Maryland, or if that court does not have jurisdiction, the federal court located in Baltimore, Maryland and (b) such courts shall have the exclusive jurisdiction to hear and decide such matters. Each of the Parties accepts, for itself and in respect of its property, expressly and unconditionally, the nonexclusive jurisdiction of such courts and hereby waives any objection that the other Party may now or hereafter have to the laying of venue of such actions or proceedings in such courts. Insofar as is permitted under applicable law, this consent to personal jurisdiction shall be self-operative and no further instrument or action, other than service of process in the manner set forth in Section 9.2 or as otherwise permitted by law, shall be necessary in order to confer jurisdiction upon any of the Parties in any such courts. Nothing contained herein shall affect the right serve process in any manner permitted by law or to commence any legal action or proceeding in any other jurisdiction. Each of the Parties hereby (i) expressly waives any right to a trial by jury in any action or proceeding to enforce or defend any right, power or remedy under or in connection with this Agreement or arising from any relationship existing in connection with this Agreement, and (ii) agrees that any such action shall be tried before a court and not before a jury.

9.6 **Severability.** Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability and, unless the effect of such invalidity or unenforceability would prevent the Parties from realizing the major portion of the economic benefits of the Distribution that they currently anticipate obtaining therefrom, shall not render invalid or unenforceable the remaining terms and provisions of this Agreement or affect the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

9.7 **Assignment.** Neither this Agreement, nor any of the rights, interests or obligations of the Parties hereunder, shall be assigned by any of the Parties (whether by operation of law or otherwise) without the prior written consent of the other Parties, and any attempt to make any such assignment without such consent shall be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and permitted assigns. Notwithstanding the foregoing, subject to Section 4.10, (a) any merger, consolidation, business combination, sale of all or substantially all of a Parties' Assets; or (b) any restructuring, recapitalization, reorganization or similar transaction involving either Party or any of the members of its Group shall not require the prior written consent of the other Parties. No assignment permitted by this Section 9.7 shall release the assigning Party from liability for the full performance of its obligations under this Agreement.

9.8 **No Set-Off.** Except as set forth in this Agreement or any Ancillary Agreement or as otherwise mutually agreed to in writing by the Parties, neither Party nor any member of such Party's group shall have any right of set-off or other similar rights with respect to (a) any amounts received pursuant to this Agreement or any Ancillary Agreement; or (b) any other amounts claimed to be owed to either such Party or any member of its Group arising out of this Agreement or any Ancillary Agreement.

9.9 **Specific Performance.** In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement or any Ancillary Agreement, the Party or Parties who are, or are to be, thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief in respect of its or their rights under this Agreement or such Ancillary Agreement, in addition to any and all other rights and remedies at Law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at Law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at Law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived by each of the Parties.

9.10 **Survival of Covenants.** Except as expressly set forth in this Agreement or any Ancillary Agreement, the covenants, representations and warranties contained in this Agreement and each Ancillary Agreement, and Liability for the breach of any obligations contained herein, shall survive the Separation Transactions and shall remain in full force and effect.

9.11 **Waivers of Default.** Waiver by a Party of any default by the other Party of any provision of this Agreement or any Ancillary Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the other Party. No failure or delay by a Party in exercising any right, power or privilege under this Agreement or any Ancillary Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege.

9.12 **Amendments.** No provisions of this Agreement or any Ancillary Agreement shall be deemed waived, amended, supplemented or modified by a Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification; **provided**, that, notwithstanding anything to the contrary in this Agreement, any waiver, amendment, supplement or modification of any provision of this Agreement prior to the closing of the Merger may only be made with the prior written consent of the Special Committee of the Board of Directors of SAFE.

9.13 **Limitations of Liability.** Notwithstanding anything in this Agreement to the contrary, but without limiting any recovery expressly provided by this Agreement, neither SpinCo or any member of the SpinCo Group, on the one hand, nor iStar or any member of the iStar Group, on the other hand, shall be liable under this Agreement to the other for any indirect, punitive, exemplary, remote, speculative or similar damages in excess of compensatory damages of the other arising in connection with the transactions contemplated hereby (other than any such Liability with respect to a Third-Party Claim).

9.14 **Performance.** iStar will cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement or in any Ancillary Agreement to be performed by any member of the iStar Group. SpinCo will cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement or in any Ancillary Agreement to be performed by any member of the SpinCo Group. Each Party (including its permitted successors and assigns) further agrees that it will (a) give timely notice of the terms, conditions and continuing obligations contained in this Agreement and any applicable Ancillary Agreement to all of the other members of its Group and (b) cause all of the other members of its Group not to take any action or fail to take any such action inconsistent with such Party's obligations under this Agreement, any Ancillary Agreement or the transactions contemplated hereby or thereby.

9.15 **Responsibility for Expenses.**

(a) Except as otherwise expressly set forth in this Agreement or any Ancillary Agreement, or as otherwise agreed to in writing by the Parties, all costs and expenses incurred on or prior to the Distribution Effective Time in connection with the preparation, execution, delivery and consummation of this Agreement and any Ancillary Agreement and the consummation of the transactions contemplated hereby and thereby shall be charged to and paid by SpinCo.

(b) Except as otherwise expressly set forth in this Agreement or any Ancillary Agreement, or as otherwise agreed to in writing by the Parties, each Party shall bear its own costs and expenses incurred or accrued after the Distribution Effective Time.

9.16 **Further Assurances.** Each Party covenants and agrees that, subsequent to the execution and delivery of this Agreement and without any additional consideration, it will execute and deliver any further legal instruments and perform any acts which are or may become reasonably necessary to effectuate the purposes of this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

iSTAR INC.

By: _____
Name:
Title:

[SPINCO]

By: _____
Name:
Title:

[Signature Page to Separation and Distribution Agreement]

Exhibit A

Transferred Assets and Liabilities

The Transferred Assets shall include:

1. all issued capital stock or other equity interests owned by iStar or a Subsidiary thereof in (a) each Subsidiary of SpinCo as of the Distribution Effective Time, and (b) each of the following entities (the “**Transferred Entities**”):

Entity	Owner (iStar or a Subsidiary thereof)	Interest

Entity	Owner (iStar or a Subsidiary thereof)	Interest

2. all right, title and interest of iStar or a Subsidiary thereof, whether as owner, mortgagee or holder, of a Security Interest therein, of the following properties:
 - [addresses]
3. the SAFE Shares;
4. (a) all of the trademark rights of iStar or its Subsidiaries in the name and logo of SpinCo, the names and logos of the SpinCo Subsidiaries, the names and logos of the real estate-related assets and development projects held by the SpinCo Group and (b) the Know-How used to conduct the Transferred Business except that, if any of such Know-How was (x) used by the iStar Group prior to the Distribution Effective Time for the part of its business excluding the Transferred Business, or (y) will be used by the iStar Group after the Distribution Effective Time, such Know-How shall not be a Transferred Asset and instead, effective as of the Distribution Effective Time, iStar grants, or shall cause its relevant Group member to grant, to the SpinCo Group, a limited, perpetual, non-exclusive, non-transferable, fully paid-up license to use such Know-How in the field-of-use that the SpinCo Group will be operating in immediately after the Distribution Effective Time. Such Know-How is being licensed “as is” and iStar hereby disclaims all representations and warranties, whether express, implied, statutory, or otherwise with respect thereto;
5. all computing peripherals (monitors, keyboards, webcams, etc.), tablets, conference room cameras/computers/display units, and server room equipment owned by iStar or its Subsidiaries as of the Distribution Effective Time located in _____;

6. all contracts entered into in the name of, or expressly on behalf of, SpinCo, any subsidiary of SpinCo, or any of the Transferred Entities of iStar or a Subsidiary thereof;
7. all other Assets primarily related to the properties owned by the Transferred Entities, including all furniture, buildings, fixtures, equipment, easements and other appurtenances located at the foregoing properties;
8. all Shared Contracts to the extent allocated to the SpinCo Group pursuant to Section 2.7;
9. all Permits of iStar or its Subsidiaries used primarily in the Transferred Business, other than those used in the Excluded Business;
10. all books and records, wherever located, of iStar or its Subsidiaries primarily related to the Transferred Business other than the Excluded Business, solely to the extent such books and records related to the Transferred Business (and subject to the access rights retained by iStar and its Subsidiaries pursuant to this Agreement or any Ancillary Agreement (or the Exhibits or Schedules hereto or thereto));
11. all accounts receivable, rights, claims demands, causes of action, judgments, decrees, and rights to indemnify or contribution in favor of iStar or its Subsidiaries that are primarily related to the Transferred Business, other than to the extent such relates to the Excluded Business; or as otherwise addressed in the Agreement; and
13. all other assets mutually agreed by the Parties to be transferred to SpinCo or any other member of the SpinCo Group prior to the Distribution.

The Assumed Liabilities shall include:

1. all Liabilities under contracts or agreements assumed in connection with the Transferred Business;
2. all Liabilities (including Environmental Liabilities) relating to underlying circumstances or facts existing, or events occurring, prior to, on or after the Distribution, other than to the extent relating to the Excluded Business;
3. all guarantees and indemnitees in respect of any of the Transferred Assets or Assumed Liabilities;
4. all Third-Party Claims, other than to the extent relating to the Excluded Business;
5. all insurance charges related to the Transferred Business and Transferred Assets.

Exhibit B

Excluded Assets and Liabilities

The Excluded Assets shall include:

1. all issued capital stock or other equity interests in subsidiaries, joint ventures, partnerships or similar entities owned directly or indirectly by iStar or its Subsidiaries^{**}, other than those entities expressly listed as Transferred Assets;
2. all right, title and interest of iStar or its Subsidiaries, whether as owner, mortgagee or holder, of a Security Interest therein, of all properties owned by iStar or its Subsidiaries, other than those properties that are Transferred Assets;
3. all other Assets related to the Excluded Business, including all furniture, buildings, fixtures, equipment, easements and other appurtenances located at the foregoing properties;
4. all of the Intellectual Property of iStar or its Subsidiaries (including with respect to the use of any or all Intellectual Property related to the brands or businesses of any member of the iStar Group), other than the Intellectual Property included in the Transferred Assets;
5. all cash-on-hand held by iStar and its Subsidiaries, other than the Cash Contribution;
6. all contracts entered into in the name of, or expressly on behalf of iStar or its Subsidiaries (other than, and solely to the extent that, such contracts are Transferred Assets);
7. all Shared Contracts to the extent allocated to the iStar Group pursuant to Section 2.7;
8. all Permits of iStar or its Subsidiaries used in the Excluded Business;
9. all books and records, wherever located, of iStar or its Subsidiaries related to the Excluded Business;
10. all accounts receivable, rights, claims demands, causes of action, judgments, decrees and rights to indemnify or contribution in favor of iStar or its Subsidiaries that are related to the Excluded Business; and
11. all other assets mutually agreed by the Parties to be retained by iStar or any of its Subsidiaries prior to the Distribution.

The Excluded Liabilities shall include:

1. all Liabilities (including Environmental Liabilities) relating to underlying circumstances or facts existing, or events occurring, prior to, on, or after the Distribution, to the extent relating to the Excluded Business or Excluded Assets, in each case, other than the Transferred Business;

^{**} All references in this Exhibit to iStar and subsidiaries of iStar shall be deemed to include SAFE and Subsidiaries of SAFE after the effective time of the Merger.

2. all guarantees and indemnitees in respect of any of the Excluded Assets or Excluded Liabilities other than the Transferred Business;
3. all Third-Party Claims to the extent relating to the Excluded Assets or Excluded Liabilities other than the Transferred Business; and
4. all insurance charges related to the Excluded Business and Excluded Assets other than the Transferred Business.

Exhibit C
Management Agreement

Exh. C-1

Exhibit D
Distribution Steps Plan

Exh. D-1

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT is entered into on _____, by and between [SPINCO], a Maryland business trust (“SpinCo”), and [MANAGER], a Delaware limited liability company (together with its permitted assignees, the “Manager”).

WHEREAS, in connection with the separation transactions and the distribution of all of the interests in SpinCo to the stockholders of iStar (the “Spin-Off”), as contemplated by the Separation and Distribution Agreement dated as of the date hereof between SpinCo and iStar, the parties desire to enter into this Agreement to provide for the Manager to provide management and advisory services to SpinCo from and after the Spin-Off on the terms set forth herein; and

WHEREAS, upon consummation of the merger of iStar and SAFE, the surviving company of the merger (the “Surviving Company”), to be named “Safehold Inc.,” will be the ultimate parent company of the Manager.

NOW THEREFORE, in consideration of the mutual agreements herein set forth and such other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. **Definitions.** The following terms have the following meanings assigned to them:

- (a) “**Accelerated Termination Date**” shall have the meaning set forth in Section 14(c) of this Agreement.
- (b) “**Affiliate**” means a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified. For purposes of this Agreement, SpinCo shall not be deemed to be an Affiliate of the Manager and the Manager shall not be deemed to be an Affiliate of SpinCo.
- (c) “**Agreement**” means this Management Agreement, as amended, restated or supplemented from time to time.
- (d) “**Annual Term**” means the Initial Term and each Automatic Renewal Term.
- (e) “**Assets**” means the assets of SpinCo and the Subsidiaries.
- (f) “**Automatic Renewal Term**” means each successive one year term of the Agreement after the end of the Initial Term.
- (g) “**Bankruptcy**” means, with respect to any Person, (a) the filing by such Person of a voluntary petition seeking liquidation, reorganization, arrangement or readjustment, in any form, of its debts under Title 11 of the United States Code or any other federal, state or foreign insolvency law, or such Person’s filing an answer consenting to or acquiescing in any such petition, (b) the making by such Person of any assignment for the benefit of its creditors, (c) the expiration of 60 days after the filing of an involuntary petition under Title 11 of the United States Code, an application for the appointment of a receiver for a material portion of the assets of such Person, or an involuntary petition seeking liquidation, reorganization, arrangement or readjustment of its debts under any other federal, state or foreign insolvency law, **provided** that the same shall not have been vacated, set aside or stayed within such 60-day period or (d) the entry against it of a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereinafter in effect.

- (h) **“Board of Trustees”** means the Board of Trustees of SpinCo.
- (i) **“Code”** means the Internal Revenue Code of 1986, as amended.
- (j) **“Company Account”** shall have the meaning set forth in Section 5 of this Agreement.
- (k) **“Company Common Shares”** means the common shares of beneficial interest, \$0.01 par value per share, of SpinCo.
- (l) **“Company Indemnified Party”** shall have the meaning set forth in Section 12(b) of this Agreement.
- (m) **“Excess Funds”** shall have the meaning set forth in Section 2(j) of this Agreement.
- (n) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended.
- (o) **“Expenses”** shall have the meaning set forth in Section 10(a) of this Agreement.
- (p) **“GAAP”** means generally accepted accounting principles, as applied in the United States.
- (q) **“Governance Agreement”** means the Governance Agreement to be entered into on the date hereof by and between iStar and SpinCo.
- (r) **“Governing Instruments”** means, with regard to any entity, the articles of incorporation and bylaws in the case of a corporation, certificate of limited partnership (if applicable) and the partnership agreement in the case of a general or limited partnership, the articles of formation and the operating or limited liability company agreement in the case of a limited liability company, the trust instrument in the case of a trust, or similar governing documents, in each case as amended from time to time.
- (s) **“Indemnitee”** shall have the meaning set forth in Section 12(b) of this Agreement.
- (t) **“Indemnitor”** shall have the meaning set forth in Section 12(c) of this Agreement.

(u) **“Independent Trustees”** means the members of the Board of Trustees who are not officers, personnel or employees of the Manager or any Person directly or indirectly controlling or controlled by the Manager, and who are otherwise “independent” in accordance with SpinCo’s Governing Instruments and, if applicable, the rules of any national securities exchange on which Company Common Shares are listed.

(v) **“Initial Term”** means the period from the date hereof through the first anniversary of such date.

(w) **“Investment Company Act”** means the Investment Company Act of 1940, as amended.

(x) **“iStar”** means iStar Inc., a Maryland corporation, or any Person which is a successor (by merger, consolidation, purchase of all or substantially all of the consolidated assets of iStar, or similar transaction) to iStar, including, from and after the consummation of the Merger, the Surviving Company.

(y) **“Management Fee”** means the per annum management fee set forth in the table below for each relevant Annual Term of the Agreement beginning on the date hereof, in each case calculated and payable quarterly in arrears:

Annual Term	Annual Fee
Initial Term	\$25.0 million
First Annual Renewal Term	\$15.0 million
Second Annual Renewal Term	\$10.0 million
Third Annual Renewal Term	\$5.0 million
Thereafter	2.0 % of the gross book value of SpinCo’s Assets, excluding shares of common stock or other securities of SAFE, as of the end of each fiscal quarter, as reported in its SEC filings.

(z) **“Manager”** shall have the meaning set forth in the introductory paragraph of this Agreement.

(aa) **“Manager Change of Control”** means that iStar (i) ceases to be the direct or indirect beneficial owner of not less than a majority of (x) the combined voting power of the Manager’s then outstanding equity interests or (y) the Manager’s outstanding equity interests, or (ii) ceases to hold the exclusive power to direct or control the management policies of the Manager, whether through the ownership of beneficial equity interests, common directors or officers, by contract or otherwise. Manager Change of Control shall not include (i) any assignment of this Agreement by the Manager as permitted hereby and in accordance with the terms hereof; or (ii) a change of control of iStar.

- (bb) “**Manager Indemnified Party**” shall have the meaning set forth in Section 12(a) of this Agreement.
- (cc) “**Merger**” means the merger of iStar and SAFE pursuant to the Agreement and Plan of Merger, dated as of _____, 2022, between iStar and SAFE.
- (dd) “**Original Due Date**” shall have the meaning set forth in Section 8(b) of this Agreement.
- (ee) “**Person**” means any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.
- (ff) “**Portfolio Management Services**” shall have the meaning set forth in Section 2(c) of this Agreement.
- (gg) “**SAFE**” means Safehold Inc, a Maryland corporation, or any Person which is a successor (by merger, consolidation, purchase of all or substantially all of the consolidated assets of SAFE, or similar transaction) to SAFE prior to the consummation of the Merger (which, for the avoidance of doubt, does not include the Surviving Company).
- (hh) “**Securities Act**” means the Securities Act of 1933, as amended.
- (ii) “**Shortfall Amount**” shall have the meaning set forth in Section 8(b) of this Agreement.
- (jj) “**SpinCo**” shall have the meaning set forth in the introductory paragraph of this Agreement.
- (kk) “**Spin-Off**” shall have the meaning set forth in the recitals of this Agreement.
- (ll) “**Subsidiary**” means any subsidiary of SpinCo; any partnership, the general partner of which is SpinCo or any subsidiary of SpinCo; any limited liability company, the managing member of which is SpinCo or any subsidiary of SpinCo; and any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by SpinCo or any subsidiary of SpinCo.
- (mm) “**Termination Fee**” means:
- (i) in respect of a Termination Without Cause by SpinCo pursuant to Section 14(b), (x) \$50.0 million minus (y) the aggregate amount of Management Fees actually paid to the Manager prior to the termination date; **provided, however**, that if SpinCo has completed the liquidation of its Assets on or before the termination date, the Termination Fee shall mean the sum of (x) any portion of the annual Management Fee that remained unpaid for the remainder of the Annual Term in which the termination date occurs plus, (y) if the termination date occurs on or before the third anniversary of the Spin-Off, the amount of the Management Fee that would have been payable for the next succeeding Annual Term, or, if the termination date occurs after the third anniversary of the Spin-Off, zero; and

(ii) in respect of a termination by the Manager pursuant to Section 14(c), the Termination Fee shall be the amount determined in accordance with the table below, based on the Annual Term in which the termination date occurs, plus the balance of any unpaid portion of the annual Management Fee for the year in which the Manager delivers a notice of termination pursuant to Section 14(c):

<u>Annual Term</u>	<u>Threshold Amount</u>	<u>Termination Fee</u>
Initial Term	\$120.0 million	\$30.0 million
First Annual Renewal Term	75.0 million	15.0 million
Second Annual Renewal Term	45.0 million	5.0 million
Third Annual Renewal Term and thereafter	N/A	0

- (nn) “**Termination Notice**” shall have the meaning set forth in Section 14(b) of this Agreement.
- (oo) “**Termination Without Cause**” shall have the meaning set forth in Section 14(b) of this Agreement
- (pp) “**Threshold Amount**” means the relevant “Threshold Amount” for an Annual Term, as set forth in the definition of “Termination Fee.”

Section 2. **Appointment and Duties of the Manager.**

(a) SpinCo hereby appoints the Manager to manage the Assets and the day-to-day operations of SpinCo, subject to the terms and conditions set forth in this Agreement, and the Manager hereby agrees to perform each of the duties set forth herein. The appointment of the Manager shall be exclusive to the Manager subject to the terms and conditions set forth in this Agreement.

(b) The parties acknowledge that (i) the Manager is a special purpose vehicle formed for the principal purpose of serving as the investment manager of SpinCo and its Subsidiaries and the Assets; (ii) the Manager is an affiliate of iStar; (iii) the Manager performs its services for SpinCo and its Subsidiaries through the personnel and facilities of iStar; and (iv) the Manager has no, and will have no, employees or other persons acting on its behalf other than (A) officers, partners and employees of iStar, or (B) other persons who are subject to the supervision and control of iStar.

(c) The Manager, in its capacity as manager of the Assets and the day to day operations of SpinCo and the Subsidiaries, at all times will be subject to the supervision of the Board of Trustees and will have only such functions and authority as SpinCo may delegate to it including, without limitation:

- Trustees;
- (i) managing, financing, retaining, selling, restructuring or disposing of Assets, in accordance with any specific parameters established by the Board of Trustees;
 - (ii) advising on the terms of transactions entered into by SpinCo and the Subsidiaries and general corporate strategy of SpinCo and the Subsidiaries;
 - (iii) representing and making recommendations to SpinCo in connection with the development, management, financing, sale and commitment to sell assets;
 - (iv) with respect to prospective transactions, contracts, leases, sales or exchanges involving Assets, conducting negotiations on behalf of SpinCo and the Subsidiaries with buyers, tenants, developers, construction agents, purchasers and brokers and, if applicable, their respective agents and representatives;
 - (v) advising SpinCo on and, negotiating and entering into, on behalf of SpinCo and the Subsidiaries, credit facilities (including term loans and revolving facilities), mortgage indebtedness, repurchase agreements, warehouse lines, financing vehicles, agreements relating to borrowings under programs established by governmental agencies or programs, commercial paper programs, interest rate swap and cap agreements and other hedging instruments, and all other agreements and engagements required for SpinCo and the Subsidiaries to conduct their business;
 - (vi) overseeing tenants, borrowers and other counterparties;
 - (vii) retaining, supervising and directing asset level personnel and consultants (subject to Section 10(a)(xix));
 - (viii) engaging and supervising, on behalf of SpinCo and the Subsidiaries and at SpinCo's expense, independent contractors which provide construction consulting, hotel and property management, real estate brokerage, investment banking, mortgage brokerage, securities brokerage, other real estate and financial services, due diligence services, underwriting review services, legal and accounting services, and all other services as may be required relating to Assets;
 - (ix) advising SpinCo on, preparing, negotiating and entering into, on behalf of SpinCo, applications and agreements relating to governmental programs;
 - (x) coordinating and managing operations of any co-investment interests or joint venture held by SpinCo and the Subsidiaries and conducting all matters with the co-investment partners or joint ventures;

(xi) arranging marketing materials, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote SpinCo's Assets;

(xii) providing executive and administrative personnel, office space and office services required in rendering services to SpinCo and the Subsidiaries;

(xiii) administering the day-to-day operations and performing and supervising the performance of such other administrative functions necessary to the management of SpinCo and the Subsidiaries as may be agreed upon by the Manager and the Board of Trustees, including, without limitation, the collection of rents and interest payments, the payment of the debts and obligations of SpinCo and the Subsidiaries and maintenance of appropriate computer services to perform such administrative functions;

(xiv) communicating on behalf of SpinCo and the Subsidiaries with the holders of any of their equity or debt securities and lenders as required to satisfy the reporting and other requirements of any governmental bodies or agencies or trading markets and to maintain effective relations with such holders and lenders;

(xv) counseling SpinCo in connection with policy decisions to be made by the Board of Trustees;

(xvi) evaluating and recommending to the Board of Trustees hedging strategies and engaging in hedging activities on behalf of SpinCo and the Subsidiaries, consistent with such strategies as so modified from time to time;

(xvii) counseling SpinCo regarding tax matters and tax compliance;

(xviii) counseling SpinCo and the Subsidiaries regarding the maintenance of their exemptions from the status of an investment company required to register under the Investment Company Act, monitoring compliance with the requirements for maintaining such exemptions and using commercially reasonable efforts to cause them to maintain such exemptions from such status;

(xix) furnishing reports and statistical and economic research to SpinCo and the Subsidiaries regarding their activities and services performed for SpinCo and the Subsidiaries by the Manager;

(xx) monitoring the performance of the Assets and providing periodic reports with respect thereto to the Board of Trustees, including comparative information with respect to such operating performance and budgeted or projected operating results;

(xxi) investing and reinvesting any moneys and securities of SpinCo and the Subsidiaries (including investing in short-term Assets pending the disposition of other Assets, payment of fees, costs and expenses, or payments of dividends or distributions to stockholders and partners of SpinCo and the Subsidiaries) and advising SpinCo and the Subsidiaries as to their capital structure and capital raising;

(xxii) assisting SpinCo and the Subsidiaries in retaining qualified accountants and legal counsel, as applicable, to assist in developing appropriate accounting systems and procedures, internal controls and other compliance procedures and testing systems with respect to financial reporting obligations and to conduct quarterly compliance reviews with respect thereto;

(xxiii) assisting SpinCo and the Subsidiaries to qualify to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;

(xxiv) assisting SpinCo and the Subsidiaries in complying with all regulatory requirements applicable to them in respect of their business activities, including preparing or causing to be prepared all financial statements required under applicable regulations and contractual undertakings and all reports and documents, if any, required under the Exchange Act, the Securities Act, or by stock exchange requirements;

(xxv) assisting SpinCo and the Subsidiaries in taking all necessary action to enable them to make required tax filings and reports;

(xxvi) handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) on SpinCo's and/or the Subsidiaries' behalf in which SpinCo and/or the Subsidiaries may be involved or to which they may be subject arising out of their day-to-day operations (other than with the Manager or its Affiliates), subject to such limitations or parameters as may be imposed from time to time by the Board of Trustees;

(xxvii) using commercially reasonable efforts to cause expenses incurred by SpinCo and the Subsidiaries or on their behalf to be commercially reasonable or commercially customary and within any budgeted parameters or expense guidelines set by the Board of Trustees from time to time;

(xxviii) advising SpinCo and the Subsidiaries with respect to and structuring long term financing vehicles for the Assets, and offering and selling securities publicly or privately in connection with any such financing;

(xxix) serving as SpinCo's and the Subsidiaries' consultant with respect to decisions regarding any of their financings, hedging activities or borrowings undertaken by SpinCo and the Subsidiaries including (1) assisting SpinCo and the Subsidiaries in developing criteria for debt and equity financing that are specifically tailored to their investment objectives, and (2) advising SpinCo and the Subsidiaries with respect to obtaining appropriate financing for their investments;

(xxx) performing such other services as may be required from time to time for management and other activities relating to the Assets and business of SpinCo and the Subsidiaries as the Board of Trustees and the Manager, each acting reasonably shall agree from time to time; and

(xxxi) using commercially reasonable efforts to cause SpinCo and the Subsidiaries to comply with all applicable laws.

Without limiting the foregoing, the Manager will perform portfolio management services (the “**Portfolio Management Services**”) on behalf of SpinCo and the Subsidiaries with respect to the Assets. Such services will include, but not be limited to: consulting with SpinCo and the Subsidiaries on the underwriting, and sale of, and other opportunities in connection with, SpinCo’s portfolio of Assets; the collection of information and the submission of reports pertaining to SpinCo’s Assets, tenants, borrowers, market conditions, interest rates and general economic conditions; periodic review and evaluation of the performance of SpinCo’s portfolio of Assets; acting as liaison between SpinCo and the Subsidiaries and real estate brokerage, hotel management, construction management, development, tenant, banking, mortgage banking, investment banking and other parties with respect to the financing and disposition of Assets; and other customary functions related to portfolio management as the Board of Trustees and the Manager, each acting reasonably, shall agree from time to time. For the avoidance of doubt, unless otherwise agreed by the Board of Trustees and the Manager or as otherwise in connection with the ordinary course management and operation of the Assets, the Manager shall not be responsible for assisting SpinCo in the acquisition, purchase or origination of additional Assets.

(d) For the period and on the terms and conditions set forth in this Agreement, SpinCo and each of the Subsidiaries hereby constitutes, appoints and authorizes the Manager as its true and lawful agent and attorney-in-fact, in its name, place and stead, to negotiate, execute, deliver and enter into such development agreements, management agreements, construction agreements, leases, purchase agreements, financing agreements, organizational documents, guaranties, joint venture agreements, brokerage agreements, hedging agreements, custodial agreements and such other agreements, instruments and authorizations on their behalf, on such terms and conditions as the Manager, acting in its sole and absolute discretion, deems necessary or appropriate. This power of attorney is deemed to be coupled with an interest.

(e) The Manager may enter into agreements with other parties, including its Affiliates, for the purpose of engaging one or more parties for and on behalf, and at the sole cost and expense, of SpinCo and the Subsidiaries to provide services to SpinCo and the Subsidiaries (including, without limitation, Portfolio Management Services) pursuant to agreement(s) with terms which are then customary for agreements regarding the provision of services to companies that have assets similar in type, quality and value to the Assets of SpinCo and the Subsidiaries; **provided** that any such agreements entered into with Affiliates of the Manager shall be on terms no more favorable to such Affiliate than would be obtained from a third party on an arm’s-length basis and shall be subject to approval by a majority of the Independent Trustees. Except as otherwise agreed by SpinCo, the Manager shall remain personally liable for the performance of such services by its Affiliates.

(f) In addition, to the extent that the Manager deems necessary or advisable, the Manager may, from time to time, propose to retain one or more additional entities for the provision of sub-advisory services to the Manager in order to enable the Manager to provide the services to SpinCo and the Subsidiaries specified by this Agreement; **provided** that any such agreement (i) shall be on terms and conditions substantially identical to the terms and conditions of this Agreement or otherwise not adverse to SpinCo and the Subsidiaries, and (ii) shall be subject to approval by a majority of the Independent Trustees of SpinCo.

(g) The Manager may retain, for and on behalf and at the sole cost and expense of SpinCo and the Subsidiaries, such services of accountants, legal counsel, appraisers, insurers, brokers, transfer agents, registrars, developers, investment banks, valuation firms, financial advisors, due diligence firms, underwriting review firms, construction consulting firms, banks and other lenders and others as the Manager deems necessary or advisable in connection with the management and operations of SpinCo and the Subsidiaries.

(h) The Manager may effect transactions by or through the agency of another Person through an arrangement under which that party or its Affiliates will from time to time provide to or procure for the Manager and/or its Affiliates goods, services or other benefits, the nature of which is such that provision can reasonably be expected to benefit SpinCo and the Subsidiaries as a whole and may contribute to an improvement in the performance of SpinCo and the Subsidiaries or the Manager or its Affiliates in providing services to SpinCo and the Subsidiaries on terms that no direct payment is made but instead the Manager and/or its Affiliates undertake to place business with that party.

(i) The Manager shall prepare, or cause to be prepared at the sole cost and expense of SpinCo and the Subsidiaries:

(i) regular reports for the Board of Trustees to enable the Board of Trustees to review SpinCo's and the Subsidiaries' investments, financing arrangements, performance, compliance with the Governing Instruments and compliance with other policies approved by the Board of Trustees from time to time;

(ii) with respect to any Asset, such reports and other information as may be reasonably requested by SpinCo;

(iii) any materials required to be filed with any governmental body or agency;

(iv) reports required by debt providers; and

(v) such reports and other materials including, without limitation, an annual audit of SpinCo's and the Subsidiaries' books of account by a nationally recognized registered independent public accounting firm.

(j) Notwithstanding anything contained in this Agreement to the contrary, except to the extent that the payment of additional moneys is proven by SpinCo to have been required as a direct result of the Manager's acts or omissions which result in the right of SpinCo and the Subsidiaries to terminate this Agreement pursuant to Section 16 of this Agreement, the Manager shall not be required to expend money ("Excess Funds") in connection with any expenses that are required to be paid for or reimbursed by SpinCo and the Subsidiaries pursuant to Section 10 in excess of that contained in any applicable Company Account (as herein defined) or otherwise made available by SpinCo and the Subsidiaries to be expended by the Manager hereunder. Failure of the Manager to expend Excess Funds out-of-pocket shall not give rise or be a contributing factor to the right of SpinCo and the Subsidiaries under Section 14 of this Agreement to terminate this Agreement due to the Manager's unsatisfactory performance.

(k) In performing its duties under this Section 2, the Manager shall be entitled to rely reasonably on qualified experts and professionals (including, without limitation, accountants, legal counsel and other service providers) hired by the Manager at SpinCo's and the Subsidiaries' sole cost and expense.

(l) SpinCo and the Manager acknowledge that an affiliate of the Manager (the "**Lender**") has provided a term loan facility to SpinCo (the "**Term Loan**"). SpinCo and the Manager agree that the rights, obligations and liabilities of the Lender and SpinCo with respect to the Term Loan shall be determined solely pursuant to the documents governing the Term Loan and not this Agreement.

Section 3. Devotion of Time; Additional Activities.

(a) The Manager and its Affiliates will provide SpinCo and the Subsidiaries with a management team, including a chief executive officer, a chief financial officer, a chief compliance officer and other appropriate support personnel, to provide the management services hereunder. None of the Manager or its Affiliates shall be obligated to dedicate any of its officers or employees exclusively to SpinCo, nor is the Manager or any of its Affiliates or any of their respective personnel obligated to dedicate any specific portion of its or their time to SpinCo.

(b) Nothing in this Agreement shall (i) prevent the Manager or any of its Affiliates, officers, directors, employees or personnel, from engaging in other businesses or from rendering services of any kind to any other Person, including, without limitation, investing in, or rendering advisory services to others investing in, any type of business (including, without limitation, acquisitions of assets that meet the principal objectives of SpinCo), whether or not the objectives or policies of any such other Person or entity are similar to those of SpinCo or (ii) in any way bind or restrict the Manager or any of its Affiliates, officers, directors, employees or personnel from buying, selling or trading any securities or assets for their own accounts or for the account of others for whom the Manager or any of its Affiliates, officers, directors, employees or personnel may be acting. When making decisions where a conflict of interest may arise, the Manager will use its reasonable best efforts to allocate opportunities in a fair and equitable manner over time as between SpinCo and the Subsidiaries and the Manager's other clients, taking into account SpinCo's business strategy which is primarily to manage the Assets and sell them over time and not to acquire or originate new Assets.

(c) Managers, partners, officers, employees, personnel and agents of the Manager or Affiliates of the Manager may serve as directors, trustees, officers, employees, personnel, agents, nominees or signatories for SpinCo and/or any Subsidiary, to the extent permitted by their Governing Instruments or by any resolutions duly adopted by the Board of Trustees pursuant to SpinCo's Governing Instruments. When executing documents or otherwise acting in such capacities for SpinCo or the Subsidiaries, such persons shall use their respective titles in SpinCo or the Subsidiaries.

Section 4. Agency. The Manager shall act as agent of SpinCo and the Subsidiaries in transactions and contracts involving the Assets, disbursing and collecting the funds of SpinCo and the Subsidiaries, paying the debts and fulfilling the obligations of SpinCo and the Subsidiaries, supervising the performance of professionals engaged by or on behalf of SpinCo and the Subsidiaries and handling, prosecuting and settling any claims of or against SpinCo and the Subsidiaries, the Board of Trustees, holders of SpinCo's securities or representatives or property of SpinCo and the Subsidiaries.

Section 5. **Bank Accounts.** At the direction of the Board of Trustees, the Manager may establish and maintain one or more bank accounts in the name of SpinCo or any Subsidiary (any such account, a “**Company Account**”), and may collect and deposit funds into any such Company Account or Company Accounts, and disburse funds from any such Company Account or Company Accounts, under such terms and conditions as the Board of Trustees may approve; and the Manager shall from time to time render appropriate accountings of such collections and payments to the Board of Trustees and, upon request, to the auditors of SpinCo or any Subsidiary.

Section 6. **Records; Confidentiality.** The Manager shall maintain appropriate books of accounts and records relating to services performed under this Agreement, and such books of account and records shall be accessible for inspection by representatives of SpinCo or any Subsidiary at any time during normal business hours upon reasonable advance notice. The Manager shall keep confidential any and all information obtained in connection with the services rendered under this Agreement and shall not disclose any such information (or use the same except in furtherance of its duties under this Agreement) to unaffiliated third parties except (i) with the prior written consent of a majority of the Independent Trustees; (ii) to legal counsel, accountants and other professional advisors; (iii) to appraisers, financing sources and others in the ordinary course of SpinCo’s business; (iv) to governmental officials having jurisdiction over SpinCo or any Subsidiary; (v) in connection with any governmental or regulatory filings of SpinCo or any Subsidiary or disclosure or presentations to SpinCo’s stockholders or prospective stockholders; (vi) as required by law or legal process to which the Manager or any Person to whom disclosure is permitted hereunder is a party; or (vii) to the extent such information is otherwise publicly available. The foregoing shall not apply to information which has previously become publicly available through the actions of a Person other than the Manager not resulting from the Manager’s violation of this Section 6. Clauses (v) and (vi) of this Section 6 shall survive the expiration or earlier termination of this Agreement for a period of one year.

Section 7. **Obligations of Manager; Restrictions.**

(a) The Manager shall refrain from any action that, in its sole judgment made in good faith, (i) would adversely and materially affect SpinCo’s or any Subsidiary’s status as an entity intended to be exempted or excluded from investment company status under the Investment Company Act or (ii) would violate any law, rule or regulation of any governmental body or agency having jurisdiction over SpinCo or any Subsidiary or that would otherwise not be permitted by SpinCo’s Governing Instruments. If the Manager is ordered to take any such action by the Board of Trustees, the Manager shall promptly notify the Board of Trustees of the Manager’s judgment that such action would adversely and materially affect such status or violate any such law, rule or regulation or the Governing Instruments. Notwithstanding the foregoing, the Manager, its directors, members, officers, stockholders, managers, personnel, employees and any Person controlling or controlled by the Manager and any person providing sub-advisory services to the Manager shall not be liable to SpinCo or any Subsidiary, the Board of Trustees, or SpinCo’s or any Subsidiary’s stockholders, members or partners, for any act or omission by the Manager, its directors, officers, stockholders, personnel or employees except as provided in Section 12 of this Agreement.

(b) The Board of Trustees shall periodically review SpinCo's portfolio of Assets. The Manager shall be permitted to rely upon the direction of the Secretary of SpinCo to evidence the approval of the Board of Trustees or the Independent Trustees with respect to a proposed transaction involving the Assets.

(c) Neither SpinCo nor the Subsidiaries shall acquire or dispose of any security issued by SAFE or any entity managed by the Manager or any Affiliate thereof, other than the acquisition of the shares of SAFE that are part of SpinCo's portfolio at the time of the Spin-Off, or purchase or sell any Asset from or to any entity managed by the Manager or its Affiliates, unless (i) the transaction is approved in advance by a majority of the Independent Trustees; and (ii) the transaction is made in accordance with applicable laws and the Governance Agreement.

(d) In the event that SpinCo or any Subsidiary invests in, acquires or sells assets to any joint ventures with iStar or its Affiliates, or if SpinCo or any Subsidiary purchases assets from, sells assets to, arranges financing from, or provides financing to, iStar or any of its Affiliates, any such transactions shall require the approval of the Independent Trustees other than the acquisition of the shares of SAFE that are part of SpinCo's portfolio at the time of the Spin-Off, and other than the secured term loan being provided by SAFE to SpinCo in connection with the Spin-Off.

(e) The Manager shall at all times during the term of this Agreement maintain "errors and omissions" insurance coverage and other insurance coverage which is customarily carried by asset and investment managers performing functions similar to those of the Manager under this Agreement with respect to assets similar to the assets of SpinCo and the Subsidiaries, in an amount which is comparable to that customarily maintained by other managers or servicers of similar assets.

Section 8. **Compensation.**

(a) SpinCo shall pay one-fourth of the annual Management Fee to the Manager quarterly in arrears in cash, subject to Section 8(b).

(b) The Manager shall deliver an invoice which shall include a computation of each installment of the Management Fee within 45 days after the end of the fiscal quarter with respect to which such installment is payable. A copy of the invoice shall thereafter, for informational purposes only and subject in any event to Section 14 of this Agreement, promptly be delivered to the Board of Trustees. Payment of the Management Fee shall be due no later than five business days after the date of such invoice to the Board of Trustees (the "**Original Due Date**"); provided, however that if SpinCo does not have sufficient net cash proceeds on hand from Asset sales (after giving effect to mandatory prepayments of debt triggered by such Asset sales) or other available sources to pay the Management Fee in full by the Original Due Date, SpinCo shall pay the maximum amount available to it by the Original Due Date and the remaining shortfall (the "**Shortfall Amount**") shall be carried forward and shall be paid within 10 days after sufficient net proceeds have been generated by subsequent Asset sales to cover the Shortfall Amount in full; provided further, however, that in no event shall a Shortfall Amount in respect of any fiscal quarter remain unpaid by the 12 months anniversary of the Original Due Date.

Section 9. **Ground Lease Exclusivity.** During the term of this Agreement, SpinCo shall not originate or create a ground lease on any of its Assets unless it has first given SAFE at least 14 days advance notice of the proposed ground lease, which notice shall include the material terms of the proposed ground lease, and offered SAFE the opportunity to provide the ground lease on similar or more favorable terms, and SAFE shall have rejected the opportunity or failed to accept it within the 14 day period.

Section 10. **Expenses of SpinCo.**

(a) SpinCo shall pay all of its expenses and shall reimburse the Manager for documented expenses of the Manager incurred on its behalf (collectively, the “**Expenses**”) except those expenses that are specifically the responsibility of the Manager as set forth herein. Expenses include all costs and expenses which are expressly designated elsewhere in this Agreement as SpinCo’s, together with the following:

(i) expenses in connection with the transaction costs incident to transactions involving Assets including, without limitation, the leasing, disposition and financing of Assets;

(ii) costs of legal, tax, accounting, consulting, auditing, administrative and other similar services rendered for SpinCo and the Subsidiaries by providers retained by the Manager;

(iii) the compensation and expenses of SpinCo’s directors and the allocable share to SpinCo of the cost of directors’ and officers’ liability insurance;

(iv) costs associated with the establishment and maintenance of any of SpinCo’s credit facilities, margin loans, repurchase agreements, mortgage indebtedness or other indebtedness of SpinCo (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of SpinCo’s or any Subsidiary’s securities offerings;

(v) expenses connected with communications to lenders and holders of SpinCo’s or any Subsidiary’s securities and other bookkeeping and clerical work necessary in maintaining relations with lenders and holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including, without limitation, all costs of preparing and filing required reports with the Securities and Exchange Commission, the costs payable by SpinCo to any transfer agent and registrar in connection with the listing and/or trading of SpinCo’s stock on any exchange, the fees payable by SpinCo to any such exchange in connection with its listing, and the costs of preparing, printing and mailing SpinCo’s annual report to its stockholders and proxy materials with respect to any meeting of SpinCo’s stockholders;

(vi) costs associated with any computer software or hardware, electronic equipment or purchased information technology services from third-party vendors that is used for SpinCo and the Subsidiaries;

(vii) expenses incurred by managers, officers, personnel and agents of the Manager for travel on SpinCo's behalf and other out-of-pocket expenses incurred by managers, officers, personnel and agents of the Manager in connection with the management, development, construction, leasing, financing, refinancing, sale, disposition or other transactions involving an Asset or establishment and maintenance of any of SpinCo's credit facilities, margin loans, repurchase agreements, financing vehicles and borrowings under programs established by the U.S. government or any of SpinCo's or any of the Subsidiary's securities offerings;

(viii) costs and expenses incurred with respect to market information systems and publications, pricing and valuation services, research publications, and materials and settlement, clearing and custodial fees and expenses;

(ix) compensation and expenses of SpinCo's custodian and transfer agent, if any;

(x) the costs of maintaining compliance with all federal, state and local rules and regulations or any other regulatory agency;

(xi) all taxes and license fees;

(xii) all insurance costs incurred in connection with the operation of SpinCo's business;

(xiii) all other costs and expenses relating to the business operations of SpinCo and the Subsidiaries, including, without limitation, the costs and expenses of managing, owning, protecting, maintaining, developing and disposing of Assets, including appraisal, reporting, audit and legal fees;

(xiv) expenses relating to any office(s) or office facilities, including, but not limited to, disaster backup recovery sites and facilities, maintained for SpinCo and the Subsidiaries or Assets separate from the office or offices of the Manager;

(xv) expenses connected with the payments of interest, dividends or distributions in cash or any other form authorized or caused to be made by the Board of Trustees to or on account of lenders or holders of SpinCo's or any Subsidiary's securities, including, without limitation, in connection with any dividend reinvestment plan;

(xvi) any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise), including any costs or expenses in connection therewith, against SpinCo or any Subsidiary, or against any trustee, director or officer of SpinCo or of any Subsidiary in his capacity as such for which SpinCo or any Subsidiary is required to indemnify such trustee, director or officer by any court or governmental agency;

(xvii) all costs and expenses relating to the development and management of SpinCo's website;

(xviii) the allocable share of expenses under a universal insurance policy covering the Manager, iStar or its affiliates in connection with obtaining and maintaining "errors and omissions" insurance coverage and other insurance coverage which is customarily carried by property, asset and investment managers performing functions similar to those of our manager in an amount which is comparable to that customarily maintained by other managers or servicers of similar assets; and

(xix) the costs and expenses of consultants retained to work at SpinCo's real property assets.

(b) SpinCo shall have no obligation to reimburse the Manager or its Affiliates for (i) the salaries and other compensation of the Manager's personnel who provide services to SpinCo under this Agreement; **provided, however**, that SpinCo shall reimburse the Manager for the salaries and other compensation of up to two accounting personnel whose time shall be fully dedicated to providing services to SpinCo, which compensation shall be subject to the reasonable approval of the Independent Trustees on an annual basis, not to be unreasonably withheld or (ii) any portion of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses attributable to the personnel of the Manager and its Affiliates required for the operations of SpinCo and the Subsidiaries. The Manager shall be solely responsible for all such expenses.

(c) The Manager may, at its option, elect not to seek reimbursement for certain expenses during a given quarterly period, which determination shall not be deemed to construe a waiver of reimbursement for similar expenses in future periods.

(d) The provisions of this Section 10 shall survive the expiration or earlier termination of this Agreement to the extent such expenses have previously been incurred or are incurred in connection with such expiration or termination.

Section 11. **Calculations of Expenses.** The Manager shall prepare a statement documenting the Expenses of SpinCo and the Subsidiaries and the Expenses incurred by the Manager on behalf of SpinCo and the Subsidiaries during each fiscal quarter, and shall deliver such statement to SpinCo within 45 days after the end of each fiscal quarter. Expenses incurred by the Manager on behalf of SpinCo and the Subsidiaries shall be reimbursed by SpinCo to the Manager on the fifth business day immediately following the date of delivery of such statement; **provided, however**, that such reimbursements may be offset by the Manager against amounts due to SpinCo and the Subsidiaries. The provisions of this Section 11 shall survive the expiration or earlier termination of this Agreement.

Section 12. **Limits of Manager Responsibility; Indemnification.**

(a) The Manager assumes no responsibility under this Agreement other than to render the services called for under this Agreement and shall not be responsible for any action of the Board of Trustees in following or declining to follow any advice or recommendations of the Manager, including as set forth in Section 7(a) of this Agreement. The Manager, its officers, stockholders, members, managers, directors, employees, consultants, personnel, any Person controlling or controlled by the Manager and any of such Person's officers, stockholders, members, managers, directors, employees, consultants and personnel, and any Person providing sub-advisory services to the Manager (each a "**Manager Indemnified Party**") will not be liable to SpinCo or any Subsidiary, to the Board of Trustees, or SpinCo's or any Subsidiary's stockholders, members or partners for any acts or omissions by any such Person (including, without limitation, trade errors that may result from ordinary negligence, such as errors in the investment decision making process or in the trade process), pursuant to or in accordance with this Agreement, except to the extent by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence or reckless disregard of the Manager's duties under this Agreement, as determined by a final non-appealable order of a court of competent jurisdiction. SpinCo shall, to the full extent lawful, reimburse, indemnify and hold each Manager Indemnified Party harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorney's fees) in respect of or arising from any acts or omissions of such Manager Indemnified Party made in good faith in the performance of the Manager's duties under this Agreement and not constituting such Manager Indemnified Party's bad faith, willful misconduct, gross negligence or reckless disregard of the Manager's duties under this Agreement.

(b) The Manager shall, to the full extent lawful, reimburse, indemnify and hold SpinCo (or any Subsidiary), its stockholders, directors and officers and each other Person, if any, controlling SpinCo (each, a "**Company Indemnified Party**" and together with a Manager Indemnified Party, the "**Indemnitee**"), harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) in respect of or arising from the Manager's bad faith, willful misconduct, gross negligence or reckless disregard of its duties under this Agreement or any claims by the Manager's personnel relating to the terms and conditions of their employment by the Manager.

(c) The Indemnitee will promptly notify the party against whom indemnity is claimed (the "**Indemnitor**") of any claim for which it seeks indemnification; **provided, however,** that the failure to so notify the Indemnitor will not relieve the Indemnitor from any liability which it may have hereunder, except to the extent such failure actually prejudices the Indemnitor. The Indemnitor shall have the right to assume the defense and settlement of such claim; **provided,** that the Indemnitor notifies the Indemnitee of its election to assume such defense and settlement within 30 days after the Indemnitee gives the Indemnitor notice of the claim. In such case, the Indemnitee will not settle or compromise such claim, and the Indemnitor will not be liable for any such settlement made without its prior written consent. If the Indemnitor is entitled to, and does, assume such defense by delivering the aforementioned notice to the Indemnitee, the Indemnitee will (i) have the right to approve the Indemnitor's counsel (which approval will not be unreasonably withheld, delayed or conditioned), (ii) be obligated to cooperate in furnishing evidence and testimony and in any other manner in which the Indemnitor may reasonably request and (iii) be entitled to participate in (but not control) the defense of any such action, with its own counsel and at its own expense.

Section 13. **No Joint Venture.** Nothing in this Agreement shall be construed to make SpinCo and the Manager partners or joint venturers or impose any liability as such on either of them.

Section 14. **Term; Termination.**

(a) This Agreement shall continue in operation, unless terminated in accordance with the terms hereof, until the end of the Initial Term. After the Initial Term, this Agreement shall be deemed renewed automatically each year for an additional one-year period (an “**Automatic Renewal Term**”), unless SpinCo or the Manager elects to terminate or not to renew this Agreement in accordance with Section 14(b) or Section 14(c), respectively.

(b) Notwithstanding any other provision of this Agreement to the contrary, SpinCo may, without cause, by not less than one hundred eighty (180) days written notice to the Manager (the “**Termination Notice**”), terminate this Agreement upon the affirmative vote of at least two-thirds (2/3) of the Independent Trustees (a “**Termination Without Cause**”); **provided, however**, that if the date of termination occurs prior to the fourth anniversary of the Spin-Off, the termination shall be subject to payment of the applicable Termination Fee to the Manager concurrently with such termination. A Termination Without Cause shall be effective as of the 180th day after the date of the Termination Notice or such longer period as may be specified in the Termination Notice. SpinCo may terminate this Agreement for cause pursuant to Section 16 hereof at any time during the Initial Term or any Automatic Renewal Term, even after a Termination Notice has been delivered and, in such case, no Termination Fee shall be payable.

(c) If the gross book value, as determined in accordance with GAAP, of SpinCo’s consolidated assets as of the end of a fiscal quarter is less than the applicable Threshold Amount for the relevant Annual Term that includes such quarter, the Manager may deliver written notice to SpinCo informing it of the Manager’s intention to terminate this Agreement effective as of a date no earlier than one hundred eighty (180) days after date of such notice; **provided, however**, that SpinCo may elect, in its sole discretion, to accelerate the effective date of such termination to a date prior to the date specified in such notice (such accelerated date, the “**Accelerated Termination Date**”). For the avoidance of doubt, SpinCo’s acceleration of the effective date of such termination in accordance with the foregoing proviso shall not affect or limit any obligation of SpinCo to pay any Management Fee otherwise payable in accordance with the terms of this Agreement in respect of the period between the Accelerated Termination Date and the date on which the then current Automatic Renewal Term would have otherwise expired. SpinCo shall pay to the Manager the applicable Termination Fee if the Manager terminates this Agreement pursuant to this Section 14(c).

(d) If this Agreement is terminated pursuant to Section 14, such termination shall be without any further liability or obligation of either party to the other, except as provided in such Section 14 or in Sections 6, 10, 11, 17 and Section 18 of this Agreement. In addition, Section 12 and Section 22 of this Agreement shall survive termination of this Agreement.

(e) During the period between any notice of termination and the effective termination date of this Agreement, the Manager shall continue to perform its duties and obligations as Manager under this Agreement and shall provide cooperation to SpinCo to execute an orderly transition of the management of SpinCo’s consolidated assets to a new manager. To the extent practicable, during the 60-day period immediately following the termination date of this Agreement, the Manager shall continue to provide cooperation to SpinCo and its new manager to execute an orderly transition of the management of SpinCo to such new manager.

Section 15. **Assignment.**

(a) Except as set forth in Section 15(b) of this Agreement, this Agreement shall terminate automatically in the event of its assignment, in whole or in part, by the Manager, unless such assignment is consented to in writing by SpinCo with the approval of a majority of the Independent Trustees. Any such permitted assignment shall bind the assignee under this Agreement in the same manner as the Manager is bound, and the Manager shall be liable to SpinCo for all errors or omissions of the assignee under any such assignment. In addition, the assignee shall execute and deliver to SpinCo a counterpart of this Agreement naming such assignee as Manager. This Agreement shall not be assigned by SpinCo without the prior written consent of the Manager, except in the case of assignment by SpinCo to another organization which is a successor (by merger, consolidation, purchase of all or substantially all of the consolidated assets of SpinCo, or similar transaction) to SpinCo, in which case such successor organization shall be bound under this Agreement and by the terms of such assignment in the same manner as SpinCo is bound under this Agreement.

(b) Notwithstanding any provision of this Agreement, the Manager may subcontract and assign any or all of its responsibilities under Sections 2(c), 2(d) and 2(e) of this Agreement to any of its Affiliates in accordance with the terms of this Agreement applicable to any such subcontract or assignment, and SpinCo hereby consents to any such assignment and subcontracting. In addition, provided that the Manager provides prior written notice to SpinCo for informational purposes only, nothing contained in this Agreement shall preclude any pledge, hypothecation or other transfer of any amounts payable to the Manager under this Agreement. In addition, the Manager may assign this Agreement without the approval of the Independent Trustees to any Person so long as iStar (i) is the direct or indirect beneficial owner of not less than a majority of (x) the combined voting power of such Person's then outstanding equity interests and (y) such Person's outstanding equity interests, and (ii) holds the exclusive power to direct or control the management policies of such Person.

Section 16. **Termination for Cause.**

(a) SpinCo may terminate this Agreement effective upon 30 days' prior written notice of termination from the Board of Trustees of SpinCo to the Manager, if (i) the Manager, its agents or its assignees materially breaches any provision of this Agreement and such breach shall continue for a period of 30 days after written notice thereof specifying such breach and requesting that the same be remedied in such 30-day period (or 60 days after written notice of such breach if the Manager takes steps to cure such breach within 30 days of the written notice), (ii) there is a Manager Change of Control; (iii) the Manager engages in any act of fraud, misappropriation of funds, or embezzlement against SpinCo or any Subsidiary, (iv) there is an event of any bad faith, willful misconduct, gross negligence or reckless disregard on the part of the Manager in the performance of its duties under this Agreement, (v) Bankruptcy of the Manager or iStar, (vi) the Manager or iStar is convicted (including a plea of *nolo contendere*) of a felony, or (vii) there is a dissolution of the Manager.

(b) The Manager may terminate this Agreement effective upon 60 days' prior written notice of termination to SpinCo in the event that SpinCo shall default in the performance or observance of any material term, condition or covenant contained in this Agreement and such default shall continue for a period of 30 days after written notice thereof specifying such default and requesting that the same be remedied in such 30-day period (or 60 days after written notice of such breach if SpinCo takes steps to cure such breach within 30 days of the written notice).

(c) The Manager may terminate this Agreement in the event SpinCo becomes regulated as an “investment company” under the Investment Company Act, with such termination deemed to have occurred immediately prior to such event.

Section 17. **Action Upon Termination.** From and after the effective date of termination of this Agreement, pursuant to Sections 14 or 16 of this Agreement, the Manager shall not be entitled to compensation for further services under this Agreement, but shall be paid all compensation accruing to the date of termination. In addition, if this Agreement is terminated pursuant to Section 16(b), hereof or not renewed pursuant to Section 14(b), hereof, SpinCo shall be obligated to pay the Manager the Termination Fee. The Termination Fee shall be paid in cash, by wire transfer of immediately available funds to an account specified by the Manager, on or before the date of termination. Upon such termination, the Manager shall promptly:

(a) after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled, pay over to SpinCo or a Subsidiary all money collected and held for the account of SpinCo or a Subsidiary pursuant to this Agreement;

(b) deliver to the Board of Trustees a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board of Trustees with respect to SpinCo or a Subsidiary; and

(c) deliver to the Board of Trustees all property and documents of SpinCo or any Subsidiary then in the custody or control of the Manager, all of which are and shall be SpinCo's property.

Section 18. **Release of Money or Other Property Upon Written Request.** The Manager agrees that any money or other property of SpinCo or any Subsidiary held by the Manager under this Agreement shall be held by the Manager as custodian for SpinCo or such Subsidiary, and the Manager's records shall be appropriately and clearly marked to reflect the ownership of such money or other property by SpinCo or such Subsidiary. Upon the receipt by the Manager of a written request signed by a duly authorized officer of SpinCo requesting the Manager to release to SpinCo or any Subsidiary any money or other property then held by the Manager for the account of SpinCo or any Subsidiary under this Agreement, the Manager shall release such money or other property to SpinCo or any Subsidiary within a reasonable period of time, but in no event later than 30 days following such request. The Manager shall not be liable to SpinCo, any Subsidiary, the Independent Trustees, or SpinCo's or a Subsidiary's stockholders or partners for any acts performed or omissions to act by SpinCo or any Subsidiary in connection with the money or other property released to SpinCo or any Subsidiary in accordance with the second sentence of this Section 18. SpinCo and any Subsidiary shall indemnify the Manager and its officers, directors, personnel and managers against any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever, which arise in connection with the Manager's release of such money or other property to SpinCo or any Subsidiary in accordance with the terms of this Section 18. Indemnification pursuant to this provision shall be in addition to any right of the Manager to indemnification under Section 12 of this Agreement.

Section 19. **Notices.** Unless expressly provided otherwise in this Agreement, all notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made and received if delivered by (i) personal delivery (notice deemed given upon receipt), (ii) delivery by reputable overnight courier, (notice deemed upon receipt of proof of delivery) or (iii) transmitted via email (notice deemed upon delivery if no automated notice of delivery failure is received by the sender), addressed as set forth below:

(a) If to SpinCo:

[SPINCO]
1114 Avenue of the Americas
New York, New York 10036
Attention: Chief Executive Officer

(b) If to the Manager or iStar:

[MANAGER]
1114 Avenue of the Americas
New York, New York 10036
Attention: Chief Investment Officer

Either party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this Section 19 for the giving of notice.

Section 20. **Binding Nature of Agreement; Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns as provided in this Agreement.

Section 21. **Entire Agreement.** This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter of this Agreement and is not intended to and shall not confer upon any person other than the parties any rights or remedies hereunder. The express terms of this Agreement control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms of this Agreement. This Agreement may not be modified or amended other than by an agreement in writing signed by SpinCo (solely with the approval of two-thirds of the Independent Trustees), and the Manager.

Section 22. **GOVERNING LAW.** THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES TO THE CONTRARY.

Section 23. **No Waiver; Cumulative Remedies.** No failure to exercise and no delay in exercising, on the part of any party hereto, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No waiver of any provision hereunder shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver (which, in the case of SpinCo, shall require the approval of two-thirds of the Independent Trustees). The right to enforce compliance by the Manager with this Agreement and to commence, prosecute, defend and compromise on behalf of SpinCo any right, obligation, claim, counterclaim, action, suit or proceeding arising out of or relating to this Agreement shall be vested exclusively in the Independent Trustees.

Section 24. **Headings.** The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed part of this Agreement.

Section 25. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts of this Agreement, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

Section 26. **Severability.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 27. **Gender.** Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

[SPINCO]

By: _____
Name:
Title:

[MANAGER]

By: _____
Name:
Title:

[Signature Page to Management Agreement]

GOVERNANCE AGREEMENT

BETWEEN

[SPINCO]

AND

SAFEHOLD INC.

Dated as of [•]

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GOVERNANCE AGREEMENT

This GOVERNANCE AGREEMENT (as the same may be amended, modified or supplemented from time to time, this “**Agreement**”), dated as of [●], is made and entered into by and between Safehold Inc., a Maryland corporation (the “**Company**”), and [SPINCO], a Maryland business trust (“**SpinCo**”).

WHEREAS, pursuant to that certain Separation and Distribution Agreement (the “**Distribution Agreement**”), dated as of [●], by and between iStar, Inc. (“**iStar**”) and SpinCo, iStar has distributed all of the interests in SpinCo to its stockholders effective as of the date hereof (the “**Spin-Off**”);

WHEREAS, immediately following the Spin-Off, SpinCo owned [●] shares of common stock, par value \$0.01 per share (the “**Safe Common Stock**”), of Safehold, Inc., a Maryland corporation (“**Safe**”);

WHEREAS, pursuant to that certain Agreement and Plan of Merger (the “**Merger Agreement**”), dated as of August 10, 2022, by and between iStar and Safe, effective as of the date hereof, (i) Safe merged with and into iStar (the “**Merger**”) with the Company surviving the Merger and (ii) each share of Safe Common Stock was exchanged for one (1) share of common stock, par value \$0.01 per share (the “**Company Common Stock**”), of the Company;

WHEREAS, following the Merger, SpinCo owns [●] shares of Company Common Stock;

WHEREAS, (i) SpinCo and the Company have entered into a Registration Rights Agreement (the “**Registration Rights Agreement**”), and (ii) SpinCo and [Manager], a Delaware limited liability company and a Subsidiary of the Company, have entered into a Management Agreement (the “**Management Agreement**”), each dated as of the date hereof (such agreements, together with the Distribution Agreement and the Merger Agreement, the “**Related Documents**”); and

WHEREAS, in connection with the transactions contemplated by the Distribution Agreement and the Merger Agreement, the parties desire to enter into this Agreement to govern the arrangements set forth herein among them from and after the date hereof.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

ARTICLE I DEFINED TERMS

Section 1.1 Defined Terms. The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

“**Activist**” means, as of any date of determination, a Person that has, directly or indirectly through its Affiliates, whether individually or as a member of a Group, within the three-year period immediately preceding such date of determination, (i) publicly made, engaged in or been a participant in any “solicitation” of “proxies” (as such terms are used in the proxy rules of the SEC) to vote any equity securities of any issuer, including in connection with a proposed Change of Control or other extraordinary or fundamental transaction, or a proposal for the election or replacement of directors, not approved (at the time of the first such proposal) by the board of directors of such issuer, (ii) publicly called, or publicly sought to call, a meeting of the shareholders of any issuer or publicly initiated any shareholder proposal for action by shareholders of any issuer, in each case not approved (at the time of the first such action) by the board of directors of such issuer, (iii) otherwise publicly acted, alone or in concert with others, to seek to Control or influence the management or the policies of any issuer (provided, that this clause (iii) is not intended to include the activities of any member of the board of directors of an issuer, with respect to such issuer, taken in good faith solely in his or her capacity as a director of such issuer), (iv) commenced a “tender offer” (as such term is used in Regulation 14D under the Exchange Act) to acquire the equity securities of an issuer that was not approved (at the time of commencement) by the board of directors of such issuer in a Schedule 14D-9 filed under Regulation 14D under the Exchange Act, or (v) publicly disclosed any intention, plan, arrangement or other contract to do any of the foregoing.

“**Affiliate**” means, with respect to any specified Person, any other Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with such Person. For purposes of this Agreement, the Company and SpinCo shall not be considered Affiliates of each other.

“**Beneficially Own**” or “**Beneficial Ownership**” has the meaning assigned to such term in Rule 13d-3 under the Exchange Act, and a Person’s beneficial ownership of securities shall be calculated in accordance with the provisions of such Rule (in each case, irrespective of whether or not such Rule is actually applicable in such circumstance). For the avoidance of doubt, Beneficially Own and Beneficial Ownership shall also include record ownership of securities.

“**Business Day**” means any day which is not a Saturday, a Sunday or a day on which commercial banks in New York, New York are not open for business.

“**Change of Control**” means any transaction or series of transactions (as a result of a tender offer, merger, consolidation, reorganization or otherwise) that results in (i) the sale, lease, exchange, conveyance, transfer or other disposition (for cash, shares of stock, securities or other consideration) of a majority of the property or assets of the Company and its Subsidiaries (taken as a whole) to any Person or Group (including any liquidation, dissolution or winding up of the affairs of the Company, or any other distribution made, in connection therewith), (ii) holders of the Company Common Stock outstanding immediately before such transaction or transactions owning, in the aggregate, less than a majority of the voting power of the outstanding Company Common Stock (or any parent or successor entity) immediately after such transaction or transactions or (iii) the majority of the Company Board immediately after such transaction or transactions consisting of directors not approved by a majority of the directors serving immediately prior to such transaction or series of transactions.

“**Closing**” shall have the meaning given to such term in the Merger Agreement.

“**Company Board**” means the Board of Directors of the Company.

“**Company Board Designee(s)**” means, upon appointment to the SpinCo Board, the Initial Designees, or any Replacement Designees, as applicable.

“**Company Competitor**” means a Person that, together with its Affiliates, engages predominantly in the business of acquiring, originating, manufacturing, owning, managing, financing and/or capitalizing ground leases, including trading or dealing in securities, financial derivatives, store of value products, or interest rate products associated with cryptocurrency, digital currency or virtual currency relating to or derived from such ground lease activities, as such business is being conducted by the Company as of the date hereof; provided, however, that for purposes of this definition, such business shall not include a business that owns, in the aggregate, less than \$100,000,000 of ground lease investments, so long as such business does not (i) engage in acquiring, originating, manufacturing, owning, managing, financing and/or capitalizing individual ground leases larger than \$10,000,000 in value, or (ii) structure investments in any manner that separates ground lease rent income from ground lease capital appreciation.

“**Company Securities**” means (i) Equity Securities, (ii) Convertible Company Securities, (iii) Voting Securities, and (iv) any options, warrants or rights to acquire any of the foregoing.

“**Control**” (including its correlative meanings, such as “**Controlled**”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“**Convertible Company Securities**” means any Company Securities (other than Equity Securities) that provide the holder a right to acquire Equity Securities of the Company or the Operating Partnership, including options, warrants and debt or preferred securities that are convertible into or exchangeable for any Equity Securities.

“**Derivative Instruments**” means any and all derivative securities (as defined under Rule 16a-1 under the Exchange Act) that increase in value as the value of any Equity Securities of the Company increases, including a long convertible security, a long call option and a short put option position, in each case, regardless of whether (i) such interest conveys any voting rights in such security, (ii) such interest is required to be, or is capable of being, settled through delivery of such security or cash or (iii) other transactions hedge the economic effect of such interest.

“**Equity Securities**” means any equity securities of the Company or any of its Subsidiaries, irrespective of voting interests, including Company Common Stock.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended from time to time (or any corresponding provision of succeeding law), and the rules and regulations thereunder.

“**Group**” means a “group” within the meaning of Section 13(d)(3) of the Exchange Act.

“**Group Owner**” means SpinCo or any successor thereto by merger, consolidation, reorganization, sale of stock or sale of all or substantially all assets.

“**New Common Stock**” means any Company Common Stock that the Company issues or sells at any time or from time to time following the date of this Agreement.

“**NYSE**” means the New York Stock Exchange.

“**Operating Partnership**” means Safety Income and Growth Operating Partnership L.P., a Delaware limited partnership.

“**Ownership**” means, with respect to any security, the ownership of such security by any “Beneficial Owner,” as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that, in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “**Own**,” “**Owned**” and “**Owner**” shall have correlative meaning.

“**Person**” means a natural person or any legal, commercial or governmental entity, such as, but not limited to, a corporation, general partnership, joint venture, limited partnership, limited liability company, limited liability partnership, trust, business association, or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.

“**Restrictive Period**” means the period beginning on the date hereof and ending upon the earliest to occur of (i) the effective date on which the Company or its Affiliate that manages SpinCo terminates the Management Agreement; or (ii) the date on which both (A) SpinCo ceases to Beneficially Own 7.5% or more of the issued and outstanding shares of Company Common Stock and (B) SpinCo is no longer managed by the Company or one of its Affiliates; or (iii) a Change of Control.

“**SEC**” means the United States Securities and Exchange Commission.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended (or any successor regulation).

“**SpinCo Board**” means the Board of Directors of SpinCo.

“**Stockholder Group**” means, collectively, Group Owner and each of its directly or indirectly wholly owned Subsidiaries.

“**Subsidiary**” means, with respect to any Person, any corporation, partnership, limited liability company, joint venture, real estate investment trust, or other organization, whether incorporated or unincorporated, or other legal entity of which (a) such Person directly or indirectly owns or controls at least a majority of the capital stock or other equity interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions; (b) such Person is a general partner, manager or managing member; or (c) such Person holds a majority of the equity economic interest.

“**Transfer**” means any direct or indirect offer, sale, assignment, encumbrance, pledge, grant of a security interest, hypothecation, disposition or other transfer (by operation of law or otherwise), either voluntary or involuntary, or entry into any contract, option or other arrangement or understanding with respect to any offer, sale, assignment, encumbrance, pledge, grant of a security interest, hypothecation, disposition or other transfer (by operation of law or otherwise), of any security or any interest (including a beneficial interest or an economic entitlement) in, or the ownership, Control or possession of, any security. “**Transferred**,” “**Transferor**” and “**Transferee**” and similar expressions shall have corresponding meanings.

“**Voting Securities**” means Company Common Stock and all other securities of the Company or its Subsidiaries entitled to vote on any matter coming before the stockholders of the Company for a vote from time to time (whether at a meeting or by written consent), disregarding the effect of Section 2.2.

Section 1.2 Table of Defined Terms. Terms that are not defined in Section 1.1 have the respective meanings set forth in the following Sections:

DEFINED TERM	SECTION NO.
Agreement	Preamble
Company	Preamble
Company Common Stock	Recitals
Distribution Agreement	Recitals
Management Agreement	Recitals
Merger	Recitals
Merger Agreement	Recitals
Registration Rights Agreement	Recitals
Related Documents	Recitals
Safe	Recitals
Safe Common Stock	Recitals
Spin-Off	Recitals
SpinCo	Preamble

**ARTICLE II
CERTAIN AGREEMENTS**

Section 2.1 Transfer Restrictions.

(a) No member of the Stockholder Group shall Transfer any Company Securities on or before the date that is the nine-month anniversary of the Closing, other than (i) Transfers among the Stockholder Group, (ii) with the prior written consent of the Company, which consent will not be unreasonably withheld, and (iii) pursuant to any bona fide pledging, margin loan or similar agreement or arrangement with a bona fide financing institution so long as SpinCo retains the sole voting control over the right to vote such shares in the absence of a foreclosure thereunder; provided, that if any member of the Stockholder Group ceases to be a part of the Stockholder Group before the date that is the nine-month anniversary of the Closing, any Company Securities Transferred to such member pursuant to clause (i) of this Section 2.1(a) shall be Transferred back to the Stockholder Group prior to or concurrently with the time such member ceases to be a part of the Stockholder Group.

(b) No member of the Stockholder Group shall at any time, without the prior written consent of the Company, Transfer any Company Securities to any Person who, to the knowledge of any member of the Stockholder Group, is an Activist or Company Competitor or any Group that, to the knowledge of any member of the Stockholder Group, includes an Activist or Company Competitor; provided, however, that the restrictions in this Section 2.1(b) shall not apply to (i) Transfers among members of the Stockholder Group; (ii) a Transfer of shares in response to a tender or exchange offer by any Person that has been approved or recommended by the Company Board; (iii) Transfers effected through (A) a bona fide underwritten public offering or (B) a block trade effected on a registered basis or pursuant to Rule 144 under the Securities Act through a broker dealer, placement agent or other similar intermediary so long as the Stockholder Group shall instruct the broker dealer, placement agent or other intermediary to exclude from such block trade (as a Transferee) both Activists and Company Competitors; (iv) Transfers effected through “brokers transactions” within the meaning of Rule 144 executed by a broker-dealer acting as agent for SpinCo, so long as such Transfers are not directed by SpinCo to be made to a particular counterparty; or (v) a Transfer that is a pro rata distribution of Company Securities by SpinCo to the holders of its outstanding equity interests; provided, that any Company Securities Transferred to such member pursuant to clause (i) of this Section 2.1(b) shall be Transferred back to the Stockholder Group prior to or concurrently with the time such member ceases to be a part of the Stockholder Group.

(c) The sole remedy of the Company for any violation of this Section 2.1 shall be to recover damages for breach of contract.

Section 2.2 Voting Arrangements. During the Restrictive Period, the Stockholder Group shall vote (including, if applicable, through the execution of one or more written consents if the stockholders of the Company are requested to vote through the execution of written consents in lieu of any annual or special meeting of the stockholders of the Company) all Voting Securities owned by it (i) in favor of all those Persons nominated to serve as directors of the Company by the Company Board or its Nominating and Corporate Governance Committee, (ii) against any stockholder proposal that is not recommended by the Company Board and (iii) in accordance with the recommendations of the Company Board on all other proposals brought before the Company stockholders.

Section 2.3 Additional Voting Securities; Attendance at Meetings.

(a) For the avoidance of doubt, if after the date of this Agreement any Voting Securities are (i) acquired by the Stockholder Group in the open market or otherwise or (ii) issued by the Company to the Stockholder Group by reason of a stock dividend, stock split, consolidation, reclassification or similar transaction, then such Voting Securities shall be subject to the provisions of this Article II, unless the Company agrees otherwise.

(b) In furtherance of Section 2.2, SpinCo shall be, and shall cause each member of the Stockholder Group to be, present in person, virtually or represented by proxy at all meetings of stockholders to the extent necessary so that all Voting Securities as to which they are entitled to vote shall be counted as present for the purpose of determining the presence of a quorum at such meeting.

Section 2.4 Irrevocable Proxy Coupled with Interest.

(a) SpinCo hereby irrevocably designates and appoints (and shall cause any member of the Stockholder Group that holds Voting Securities to designate and appoint) the Company Board as the Stockholder Group's sole and exclusive attorney-in-fact and proxy, with full power of substitution and re-substitution, for and in the relevant stockholder's name, to (i) attend all meetings of stockholders of the Company (including any postponements or adjournments thereof) and to vote and exercise all voting and related rights (to the fullest extent the stockholder is entitled to do so) or (ii) vote through the execution of written consents in lieu of any annual or special meeting of the stockholders of the Company, in each case with respect to any and all of the Voting Securities owned by the Stockholder Group with respect to the matters set forth in Section 2.2 that are entitled to be voted at such meetings or on such matter by written consent, as applicable.

(b) The irrevocable proxy and power of attorney granted pursuant to this Section 2.4 is intended to be and shall be irrevocable to the full extent permitted by the Maryland General Corporation Law and is coupled with an interest sufficient in law to support an irrevocable power.

(c) For the avoidance of doubt, the irrevocable proxy provided in this Section 2.4 shall remain in effect until the end of the Restrictive Period.

Section 2.5 Standstill. SpinCo agrees that during the Restrictive Period, except as permitted by this Agreement or with the prior written consent of the independent directors of the Company Board, neither SpinCo nor any of its Affiliates will, and SpinCo will cause each of its Affiliates not to, directly or indirectly, in any manner:

(a) Other than as a result of any stock split, stock dividend or distribution or similar involuntary transaction, purchase or otherwise acquire (or agree to acquire, propose or offer to acquire, or facilitate the acquisition of) legal or Beneficial Ownership of (i) any Company Common Stock in excess of the ownership threshold then applicable to the Stockholder Group, (ii) any other Company Securities or (iii) any Derivative Instruments of the Company;

(b) solicit proxies or written consents of stockholders with respect to, or from the holders of, any Voting Securities of the Company, or make, or in any way participate in, any solicitation of any proxy, consent or other authority to vote any Voting Securities of the Company, with respect to the election of directors that have not been approved and recommended by the independent directors of the Company or any other matter that has not been approved and recommended by the Company, otherwise conduct any nonbinding referendum with respect to the Company, or become a participant in, or seek to advise or encourage any person in, any proxy contest or any solicitation with respect to the Company not approved and recommended by the independent directors of the Company, including relating to the removal or the election of directors;

(c) form, join or in any other way participate in a Group with respect to any securities of the Company, or otherwise advise, encourage or participate in any effort by a third party with respect to the matters set forth in clause (b) above;

(d) deposit any Voting Securities in a voting trust or similar contract, arrangement or agreement or subject any Voting Securities to any voting agreement, pooling arrangement or similar arrangement, or grant any proxy with respect to any Voting Securities, in each case, other than (i) any proxy granted to the Company or a Person specified by the Company in a proxy card (paper or electronic) provided to stockholders of the Company by or on behalf of the Company or the Company Board or (ii) pursuant to any bona fide pledging, margin loan or similar agreement or arrangement with a bona fide financing institution so long as SpinCo retains the sole voting control over the right to vote such shares in the absence of a foreclosure thereunder;

(e) call, or publicly request the call of, a special meeting of the stockholders of the Company, make a stockholder proposal (whether pursuant to Rule 14a-8 under the Exchange Act or otherwise) at any meeting of the stockholders of the Company, or initiate or propose any action by written consent of the stockholders of the Company;

(f) seek representation on the Company Board or the removal of any director from the Company Board or propose or request to, or otherwise act, alone or in concert with others, to seek to, change or influence the management, Company Board, governance structure, policies (including dividend policies), capitalization, corporate structure or organizational documents of the Company;

(g) solicit, effect, publicly offer or propose to effect, or cause, or in any way assist or facilitate any other person to effect or seek, offer or propose (whether publicly or otherwise) to effect or participate in, or make any public statement with respect to, any merger, consolidation, business combination, tender or exchange offer, sale or purchase of assets, sale or purchase of securities (other than in connection with the Company's capital raising activities), dissolution, liquidation, restructuring, recapitalization or similar transactions of or involving the Company or any of its Subsidiaries;

(h) make or issue, or cause to be made or issued, any public disclosure, statement, comment or announcement, including the filing or furnishing of any document or report with the SEC or any other governmental agency or any disclosure to any journalist or analyst or the press or media (including social media), in support of any solicitation described in clause (b) above;

(i) contest the validity or enforceability of the agreements contained in this Section 2.5 (including this clause (i));

(j) take any action which could reasonably be expected to cause or require the Company to make a public announcement, disclosure or filing regarding any of the foregoing, or publicly request to amend, waive or terminate any provision of this Section 2.5;

(k) enter into any agreement, arrangement or understanding with respect to any of the foregoing; or

(l) advise, assist, encourage or seek to persuade others to take any action with respect to any of the foregoing; it being understood and agreed that the foregoing shall not limit the activities of any director of the Company taken in good faith in his or her capacity as a director.

ARTICLE III GENERAL PROVISIONS

Section 3.1 Termination. This Agreement shall automatically terminate at such time as each of SpinCo's and the Company's rights and obligations hereunder has terminated in accordance with their terms. Upon such termination, no party shall have any further obligations or liabilities hereunder; provided, that such termination shall not relieve any party from liability for any breach of this Agreement prior to such termination.

Section 3.2 Safe Breach Event. SpinCo and its directors, shareholders and agents shall not be deemed to have breached this Agreement or to have failed to comply with any provision of this Agreement if the alleged breach or non-compliance resulted from any action or failure to take any action of the Company and its Affiliates.

Section 3.3 Notifications. Upon written request, SpinCo shall, within ten (10) Business Days of such request, provide the Company in writing with details of its Ownership of Equity Securities and other Company Securities in order to confirm the parties' rights pursuant to this Agreement.

Section 3.4 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by, and shall be construed and interpreted in accordance with, the internal laws of the State of Maryland, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Maryland or any other jurisdictions) that would cause the application of the laws of any jurisdiction other than the State of Maryland. The Company and SpinCo hereby agree that (a) any and all litigation arising out of this Agreement shall be conducted only in the Circuit Court for Baltimore City, Maryland, or if that court does not have jurisdiction, the federal court located in Baltimore, Maryland and (b) such courts shall have the exclusive jurisdiction to hear and decide such matters. Each of the Company and SpinCo accepts, for itself and in respect of its property, expressly and unconditionally, the nonexclusive jurisdiction of such courts and hereby waives any objection that the other party may now or hereafter have to the laying of venue of such actions or proceedings in such courts. Insofar as is permitted under applicable law, this consent to personal jurisdiction shall be self-operative and no further instrument or action, other than service of process in the manner set forth in Section 3.9 or as otherwise permitted by law, shall be necessary in order to confer jurisdiction upon any the Company and SpinCo in any such courts. Each of the Company and SpinCo further consents to the assignment of any action or proceeding in the Circuit Court for Baltimore City, Maryland to the Business and Technology Case Management Program pursuant to Maryland Rule 16-308 (or any successor thereto). Nothing contained herein shall affect the right serve process in any manner permitted by law or to commence any legal action or proceeding in any other jurisdiction. Each of the Company and SpinCo hereby (i) expressly waives any right to a trial by jury in any action or proceeding to enforce or defend any right, power or remedy under or in connection with this Agreement or arising from any relationship existing in connection with this Agreement, and (ii) agrees that any such action shall be tried before a court and not before a jury.

Section 3.5 Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided, that a signature delivered by facsimile, email pdf or other electronic form shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original.

Section 3.6 Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

Section 3.7 Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

Section 3.8 Entire Agreement; Amendments; Waiver. This Agreement and the Related Documents supersede all other prior oral or written agreements between SpinCo, the Company, their Affiliates and persons or entities acting on their behalf with respect to the matters discussed herein, and this Agreement and the Related Documents contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor SpinCo makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be amended other than by an instrument in writing signed by the Company and SpinCo. No provision hereof may be waived other than by an instrument in writing signed by the party against whom enforcement is sought. Any amendment or waiver of any provision of this Agreement by the Company shall require the approval of a majority of the independent directors of the Company Board.

Section 3.9 Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (a) upon receipt, when delivered personally; (b) upon receipt, when sent via email (provided no automated notice of delivery failure is received by the sender); or (c) one (1) Business Day after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and email addresses for such communications shall be:

If to the Company:

Safehold Inc.
1114 Avenue of the Americas, 39th Floor
New York, New York 10036
Attention: [●]
Email: [●]

If to SpinCo:

[SPINCO]
1114 Avenue of the Americas, 39th Floor
New York, New York 10036
Attention: [●]
Email: [●]

Section 3.10 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective permitted successors and assigns. Neither the Company nor SpinCo shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other party.

Section 3.11 No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

Section 3.12 Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

Section 3.13 Specific Performance. The parties acknowledge and agree that in the event of a breach or threatened breach of its covenants hereunder other than a breach of Section 2.1, which is addressed in Section 2.1(e), the harm suffered would not be compensable by monetary damages alone and, accordingly, in addition to other available legal or equitable remedies, each non-breaching party shall be entitled to apply for an injunction or specific performance with respect to such breach or threatened breach, without proof of actual damages (and without the requirement of posting a bond, undertaking or other security), and each party hereto agrees not to plead sufficiency of damages as a defense in such circumstances.

Section 3.14 Costs and Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such costs and expenses, whether or not any of the transactions contemplated hereby are consummated.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Governance Agreement to be duly executed as of the date first above written.

[SPINCO]

By: _____
Name:
Title:

SAFEHOLD INC.

By: _____
Name:
Title:

[Signature Page to Governance Agreement]

REGISTRATION RIGHTS AGREEMENT

BETWEEN

SAFEHOLD INC.

AND

[SPINCO]

Dated as of [●]

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This REGISTRATION RIGHTS AGREEMENT (as the same may be amended, modified or supplemented from time to time, this "Agreement"), dated as of [●], is made and entered into by and between Safehold, Inc., a Maryland corporation (the "Company") and [SPINCO], a Maryland business trust (together with any of its subsidiaries that owns Registrable Shares from time to time, the "Holder").

WHEREAS, pursuant to that certain Separation and Distribution Agreement (the "Distribution Agreement"), dated as of [●], by and between iStar, Inc. ("iStar") and the Holder, iStar has distributed all of the interests in the Holder to its stockholders effective as of the date hereof (the "Spin-Off");

WHEREAS, pursuant to that certain Agreement and Plan of Merger (the "Merger Agreement"), dated as of August 10, 2022, by and between the iStar and Safe, effective as of the date hereof, (i) Safe merged with and into iStar (the "Merger") with the Company surviving the Merger and (ii) each share of Safe Common Stock was exchanged for one (1) share of common stock, par value \$0.01 per share (the "Common Stock"), of the Company;

WHEREAS, the Holder received [●] shares of Common Stock in the Merger (such shares received, the "Owned Shares");

WHEREAS, (i) the Holder and the Company have entered into a Governance Agreement (the "Governance Agreement"), and (ii) the Holder and [Manager], a Delaware limited liability company and a subsidiary of the Company, have entered into a Management Agreement (the "Management Agreement"), each dated as of the date hereof (such agreements, together with the Distribution Agreement and the Merger Agreement, the "Related Documents"); and

WHEREAS, the Company desires to enter into this Agreement with the Holder in order to grant the Holder the registration rights contained herein.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Holder hereby agree as follows:

ARTICLE 1

DEFINED TERMS

Section 1.1 Defined Terms. The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Automatic Shelf Registration Statement" means an "Automatic Shelf Registration Statement," as defined in Rule 405 under the Securities Act.

"Block Trade" means any non-marketed underwritten offering taking the form of a block trade to a financial institution, "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) or institutional "accredited" investor (as defined in Rule 501(a) of Regulation D under the Securities Act), bought deal, over-night deal or similar transaction through a broker, sales agent or distribution agent, whether as agent or principal, that does not include "road show" presentations to potential investors requiring substantial marketing effort from management over multiple days, the issuance of a "comfort letter" by the Company's auditors, or the issuance of a legal opinion by the Company's legal counsel.

“Business Day” means any day except a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to be closed.

“Commission” means the U.S. Securities and Exchange Commission.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended from time to time (or any corresponding provision of succeeding law), and the rules and regulations thereunder.

“Person” means any individual, partnership, corporation, limited liability company, joint venture, association, trust, unincorporated organization or other governmental or legal entity.

“Prospectus” means any prospectus or prospectuses included in, or relating to, any Registration Statement (including without limitation, any prospectus subject to completion and a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act and any term sheet filed pursuant to Rule 434 under the Securities Act), as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Shares covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference or deemed to be incorporated by reference in such prospectus or prospectuses.

“Registrable Shares” with respect to the Holder, means at any time (i) the Holder’s Owned Shares and (ii) any additional shares of Common Stock or other equity securities issued as a dividend or distribution on, in exchange for, or otherwise in respect of, shares of Common Stock or other equity securities that otherwise constitute Registrable Shares with respect to the Holder (including as a result of combinations, recapitalizations, mergers, consolidations, reorganizations or similar event or otherwise); provided, however, that Registrable Shares shall cease to be Registrable Shares with respect to the Holder upon the earliest to occur of (A) when such Registrable Shares shall have been disposed of pursuant to an effective Registration Statement under the Securities Act or pursuant to Rule 144 under the Securities Act, (B) when all of the Holder’s Registrable Shares may be sold without restriction or pursuant to Rule 144(b) under the Securities Act and such Holder, together with its affiliates, owns less than 2% of the outstanding shares of Common Stock, or (C) when the Holder’s Registrable Shares shall have ceased to be outstanding.

“**Registration Expenses**” means any and all fees and expenses incident to the performance of or compliance with this Agreement, which shall be borne and paid by the Company as provided below, whether or not any Registration Statement is filed or becomes effective, including, without limitation: (i) all registration, qualification and filing fees (including fees and expenses with respect to (A) filings required to be made with the Commission and the U.S. Financial Industry Regulatory Authority and (B) compliance with securities or “blue sky” laws), (ii) typesetting and printing expenses, (iii) internal expenses of the Company (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (iv) the fees and expenses incurred in connection with the listing of the Registrable Shares, (v) the fees and disbursements of legal counsel for the Company and customary fees and expenses for independent certified public accountants retained by the Company, and any transfer agent and registrar fees and (vi) the reasonable fees and expenses of any special experts retained by the Company; provided, however, that “Registration Expenses” shall not include, and the Company shall not have any obligation to pay, any underwriting fees, discounts, commissions, or taxes (including transfer taxes) attributable to the sale of securities by the Holder, or any legal fees and expenses of counsel to the Holder and any underwriter engaged by the Holder or any other expenses incurred in connection with the performance by the Holder of its obligations under the terms of this Agreement.

“**Registration Statement**” means any registration statement of the Company filed with the Commission under the Securities Act which permits the public offering of any of the Registrable Shares pursuant to the provisions of this Agreement, including any Prospectus, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all materials incorporated by reference or deemed to be incorporated by reference in such Registration Statement.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended from time to time (or any corresponding provision of succeeding law), and the rules and regulations thereunder.

Section 1.2 **Table of Defined Terms.** Terms that are not defined in Section 1.1 have the respective meanings set forth in the following Sections:

Defined Term	Section No.
Agreement	Preamble
Common Stock	Recitals
Company	Preamble
Company Offering	Section 3.2(b)
Controlling Person	Section 4.1
Demand Registration	Section 2.2(a)(i)
Demand Request	Section 2.2(a)(i)
Distribution Agreement	Recitals
End of Suspension Notice	Section 3.1(b)
Governance Agreement	Recitals
Holder	Preamble
iStar	Recitals
Liabilities	Section 4.1(a)
Management Agreement	Recitals
Maximum Number of Securities	Section 2.7(b)
Merger	Recitals
Merger Agreement	Recitals
Offering Blackout Period	Section 3.2(b)
Owned Shares	Recitals
Piggyback Registration	Section 2.7(a)
Related Documents	Recitals
Required Filing Date	Section 2.2(a)(ii)
Spin-Off	Recitals
Suspension Event	Section 3.1(b)
Suspension Notice	Section 3.1(b)
Suspension Period	Section 3.1(b)

ARTICLE 2

REGISTRATION RIGHTS

Section 2.1 Shelf Registration. The Company shall file or cause to be filed on or before the seven months anniversary of the date of this Agreement with the Commission a Registration Statement on an appropriate form (which shall be, if the Company is then eligible, an Automatic Shelf Registration Statement) providing for the registration of, and the sale by the Holder of, all of the Registrable Shares held by the Holder at the time of such filing on a continuous or delayed basis by the Holder, from time to time in accordance with the methods of distribution elected by the Holder, pursuant to Rule 415 under the Securities Act or any similar rule that may be adopted by the Commission; provided, however, that the Holder acknowledges and agrees that, pursuant to the Governance Agreement, it is subject to certain restrictions on transfer of the Registrable Shares. The Company will use its reasonable best efforts to cause the Registration Statement to be declared effective by the Commission as soon as practicable after the filing thereof. To the extent that the Company has an effective shelf registration statement on file and it is effective with the Commission at the time the Company is going to file a Registration Statement hereunder, the Company may (but will not be required to) instead file a prospectus or post-effective amendment, as applicable, to include in such shelf registration statement the Registrable Shares to be registered pursuant to this Agreement (in such a case, such prospectus or post-effective amendment together with the previously filed shelf registration statement will be considered the Registration Statement).

Section 2.2 Demand Registrations.

(a) Request for Registration.

(i) From and after the date that is nine months after the date hereof, the Holder shall have the right to require the Company to file a Registration Statement under the Securities Act for a public offering of all or part of such Registrable Shares (a "Demand Registration") by delivering to the Company written notice stating that such right is being exercised by the Holder, specifying the number of Registrable Shares to be included in such registration and, subject to Section 2.2(b) hereof, describing the intended method of distribution thereof (a "Demand Request"). The Holder may exercise its rights under this Section 2.2 in the Holder's sole discretion; provided, that, the Company shall not be obligated to effect more than one (1) Demand Registration (inclusive of an underwritten take-down offering (which, for avoidance of doubt, includes a Block Trade) pursuant to Section 2.6).

(ii) The Demand Request shall specify the aggregate number of Registrable Shares proposed to be sold. Subject to Section 3.1, the Company shall file the Registration Statement in respect of a Demand Registration within 45 days after receiving a Demand Request (the “Required Filing Date”) and shall use reasonable best efforts to cause the same to be declared effective by the Commission as promptly as practicable after such filing; provided, however, that:

(A) the Company shall not be obligated to cause a Registration Statement with respect to a Demand Registration to be declared effective pursuant to Section 2.2(a)(ii) unless the Demand Request is for a number of Registrable Shares with a market value that is equal to at least \$50 million as of the date of such Demand Request; provided, however, that this Section 2.2(a)(ii)(A) shall not apply if the applicable Demand Request is for all of the Registrable Shares held by the Holder as of the date of such Demand Request; and

(B) the Holder shall have the right to withdraw a Demand Request at any time prior to the relevant Registration Statement being declared effective by the Commission in which event the Company shall not be obligated to cause a Registration Statement with respect to a Demand Registration to be declared effective pursuant to Section 2.2(a)(ii).

(b) Priority on Demand Registrations. The Company shall include in a Demand Registration only the Registrable Shares requested by the Holder to be included therein.

(c) Selection of Underwriters. The Holder may (i) request that the offering of Registrable Shares pursuant to a Demand Registration be in the form of a “firm commitment” underwritten offering and (ii) select the investment banking firm or firms to manage the underwritten offering, subject to the prior written consent of the Company (such consent not to be unreasonably withheld).

Section 2.3 Effectiveness. The Company shall use its reasonable best efforts to keep each Registration Statement continuously effective (or in the event a Registration Statement expires pursuant to Rule 415(a)(5) under the Securities Act, file a replacement Registration Statement and keep such replacement Registration Statement effective) for the period beginning on the date on which the Registration Statement is declared or becomes effective and ending on the date that all Registrable Shares registered thereunder have been disposed of or withdrawn.

Section 2.4 Notification and Distribution of Materials. The Company shall notify the Holder of the effectiveness of any Registration Statement applicable to the Registrable Shares and shall furnish to the Holder such number of copies of such Registration Statement (including any amendments, supplements and exhibits), the Prospectus contained therein (including each preliminary prospectus and all related amendments and supplements, if any) and any documents incorporated by reference in such Registration Statement or such other documents as the Holder may reasonably request in order to facilitate the sale of the Registrable Shares in the manner described in such Registration Statement.

Section 2.5 Amendments and Supplements. During the period that a Registration Statement is effective, the Company shall prepare and file with the Commission from time to time such amendments and supplements to such Registration Statement and Prospectus used in connection therewith as may be necessary to keep such Registration Statement (or a successor Registration Statement filed with respect to such Registrable Shares) effective and to comply with the provisions of the Securities Act with respect to the disposition of the Registrable Shares covered thereby. The Company shall file, as promptly as practicable (and within twenty (20) Business Days), any supplement or post-effective amendment to a Registration Statement to add Registrable Shares to any shelf Registration Statement as reasonably necessary to permit the sale of the Holder's Registrable Shares pursuant to such Registration Statement. The Company shall furnish to and afford the Holder a reasonable opportunity to review and comment on all amendments and supplements proposed to be filed to a Registration Statement (in each case at least two (2) Business Days prior to such filing). The Company shall use its reasonable best efforts to have such supplements and amendments declared effective, if required, as soon as practicable after filing. The Holder agrees to deliver such notices, questionnaires and other information as the Company may reasonably request in writing, if any, to the Company within fifteen (15) Business Days after such request.

Section 2.6 Underwritten Offerings.

(a) The Holder may request, by written notice to the Company, that the Company cooperate with the Holder in any underwritten offering of Registrable Shares initiated by the Holder under a Registration Statement. The Company agrees to reasonably cooperate with any such request for an underwritten offering and to take all such other reasonable actions in connection therewith, including entering into such agreements (including an underwriting agreement in form, scope and substance as is customary for similar underwritten offerings) and taking all such other reasonable actions in connection therewith in order to expedite or facilitate the disposition of Registrable Shares included in such underwritten offering, including (i) making such representations and warranties to the underwriters with respect to the business of the Company and the Registration Statement and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in form, substance and scope as are customarily made by issuers to underwriters in underwritten offerings by selling stockholders; (ii) obtaining customary opinions and negative assurance letters of counsel to the Company; and (iii) obtaining customary "cold comfort" letters and updates thereof from the independent registered public accountants of the Company (to the extent permitted by applicable accounting rules and guidelines); and (iv) filing any supplements to the Registration Statement and Prospectus as may be necessary in order to enable the Registrable Shares to be distributed in the underwritten offering.

(b) If the Holder desires to engage in Block Trade or bought deal pursuant to a shelf Registration Statement (either through filing an Automatic Shelf Registration Statement or through a take-down from an already existing shelf Registration Statement), then notwithstanding the time periods set forth in Section 2.5, the Holder may notify the Company of the Block Trade not less than two (2) Business Days prior to the day such offering is first anticipated to commence. If requested by the Holder, the Company will use its reasonable best efforts to facilitate such Block Trade or bought deal (which may close as early as two (2) Business Days after the date it commences).

Section 2.7 Piggyback Registration.

(a) Piggyback Rights. If the Company proposes to conduct a registered offering of, or if the Company proposes to file a Registration Statement under the Securities Act with respect to an offering of common equity securities of the Company, or securities or other obligations exercisable or exchangeable for, or convertible into common equity securities of the Company, for its own account (but not for the account of other stockholders of the Company), other than a Registration Statement (or any registered offering with respect thereto) (i) filed in connection with any employee stock option or other benefit plan, (ii) for an exchange offer or offering of securities solely to the Company's existing stockholders, (iii) for an offering of debt that is convertible into equity securities of the Company, (iv) for a dividend reinvestment plan or (v) for a Block Trade, then the Company shall give written notice of such proposed offering to the Holder not less than three (3) Business Days before the anticipated filing date of such Registration Statement or, in the case of an underwritten offering pursuant to a shelf Registration Statement, the launch date of such offering, which notice shall (A) describe the amount and type of securities to be included in such offering, the intended method(s) of distribution, and the name of the proposed managing underwriter or underwriters, if any and if known, in such offering, and (B) offer to the Holder the opportunity to include in such registered offering such number of Registrable Shares as the Holder may request in writing within three (3) Business Days after receipt of such written notice (such registered offering, a "Piggyback Registration"). The Company shall cause such Registrable Shares to be included in such Piggyback Registration and shall use its reasonable best efforts to cause the managing underwriter or underwriters of a proposed underwritten offering to permit the Registrable Shares requested by the Holder pursuant to this Section 2.7(a) to be included in a Piggyback Registration on the same terms and conditions as any similar securities of the Company included in such registered offering and to permit the sale or other disposition of such Registrable Shares in accordance with the intended method(s) of distribution thereof. The inclusion of the Holder's Registrable Shares in a Piggyback Registration shall be subject to the Holder's agreement to abide by the terms of Section 3.2 below.

(b) Reduction of Piggyback Registration. If the managing underwriter or underwriters in an underwritten offering that is to be a Piggyback Registration, in good faith, advises the Company and the Holder, in each case, participating in the Piggyback Registration in writing that the dollar amount or number of shares of Common Stock or other equity securities that the Company desires to sell, taken together with (i) the Common Stock or other equity securities, if any, as to which registration or a registered offering has been demanded pursuant to separate written contractual arrangements with Persons other than the Holder hereunder and (ii) the Registrable Shares, if any, as to which registration has been requested pursuant to this Section 2.7, exceeds the maximum dollar amount or maximum number of equity securities that can be sold in the underwritten offering without adversely affecting the proposed offering price, the timing, the distribution method, or the probability of success of such offering (such maximum dollar amount or maximum number of such securities, as applicable, the "Maximum Number of Securities"), then the Company shall include in any such registration (A) first, the Common Stock or other equity securities that the Company desires to sell and (B) second, to the extent that the Maximum Number of Securities has not been reached under the foregoing clause (A), the Common Stock or other equity securities, if any, as to which registration has been requested pursuant to written contractual piggyback registration rights of stockholders of the Company, including the Registrable Shares of the Holder exercising its rights to register its Registrable Shares pursuant to Section 2.7(a) (*pro rata* based on the number of securities then owned by such holders), which can be sold without exceeding the Maximum Number of Securities.

(c) Piggyback Registration Withdrawal. The Holder shall have the right to withdraw from a Piggyback Registration for any or no reason whatsoever upon written notification to the Company and the underwriter or underwriters (if any) of the Holder's intention to withdraw from such Piggyback Registration prior to the effectiveness of the Registration Statement filed with the Commission with respect to such Piggyback Registration or, in the case of a Piggyback Registration pursuant to a shelf Registration Statement, the filing of the applicable "red herring" prospectus or prospectus supplement with respect to such Piggyback Registration used for marketing such transaction. The Company (whether on its own good faith determination or as the result of a request for withdrawal by Persons pursuant to separate written contractual obligations) may withdraw a Registration Statement filed with the Commission in connection with a Piggyback Registration (which, in no circumstance, shall include shelf registration statement) at any time prior to the effectiveness of such Registration Statement.

Section 2.8 New York Stock Exchange. The Company shall file any necessary listing applications or amendments to the existing applications to cause the Registrable Shares registered under any Registration Statement to be then listed or quoted on the New York Stock Exchange or such other primary exchange or quotation system on which the Common Stock is then listed or quoted.

Section 2.9 Notice of Certain Events.

(a) The Company shall promptly notify the Holder in writing of the filing of any Registration Statement or Prospectus, amendment or supplement related thereto or any post-effective amendment to a Registration Statement and the effectiveness of any post-effective amendment; provided, however, that this Section 2.8(a) shall not apply to (i) an amendment or supplement relating solely to securities other than the Registrable Shares, and (ii) an amendment or supplement by means of an Annual Report on Form 10-K, a Quarterly Report on Form 10-Q, a Proxy Statement on Schedule 14A, a Current Report on Form 8-K or a Registration Statement on Form 8-A or any amendments thereto filed with the Commission under the Exchange Act and incorporated or deemed to be incorporated by reference into a Registration Statement or Prospectus.

(b) At any time when a Prospectus relating to a Registration Statement is required to be delivered under the Securities Act by the Holder to a transferee, the Company shall immediately notify the Holder of the happening of any event as a result of which the Company believes the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. In such event, the Company shall promptly prepare and, if applicable, furnish to the Holder a reasonable number of copies of a supplement to or an amendment of such Prospectus as may be necessary so that, as thereafter delivered to the purchasers of Registrable Shares sold under the Prospectus, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading. The Company shall, if necessary, promptly amend the Registration Statement of which such Prospectus is a part to reflect such amendment or supplement. The Holder agrees that, upon receipt of any notice from the Company of the occurrence of an event as set forth above, the Holder will forthwith discontinue disposition of Registrable Shares pursuant to any Registration Statement covering such Registrable Shares until the Holder's receipt of written notice from the Company that the use of the Registration Statement may be resumed. The Holder also agrees that it will treat as confidential the receipt of any notice from the Company of the occurrence of an event as set forth above and shall not disclose or use the information contained in such notice without the prior written consent of the Company until such time as the information contained therein is or becomes available to the public generally, other than as a result of disclosure by the Holder in breach of the terms of this Agreement.

Section 2.10 In-Kind Distributions. If the Holder seeks to effectuate an in-kind distribution of all or part of the Registrable Shares to its direct or indirect equityholders, the Company will work with the Holder to facilitate such in-kind distribution in the manner reasonably requested and consistent with the Company's obligations under the Securities Act.

ARTICLE 3

SUSPENSION OF REGISTRATION REQUIREMENTS; SALES RESTRICTIONS

Section 3.1 Suspension of Registration Requirements.

(a) The Company shall promptly notify the Holder in writing of the issuance by the Commission or any state instrumentality of any stop order suspending the effectiveness of a Registration Statement with respect to the Holder's Registrable Shares or the initiation of any proceedings for that purpose. The Company shall use its reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of such a Registration Statement as promptly as practicable after the issuance thereof.

(b) Notwithstanding anything to the contrary set forth in this Agreement, the Company may postpone the filing or the effectiveness of a Registration Statement or suspend the use of a prospectus that is part of a shelf Registration Statement (and therefore suspend sales of the Registrable Shares off the shelf Registration Statement) as the Company may reasonably determine necessary and advisable (but in no event more than two times in any rolling 12-month period commencing on the date of this Agreement or more than 60 consecutive days (the "Suspension Period")) in the event of pending negotiations relating to, or consummation of, a material transaction or the occurrence of a material event that, in the Company's reasonable determination, (i) would require additional disclosure of material non-public information by the Company in the Registration Statement or such filing, as to which the Company has a bona fide business purpose for preserving confidentiality, and the premature disclosure of which would adversely affect the Company, or (ii) render the Company unable to comply with Commission requirements (any such circumstances being hereinafter referred to as a "Suspension Event"). In case of a Suspension Event, the Company will give a notice to the Holder (a "Suspension Notice") to suspend sales of the Registrable Shares and such notice must state generally the basis for the notice and that such suspension will continue only for so long as the Suspension Event or its effect is continuing. The Holder agrees not to effect any sales of its Registrable Shares pursuant to the Registration Statement (or related filings) at any time after it has received a Suspension Notice from the Company and prior to receipt of an End of Suspension Notice. The Holder may recommence effecting sales of the Registrable Shares pursuant to the Registration Statement (or related filings) following further written notice to such effect (an "End of Suspension Notice") from the Company, which End of Suspension Notice will be given by the Company to the Holder promptly following the conclusion of any Suspension Event (and in any event during the permitted Suspension Period). The Holder agrees that it will treat as confidential the receipt of any Suspension Notice from the Company of the occurrence of an event as set forth above and shall not disclose or use the information contained in such notice without the prior written consent of the Company until the End of Suspension Notice.

Section 3.2 Restriction on Sales.

(a) The Holder agrees that, following the effectiveness of any Registration Statement relating to its Registrable Shares, the Holder will not effect any dispositions of any of its Registrable Shares pursuant to such Registration Statement or any filings under any state securities laws at any time after the Holder has received notice from the Company to suspend dispositions as a result of the occurrence or existence of any Suspension Event or so that the Company may correct or update the Registration Statement or such filing. The Holder will maintain the confidentiality of any information included in the written notice delivered by the Company unless otherwise required by law or subpoena. The Holder may recommence effecting dispositions of the Registrable Shares pursuant to the Registration Statement or such filings, and all other obligations which are suspended as a result of a Suspension Event shall no longer be so suspended, following further notice to such effect from the Company, which notice shall be given by the Company promptly after the conclusion of any such Suspension Event.

(b) The Holder further agrees, if requested by the managing underwriter or underwriters in an underwritten offering, not to effect any disposition of any of the Registrable Shares during the period (the "Offering Blackout Period") beginning upon receipt by the Holder of written notice from the Company, but in any event no earlier than the fifteenth (15th) day preceding the anticipated date of pricing of such underwritten offering, and ending no later than ninety (90) days after the closing date of such underwritten offering, and in no event for any longer period of time than is applicable to the Company's directors and officers in connection with such underwritten offering; provided, however, that such lockup shall not prohibit the Holder from pledging its Registrable Shares pursuant to a bona fide margin loan or prevent the lender from exercising foreclosure remedies pursuant to such loan. Such Offering Blackout Period notice shall be in writing in a form reasonably satisfactory to the Company and the managing underwriter or underwriters. The Holder will maintain the confidentiality of any information included in such notice delivered by the Company unless otherwise required by law or subpoena.

(c) The Holder confirms its agreements to the restrictions on sales of Registrable Shares set forth in the Governance Agreement.

ARTICLE 4

INDEMNIFICATION

Section 4.1 Indemnification by the Company. The Company agrees to indemnify and hold harmless the Holder, and the officers, directors, stockholders, members, managers, partners, affiliates, accountants, attorneys, trustees, employees, representatives and agents of the Holder, and each Person (a "Controlling Person"), if any, who controls (within the meaning of Section 15(a) of the Securities Act or Section 20(a) of the Exchange Act) any of the foregoing Persons, as follows (to the fullest extent permitted by applicable law):

(a) from and against any and all costs, losses, liabilities, obligations, claims, damages, judgments, fines, penalties, awards, actions, other liabilities and expenses whatsoever (the "Liabilities"), as incurred by any of them, arising out of or in connection with (A) any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment or supplement thereto) pursuant to which Registrable Shares were registered under the Securities Act, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, or (B) any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom at such date of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(b) from and against any and all Liabilities, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 4.4 below) any such settlement is effected with the prior written consent of the Company; and

(c) from and against any and all legal or other expenses whatsoever, as incurred (including the reasonable fees and disbursements of one counsel chosen by any indemnified party) in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (a) or (b) above; provided, however, that this indemnity agreement shall not apply to any Liabilities to the Holder or its Controlling Persons to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by the Holder expressly for use in a Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto).

Section 4.2 Indemnification by the Holder. The Holder agrees to indemnify and hold harmless the Company, and the officers, directors, stockholders, members, partners, managers, employees, trustees, executors, representatives and agents of the Company, and each of their respective Controlling Persons, to the fullest extent permitted by applicable law, from and against any and all Liabilities described in the indemnity contained in Section 4.1 hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) or any Prospectus included therein (or any amendment or supplement thereto) in reliance upon and in conformity with written information with respect to the Holder furnished to the Company by the Holder expressly for use in the Registration Statement (or any amendment thereto) or such Prospectus (or any amendment or supplement thereto); provided, however, that the Holder shall not be liable for any claims hereunder in excess of the amount of net proceeds (after deducting underwriters' discounts and commissions) received by the Holder from the sale of Registrable Shares pursuant to such Registration Statement, and provided further, that the obligations of the Holder hereunder shall not apply to amounts paid in settlement of any such Liabilities if such settlement is effected without the prior written consent of the Holder to the extent such consent is required under Section 4.3.

Section 4.3 Notices of Claims, etc. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action or proceeding commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder unless the indemnifying party is actually materially prejudiced as a result thereof, and in such case, only to the extent of such prejudice, and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. An indemnifying party may participate therein at its own expense and, to the extent that it shall wish, assume the defense of such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. Notwithstanding the indemnifying party's rights in the immediately preceding sentence, the indemnified party shall have the right to employ its own counsel (in addition to any local counsel), and the indemnifying party shall bear the reasonable fees, costs, and expenses of such separate counsel if (a) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest; (b) actual or potential defendants in, or targets of, any such proceeding include both the indemnified party and the indemnifying party, and the indemnified party shall have reasonably concluded that there may be a legal defense available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party; (c) the indemnifying party shall not have employed counsel to represent the indemnified party within a reasonable time after notice of the institution of such proceeding; or (d) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. In no event shall the indemnifying party or parties be liable for the fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whosoever in respect of which indemnification or contribution could be sought under this Article 4 (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

Section 4.4 Indemnification Payments. If at any time an indemnified party shall have requested an indemnifying party consent to any settlement of the nature contemplated by Section 4.1(b), such indemnifying party agrees that it shall be liable for such settlement, including any such related fees and expenses of counsel, effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into, and (iii) such indemnifying party shall not have responded to such indemnified party in accordance with such request prior to the date of such settlement.

Section 4.5 Contribution.

(a) If the indemnification provided for in this Article 4 is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any Liabilities referred to therein, then each indemnifying party shall contribute to the aggregate amount of such Liabilities incurred by such indemnified party, as incurred, in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the applicable Holder on the other hand in connection with the statements or omissions which resulted in such Liabilities, as well as any other relevant equitable considerations.

(b) The relative fault of the Company on the one hand and the Holder on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Holder and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(c) The Company and the Holder agree that it would not be just and equitable if contribution pursuant to this Section 4.5 were determined by *pro rata* allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Article 4. The aggregate amount of Liabilities incurred by an indemnified party and referred to above in this Article 4 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

(d) No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

ARTICLE 5

TERMINATION; SURVIVAL

Section 5.1 Termination; Survival. The rights of the Holder under this Agreement shall terminate upon the date that the Holder ceases to hold Registrable Shares. Notwithstanding the foregoing, the rights and obligations of the parties under Article 4 and Article 6 of this Agreement shall remain in full force and effect following such time.

ARTICLE 6

MISCELLANEOUS

Section 6.1 Covenants Relating to Rule 144. For so long as the Company is subject to the reporting requirements of Section 13 or 15 of the Exchange Act, the Company covenants that it will use its reasonable best efforts to file the reports required to be filed by it under the Securities Act and Section 13(a) or 15(d) of the Exchange Act and the rules and regulations adopted by the Commission thereunder. If the Company ceases to be so required to file such reports, the Company covenants that it will upon the request of the Holder of Registrable Shares (a) make publicly available such information as is necessary to permit sales pursuant to Rule 144 under the Securities Act, (b) deliver such information to a prospective purchaser as is necessary to permit sales pursuant to Rule 144A under the Securities Act and it will take such further action as the Holder of Registrable Shares may reasonably request, and (c) take such further action that is reasonable in the circumstances, in each case to the extent required from time to time to enable the Holder to sell its Registrable Shares without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, (ii) Rule 144A under the Securities Act, as such rule may be amended from time to time, or (iii) any similar rules or regulations hereafter adopted by the Commission. Upon the request of the Holder of Registrable Shares, the Company will deliver to the Holder a written statement as to whether it has complied with such requirements and of the Securities Act and the Exchange Act, a copy of the most recent annual and quarterly report(s) of the Company, and such other reports, documents or stockholder communications of the Company, and take such further actions consistent with this Section 6.1, as the Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing the Holder to sell any such Registrable Shares without registration.

Section 6.2 No Conflicting Agreements. The Company hereby represents and warrants that the Company has not entered into and the Company will not after the date of this Agreement enter into any agreement which conflicts with the rights granted to the Holder of Registrable Shares pursuant to this Agreement or otherwise conflicts with the provisions of this Agreement. The Company hereby represents and warrants that the rights granted to the Holder hereunder do not and will not for the term of this Agreement in any way conflict with the rights granted to the holders of the Company's other issued and outstanding securities under any such agreements.

Section 6.3 Additional Shares. The Company, at its option, may register, under any Registration Statement and any filings under any state securities laws filed pursuant to this Agreement, any number of unissued, treasury or other Common Stock of or owned by the Company and any of its subsidiaries or any Common Stock or other securities of the Company owned by any other security holder or security holders of the Company.

Section 6.4 Governing Law; Arbitration. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by, and shall be construed and interpreted in accordance with, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdiction other than the State of New York. The Company and the Holder hereby agree that (a) any and all litigation arising out of this Agreement shall be conducted only in state or Federal courts located in the State of New York and (b) such courts shall have the exclusive jurisdiction to hear and decide such matters. The Holder accepts, for itself and in respect of the Holder's property, expressly and unconditionally, the nonexclusive jurisdiction of such courts and hereby waives any objection that the Holder may now or hereafter have to the laying of venue of such actions or proceedings in such courts. Insofar as is permitted under applicable law, this consent to personal jurisdiction shall be self-operative and no further instrument or action, other than service of process in the manner set forth in Section 6.9 hereof or as otherwise permitted by law, shall be necessary in order to confer jurisdiction upon the Holder in any such courts. Nothing contained herein shall affect the right serve process in any manner permitted by law or to commence any legal action or proceeding in any other jurisdiction. The Company and the Holder hereby (i) expressly waive any right to a trial by jury in any action or proceeding to enforce or defend any right, power or remedy under or in connection with this Agreement or arising from any relationship existing in connection with this Agreement, and (ii) agree that any such action shall be tried before a court and not before a jury.

Section 6.5 Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that a signature delivered by facsimile, email pdf or other electronic form shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original.

Section 6.6 Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

Section 6.7 Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

Section 6.8 Entire Agreement; Amendments; Waiver. This Agreement and the Related Documents supersede all other prior oral or written agreements between the Holder, the Company, their respective affiliates and Persons acting on their behalf with respect to the matters discussed herein, and this Agreement and the Related Documents contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Holder makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be amended other than by an instrument in writing signed by the Company and the Holder. No provision hereof may be waived other than by an instrument in writing signed by the party against whom enforcement is sought.

Section 6.9 Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent via email (provided no automated notice of delivery failure is received by the sender); or (iii) one Business Day after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Safehold Inc.
1114 Avenue of the Americas, 39th Floor
New York, New York 10036
Attention: [●]
Email: [●]

If to the Holder:

[SPINCO]
1114 Avenue of the Americas, 39th Floor
New York, New York 10036
Attention: [●]
Email: [●]

Section 6.10 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective permitted successors and assigns. No assignment of this Agreement or of any rights or obligations hereunder may be made by any party hereto without the prior written consent of the other party hereto.

Section 6.11 No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person other than as expressly set forth in Article 4 and this Section 6.11.

Section 6.12 Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

Section 6.13 Specific Performance. The parties acknowledge and agree that in the event of a breach or threatened breach of its covenants hereunder, the harm suffered would not be compensable by monetary damages alone and, accordingly, in addition to other available legal or equitable remedies, each non-breaching party shall be entitled to apply for an injunction or specific performance with respect to such breach or threatened breach, without proof of actual damages (and without the requirement of posting a bond, undertaking or other security), and the Holder and the Company agree not to plead sufficiency of damages as a defense in such circumstances.

Section 6.14 Costs and Expenses. The Company shall bear all Registration Expenses incurred in connection with the registration of the Registrable Shares pursuant to this Agreement and the Company's performance of its other obligations under the terms of this Agreement; provided, however, that the Holder shall bear all underwriting fees, discounts, commissions, or taxes (including transfer taxes) attributable to the sale of securities by the Holder, or any legal fees and expenses of counsel to the Holder and any underwriter engaged by the Holder and all other expenses incurred in connection with the performance by the Holder of its obligations under the terms of this Agreement. All other costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such costs and expenses, whether or not any of the transactions contemplated hereby are consummated.

[Signature Page Follows.]

IN WITNESS WHEREOF, the Holder and the Company have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

SAFEHOLD INC.

By: _____
Name: [•]
Title: [•]

[SPINCO]

By: _____
Name: [•]
Title: [•]

[Signature Page to Registration Rights Agreement]

None.

iStar Inc.

, 2022

Dear iStar Stockholder:

On August 11, 2022, we announced that we and Safehold Inc. (“Safe”) entered into a definitive merger agreement. The combination of the companies in the merger will create a self-managed pure-play ground lease company operating under the name “Safehold Inc.” and trading on the New York Stock Exchange as “SAFE.” The merger is the next step in the corporate strategy that we announced in 2019 to transition iStar’s business focus and resources primarily to the ground lease ecosystem and to monetize our non-core legacy assets. With the sale of our net lease portfolio in March 2022, we have largely completed this transition. Our material assets currently consist of our approximately 54.3% ownership interest in Safe common stock, our interests in two ground lease-related funds, cash and approximately \$533.9 million (based on carrying value as of September 30, 2022) of assets remaining from our historical non-ground lease related commercial real estate businesses, which we refer to as our “legacy assets.” Our board of directors, based upon the recommendation of an independent committee of iStar’s board of directors comprised solely of independent directors, has approved a plan to spin off our remaining legacy assets and a portion of our interest in Safe prior to the merger through a distribution of our interests in Star Holdings (“Star Holdings”).

Our board’s determination to approve the spin-off in conjunction with the merger was based on a number of factors, including that:

- the transactions will separate iStar stockholders’ existing interests in iStar into investments in two public companies that are focused solely on their respective strategies — SAFE will continue to focus on driving the growth of its ground lease business and Star Holdings will focus on opportunities to maximize value from iStar’s legacy assets and to realize upside from Star Holdings’ meaningful investment in SAFE; and
- the spin-off provides a solution for iStar to monetize long-term assets in an orderly fashion while retiring its unsecured debt in full using proceeds from financings being obtained in connection with the spin-off, together with proceeds from asset sales and repayments.

Following the completion of the spin-off, Star Holdings will be an independent publicly traded company with a portfolio comprised primarily of interests in two significant residential development properties, a portfolio of commercial properties and loans that are being marketed for sale or otherwise monetized and shares of Safe. Star Holdings will be externally managed by iStar pursuant to a management agreement, to which Safe will succeed in the merger. We expect that iStar will complete its merger with Safe shortly after the completion of the spin-off and that former iStar personnel with deep knowledge of Star Holdings’ assets will continue to manage the assets. The spin-off will be completed by way of a pro rata distribution of 100% of the common shares of Star Holdings to iStar common stockholders of record as of the close of business on _____, 2023, the record date of the spin-off. Each iStar common stockholder will receive _____ common shares of Star Holdings for every share of iStar common stock held on the record date for the spin-off.

We expect that the spin-off will be treated, for U.S. federal income tax purposes, as a taxable distribution to iStar stockholders, equal to the fair market value of the distributed Star Holdings common shares on the date of the spin-off.

iStar stockholders are not required to approve the spin-off, and you are not required to take any action to receive your common shares of Star Holdings. Completion of the spin-off is a condition to the closing of the merger, and if the merger agreement is terminated for any reason, we do not intend to proceed with the spin-off. Following the spin-off and the merger, you will own shares in both Safe and Star Holdings. Safe common stock will continue to trade on the New York Stock Exchange under the symbol “SAFE.” Star Holdings intends to apply to have its common shares listed on a nationally recognized exchange.

We have prepared the enclosed information statement, which is being mailed to all holders of shares of iStar common stock that are expected to receive shares of Star Holdings in the spin-off. The information statement describes the spin-off in detail and contains important information about Star Holdings, its business, financial condition and operations. We urge you to read the information statement carefully.

We want to thank you for your continued support of iStar, and we look forward to your future support of Safe and Star Holdings.

Sincerely,

JAY SUGARMAN
Chairman and Chief Executive Officer
iStar Inc.

Star Holdings

, 2022

Dear Future Star Holdings Shareholder:

It is our pleasure to welcome you as a shareholder of our company, Star Holdings, a Maryland statutory trust (“Star Holdings”). We have been formed to succeed to the remaining assets of iStar Inc.’s (“iStar”) historical non-ground lease related commercial real estate businesses. Following the distribution of all of Star Holdings’ common shares by iStar in a spin-off transaction, we will be an independent, externally managed publicly traded company. Our portfolio will be comprised primarily of our interests in our Asbury and Magnolia Green residential development projects, a portfolio of commercial real estate properties and loans that are being marketed for sale or otherwise monetized and shares of Safehold Inc., or “Safe.” We expect to focus on realizing value for shareholders from the legacy portfolio primarily by maximizing cash flows through active asset management and asset sales. We will be externally managed by iStar pursuant to a management agreement. We expect that shortly after the completion of the spin-off, iStar will complete its previously-announced merger with Safe, following which the combined company will be named Safehold Inc. We expect that former iStar personnel with deep knowledge of our assets will continue to manage the assets.

Star Holdings intends to apply to have its common shares listed on a nationally recognized exchange.

We invite you to learn more about Star Holdings by carefully reviewing the enclosed information statement, which contains important information about Star Holdings, our assets, financial condition and results of operations, as well as certain risks related to an investment in our common shares. The information statement also explains how you will receive your common shares of Star Holdings. We look forward to your support as a shareholder of Star Holdings.

Sincerely,

President
Star Holdings

PRELIMINARY AND SUBJECT TO COMPLETION, DATED DECEMBER 16, 2022

INFORMATION STATEMENT

STAR HOLDINGS

This information statement is being furnished in connection with the pro rata distribution (the “spin-off”) by iStar Inc., a Maryland corporation (“iStar”), to its common stockholders, as of the close of business on _____, 2023, of all of the outstanding common shares of beneficial interest of Star Holdings, a Maryland statutory trust (“Star Holdings”), which will be, immediately prior to the spin-off, a wholly owned subsidiary of iStar. We have been formed to succeed to the assets of iStar remaining from its historical non-ground lease related commercial real estate businesses.

You will receive _____ common shares of Star Holdings for every share of iStar common stock held of record by you as of the close of business on _____, 2023 (the “record date”). You will receive cash in lieu of any fractional shares of Star Holdings which you otherwise would have received. The date on which the common shares of Star Holdings will be distributed to you (the “distribution date”) is expected to be _____, 2023. After the spin-off is completed, Star Holdings will be an independent, externally managed publicly traded company. Star Holdings will be externally managed by iStar, which will be renamed Safehold Inc. (“Safe”) in the pending merger of iStar and Safehold Inc (the “merger”). Following the spin-off and the merger, you will own shares in both Safe and Star Holdings. Safe common stock will continue to trade on the New York Stock Exchange (the “NYSE”) under the symbol “SAFE.” Completion of the spin-off is a condition to the closing of the merger, and if the merger agreement is terminated for any reason, we do not intend to proceed with the spin-off.

There is no current trading market for Star Holdings common shares, although we expect that a limited market, commonly known as a “when-issued” trading market, will develop approximately one week before the record date for the distribution, and we expect “regular-way” trading of Star Holdings common shares to begin on the first trading day following the completion of the distribution. We intend to apply to list our common shares on a nationally recognized exchange. As discussed under “The Spin-Off — Trading Before the Spin-Off Date,” if you sell your shares of iStar common stock in the “regular-way” market beginning approximately one week before the record date and up to and through the distribution date, you also will be selling your right to receive common shares of Star Holdings in connection with the distribution. However, if you sell your shares of iStar common stock in the “ex-distribution” market during the same period, you will retain your right to receive common shares of Star Holdings in connection with the distribution.

Star Holdings is an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and, as such, is allowed to provide in this information statement more limited disclosure than an issuer that would not so qualify. In addition, for so long as we remain an emerging growth company, we may also take advantage of certain limited exceptions from investor protection laws such as the Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”), and the Investor Protection and Securities Reform Act of 2010, for limited periods.

In reviewing this information statement, you should carefully consider the matters described under the caption “Risk Factors” beginning on page 16.

Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved these securities or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.

This information statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The date of this information statement is _____, 2022.

This information statement was first mailed to iStar stockholders on or about _____, 2022.

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Presentation of Information

Unless the context otherwise requires, references in this information statement to “Star Holdings,” “our company,” “the company,” “us,” “our” and “we” refer to Star Holdings, a Maryland statutory trust, and its consolidated subsidiaries. References in this information statement to (i) “iStar” generally refer to iStar Inc., a Maryland corporation, and its consolidated subsidiaries (other than Star Holdings and its consolidated subsidiaries after the spin-off), (ii) “Safe” refer to Safehold Inc. before the closing of the pending merger, or the “merger,” between iStar and Safe, and refer to the combined company (which will also be named Safehold Inc.) after the merger and (iii) “carrying value” refers to (x) in the case of land, development and operating properties, the basis assigned to physical real estate property (net investment in leases, land and building), net of any impairments taken after the acquisition date and net of basis reductions associated with unit/parcel sales, net of accumulated depreciation and amortization, plus basis in equity method investments and (y) in the case of real estate loans, the gross book value reduced for current expected credit loss allowance, in each case unless the context otherwise indicated or requires.

Except as otherwise indicated or unless the context otherwise requires, all references to Star Holdings per share data assume a distribution ratio of _____ common shares of Star Holdings, par value \$0.001 per share (“Star Holdings common shares”), for every share of iStar common stock, par value \$0.001 per share (the “spin-off ratio”).

INFORMATION STATEMENT SUMMARY

The following is a summary of material information discussed in this information statement. This summary may not contain all of the details concerning the spin-off or other information that may be important to you. To better understand the spin-off and Star Holdings' business and financial position, you should carefully review this entire information statement. Except as otherwise indicated or unless the context otherwise requires, the information included in this information statement assumes the completion of the spin-off, the merger and all of the transactions referred to in this information statement related to the spin-off. There can be no assurance, however, that any or all of these transactions will occur or will occur as contemplated.

References in this information statement to Star Holdings' historical assets, liabilities, businesses or activities are generally intended to refer to the historical assets, liabilities, businesses or activities as they were conducted as part of iStar and its subsidiaries.

Our Company

Our company will succeed to the assets owned by iStar immediately prior to the completion of the spin-off that remain from its historical non-ground lease related businesses, including real estate finance, operating properties and land and development. The legacy assets included in our portfolio as of the date of this information statement had an aggregate carrying value of approximately \$533.9 million as of September 30, 2022, and we refer to these assets as our "legacy portfolio." We intend to focus on realizing value from the legacy portfolio primarily by maximizing cash flows from active asset management and asset sales. As discussed in this information statement, our legacy portfolio will include interests in two significant residential development properties and a portfolio of commercial properties and loans that are being marketed for sale or otherwise monetized. In addition to the legacy portfolio, we will own shares of common stock of Safe that have a value of \$400 million based on trading prices at the time of the spin-off, which we refer to in this information statement as our "Safe Shares."

We will be externally managed by iStar, which will be re-named Safehold Inc., or "Safe," in the pending merger of iStar and Safe. We expect that the merger will close shortly after the completion of the spin-off and that former employees of iStar who had primary responsibility for the oversight of our assets will continue to provide services to us.

Our Portfolio

Development Portfolio. Upon completion of the spin-off, our legacy portfolio is expected to include interests in two significant residential developments, the Asbury Park Waterfront and Magnolia Green. Information about these properties is set forth below.

Asbury Park Waterfront

We are the managing member of a residential joint venture that owns approximately 30 acres of land and acts as the master developer of the Waterfront Redevelopment Area of Asbury Park, New Jersey. The existing redeveloper agreement with the city permits up to approximately 2,500 additional units, comprised of for-sale residential homes, hotel keys and multi-family apartments to be developed in Asbury Park, subject to the local approval process for each individual project. Our Asbury Park assets had an aggregate carrying value of approximately \$179.6 million as of September 30, 2022. The development includes certain improvements that are already completed, including the following:

- Asbury Ocean Club Surfside Resort and Residences: a 16-story mixed use project featuring 130 residential condominium units, a 54-key luxury boutique hotel, 24,000 square feet of retail space, 410 structured parking spaces and a 15,000 square foot gym and spa amenity area. The property was completed in 2019. The hotel is managed by a third party. As of the date of this information statement, 9 residential condo units remain unsold.
- The Asbury: a 110-key independent boutique hotel with indoor and outdoor event spaces, and a rooftop bar. The hotel was completed in 2016 and is managed by a third party.
- Asbury Lanes: a 12,000 square foot music and entertainment venue. The venue was completed in 2018, connected to The Asbury, and is managed by a third party.

In addition to the assets that are operating and completed, the joint venture owns approximately 18 development sites which it intends to sell to third parties for residential development. As of September 30, 2022, the joint venture has entered into agreements to sell three properties, subject to certain closing conditions. There can be no assurance, however, that these sales will be completed.

Our current strategy for the Asbury Park Waterfront project is to sell the remaining residential condominium units at Asbury Ocean Club, actively asset manage our operating assets, and strategically monetize the remaining development sites and our operating assets through sales to third party developers and operators while meeting our capital funding and other obligations under the redevelopment agreement with the city of Asbury Park. We anticipate it will take at least four years to execute our strategy and it could take substantially longer. These current plans are subject to change based on many factors, including those described in “Risk Factors,” and we may decide to sell some or all of our interests sooner or later than currently expected.

Magnolia Green

Magnolia Green is an approximately 1,900 acre multi-generational master planned residential community that is entitled for 3,550 single and multifamily dwelling units and approximately 193 acres of land for commercial development. The community is located 19 miles southwest of Richmond, Virginia and offers distinct phases designed for people in different life stages, from first home buyers to empty nesters in single family and townhomes built by the area’s top homebuilders. The project is anchored by the Magnolia Green Golf Club, a semi-private 18-hole Nicklaus Design championship golf course with full-service clubhouse and driving range. There are also numerous community amenities, including the Aquatic Center, featuring multiple pools and a snack bar, Arbor Walk, featuring a junior Olympic competition pool, water slide and sports courts, the Tennis Center, featuring tennis and pickleball courts and a pro shop, and miles of paved trails. Our Magnolia Green assets had an aggregate value of \$89.2 million as of September 30, 2022.

As of September 30, 2022, 1,771 residential lots have been sold to homebuilders, approximately 51 developed lots are under contract for sale to homebuilders subject to certain closing conditions, 181 lots are under horizontal development and 148 of such lots are under contract to be sold to homebuilders subject to certain closing conditions. There can be no assurance, however, that these sales will be completed. There are also approximately 460 planned lots not yet under development. We anticipate selling our remaining residential lots to homebuilders either upon completion of horizontal lot development or in bulk as unimproved lots over the next three years and it could take substantially longer. We anticipate selling the golf course operations to a third party upon completion of residential lot sellout.

As of September 30, 2022, we have sold 4 acres of our commercial land which has been developed into a day care facility. As of the date of this information statement, we have a 14-acre parcel of commercial land under contract to be developed as multi-family apartments, and another 100-acre parcel of commercial land zoned for senior multi-family under contract. There can be no assurance, however, that these sales will be completed. We are marketing portions of the remaining commercial land for sale, but timing for those sales remains uncertain and any sales to third party developers or owner/operators may not be completed until closer to the sellout of our residential development or later. These current plans are subject to change based on many factors, including those described in “Risk Factors,” and we may decide to sell some or all of our interests sooner or later than currently expected.

Monetizing Portfolio. As of the date of this information statement, iStar owns 18 legacy assets (that have a basis above zero) that it expects to monetize primarily through asset sales, loan repayments or active asset management. In addition to the development portfolio, we will own whichever of these assets iStar has not sold as of the date of the completion of the spin-off. These assets included in our portfolio as of the date of this information statement had an aggregate carrying value of approximately \$265.2 million as of September 30, 2022, and were comprised primarily of loans, operating properties, land and development and other assets. Summarized information regarding these assets is set forth below.

Loans and Other Finance Assets. The loans and other finance assets included in our portfolio as of the date of this information statement include five assets with an aggregate carrying value of \$141.0 million as of September 30, 2022, after giving effect to the repayment of a loan with a carrying value of \$35.7 million after September 30, 2022. The assets are secured by real properties or equity interests in

entities that own directly or indirectly real properties. The properties underlying the loan and other finance assets include hotels, entertainment center, residential and other property types.

Our general strategy is to seek to sell the loans and other finance assets, but we may hold certain loans through repayment.

Operating Properties. The operating properties included in our portfolio as of the date of this information statement include 3 assets with an aggregate carrying value of approximately \$45.9 million as of September 30, 2022. These assets are held directly or through interests in joint ventures, and are primarily active adult residential properties and interests in commercial condominium units at one property. Our general strategy is to seek to sell the operating properties.

Land. The land assets included in our portfolio as of the date of this information statement include four assets with an aggregate carrying value of approximately \$52.6 million as of September 30, 2022, the largest of which is a development site in Coney Island, New York, as described in “Business and Properties — Our Development Portfolio.” Our general strategy is to seek to sell the land assets to third party developers.

Other. The remainder of the monetizing assets primarily consist of limited partner or non-managing member interests in several investment funds, two short term leases that we have subleased to third parties, which had an aggregate carrying value of \$25.8 million as of September 30, 2022, and a group of loans and equity interests that are recorded as having no carrying value in our financial statements. Our general strategy is to seek to sell these assets, although we may hold one or both leases until they expire. For the assets with no carrying value, we may seek to sell these assets but can give no assurance that we will recover any value from them.

If iStar sells any of the monetizing assets described above prior to the completion of the spin-off, then iStar will pay to Star Holdings any cash proceeds in excess of amounts needed for iStar to retire its unsecured senior notes, cash out its preferred stock in connection with the merger and pay other liabilities.

Investment in Safe and Other. In addition to the legacy portfolio, we will own shares of Safe common stock having a value of \$400 million based on market trading prices at the time of the spin-off. If the \$400 million of Safe common stock was calculated based on the closing price of Safe’s common stock on [REDACTED], 2022 of \$ [REDACTED], we would own [REDACTED] Safe Shares which would represent an approximately [REDACTED] % ownership interest in Safe, on a pro forma basis after giving effect to the closing of the merger. Our Safe Shares will collateralize an up to \$140 million margin loan that we expect to enter into on or about the date of completion of the spin-off with a third-party commercial bank. We are prohibited from transferring our Safe Shares for nine months following the closing of the merger, except as may be required under the terms of the margin loan. After the expiration of the 9 month lockup and repayment of the margin loan, the Safe Shares would be available to us as a source of liquidity to address future capital needs, subject to market conditions. We intend to operate in a manner so as to remain exempt from registration as an investment company under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and, as a result, we may invest available cash in certain real estate securities, including residential mortgage-backed securities guaranteed by the Governmental National Mortgage Association, known as “Ginnie Mae.” We may enter into one or more repurchase agreements with commercial lenders to finance the purchase of such securities.

The following table presents a summary of our portfolio, based on carrying values, as of September 30, 2022.

Summary of Legacy Portfolio as of September 30, 2022

	Asbury Park	Magnolia Green	Coney Island Bath Site	Other	Total
Total real estate	\$ 73,069	\$ —	\$ —	\$ 16,376	\$ 89,445
Land and development, net	106,519	89,151	39,026	13,550	248,246
Loans receivable and other lending investments, net ⁽¹⁾	—	—	—	176,623	176,623
Other investments	—	—	—	55,635	55,635
Total portfolio	179,588	89,151	39,026	262,184	569,949
Other assets ⁽²⁾	—	—	—	60,856	60,856
Total legacy assets	179,588	89,151	39,026	323,040	630,805
Investment in Safe at book value	—	—	—	547,290	547,290
Star Holdings total assets	\$179,588	\$89,151	\$ 39,026	\$870,330	\$1,178,095

- (1) One loan within Loans receivable and other lending investments, net, with a carrying value of \$35.7 million was repaid subsequent to September 30, 2022. Loans receivable and other lending investments, net includes \$67.8 million of loans and other lending investments that mature before June 30, 2023 (December 31, 2023, with extensions).
- (2) Other assets includes \$29.7 million of cash and cash equivalents, \$8.0 million of seller financing receivable, \$3.9 million of interest receivable, accounts receivable and deferred operating lease income receivable, net, \$1.5 million of restricted cash and \$17.8 million of other assets related to real estate properties. Star Holdings may not hold these assets at the time of the spin off; however, Star Holdings will hold at least \$50.0 million of cash and cash equivalents at the time of the spin off.

Overview of the Spin-Off

On August 11, 2022, iStar announced its plans to merge with Safe to create a self-managed pure-play ground lease company. iStar is required to complete the spin-off in order to separate its non-ground lease related assets from iStar prior to the closing of the merger with Safe.

iStar will accomplish the separation by transferring to us interests in the assets that will comprise our portfolio at the time of the spin-off, at least \$50.0 million in cash and the Safe Shares. We will assume all liabilities and obligations related to these assets and iStar's operations prior to the spin-off that do not relate to its ground lease business. In consideration for these assets, we will issue to iStar common shares of Star Holdings that iStar will distribute to its stockholders on a pro rata basis as well as the net proceeds of an up to \$140.0 million margin loan that we intend to enter into in connection with the spin-off. iStar will retain all of the assets and liabilities related to its ground lease business.

The spin-off is expected to occur on _____, 2023 (the "distribution date"), by way of a distribution to iStar stockholders. In the distribution, each iStar common stockholder will be entitled to receive _____ Star Holdings common shares for each share of iStar common stock held at the close of business on the spin-off record date. iStar stockholders will not be required to make any payment to surrender or exchange their iStar common stock, or to take any other action to receive their Star Holdings common shares in the spin-off. The spin-off as described in this information statement is subject to the satisfaction or waiver of certain conditions. In addition, iStar has reserved the right, in its sole discretion, to amend, modify or abandon the spin-off or any related transaction at any time prior to the distribution date; provided that, any waiver, amendment, supplement or modification of any provisions of the separation and distribution agreement prior to the closing of the merger may only be made with the prior written consent of an independent committee of Safe's board of directors comprised solely of independent directors (the "Safe special committee"). The completion of the spin-off is a condition to the closing of the merger of iStar and Safe.

Following completion of the spin-off (and prior to the closing of the merger), each iStar common stockholder immediately prior to the spin-off record date will continue to hold the shares of iStar common stock held immediately prior to the spin-off record date and _____ Star Holdings common shares

for each share of iStar common stock held immediately prior to the spin-off record date. iStar plans to do a reverse stock split of its common stock in connection with the merger, which will change the shares of iStar common stock held by iStar stockholders into a different number of shares based on the reverse split ratio. The final spin-off ratio will be set by the board of directors of iStar prior to the spin-off and is currently expected to be equivalent to the ratio that iStar expects to use to effectuate a reverse split of iStar common stock in connection with the merger. The foregoing assumes that the holder does not transfer any shares prior to the effectiveness of the spin-off or the merger. For more information, see “The Spin-Off — Trading Before the Spin-Off Date.”

iStar and Star Holdings will separate their respective liabilities as set forth in a separation and distribution agreement (the “separation and distribution agreement”). In addition to the separation and distribution agreement, we and iStar will enter into a management agreement (the “management agreement”) and we and Safe will enter into a governance agreement (the “governance agreement”) and a registration rights agreement (“registration rights agreement”). We have signed commitment letters for a senior secured term loan facility having a principal amount of \$100 million (which principal amount may be increased or decreased from time to time with the approval of both parties, including prior to the spin-off) and an up to \$140 million margin loan facility that we expect to enter into on or about the date of completion of the spin-off. Additional information about the secured term loan and the margin loan referenced above may be found under “Description of Material Indebtedness.”

iStar’s Reasons for the Spin-Off

iStar sponsored Safe’s initial public offering in 2017. Safe has grown its portfolio from approximately \$340 million of ground leases at the time of the initial public offering to approximately \$5.8 billion of ground leases as of September 30, 2022, and iStar’s ownership interest in Safe has increased from approximately 27% at the time of the IPO to approximately 54.3% as of the date of this information statement.

In 2019, iStar announced its plans to materially increase its investment in Safe and expand the relationship between the two companies because iStar believed that the ground lease business offered greater opportunities for attractive risk adjusted returns when compared to iStar’s traditional lending and net lease businesses, which faced greater competition and more commoditized pricing. Since 2019, iStar’s strategy has been to monetize the assets from its legacy businesses, strengthen its balance sheet and reinvest available proceeds into the ground lease ecosystem, both by making additional investments in Safe, and by creating ground lease financing programs and new ground lease-adjacent investment opportunities.

With the sale of its net lease portfolio in March 2022, iStar has largely completed its transition to being primarily focused on the ground lease ecosystem, and iStar’s board of directors believes that it is the right time to combine iStar and Safe into a self-managed, pure-play ground lease REIT that will focus on driving growth as a market leader. On August 10, 2022, iStar and Safe entered into a definitive merger agreement. One of the conditions to closing the merger is that iStar must first complete the spin-off.

Upon careful review and consideration, iStar’s board of directors, based upon the recommendation of an independent committee of iStar’s board of directors comprised solely of independent directors (the “iStar special committee”), determined that Star Holdings’ separation from iStar and the merger are in the best interests of iStar. This determination was based on a number of factors, including those set forth below.

- **Provides stockholders with a direct and indirect investment in an internally-managed, growth-oriented REIT.** iStar believes that the company formed by the merger will provide a more compelling investment opportunity for its stockholders. In the merger, iStar’s stockholders will receive shares of the combined company by way of a reverse stock split. Upon completing the merger and the spin-off, the combined company, which will keep the name of Safehold Inc. and NYSE ticker symbol of “SAFE,” will be internally-managed and will be solely focused on growth in the new (for public REITs) and dynamic asset class of ground leases.
- **Creates a company with value-realization opportunity.** Several of our assets present uncertain future cash flows because they are still in varying stages of development. We believe the separation will create a value realization opportunity through maximizing cash flows from active asset management and sales of legacy assets, the proceeds of which are expected to be used for repayment of indebtedness,

payment of management fees, payment of asset-level operating expenses, corporate expenses, capital expenditures and distributions to holders of Star Holdings' common shares.

- **Provides a solution for iStar to monetize long-term assets in an orderly fashion while retiring its unsecured debt in full.** The financing being obtained from the margin loan and the secured term loan, together with proceeds from asset sales and repayments, are expected to enable iStar to repay its unsecured senior notes in full and monetize assets in an orderly fashion.

The anticipated benefits of the separation are based on a number of assumptions, and there can be no assurance that the benefits will materialize to the extent anticipated, or at all. In addition, we will incur costs associated with the management agreement, as discussed below. For more information about the risks associated with the separation, see "Risk Factors."

Our Manager and the Management Agreement

We will enter into a management agreement with iStar effective upon the completion of the spin-off. Safe will assume the management agreement in the merger. When we refer to "our manager," we are referring to iStar before the closing of the merger and Safe after the closing of the merger. Our manager will manage the day-to-day operations of our company under the supervision of our board of trustees.

We will pay our manager fixed cash management fees of \$25.0 million, \$15.0 million, \$10.0 million and \$5.0 million, respectively, in each of the initial four annual terms of the management agreement and 2.0% of the gross book value of our assets, excluding the Safe Shares, as of the end of each fiscal quarter as reported in our SEC filings. The management agreement may be terminated by either party and in certain circumstances, we may be required to pay our manager a termination fee. We will reimburse our manager for third party expenses incurred by our manager in providing services under the management agreement and for the compensation costs of up to two accounting personnel that will be dedicated to servicing us. Expenses will be reimbursed on a quarterly basis. For more information about the management agreement, see "Our Manager and the Management Agreement — Management Agreement."

In addition to the management agreement, we will enter into a separation and distribution agreement with iStar in connection with the spin-off, that will be assumed by Safe in the merger, and we will enter into the governance agreement with Safe. These agreements will provide for the allocation between us and iStar of iStar's assets, liabilities and obligations (including its investments, property, employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the spin-off, and will govern certain relationships between us and iStar after the spin-off and Safe after the merger. For additional information regarding the separation and distribution agreement, the management agreement, the governance agreement, the registration rights agreement and other transaction agreements, please refer to the sections entitled "Risk Factors — Risks Related to the Spin-Off," "Certain Relationships and Related Person Transactions" and "Our Manager and the Management Agreement."

We have signed a commitment letter with Safe for Safe to provide us a senior secured term loan facility having a principal amount of \$100 million (which principal amount may be increased or decreased from time to time with the approval of both parties, including prior to the spin-off). Additional information about the secured term loan referenced above may be found under "Description of Material Indebtedness."

Conflicts of Interest

Conflicts of interest may exist or could arise in the future with iStar, Safe (after the merger) and their respective affiliates, including our manager and our officers who are also officers of iStar or Safe. Conflicts may include, without limitation: conflicts arising from the enforcement of agreements between us and iStar, Safe or our manager; and conflicts in the amount of time that officers and employees of our manager will spend on our affairs versus iStar's or Safe's other affairs. Our manager is a wholly-owned subsidiary of iStar and will become a wholly-owned subsidiary of Safe after the merger.

The terms of our agreements with iStar and Safe, including the separation and distribution agreement, the management agreement, the governance agreement, the registration rights agreement and the senior secured term loan, were negotiated between related parties and may not be as favorable to us as if it had been negotiated at arm's length with an unaffiliated third party.

Risks Associated with Star Holdings' Businesses and the Spin-Off

An investment in Star Holdings common shares is subject to a number of risks, including risks relating to the spin-off. The following list of risk factors is not exhaustive. Please read the information in the section captioned "Risk Factors," beginning on page 16 for a more thorough description of these and other risks, including the risks that:

- we will have significant concentrations in two development assets, Asbury Park Waterfront and Magnolia Green, and the amounts that we are ultimately able to realize and distribute to our shareholders will be significantly dependent on the costs to complete their development and the sale prices we achieve at these properties;
- our cash flows will be significantly dependent on asset sales which are difficult to predict in terms of timing and amount and, if we are unable to manage our cash flows successfully, we could default on our indebtedness and be unable to pay management fees which could cause our manager to terminate the management agreement;
- economic conditions in the markets where our assets are located, as well as general economic conditions in the United States and conditions in the U.S. capital markets, will affect the values we are able to realize on our assets and the timing of sales of assets;
- we face risks associated with the development of properties, including cost overruns, disputes with our joint venture partner, government approvals and litigation;
- we face competition for purchasers of assets that could affect our ability to maximize returns;
- we will not own the monetizing assets that are sold prior to the completion of the spin-off, will only receive certain proceeds of any assets that are sold before the completion of the spin-off, and, if any of the monetizing assets are sold prior to the completion of the spin off, our development assets will represent an even greater concentration of our assets;
- if our manager loses key management personnel, our manager may not be able to successfully achieve our objectives;
- we will have an up to \$140.0 million margin loan outstanding at the time of the spin-off that will be collateralized by our Safe Shares and may enter into future secured debt arrangements, and if the market price of the Safe Shares or other assets collateralizing such indebtedness declines materially, we may be required to sell the shares and other assets to satisfy margin calls;
- we will record our investment in the Safe Shares at their fair value based on the market price of the Safe Shares each quarter; therefore, volatility in the market value of the Safe Shares will result in volatility in our reported financial results;
- covenants in our indebtedness may limit our operational flexibility, and a covenant breach or default could materially and adversely affect our business, financial position or results of operations;
- we will have a debt burden that could materially and adversely affect our future cash flows and operations, and we may incur additional indebtedness in the future;
- we have no operating history as an independent company, and our historical and pro forma financial information is not necessarily representative of the results that we would have achieved as a separate, publicly traded company and may not be a reliable indicator of our future results;
- the spin-off will be treated as a taxable distribution to iStar stockholders for U.S. federal income tax purposes. An amount equal to the fair market value of our common shares received by you will be treated as a taxable dividend to the extent of your ratable share of any current or accumulated earnings and profits of iStar (including any gain recognized by iStar in connection with the spin-off), with the excess treated as a nontaxable return of capital to the extent of your tax basis in your shares of iStar common stock and any remaining excess treated as capital gain;
- after the spin-off, our officers and the individuals performing services for us under the management agreement may have actual or potential conflicts of interest because of their equity interest in, or positions at, our manager's parent company;

- we may not achieve some or all of the expected benefits of the spin-off, and the spin-off may adversely affect our business;
- we are entirely dependent on the manager and on key personnel who provide services to us, and we may not find a suitable replacement for the manager if the management agreement is terminated, or for key personnel if they leave the manager or otherwise become unavailable;
- our separation and distribution agreement, management agreement, governance agreement, registration rights agreement and senior secured term loan were not negotiated on an arm's-length basis and may not be as favorable to us as if these agreements had been negotiated with an unaffiliated third-party and may be difficult to terminate;
- after the spin-off, we will be subject to regulatory and reporting requirements that will have legal accounting and financial compliance costs;
- no public market currently exists for our common shares and if an active trading market does not develop or is not sustained, your ability to sell shares when desired and the prices obtained will be adversely affected;
- we cannot assure you of our ability to make distributions in the future;
- substantial sales of our common shares may occur in connection with the spin-off, which could cause our common share price to decline; and
- we are an "emerging growth company," and it cannot be certain if the reduced disclosure requirements applicable to emerging growth companies make our securities less attractive to investors.

Corporate Information

We were formed on October 7, 2022 in Maryland as a wholly owned subsidiary of iStar. Prior to the contribution of our assets and business to us by iStar in connection with the spin-off, we will have no operations and no assets other than nominal cash from our initial capitalization. The address of our principal executive office is 1114 Avenue of the Americas, 39th Floor, New York, New York 10036. Our telephone number is (212) 930-9400.

Star Holdings has not yet commenced operations and has no assets, liabilities, commitments or contingent liabilities. We will provide Star Holdings' financial statements in a subsequent amendment to this information statement.

Commencing shortly prior to the spin-off, we will also maintain a website at www. .com. Our website and the information contained therein or connected thereto will not be deemed to be incorporated by reference herein, and you should not rely on any such information in making an investment decision.

Reason for Furnishing this Information Statement

This information statement is being furnished solely to provide information to stockholders of iStar who will receive Star Holdings shares in the spin-off. It is not and should not be construed as an inducement or encouragement to buy or sell any of Star Holdings' securities. The information contained in this information statement is believed by us to be accurate as of the date set forth on its cover. Changes may occur after that date. In particular, as noted herein, iStar is actively marketing the monetizing assets for sale and some or all of them may be sold prior to the time of the spin-off. Neither we nor iStar will update the information except in the normal course of our and its respective disclosure obligations and practices.

QUESTIONS AND ANSWERS ABOUT THE DISTRIBUTION

What is Star Holdings and why is iStar separating Star Holdings' businesses and distributing Star Holdings' shares?

Star Holdings was formed primarily to hold iStar's remaining legacy portfolio and to separate them from iStar in advance of the closing of its merger with Safe. For more information, see "The Spin-Off — Background" and "The Spin-Off — Reasons for the Separation and the Spin-Off."

Why am I receiving this document?

You are receiving this document because you are a holder of shares of iStar common stock. If you are a holder of iStar common stock as of the close of business on _____, 2023, which is the record date for the spin-off, you will be entitled to receive _____ Star Holdings common shares for every share of iStar common stock that you hold at the close of business on such date. The spin-off is expected to occur on _____, 2023.

What will Star Holdings' initial portfolio consist of?

Star Holdings' portfolio initially will consist of the legacy portfolio, the Safe Shares and cash. See "Business and Properties" for more information about the assets.

What is the spin-off and how will the spin-off work?

To accomplish the spin-off, iStar will distribute all of the outstanding common shares of Star Holdings to iStar common stockholders on a pro rata basis. Each iStar common stockholder will be entitled to receive _____ common shares of Star Holdings for each share of iStar common stock held at the close of business on the record date.

What is the record date for the spin-off?

The record date for the spin-off is _____, 2023.

When will the spin-off occur?

It is expected that all of the common shares of Star Holdings will be distributed by iStar on _____, 2023 to holders of record of iStar common stock at the close of business on the record date.

What do iStar stockholders need to do to participate in the spin-off?

No action is required on the part of stockholders to receive common shares of Star Holdings in the spin-off. You do not need to pay any consideration, exchange or surrender your existing shares of iStar common stock or take any other action to receive your common shares of Star Holdings. Please do not send in your iStar stock certificates. The spin-off will not affect the number of outstanding shares of iStar common stock or any rights of iStar stockholders, although it will affect the market value of each outstanding share of iStar common stock.

How will common shares of Star Holdings be issued?

You will receive common shares of Star Holdings through the same channels that you currently use, to hold or trade shares of iStar common stock whether through a brokerage account, 401(k) plan or other channels. Receipt of common shares of Star Holdings will be documented for you in the same manner that you typically receive shareholder updates, such as monthly broker statements and 401(k) statements.

How many Star Holdings shares will I receive in the spin-off?

If you own shares of iStar common stock as of the close of business on the record date, including shares in certificated form, iStar, with the assistance of Computershare, the settlement and distribution agent, will electronically distribute common shares of Star Holdings to you or to your brokerage firm on your behalf in book-entry form. Computershare will mail to you a book-entry account statement that reflects your common shares of Star Holdings, or your bank or brokerage firm will credit your account for the shares.

For each share of iStar common stock held of record by you as of the close of business on the record date, you will receive _____ common shares of Star Holdings. iStar will not distribute any fractional shares of Star Holdings. iStar common stockholders will receive cash in lieu of any fractional shares of Star Holdings that would have been received after application of the spin-off ratio.

Based on approximately _____ million shares of iStar common stock outstanding as of _____, 2023, a total of approximately _____ million common shares of Star Holdings will be distributed.

Will I be taxed on the common shares of Star Holdings that I receive in the spin-off?

Yes. The distribution of common shares of Star Holdings in the spin-off will be treated as a taxable distribution to iStar common stockholders for U.S. federal income tax purposes. An amount equal to the fair market value of the shares of Star Holdings received by you in the spin-off will generally be treated as a taxable dividend to the extent of your ratable share of any current or accumulated earnings and profits of iStar (including any gain recognized by iStar in connection with the spin-off), with the excess treated first as a non-taxable return of capital to the extent of your tax basis in iStar common stock and any remaining excess treated as capital gain.

Although iStar will be ascribing a value to the common shares of Star Holdings in the spin-off for tax purposes, this valuation is not binding on the United States Internal Revenue Service (the "IRS") or any other tax authority. These tax authorities could ascribe a higher valuation to those shares, particularly if shares of Star Holdings trade at prices significantly above the value ascribed to those shares by iStar in the period following the spin-off. Such higher valuation may cause a larger reduction in the tax basis of your iStar shares or may cause you to recognize additional dividend or capital gain income.

iStar will not be able to advise you of the amount of earnings and profits of iStar until after the end of the calendar year in which the spin-off occurs. However, iStar anticipates that it could recognize a capital gain for U.S. federal income tax purposes in connection with the spin-off that would have the effect of increasing its earnings and profits for the year in which the spin-off occurs.

The particular consequences of the spin-off to each iStar stockholder depend on such holder's particular facts and circumstances, and thus you are urged to consult your tax advisor to understand fully

<p><i>How will the spin-off affect my tax basis and holding period in shares of iStar common stock?</i></p>	<p>the consequences to you of the spin-off. For more information, see “Certain Material U.S. Federal Income Tax Consequences — Certain Material U.S. Federal Income Tax Consequences of the Spin-Off to U.S. Stockholders.”</p>
<p><i>What will my tax basis and holding period be for common shares of Star Holdings that I receive in the spin-off?</i></p>	<p>Your tax basis in shares of iStar common stock held at the time of the spin-off will be reduced (but not below zero) to the extent the fair market value of common shares of Star Holdings distributed by iStar to you in the spin-off exceeds your ratable share of iStar’s current and accumulated earnings and profits. Your holding period for such iStar shares will not be affected by the spin-off. See “Certain Material U.S. Federal Income Tax Consequences — Certain Material U.S. Federal Income Tax Consequences of the Spin-Off to U.S. Stockholders.”</p>
<p><i>What are the conditions to the spin-off?</i></p>	<p>Your tax basis in common shares of Star Holdings received in the spin-off will equal the fair market value of such shares on the spin-off date. Your holding period for such shares will begin the day after the spin-off date. See “Certain Material U.S. Federal Income Tax Consequences — Certain Material U.S. Federal Income Tax Consequences of the Spin-Off to U.S. Stockholders.”</p> <p>You should consult your tax advisor as to the particular tax consequences of the spin-off to you, including the applicability of any U.S. federal, state, local and non-U.S. tax laws.</p> <p>The spin-off is subject to a number of conditions, including, among others:</p> <ul style="list-style-type: none"> • the agreements pertaining to the loans described more fully below in the section entitled “Description of Material Indebtedness” have been executed or be ready to be executed, subject only to the completion of the spin-off and the merger; • the SEC declaring effective the registration statement of which this information statement forms a part, with no stop order in effect with respect thereto, and no proceeding for such purpose pending before, or threatened by, the SEC; • the mailing of this information statement; • no order, injunction, or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, the spin-off or any of the related transactions are in effect; • the Star Holdings common shares to be distributed have been approved for listing on a designated exchange, subject to official notice of distribution; • the parties to the merger agreement have confirmed that the conditions to the closing of the merger have been satisfied or waived, other than the spin-off, the filing of the articles of

	<p>merger and any other conditions that by their nature are satisfied at the closing of the merger; and</p> <ul style="list-style-type: none"> the execution of ancillary agreements by us and iStar, including the management agreement. <p>iStar and Star Holdings cannot assure you that any or all of these conditions will be met. For a complete discussion of all of the conditions to the spin-off, please refer to “The Spin-Off — The Separation and Distribution Agreement — Conditions to the Spin-Off.” Completion of the spin-off is a condition to the closing of the merger, and if the merger agreement is terminated for any reason, we do not intend to proceed with the spin-off.</p>
<i>What is the expected date of completion of the spin-off?</i>	<p>The completion and timing of the spin-off are dependent upon a number of conditions, including the conditions listed above. It is expected that the Star Holdings common shares will be distributed by iStar on _____, 2023 to the holders of record of shares of iStar common stock at the close of business on the record date. However, no assurance can be provided as to the timing of the spin-off or that all conditions to the spin-off will be met.</p>
<i>What if I want to sell my iStar common stock or my Star Holdings common shares?</i>	<p>If you would like to sell your iStar common stock or Star Holdings common shares, you should consult with your financial advisors, such as your broker, bank or tax advisor.</p>
<i>What is “regular-way” and “ex-distribution” trading of iStar stock?</i>	<p>Beginning shortly before the record date and continuing up to and through the spin-off date, it is expected that there will be two markets in iStar common stock: a “regular-way” market and an “ex-distribution” market.</p> <p>Shares of iStar common stock that trade on the “regular-way” market will trade with an entitlement to common shares of Star Holdings distributed in the spin-off. Shares of iStar common stock that trade on the “ex-distribution” market will trade without an entitlement to common shares of Star Holdings distributed pursuant to the spin-off.</p> <p>If you decide to sell any iStar common stock before the spin-off date, you should make sure your broker, bank or other nominee understands whether you want to sell your iStar common stock with or without your entitlement to common shares of Star Holdings in the spin-off.</p>
<i>Will the common shares of Star Holdings be listed on an exchange?</i>	<p>We intend to apply to list Star Holdings’ common shares on a nationally recognized exchange. Star Holdings anticipates that trading in its common shares will begin on a “when-issued” basis approximately one week before the record date and will continue up to and through the spin-off date and that “regular-way” trading in Star Holdings common shares will begin on the first trading day following the completion of the spin-off. If trading begins on a “when-issued” basis, you may purchase or sell Star Holdings common</p>

	<p>shares up to and through the spin-off date, but your transaction will not settle until after the spin-off date. Star Holdings cannot predict the trading prices for its common shares before, on or after the spin-off date.</p>
<p><i>What will happen to the listing of iStar common stock?</i></p>	<p>iStar common stock will continue to trade on the NYSE after the merger under the ticker “SAFE.”</p>
<p><i>Will the number of shares of iStar common stock that I own change as a result of the spin-off?</i></p>	<p>No. The number of shares of iStar common stock that you own will not change as a result of the spin-off; however, iStar plans to do a reverse stock split of its common stock in connection with the merger, which will change your shares of iStar common stock into a different number of shares based on the reverse split ratio. The final spin-off ratio will be set by the board of directors of iStar prior to the spin-off and is currently expected to be equivalent to the ratio that iStar expects to use to effectuate a reverse split of iStar common stock in connection with the merger.</p>
<p><i>Will the spin-off affect the market price of my shares of iStar stock?</i></p>	<p>Yes. As a result of the spin-off, iStar expects the trading price of shares of iStar common stock immediately following the spin-off to be lower than the “regular-way” trading price of such shares immediately prior to the spin-off because the trading price of shares of iStar common stock will no longer reflect the value of Star Holdings’ businesses. However, iStar expects to complete the merger with Safe as promptly as practicable after the spin-off. In the merger iStar stockholders will receive shares of common stock of the combined company by way of a reverse stock split and those shares will trade as Safe Shares immediately after the closing of the merger. There can be no assurance as to the prices at which Star Holdings, iStar and Safe Shares will trade after the spin-off or the merger.</p>
<p><i>What debt will Star Holdings have after the spin-off?</i></p>	<p>Immediately following the spin-off and the merger, Star Holdings expects to have between \$200.0 million and \$240.0 million of indebtedness. This indebtedness will be comprised of up to \$140.0 million of debt under the margin loan that will be secured by the Safe Shares and the \$100.0 million secured term loan that will generally be secured by Star Holdings’ equity interests in its subsidiaries, subject to any restrictions under the margin loan. The secured term loan also includes an additional commitment amount of up to \$25.0 million at Star Holdings’ election, the proceeds of which may only be used to satisfy Star Holdings’ “soft call” obligations under the margin loan. The principal amount of the secured term loan may be increased or decreased from time to time by agreement of the parties, including prior to the spin-off. In addition, we may enter into one or more debt arrangements, including repurchase agreements, from time to time to finance our assets.</p>
<p><i>What will Star Holdings’ relationship be with iStar and Safe following the spin-off?</i></p>	<p>Star Holdings and iStar will be separate companies following the spin-off. As of or prior to the effective time of the spin-off, Star</p>

	<p>Holdings will enter into the separation and distribution agreement with iStar, which will be assumed by Safe in the merger. In addition, Star Holdings will enter into various other agreements with iStar and Safe in connection with the spin-off, such as the management agreement, the governance agreement, the registration rights agreement and the secured term loan.</p> <p>For additional information regarding the separation and distribution agreement and other transaction agreements, please refer to the sections entitled “Risk Factors — Risks Related to the Spin-Off” and “Certain Relationships and Related Person Transactions.”</p>
<i>Who will manage Star Holdings after the spin-off?</i>	<p>Star Holdings will be managed by iStar, which will be renamed Safe in the merger of the companies. For more information regarding Star Holdings’ management, please refer to “Our Manager and the Management Agreement.”</p>
<i>Are there risks associated with owning Star Holdings common shares?</i>	<p>Yes. Ownership of common shares of Star Holdings is subject to both general and specific risks related to Star Holdings’ business, the industry in which it operates, trading risk and market volatility associated with holding the Safe Shares, Star Holdings’ ongoing contractual relationships with iStar and its status as a separate, publicly traded company. These risks are described in the “Risk Factors” section of this information statement beginning on page 16. You are encouraged to read that section carefully.</p>
<i>Does Star Holdings plan to pay dividends?</i>	<p>Star Holdings will not pay regular dividends. Star Holdings expects to distribute available cash proceeds from time to time, depending on the occurrence of asset sales and the prices at which assets are sold.</p>
<i>Who will be the distribution agent for the Star Holdings common shares?</i>	<p>The distribution agent for the Star Holdings common shares will be Computershare. For questions relating to the transfer or mechanics of the spin-off, you should contact:</p> <p>Computershare P.O. Box 43006 Providence RI 02940-3006 (800)-317-4445</p> <p>Courier Delivery: 150 Royall St., Suite 101 Canton, MA 02021</p>
<i>Who will be the transfer agent for Star Holdings common shares?</i>	<p>The transfer agent for the Star Holdings common shares will be Computershare.</p>
<i>Where can I find more information about iStar and Star Holdings?</i>	<p>Before the spin-off, if you have any questions relating to iStar’s business performance, you should contact:</p>

iStar Inc.
1114 Avenue of the Americas, 39th Floor
New York, New York 10036
Attention: Investor Relations
(212) 940-9400
<http://iStar.com/content/investor-relations>

After the spin-off, Star Holdings shareholders who have any questions relating to Star Holdings' business performance should contact Star Holdings at:

Computershare
P.O. Box 43006
Providence RI 02940-3006
(800)-317-4445

Courier Delivery:
150 Royall St., Suite 101
Canton, MA 02021

Star Holdings
1114 Avenue of the Americas, 39th Floor
New York, New York 10036
Attention: Investor Relations
(212) 930-9400
Website:

The Star Holdings investor website will be operational as of the date of the spin-off.

The websites of iStar and Star Holdings are not incorporated by reference into this information statement.

RISK FACTORS

You should carefully consider the following risks and other information in this information statement in evaluating our company and our common shares. Any of the following risks could materially and adversely affect our business, results of operations, financial condition, cash flows, liquidity, the market price of our securities, our ability to service indebtedness and our ability to make distributions, which could cause you to lose all or a significant part of your investment for our common shares.

Risks Related to Our Properties and Business

If global or local market and economic conditions deteriorate, our business, financial condition and results of operations could be materially and adversely affected.

Weak economic conditions generally or locally, sustained uncertainty about global or local economic conditions, inflation, rising interest rates, a tightening of credit markets, business layoffs, downsizing, industry slowdowns, international hostilities and other similar factors could negatively impact commercial real estate fundamentals and result in lower occupancy, lower demand for homes, lower demand for lodging, lower rental rates, lower activity and declining values in our real estate portfolio, and make it more difficult to sell our properties at attractive prices or at all. They may also adversely affect the market value of our Safe Shares. Additionally, these factors and conditions could have an impact on our customers, tenants, lenders and purchasers of our properties. No assurances can be given regarding such macroeconomic factors or conditions, and our ability to sell assets and generate cash flows from our properties may be negatively impacted, which may have a material adverse effect on our business, financial condition and results of operations.

Our performance is subject to risks inherent in owning real estate investments.

We are generally subject to risks related to the ownership of real estate. These risks include:

- changes in supply of or demand for properties in our market or sub-markets;
- increases in interest rates that affect the cost and availability of mortgage financing and, in turn, demand for residential properties;
- competition for homebuyers, hotel guests, tenants and users and purchasers of properties in our market or sub-markets;
- the ongoing need for capital improvements at our significant development properties;
- increased operating costs, which may not necessarily be offset by increased revenues, including insurance premiums, utilities and real estate taxes, due to inflation and other factors;
- changes in tax, real estate and zoning laws;
- changes in governmental rules and fiscal policies;
- inability of potential purchasers of our properties to obtain financing;
- competition from other assets in our markets or sub-markets and the quality of competition, such as the attractiveness of our properties as compared to other properties available for hotel stays, sale or rent based on considerations such as quality of property, convenience of location, rental rates, amenities and safety record; and
- civil unrest, acts of war, terrorism, acts of God, including earthquakes, hurricanes and other natural disasters (which may result in uninsured losses) and other factors beyond our control.

Should any of the foregoing occur, it may have a material adverse effect on our business, financial condition and results of operations.

We will be materially dependent on sales of assets to generate cash flows.

Our primary strategy is to generate cash flows and realize value through active asset management and asset sales. Asset sales are unpredictable and highly affected by economic conditions in the markets where

the assets are located, the cost and availability of mortgage financing and competition from other properties available on the market. Our ability to sell properties may therefore be limited and could take longer than we anticipate. If we must sell an asset, we cannot provide assurances that we will be able to dispose of the asset in the time period we desire or that the sales price of the asset will recoup or exceed our cost for the asset. If we are unable to sell assets at anticipated times or prices, we may not have sufficient cash to pay the management fee to our manager or repay our debt, we may be unable to pay distributions to our shareholders and our business, financial condition and results of operations may be materially and adversely affected.

Our portfolio is concentrated in certain assets and, as a result, any adverse changes impacting any of these assets may have a material adverse effect on our business, financial condition and results of operations.

Two of our assets, Asbury Park Waterfront and Magnolia Green, accounted for 47.2% of the carrying value of the legacy portfolio on a consolidated basis at September 30, 2022, and our Safe Shares are also a material asset. We would be materially and adversely affected by adverse developments at either of these properties or in the market price of Safe's common stock. The properties may experience adverse developments such as slowing business conditions, rising interest rates, material damage or delays in completion or increased competition. The value of our Safe Shares may be adversely affected by a slowdown in the growth of Safe's portfolio, declines in Safe's earnings growth, rising interest rates, declines in Safe's dividend rate and other adverse developments. The occurrence of any of these or other adverse developments could weaken our financial condition. The significance of these properties and our Safe Shares to our portfolio means that any adverse change in any of these assets may have a material adverse effect on our business, financial condition and results of operations.

If either of these properties or Safe suffers adverse business conditions, if either of them or our Safe Shares declines in value, if we experience material cost overruns in completing the development of either property or if we are unable to sell either property or our Safe Shares at an attractive price or at all, we could be materially and adversely affected.

iStar is actively marketing legacy assets for sale, and we will only receive certain proceeds of any assets that are sold before the date of the spin-off.

iStar is actively marketing legacy assets for sale and may sell many of them before the date of the spin-off. We will only receive any cash proceeds from the sale of such assets in excess of amounts needed for iStar to retire its unsecured senior notes, cash out its preferred stock in connection with the merger and pay other liabilities. If legacy assets are sold before the date of the spin-off, our portfolio will be smaller and individual assets that remain will represent greater concentrations than if our portfolio were larger. Our results may be more affected by the performance of any one asset than if our portfolio were larger and more diversified.

The residential market has experienced significant downturns that could recur and adversely affect us.

Certain of our properties, including Magnolia Green and Asbury Park Waterfront, are residential development properties and we may make future direct or indirect investments in residential mortgage loans and mortgage-backed securities. The housing market in the United States has previously been affected by weakness in the economy, high unemployment levels, rising interest rates, inflation and low consumer confidence. Interest rates have been rising recently, resulting in increases in the costs of obtaining and refinancing a mortgage. It is possible another downturn could occur again in the near future and adversely impact our residential properties and the residential properties underlying investments we may make in the future, and accordingly our financial performance. Rising interest rates tend to negatively impact the residential mortgage market, which in turn may adversely affect the value of and demand for our land assets including our residential development projects, and the value of residential real estate-related investments we may make in the future.

We may be unable to complete the development of our properties successfully, which could materially and adversely affect our results of operations due to unexpected costs, delays and other contingencies.

Our Asbury Park Waterfront and Magnolia Green assets are still under development and may take several years to complete. Development assets expose us to additional risks, including, without limitation:

- delays in obtaining, or an inability to obtain, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, which could result in completion delays and increased development costs;
- incurrence of development costs for a property that exceed original estimates due to increased materials, labor or other costs, changes in development plans or unforeseen environmental conditions, which could make completion of the property more costly or uneconomical;
- abandonment of contemplated development projects or projects in which we have started development, and the failure to recover expenses and costs incurred through the time of abandonment which could result in significant expenses;
- risk of loss of periodic progress payments or advances to builders prior to completion;
- termination of leases by customers due to completion delays;
- failure to achieve expected occupancy levels, as the lease-up of space at our development projects may be slower than estimated;
- other risks related to the lease-up of newly constructed properties;
- costs to carry these assets and complete them, which requires additional liquidity and results in additional expenses that could exceed our original estimates and impact our operating results;
- costs overruns on development, which could be material; and
- uncertainty associated with rezoning, obtaining governmental permits and approvals, concerns of community associations, reliance on third party contractors, increasing commodity costs and threatened or pending litigation may materially delay our completion of rehabilitation and development activities and materially increase their cost to us.

Demand for homes and apartment rentals may be adversely affected by a variety of macroeconomic factors beyond our control.

Demand for homes and apartment rentals is dependent on a variety of macroeconomic factors, such as employment levels, interest rates, changes in stock market valuations, consumer confidence, housing demand, availability of mortgage financing, availability and prices of new homes compared to existing inventory, and demographic trends. Slowing residential demand would likely adversely affect, among other things, demand and pricing for lots at Magnolia Green and condominiums and apartment rentals at Asbury Park's multifamily assets. These factors affecting demand, in particular consumer confidence, can be significantly adversely affected by a variety of factors beyond our control.

A downturn in the residential market could adversely affect our ability to sell our assets

The homebuilding industry has experienced periods of strength and weakness since the onset of the COVID-19 pandemic in 2020. The prior economic downturn in 2007-2010 severely affected demand for homes and pricing of homes for more than two years. It is possible that another downturn resulting from concerns about a potential economic recession, rising interest rates, corporate layoffs, geopolitical instability, a resurgence of the COVID-19 pandemic or other factors would result in a decline in demand for new homes and apartment rentals which would negatively impact our business, results of operations and financial condition.

An increase in mortgage rates could reduce potential buyers' ability or desire to obtain financing with which to buy lots for new homes.

The Federal Reserve has tightened monetary policy, including multiple interest rate increases. When interest rates increase, the cost of constructing new homes and owning a new home increases, which usually reduces the number of potential builders who can afford, or are willing, to purchase lots from us to build new homes.

We are subject to the risk of our manager losing key personnel, and we may be unable to retain key asset-level consultants.

Former iStar personnel who are knowledgeable about our assets will be employees of our manager or asset-level consultants to us. None of such individuals will be exclusively dedicated to us. Such individuals may depart and to the extent they are replaced their replacements will not have similar experience with, or knowledge of, our assets.

Future sales of parcels at Asbury Park Waterfront and Magnolia Green will be subject to receipt of approvals from local municipalities.

Certain future sales of additional development parcels at Asbury Park Waterfront and Magnolia Green will be subject to receipt of approvals from relevant local municipalities. The requirements we will need to fulfill to obtain such approvals are subject to change. We may not receive such approvals in a timely manner or at all.

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

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

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

Lease and sublease expirations and terminations may result in reduced revenues if the rental payments received from replacement tenants are less than the rental payments received from the expiring or terminating tenants and subtenants. In addition, lease and sublease defaults or terminations by one or more significant tenants and subtenants or the failure of tenants and subtenants under expiring leases and subleases to elect to renew their leases and subleases could cause us to experience long periods of vacancy with no revenue from a facility and to incur substantial capital expenditures and/or concessions in order to obtain replacement tenants. Leases and subleases representing approximately 73% of our in-place operating lease income are scheduled to expire during the next five years.

Our expenses may remain constant or increase, even if our revenues decrease, which may have a material adverse effect on our business, financial condition and results of operations.

Costs associated with our business, such as real estate taxes, insurance premiums and maintenance costs, are relatively inelastic and generally do not decrease, and may increase, when a property is not fully occupied, occupancy rates decrease, a customer fails to pay rent, or other costs, or other circumstances cause

a reduction in property revenues. As a result, if revenues drop, we may not be able to reduce our expenses accordingly, which may have a material adverse effect on our business, financial condition and results of operations.

Our property taxes could increase due to a change in property tax rates or a reassessment, which could impact our cash flows.

We are required to pay state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes we pay in the future may increase substantially. If the property taxes we pay increase, our financial condition, results of operations, cash flows, trading price of our common shares and our ability to satisfy our principal and interest obligations and to pay dividends to our shareholders could be adversely affected, which may have a material adverse effect on our business, financial condition and results of operations.

Some of our assets are held in joint ventures with third parties. Joint venture investments could be adversely affected by the capital markets, lack of sole decision-making authority, changes in priorities or approvals by government agencies, reliance on joint venture partners' financial condition and any disputes that may arise between us and our joint venture partners.

We co-invest with third parties in nine of our assets, including the Asbury Park Waterfront assets. Some of these investments are noncontrolling interests, and in others we share responsibility for managing the affairs of the venture. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including potential deadlocks in making major decisions, restrictions on our ability to exit the joint venture, reliance on joint venture partners and the possibility that a joint venture partner might become bankrupt or fail to fund its share of required capital contributions, thus exposing us to liabilities in excess of our share of the joint venture. The funding of our capital contributions to such joint ventures may be dependent on proceeds from asset sales, credit facility advances or sales of equity securities. Joint venture partners may have business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives. We may, in specific circumstances, be liable for the actions of our joint venture partners. The joint venture may be impacted by the changes in the priorities, approvals, funding, zoning or other actions by government agencies. In addition, any disputes that may arise between us and joint venture partners may result in litigation or arbitration that would increase our expenses. Any of the foregoing may have a material adverse effect on our business, financial condition and results of operations.

The lodging industry is highly sensitive to trends in business and personal travel.

For the nine months ended September 30, 2022, 17% of our revenues were generated by our hotel assets. The performance of the lodging industry has historically been closely linked to the performance of the general economy and, specifically, growth in U.S. gross domestic product. The lodging industry is also sensitive to business and personal discretionary spending levels. The COVID-19 pandemic has materially and adversely affected corporate budgets and consumer demand for travel and lodging. We cannot predict how long reduced demand will continue or its effect on occupancy levels and room rates. Significant recent increases in fuel prices and the outbreak of hostilities in Ukraine may also adversely affect business and personal travel demand. A continuing significant reduction in occupancy for room rates would continue to adversely impact our revenues and have a negative effect on our profitability.

We are subject to various operating risks common to the lodging industry.

Our hotel properties and lodging facilities are subject to various operating risks common to the lodging industry, many of which are beyond our control, including the following:

- competition from other hotel properties or lodging facilities in our markets;
- adverse effects of international, national, regional and local economic and market conditions;
- unforeseen events beyond our control, such as terrorist attacks, travel related health concerns (including pandemics and epidemics such as COVID-19), political instability, governmental

restrictions on travel, regional hostilities, imposition of taxes or surcharges by regulatory authorities, travel related accidents, climate change and unusual weather patterns (including natural disasters such as hurricanes, wildfires, tsunamis or earthquakes);

- adverse effects of a downturn in the global or local lodging industry;
- the seasonal nature of resort properties, which may cause fluctuations in our quarterly results; and
- risks generally associated with the ownership of hotel properties and real estate, as discussed in other risk factors.

These risks could reduce our net operating profits and the value of assets held for sale, which in turn could adversely affect our ability to meet our obligations and make distributions to our shareholders.

The cyclical nature of the lodging industry may cause fluctuations in our operating performance.

The lodging industry is highly cyclical in nature. Fluctuations in operating performance are caused largely by general economic and local market conditions, which affect business and leisure travel levels. In addition to general economic conditions, new hotel room supply is an important factor that can affect the lodging industry's performance, and over-building has the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus revenue per available room, or "RevPAR", tend to increase when demand growth exceeds supply growth. A decline in lodging demand, a substantial growth in lodging supply or a deterioration in the improvement of lodging fundamentals as forecast by industry analysts could result in returns that are substantially below expectations, or result in losses, which could have a material adverse effect on our business, financial condition, results of operations, the value of assets and our ability to make distributions to our shareholders.

We are subject to general risks associated with the employment of hotel personnel, including competition for labor.

While third-party hotel managers are responsible for hiring and maintaining the labor force at each of our hotels, we are subject to many of the costs and risks generally associated with the hotel labor force. Increased labor costs due to tightened labor market conditions, collective bargaining activity, minimum wage initiatives and additional taxes or requirements to incur additional employee benefits costs may adversely impact our operating costs. We may also incur increased legal costs and indirect labor costs as a result of contract disputes or other events. Hotels where our managers have collective bargaining agreements with employees could be affected more significantly by labor force activities and additional hotels or groups of employees may become subject to additional collective bargaining agreements in the future. Increased labor organizational efforts or changes in labor laws could lead to disruptions in our operations, increase our labor costs, or interfere with the ability of our management to focus on executing our business strategies (e.g., by consuming management's time and attention, limiting the ability of hotel managers to reduce workforces during economic downturns, etc.). In addition, from time to time, strikes, lockouts, boycotts, public demonstrations or other negative actions and publicity may disrupt hotel operations at any of our hotels, negatively impact our reputation or the reputation of our brands, cause us to lose guests, or harm relationships with the labor forces at our hotels.

We and our independent hotel operators rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We and our independent hotel operators rely on information technology networks and systems to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. We and our independent hotel operators purchase some of our information technology from third-party vendors. Although we and our independent hotel operators have taken steps to protect the security of our information systems and the data maintained in those systems, our independent hotel operators may have encountered information technology issues in the past and it is possible that such safety and security measures will not be able to prevent improper system functions, damage or the improper access or disclosure of personally identifiable information. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions,

shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a material adverse effect on our business, financial condition and results of operations.

We depend on the ability of the independent hotel operators to operate and manage our hotels.

We contract with independent hotel operators that manage the day-to-day operations of our properties. We may be limited in our ability to direct the actions of the independent hotel operators, particularly with respect to daily operations. Thus, even if we believe that our lodging properties are being operated in an unsatisfactory manner, we may not have sufficient rights under a particular property operating agreement to force the property operator to change its method of operation. Our results of operations, financial position, cash flows and ability to service debt and to make distributions to shareholders are, therefore, substantially dependent on the ability of the property operators to successfully operate our hotels. Some of our operating agreements may have lengthy terms, may not be terminable by us before the agreement's expiration and may require the payment of substantial termination fees. Replacing a property operator may also result in significant disruptions at the affected hotels.

Our hotel management agreements limit operating flexibility.

We have entered into management or license agreements for our hotels. These management agreements contain specific standards for, and restrictions and limitations on, the operation and maintenance of our properties and our ability to make property improvements. The managers may also periodically inspect our properties to ensure that we maintain the standards specified in the management agreement. A manager could also require us to make capital expenditures, even if we do not believe the improvements are necessary or desirable. A breach of the standards or other terms and conditions of the management agreements could result in the termination of a management agreement. In addition, when terminating or changing the manager of a property, we may be required to incur significant expenses or capital expenditures.

The loss of a manager could have a material adverse effect upon the operations or the underlying value of the property and could materially and adversely affect our results of operations, financial position and cash flows, including our ability to service debt and make distributions to our shareholders.

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

Under various U.S. federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real estate (including, in certain circumstances, a secured lender that succeeds to ownership or control of a property) may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Those laws typically impose clean-up responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of such hazardous or toxic substances. The costs of investigation, remediation or removal of those substances may be substantial. The owner or control party of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of or exposure to asbestos-containing materials, pursuant to which third parties may seek recovery from owners of real properties for personal injuries associated with asbestos-containing materials.

Weather conditions and man-made or natural disasters such as hurricanes, tornadoes, earthquakes, floods, droughts, fires and other environmental conditions can damage properties we own. Additionally, the value of our properties will potentially be subject to the risks associated with long-term effects of climate change. Certain of our properties are located in major urban areas which, in recent years, have been high risk geographical areas for terrorism and threats of terrorism. Certain forms of terrorism including, but not limited to, nuclear, biological and chemical terrorism, political risks, environmental hazards and/or Acts of God may be deemed to fall completely outside the general coverage limits of our insurance policies or may be uninsurable or cost prohibitive to justify insuring against. Furthermore, if the U.S. Terrorism Risk Insurance Program Reauthorization Act is repealed or not extended or renewed upon its expiration, the cost for terrorism insurance coverage may increase and/or the terms, conditions, exclusions, retentions, limits and

sublimits of such insurance may be materially amended and may effectively decrease the scope and availability of such insurance to the point where it is effectively unavailable. Future weather conditions, man-made or natural disasters, effects of climate change or acts of terrorism could adversely impact the demand for, and value of, our assets and could also directly impact the value of our assets through damage, destruction or loss, and could thereafter materially impact the availability or cost of insurance to protect against these events. Although we believe our owned real estate are adequately covered by insurance, we cannot predict at this time if we or our borrowers will be able to obtain appropriate coverage at a reasonable cost in the future, or if we will be able to continue to pass along all of the costs of insurance to our tenants. Any weather conditions, man-made or natural disasters, terrorist attack or effect of climate change, whether or not insured, could have a material adverse effect on our financial performance, liquidity and the market price of our common shares. In addition, there is a risk that one or more of our property insurers may not be able to fulfil their obligations with respect to claims payments due to a deterioration in its financial condition.

Compliance or failure to comply with the Americans with Disabilities Act could result in substantial costs.

Our properties must comply with the Americans with Disabilities Act of 1990, as amended (the “ADA”), and any equivalent state or local laws, to the extent that our properties are public accommodations as defined under such laws. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. If one or more of our properties is not in compliance with the ADA or any equivalent state or local laws, we may be required to incur additional costs to bring such property into compliance with the ADA or similar state or local laws. Noncompliance with the ADA or similar state and local laws could also result in the imposition of fines or an award of damages to private litigants. We cannot predict the ultimate amount of the cost of compliance with the ADA or any equivalent state or local laws. If we incur substantial costs to comply with the ADA or any equivalent state or local laws, it may have a material adverse effect on our business, financial condition and results of operations.

Our assets may be subject to impairment charges.

We regularly review our real estate and securities assets for impairment, and based on these reviews, we may record impairment losses that have a material adverse effect on our business, financial condition and results of operations. Negative or uncertain market and economic conditions, as well as market volatility, increase the likelihood of incurring impairment losses. Such impairment losses may have a material adverse effect on our business, financial condition and results of operations.

We may be subject to litigation, which could have a material adverse effect on our financial condition.

We may be subject to litigation, including claims related to our assets and operations that are otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which we may not be insured against. While we generally intend to vigorously defend ourselves against such claims, we cannot be certain of the ultimate outcomes of claims that may be asserted against us. Unfavorable resolution of such litigation may result in our having to pay significant fines, judgments, or settlements, which, if uninsured — or if the fines, judgments and settlements exceed insured levels — would adversely impact our earnings and cash flows, thereby negatively impacting our ability to service debt and pay dividends to our shareholders, which may have a material adverse effect on our business, financial condition and results of operations. Certain litigation, or the resolution of certain litigation, may affect the availability or cost of some of our insurance coverage, expose us to increased risks that would be uninsured, or adversely impact our ability to attract officers and directors, each of which may have a material adverse effect on our business, financial condition and results of operations.

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

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, tenants and other parties, and personally identifiable information of our customers, employees and other parties, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and

infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations and the services we provide to customers, and damage our reputation, which could have a material adverse effect on our business.

Our Investment Company Act exemption limits our investment discretion and loss of the exemption would adversely affect us.

We believe that we currently are not, and we intend to operate our company so that we will not be, regulated as an investment company under the Investment Company Act of 1940, as amended, or the 1940 Act. We believe we are not an investment company under Section 3(a)(1)(A) of the Investment Company Act because we do not engage primarily, or hold ourselves out as being engaged primarily, in the business of investing, reinvesting or trading in securities. We will primarily be in the non-investment company businesses of owning, developing and asset managing real estate. Maintaining our exemption from regulation as an investment company under the 1940 Act limits our ability to invest in assets that otherwise would meet our investment strategies. In addition, in order to maintain our exemption under the 1940 Act, we may need to use available cash to acquire additional real estate assets, including residential mortgage bonds, in lieu of distributing such available cash to shareholders.

We will need to monitor our investments and income to ensure that we continue to satisfy our exemption from the 1940 Act, but there can be no assurance that we will be able to avoid the need to register as an investment company. If it were established that we were an unregistered investment company, there would be a risk that we would be subject to monetary penalties and injunctive relief in an action brought by the SEC, that we would be unable to enforce contracts with third parties, or that third parties could seek to obtain rescission of transactions and that we would be subject to limitations on corporate leverage that would have an adverse impact on our investment returns. This would have a material adverse effect on our financial performance and the market price of our securities.

If we are unable to satisfy the regulatory requirements of the Sarbanes-Oxley Act, or if our disclosure controls or internal control over financial reporting is not effective, investors could lose confidence in our reported financial information, which could adversely affect the perception of our business and the trading price of our common shares.

As a public company, we will become subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act and will be required to prepare our financial statements in accordance with the rules and regulations promulgated by the SEC. The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. Although management will continue to review the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, there can be no guarantee that our internal controls over financial reporting will be effective in accomplishing all of our control objectives. If we are not able to comply with these and other requirements in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our common shares could decline and we could be subject to sanctions or investigations by the stock exchange, the SEC or other regulatory authorities, which may have a material adverse effect on our business, financial condition and results of operations.

We have a significant amount of indebtedness and may need to incur more in the future.

On or about the completion date of the spin-off, we expect to have in place the senior secured term loan from Safe. In addition, in connection with executing our business strategies going forward, we may incur additional indebtedness in connection with our development activities and for other purposes. The amount of such indebtedness could have material adverse consequences for us, including:

- hindering our ability to adjust to changing market, industry or economic conditions;

- limiting our ability to refinance maturing debt on favorable terms;
- limiting the amount of free cash flow available for future dividends or other uses; and
- making us more vulnerable to economic or industry downturns, including interest rate increases.

Our ability to arrange additional financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control.

We are subject to risks associated with our margin loan.

On or about the completion date of the spin-off, we expect to enter into an up to \$140.0 million margin loan that will be secured by our Safe Shares. Under the terms of the margin loan, if the market value of our Safe Shares drops below specified levels, we will have to post additional collateral with the lender. Furthermore, if the closing price of our Safe Shares falls below (a) prior to the funding date of the Margin Loan Facility, \$14 or (b) after the funding date, the higher of (i) \$14 and (ii) 45% of its official closing price on the funding date, we will have to repay the outstanding margin loan amount as well as all accrued and unpaid interest, and a make whole amount, if applicable. If we fail to satisfy any collateral calls, the lender may foreclose on our Safe Shares. The margin loan will have a maturity of three years from the funding date and is subject to mandatory prepayment upon the occurrence of certain events, including a decrease in the price of the Safe common stock below a threshold, a change of control or merger.

If a counterparty to a repurchase transaction defaults on its obligation to resell the underlying security back to us at the end of the transaction term or if we default on our obligations under the repurchase agreement, we could incur losses.

We may make future investments in real estate securities that we finance using repurchase agreements. When we engage in repurchase transactions, we will generally transfer the securities to lenders (i.e., repurchase agreement counterparties) and receive cash from such lenders. Because the cash/financing we receive from the lender is less than the value of the securities we pledge (this difference is referred to as the “haircut”), if the lender defaults on its obligation to transfer the same securities back to us, we would incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). Our exposure to defaults by counterparties may be more pronounced during periods of significant volatility in the market conditions for mortgages and mortgage-related assets as well as the broader financial markets. In addition, generally, if we default on one of our obligations under a repurchase transaction with a particular lender, that lender can elect to terminate the transaction and cease entering into additional repurchase transactions with us. In addition, some of our repurchase agreements contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other repurchase agreements could also declare a default. Any losses we incur on our repurchase transactions could materially adversely affect our earnings and thus our cash available for dividends to our shareholders.

The margin loan and the other collateralized debt arrangements that we may enter into may require us to provide additional collateral and may restrict us from leveraging our assets as fully as desired.

If the market value of the Safe Shares or other securities we may acquire in the future and pledge to a funding source decline in value, the lending institution may have the right to initiate a margin call in its sole discretion, which would require us to provide additional collateral or pay down a portion of the funds advanced, but we may not have the funds available to do so. Posting additional collateral will reduce our liquidity and may reduce our ability to pay dividends to our shareholders and limit our ability to leverage our assets, which could adversely affect our business and could cause the value of our capital stock to decline.

We may be forced to sell assets at significantly depressed prices to meet margin calls to post additional collateral and/or to maintain adequate liquidity, which could cause us to incur losses. Moreover, to the extent we are forced to sell assets at such time, given market conditions, we may be selling at the same time as others facing similar pressures, which could exacerbate a difficult market environment and which could result in us incurring significantly greater losses on our sale of such assets. In an extreme case of market duress, a market may not even be present for certain of our assets at any price. In the event we do not have sufficient liquidity to meet margin calls and post additional collateral, lending institutions can accelerate repayment

of our indebtedness, increase our borrowing rates, liquidate our collateral or terminate our ability to borrow. Such a situation would likely result in a rapid deterioration of our financial condition and possibly necessitate a filing for protection under the United States Bankruptcy Code.

Our governing documents do not limit the amount of indebtedness we may incur and we may become more highly leveraged.

Our declaration of trust and bylaws do not limit the amount of indebtedness we may incur. Accordingly, our board of trustees may permit us to incur additional debt. We might become more highly leveraged as a result, and our financial condition, results of operations and funds available for distribution to shareholders might be negatively affected, and the risk of default on our indebtedness could increase, which may have a material adverse effect on our business, financial condition and results of operations.

Financial covenants could materially adversely affect our ability to conduct our business.

Our senior secured term loan will contain restrictions on the amount of debt we may incur, our ability to pay dividends and distributions and other restrictions and requirements on our operations. Our senior secured term loan will contain (i) negative covenants relating to investments, indebtedness and liens, fundamental changes, asset dispositions, repayments, distributions and affiliate transactions, and (ii) customary events of default, including payment defaults, failure to perform covenants, cross-default and cross acceleration to other indebtedness, impairment of security interests and change of control. These restrictions, as well as any additional restrictions to which we may become subject in connection with additional financings or refinancings, could restrict our ability to effect certain transactions or take other actions that may otherwise be beneficial to us, which could adversely affect our results of operations. In addition, violations of these covenants could cause declarations of default under, and acceleration of, other indebtedness, which would result in adverse consequences to our financial condition. Our senior secured term loan will contain cross-default provisions that give Safe the right to declare a default if we are in default resulting in (or permitting the) acceleration of such other debt in excess of certain amounts. In the event of a default, we may be required to repay such debt with capital from other sources, which may not be available to us on attractive terms, or at all, which may have a material adverse effect on our business, financial condition and results of operations.

Our indebtedness exposes us to the possibility of foreclosure, which could result in the loss of our assets.

Our margin loan and our secured term loan are secured debt. Secured debt obligations increase our risk of losses because defaults on secured indebtedness may result in foreclosure actions initiated by the lenders and ultimately our loss of the assets securing the loans for which we are in default. Any foreclosure on one or more assets securing our indebtedness could materially and adversely affect us.

We may change our business strategy and business policies without shareholder approval.

Our strategy is to generate cash flows from asset management and asset sales. Notwithstanding the foregoing, our board of trustees may change our business strategy or any of our financing strategy, leverage policies, distributions plans and other policies and strategies at any time without the consent of our shareholders, which could result in an investment portfolio with a different risk profile. Such a change in our strategy may increase our exposure to interest rate risk, default risk and real estate market fluctuations, among other risks. These changes could adversely affect our ability to pay dividends to our shareholders and may have a material adverse effect on our business, financial condition and results of operations.

We may sell all or substantially all of our assets and dissolve without shareholder approval.

Our declaration of trust provides that our board of trustees may sell all or substantially all of our assets and dissolve without having to obtain the approval of our shareholders. This is consistent with our business strategy to seek to generate cash flows through asset management and asset sales. Our board is empowered to sell all of our assets, wind up our business and dissolve and our shareholders are not empowered to change this strategy through an approval right.

We may recognize losses when a borrower defaults on a loan and the underlying collateral value is not sufficient.

We may recognize losses arising from borrower defaults on our loan assets. In the event of a default by a borrower on a non-recourse loan, we will only have recourse to the real estate-related assets collateralizing the loan. If the underlying collateral value is less than the loan amount, we will suffer a loss. Conversely, we hold loans that are unsecured or are secured only by equity interests in the borrowing entities. These loans are subject to the risk that other lenders may be directly secured by the real estate assets of the borrower. In the event of a default, those collateralized lenders would have priority over us with respect to the proceeds of a sale of the underlying real estate. In cases described above, we may lack control over the underlying asset collateralizing our loan or the underlying assets of the borrower prior to a default, and as a result the value of the collateral may be reduced by acts or omissions by owners or managers of the assets. We own a \$50 million participation in a \$1.2 billion first mortgage loan collateralized by a retail and entertainment center and our participation interest has limited rights. We reflect this loan as non-performing in our financial statements and may not realize any value from it for a significant time or at all.

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

In the event of a borrower bankruptcy, we may not have full recourse to the assets of the borrower in order to satisfy our loan. In addition, certain of our loans are subordinate to other debts of the borrower. If a borrower defaults on our loan or on debt senior to our loan, or in the event of a borrower bankruptcy, our loan will be satisfied only after the senior debt receives payment. Where debt senior to our loan exists, the presence of intercreditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through “standstill” periods) and control decisions made in bankruptcy proceedings relating to borrowers. Bankruptcy and borrower litigation can significantly increase collection costs and losses and the time necessary to acquire title to the underlying collateral, during which time the collateral may decline in value, causing us to suffer additional losses.

If the value of collateral underlying our loan declines or interest rates increase during the term of our loan, a borrower may not be able to obtain the necessary funds to repay our loan at maturity through refinancing. Decreasing collateral value and/or increasing interest rates may hinder a borrower’s ability to refinance our loan because the underlying property cannot satisfy the debt service coverage requirements necessary to obtain new financing. If a borrower is unable to repay our loan at maturity, we could suffer additional loss which may adversely impact our financial performance.

Risks Related to the Spin-Off

We have no operating history as an independent company, and our historical and pro forma financial information is not necessarily representative of the results that we would have achieved as a separate, publicly traded company and may not be a reliable indicator of our future results.

The historical information about our business in this information statement refers to the iStar Included Assets as operated by iStar and integrated with iStar’s other businesses. Our historical and pro forma financial information included in this information statement is derived from the consolidated financial statements and accounting records of iStar. Accordingly, the historical and pro forma financial information included in this information statement does not necessarily reflect the financial condition, results of operations or cash flows that we would have achieved as a separate, publicly traded company during the periods presented, or those that we will achieve in the future. Factors which could cause our results to materially differ from those reflected in such historical and pro forma financial information and which may adversely impact our ability to achieve similar results in the future may include, but are not limited to, the following:

- the financial results in this information statement do not reflect all of the expenses we will incur as a public company;
- prior to the spin-off, our business has been operated by iStar as part of its corporate organization. We will need to make investments to replicate or outsource from other providers certain facilities, systems, infrastructure, and personnel to which we will no longer have access after the spin-off, which will be costly;
- after the spin-off, we will be unable to use iStar's economies of scope and scale in procuring various goods and services and in maintaining vendor and customer relationships. Although we will enter into the separation and distribution agreement and the management agreement, which provide for certain transition-related arrangements between us and iStar, these arrangements may not fully capture the benefits we have previously enjoyed as a result of our business being integrated within the businesses of iStar and may result in us paying higher charges than in the past for necessary services;
- prior to the spin-off, our working capital requirements and capital for our general corporate purposes, including capital expenditures, have been satisfied as part of the corporation-wide cash management policies of iStar. Following the spin-off, we may need to obtain additional financing, which may not be on terms as favorable as those obtained by iStar, and the cost of capital for our business may be higher than iStar's cost of capital prior to the separation and the spin-off, which may have a material adverse effect on our business, financial condition and results of operations; and
- our cost structure, management, financing and business operations will be significantly different as a result of operating as an independent public company. These changes will result in increased costs, including, but not limited to, legal, accounting, compliance and other costs associated with being a public company with equity securities traded on a nationally recognized exchange.

Other significant changes may occur in our cost structure, management, financing and business operations as a result of our status as an independent company. For additional information about the past financial performance of our business and the basis of presentation of the historical combined and consolidated financial statements and the unaudited pro forma combined and consolidated financial statements of our business, please see "Unaudited Pro Forma Combined And Consolidated Financial Statements," "Selected Historical Combined and Consolidated Financial Data — iStar Included Assets," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and accompanying notes included elsewhere in this information statement.

iStar and Safe may fail to perform under various transaction agreements that will be executed as part of the spin-off, or we may fail to have necessary systems and services in place when certain of the transaction agreements expire.

As of or prior to the effective time of the spin-off, we will enter into agreements with iStar and/or Safe in connection with the separation and the spin-off, including the separation and distribution agreement, the management agreement, the governance agreement and the registration rights agreement. Safe will assume these agreements from iStar in the merger and will enter into the senior secured term loan with us. Certain of these agreements will provide for the performance of services by each company for the benefit of the other for a period of time after the spin-off. We will rely on iStar or Safe to satisfy its performance and payment obligations under such agreements. If iStar or Safe is unable to satisfy such obligations, including its indemnification obligations, we could incur operational difficulties or losses, which may have a material adverse effect on our business, financial condition and results of operations.

If we do not have in place similar agreements with other providers of these services when the transaction agreements terminate and we are not able to provide these services internally, we may not be able to operate our business effectively and our profitability may decline, which may have a material adverse effect on our business, financial condition and results of operations. For more information, see "Certain Relationships and Related Person Transactions."

The spin-off will not qualify for tax-free treatment and will be treated as a taxable distribution to you for U.S. federal income tax purposes.

The distribution of Star Holdings common shares will not qualify for tax-deferred treatment and will be treated as a taxable distribution to iStar stockholders for U.S. federal income tax purposes. An amount equal to the fair market value of the Star Holdings common shares received by you on the spin-off date in the spin-off will generally be treated as a taxable dividend to the extent of your ratable share of any current or accumulated earnings and profits of iStar (including gain recognized by iStar in connection with the separation and the spin-off), with the excess treated first as a non-taxable return of capital to the extent of your tax basis in iStar common stock and any remaining excess treated as capital gain. Your tax basis in shares of iStar common stock held at the time of the spin-off will be reduced (but not below zero) to the extent the fair market value of Star Holdings common shares distributed by iStar to you in the spin-off exceeds your ratable share of iStar's current and accumulated earnings and profits. Your holding period for such iStar shares will not be affected by the spin-off. iStar will not be able to advise you of the amount of earnings and profits of iStar until after the end of the calendar year in which the spin-off occurs. However, iStar anticipates that it could recognize a capital gain for U.S. federal income tax purposes in connection with the separation, which would have the effect of substantially increasing its earnings and profits for the year in which the spin-off occurs. In addition, iStar or another applicable withholding agents may be required or permitted to withhold at the applicable rate on all or a portion of the spin-off payable to non-U.S. stockholders, and any such withholding would be satisfied by iStar or such agent by withholding and selling a portion of the Star Holdings common shares that otherwise would be distributable to non-U.S. stockholders or by withholding from other property held in the non-U.S. stockholder's account with the withholding agent.

Although iStar will be ascribing a value to the Star Holdings common shares in the spin-off for tax purposes, this valuation is not binding on the IRS or any other tax authority. These tax authorities could ascribe a higher valuation to those shares, particularly if Star Holdings common shares trade at prices significantly above the value ascribed to those shares by iStar in the period following the spin-off. Such a higher valuation may cause a larger reduction in the tax basis of your iStar shares or may cause you to recognize additional dividend or capital gain income. You should consult your own tax advisor as to the particular consequences of the spin-off to you.

Potential indemnification liabilities owed to iStar pursuant to the separation and distribution agreement may have a material adverse effect on our business, financial condition and results of operations.

The separation and distribution agreement provides for, among other things, the principal corporate transactions required to effect the separation and the spin-off, certain conditions to the separation and the spin-off and provisions governing our relationship with iStar with respect to and following the spin-off. Among other things, the separation and distribution agreement provides for indemnification obligations designed to make us financially responsible for substantially all liabilities that may exist related to our assets and activities, whether incurred prior to or after the spin-off, as well as certain obligations of iStar that we will assume pursuant to the separation and distribution agreement. If we are required to indemnify iStar under the circumstances set forth in the separation and distribution agreement, we may be subject to substantial liabilities, which may have a material adverse effect on our business, financial condition and results of operations.

iStar may not be able to transfer its interests in certain properties in the spin-off pursuant to certain agreements, due to the need to obtain the consent of third parties.

The co-owned nature of some of iStar's properties, along with certain covenants and other restrictions contained in debt agreements secured by certain of iStar's properties, may require iStar to obtain co-venturer or lender consent in order to transfer such properties to us in the separation. There is no assurance that iStar will be able to obtain such consents on terms that it determines to be reasonable, or at all. Failure to obtain such consents could require iStar to retain properties subject to these consents, which may have a material adverse effect on our business, financial condition, cash flows and results of operations.

After the spin-off, certain of our trustees may have actual or potential conflicts of interest because of their previous or continuing equity interests in, or positions at, iStar and Safe.

Certain of our trustees will be persons who are or have served as directors of iStar or who may own iStar common stock or other equity awards. Following the spin-off, even though our board of trustees will

consist of a majority of independent directors, we expect that certain of our trustees will continue to have a financial interest in iStar common stock and Safe common stock after the merger. Continued ownership of iStar or Safe common stock and equity awards could create, or appear to create, potential conflicts of interest, which may have a material adverse effect on our business, financial condition and results of operations.

We may not achieve some or all of the expected benefits of the separation and the spin-off, and the separation and the spin-off may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to achieve the full strategic and financial benefits expected to result from the spin-off, or such benefits may be delayed due to a variety of circumstances, not all of which may be under our control.

We may not achieve the anticipated benefits of the spin-off for a variety of reasons, including, among others: (i) diversion of management's attention from operating and maintaining our business; (ii) disruption of our ongoing business or inconsistencies in our services, standards, controls, procedures and policies, which could adversely affect our ability to maintain relationships with customers; (iii) increased susceptibility to market fluctuations and other adverse events following the spin-off; and (iv) lack of diversification in our business, compared to iStar's businesses prior to the spin-off. Failure to achieve some or all of the benefits expected to result from the spin-off, or a delay in realizing such benefits, may have a material adverse effect on our business, financial condition and results of operations.

The spin-off may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws.

If Safe files for insolvency or bankruptcy within certain timeframes following the spin-off, a court could deem the spin-off or certain internal restructuring transactions undertaken by iStar in connection therewith to be a fraudulent conveyance or transfer. Fraudulent conveyances or transfers are defined to include transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the debtor was insolvent, or that rendered the debtor insolvent, inadequately capitalized or unable to pay its debts as they become due. In such circumstances, a court could void the transactions that occurred between iStar and us, which could adversely affect our financial condition and our results of operations. Whether a transaction is a fraudulent conveyance or transfer will vary depending upon the jurisdiction whose law is being applied.

Our agreements with iStar and Safe in connection with the spin-off involve conflicts of interest, and we may have received better terms from unaffiliated third parties than the terms we will receive in these agreements.

Because the spin-off involves the division of certain of iStar's existing businesses into two separate companies, we expect to enter into certain agreements with iStar to provide a framework for our relationship with iStar following the spin-off, including the separation and distribution agreement and the management agreement. Safe will assume these agreements from iStar in the merger. In addition, we expect to enter into the governance agreement and the registration rights agreement with Safe concurrently upon the completion of the spin-off. The terms of these agreements were agreed while portions of our business were still owned by iStar and were negotiated by persons who were employees, officers or directors of iStar or their respective subsidiaries, and, accordingly, may have conflicts of interest. For example, during the period in which the terms of these agreements were negotiated, our board of trustees was not independent of iStar. As a result, the terms of those agreements may not reflect terms that would have resulted from arm's-length negotiations between unaffiliated third parties, which may have a material adverse effect on our business, financial condition and results of operations.

No vote of the iStar stockholders is required in connection with the spin-off, so stockholder recourse is limited to divestiture.

No vote of the iStar stockholders is required in connection with the spin-off. Accordingly, if the spin-off occurs and you do not want to receive Star Holdings common shares in the spin-off, your only recourse will be to divest your shares of iStar common stock prior to the record date for the spin-off.

Pursuant to the separation and distribution agreement, iStar will indemnify us for certain pre-spin-off liabilities and liabilities related to iStar's assets. However, there can be no assurance that these indemnities will be sufficient to insure us against the full amount of such liabilities, or that iStar's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the separation and distribution agreement, iStar will indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that iStar retains, and there can be no assurance that iStar will be able to fully satisfy its indemnification obligations to us. Moreover, even if we ultimately succeed in recovering from iStar any amounts for which we were held liable by such third parties, any indemnification received may be insufficient to fully offset the financial impact of such liabilities or we may be temporarily required to bear these losses while seeking recovery from iStar, which may have a material adverse effect on our business, financial condition and results of operations. Safe will assume iStar's indemnification obligations in the merger.

Substantial sales of our common shares may occur in connection with the spin-off, which could cause our share price to decline.

The common shares of Star Holdings that iStar intends to distribute to its stockholders generally may be sold immediately in the public market. Upon completion of the spin-off, we expect that we will have an aggregate of approximately _____ million common shares issued and outstanding, based on the spin-off ratio and the number of issued and outstanding shares of iStar common stock as of the record date. Star Holdings common shares following the spin-off will be freely tradable without restriction or further registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"), unless the shares are owned by one of our "affiliates," as that term is defined in Rule 405 under the Securities Act.

Although we have no actual knowledge of any plan or intention on the part of any of our 5% or greater shareholders to sell their common shares of Star Holdings following the spin-off, it is possible that some of our large shareholders will sell our common shares that they receive in the spin-off. For example, our shareholders may sell our common shares because our concentration in residential land development, our business profile or our market capitalization as an independent company does not fit their investment objectives, or because our shares are not included in certain indices after the spin-off. A portion of iStar common stock is held by index funds, and if we are not included in these indices at the time of the spin-off, these index funds may be required to sell our shares. The sales of significant amounts of our common shares, or the perception in the market that this may occur, may result in the lowering of the market price of our shares, which may have a material adverse effect on our business, financial condition and results of operations.

The combined post-spin-off value of iStar or Safe common stock and our common shares may not equal or exceed the value of iStar common stock prior to the spin-off, and the price of our common shares may be volatile or may decline.

The market price of our common shares may fluctuate widely as a result of a number of factors, many of which are outside of our control. In addition, the stock market is subject to fluctuations in share prices and trading volumes that affect the market prices of the shares of many companies. These fluctuations in the stock market may adversely affect the market price of our common shares. Among the factors that could affect the market price of our common shares are:

- actual or anticipated fluctuations in our business, financial condition and operating results;
- delays in our ability to execute our business strategy;
- adverse developments in respect of any of our material assets;
- changes in revenues or cash flow estimates or publication of research reports and recommendations by financial analysts with respect to our securities or those of other companies;
- the ability of our tenants and borrowers to pay amounts due to us and the ability of buyers of our assets to meet their payment obligations to us;
- our inability to pay amounts due under our indebtedness or our management agreement;

- any future issuances of equity securities;
- strategic actions by us or our competitors;
- general market conditions and, in particular, developments related to market conditions for the real estate industry and the availability of financing for real estate purchasers; and
- domestic and international economic factors unrelated to our performance.

Additionally, we cannot assure you that the combined trading prices of iStar common stock (or Safe common stock after the merger) and our common shares after the spin-off will be equal to or greater than the trading price of iStar common stock prior to the spin-off. Until the market has fully evaluated iStar or Safe without the Star Holdings business and assets, the price at which iStar common stock (or Safe common stock after the merger) trades may fluctuate more significantly than might otherwise be typical, even with other market conditions, including general volatility, held constant. Similarly, until the market has fully evaluated our business as a separate entity, the prices at which our common shares trade may fluctuate more significantly than might otherwise be typical, even with other market conditions, including general volatility, held constant. The increased volatility of our share price following the spin-off may have a material adverse effect on our business, financial condition and results of operations.

Risks Related to an Investment in Our Common Shares

An active trading market for our common shares may not develop.

An active trading market for our common shares may not develop or be sustained. We expect that the trading volume for our common shares may be limited and sporadic due to a number of factors, including the fact that we are a relatively small company, the ultimate resolution of many of our assets is uncertain and we are concentrated in certain assets. As a consequence, there may be periods when trading activity in our common shares is minimal, as compared to a seasoned issuer that has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give any assurance that a broader or more active public trading market for our common shares will develop or be sustained.

We will be taxed as a corporation and will not elect to qualify as a real estate investment trust.

Star Holdings will be treated as a C corporation for U.S. federal income tax purposes, and unlike iStar will not elect to qualify as a real estate investment trust. As a general matter, Star Holdings will be subject to U.S. federal income tax in the same manner as other U.S. corporations at corporate rates (currently 21%), plus additional state and local taxes. Shareholders of Star Holdings generally will be subject to tax on dividends paid by Star Holdings, if any, to the extent of Star Holdings' current and accumulated earnings and profits. Moreover, to the extent that Star Holdings sells Safe Shares, it will be a taxable event for Star Holdings and could materially and adversely affect its results of operations, financial position and cash flows, including its ability to service debt and make distributions to its shareholders.

Our Board of Trustees may elect to be subject to certain protections that could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for Star Holdings common shares or that our shareholders otherwise believe to be in their best interest.

Our declaration of trust permits our board of trustees, without shareholder approval, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. These provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could provide our shareholders with the opportunity to realize a premium over the then current market price. Our board of trustees has not yet elected to be subject to any such corporate governance provisions.

The number of our common shares available for future issuance or sale could adversely affect the per share trading price of our common shares and may be dilutive to current shareholders.

Our declaration of trust authorizes our board of trustees to, among other things, issue a certain amount of additional common shares without shareholder approval. We cannot predict whether future issuances or sales of our common shares, or the availability of shares for resale in the open market, will decrease the per share trading price of our common shares. In addition, any such issuance could dilute our existing shareholders' interests in our company. In addition, prior to the completion of the spin-off, we intend to adopt an equity compensation plan, and we may issue our common shares or grant equity incentive awards exercisable for or convertible or exchangeable into of our common shares under the plan. Future issuances of our common shares may be dilutive to existing shareholders, which may have a material adverse effect on our business, financial condition and results of operations.

We do not expect to pay regular dividends.

Future dividends will be declared and paid at the discretion of our board of trustees, and the amount and timing of dividends will primarily depend upon cash generated by operating activities and asset sales. We do not expect to pay regular dividends. We expect to make distributions of cash to the extent we generate excess cash from asset sales that are not needed for expenses, reserves, corporate and other purposes. Our board of trustees may change our dividend policy at any time, and there can be no assurance as to the manner in which future dividends will be paid. Our failure to pay dividends may cause investors to seek alternative investments, which would result in selling pressure on, and a decrease in the market price of, our common shares. As a result, the price of our common shares may decrease, which may have a material adverse effect on our business, financial condition and results of operations.

If we qualify to be an "emerging growth company," we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.

The JOBS Act contains provisions that, among other things, relax certain reporting requirements for "emerging growth companies," including certain requirements relating to accounting standards and compensation disclosure. We expect to be classified as an emerging growth company. For as long as we are an emerging growth company, which may be up to five full fiscal years, we are not required to (1) provide an auditor's attestation report on management's assessment of the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, (2) comply with any new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies under Section 102(b)(1) of the JOBS Act, (3) comply with any new requirements adopted by the Public Company Accounting Oversight Board (the "PCAOB"), requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer, (4) comply with any new audit rules adopted by the PCAOB after April 5, 2012 unless the SEC determines otherwise, (5) provide certain disclosure regarding executive compensation required of larger public companies or (6) hold shareholder advisory votes on executive compensation. We cannot predict if investors will find our common shares less attractive if we choose to rely on these exemptions. If some investors find our common shares less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common shares and our share price may be more volatile.

As noted above, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards that have different effective dates for public and private companies until such time as those standards apply to private companies. We do not intend to take advantage of such extended transition period.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This information statement and other materials we and iStar have filed or will file with the SEC contain, or will contain, forward-looking statements. Certain statements that are not in the present or past tense or that discuss our expectations (including any use of the words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “may,” “might,” “outlook,” “project,” “should” or similar expressions) are intended to identify such forward-looking statements, which generally are not historical in nature. The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those projected, anticipated or implied in the forward-looking statements.

Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained, and it is possible that our actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Such factors include, but are not limited to:

- iStar’s or Safe’s inability or failure to perform under the various transaction agreements relating to the spin-off;
- our lack of operating history as a separate company;
- that certain of our properties represent a significant portion of our revenues, cash flows and costs;
- that the spin-off will not qualify for tax-free treatment;
- risks associated with the ownership and development of real property;
- our ability to sell assets at attractive prices;
- our ability to generate cash flows from asset sales when needed in order to meet our obligations under indebtedness, to pay management fees and to pay expenses;
- changes in the real estate industry and in performance of the financial markets and interest rates and our ability to effectively hedge against interest rate changes;
- the actual or perceived impact of global and economic conditions;
- we will be entirely reliant on our manager’s performance under the management agreement;
- conflicts of interest with our manager;
- the amount, growth and relative inelasticity of our expenses;
- the outcome of claims and litigation involving or affecting the company;
- applicable regulatory changes;
- risks associated with the fact that our historical and pro forma financial information may not be a reliable indicator of our future results;
- risks associated with the potential volatility of our common shares; and
- other risks and uncertainties detailed from time to time in the section captioned “Risk Factors” and in our SEC filings.

Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes.

Other factors that could cause actual results or events to differ materially from those anticipated include the matters described under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In particular, information included under “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business and Properties,” and “The Spin-Off” contain forward-looking statements.

THE SPIN-OFF

Background

On August 11, 2022, iStar announced its plans to (i) merge with Safe to form a self-managed, pure-play ground lease company and (ii) prior to closing the merger, separate iStar’s legacy assets by completing the spin-off.

We were formed on October 7, 2022 in Maryland as a wholly owned subsidiary of iStar. Following the spin-off, we will operate as an externally managed independent company.

iStar will accomplish the spin-off by transferring to us the equity of entities that own our portfolio including any legacy assets that are unsold as of the date of the spin-off, in addition to the Safe Shares, at least \$50.0 million of cash and certain other assets. We will assume all liabilities and obligations of iStar, other than those relating to the ground lease business that iStar is retaining. In consideration for these assets we will transfer to iStar common shares of Star Holdings that iStar will distribute to its stockholders on a pro rata basis and the net proceeds of our margin loan financing. iStar will retain all of its assets and liabilities relating to its retained ground lease business.

The spin-off is expected to occur on _____, 2023 (the “distribution date”), by way of a distribution to iStar stockholders. In the distribution, each iStar common stockholder will be entitled to receive _____ common shares of Star Holdings for each share of iStar common stock held at the close of business on the spin-off record date. iStar stockholders will not be required to make any payment to surrender or exchange their iStar common stock, or to take any other action to receive their common shares of Star Holdings in the spin-off. The spin-off of Star Holdings common shares as described in this information statement is subject to the satisfaction or waiver of certain conditions. In addition, iStar’s board of directors has reserved the right, in its sole discretion, to amend, modify or abandon the spin-off or any related transaction at any time prior to the distribution date; provided that, any waiver, amendment, supplement or modification of any provisions of the separation and distribution agreement prior to the closing of the merger may only be made with the prior written consent of the Safe special committee.

Following completion of the spin-off, each iStar common stockholder immediately prior to the spin-off record date will continue to hold the shares of iStar common stock held immediately prior to the spin-off record date and _____ common shares of Star Holdings for each share of iStar common stock held immediately prior to the spin-off record date. The foregoing assumes that the holder does not transfer any shares prior to the effectiveness of the spin-off. For more information, see “The Spin-Off — Trading Before the Spin-Off Date.”

iStar and Star Holdings will separate their respective liabilities as set forth in the separation and distribution agreement. In addition to the separation and distribution agreement, we and iStar will enter into a management agreement and we and Safe will enter into a governance agreement and a registration rights agreement. We have signed commitment letters for a senior secured term loan facility having a principal amount of \$100 million (which principal amount may be increased or decreased from time to time with the approval of both parties, including prior to the spin-off) plus an additional commitment amount of up to \$25.0 million at Star Holdings’ election (the proceeds of which may only be used to satisfy Star Holdings’ “soft call” obligations under the margin loan) and an up to \$140 million margin loan facility that we expect to enter into on or about the date of completion of the spin-off. For more information, see “Description of Material Indebtedness.”

Reasons for the Separation and the Spin-Off

iStar sponsored Safe’s initial public offering in 2017. Safe has grown its portfolio from approximately \$340 million of ground leases at the time of the initial public offering to approximately \$5.8 billion of ground leases as of September 30, 2022, and iStar’s ownership interest in Safe has increased from approximately 27% at the time of the IPO to approximately 54.3% as of the date of this information statement.

In 2019, iStar announced its plans to increase materially its investment in Safe and expand the relationship between the two companies because iStar believed that the ground lease business offered greater opportunities for attractive risk-adjusted returns when compared to iStar’s traditional lending and

net lease businesses, which faced greater competition and more commoditized pricing. Since 2019, iStar's strategy has been to monetize the assets from its legacy businesses, strengthen its balance sheet and reinvest available proceeds into the ground lease ecosystem, both by making additional investments in Safe, and by creating ground lease financing programs and new ground lease-adjacent investment opportunities.

With the sale of its net lease portfolio in March 2022, iStar has largely completed its transition to being primarily focused on the ground lease ecosystem, and iStar's board of directors, based upon the recommendation of the iStar special committee, believes that it is the right time to combine iStar and Safe into a self-managed, pure-play ground lease REIT that will focus on driving growth as a market leader. On August 10, 2022, iStar and Safe entered into a definitive merger agreement. One of the conditions to closing the merger is that iStar must first complete the spin-off.

Upon careful review and consideration, iStar's board of directors, based upon the recommendation of the iStar special committee, determined that Star Holdings' separation from iStar and the merger are in the best interests of iStar. This determination was based on a number of factors, including those set forth below.

- **Provides stockholders with a direct and indirect investment in an internally-managed, growth-oriented REIT.** iStar believes that the company formed by the merger will provide a more compelling investment opportunity for its stockholders. In the merger, iStar's stockholders will receive shares of the combined company by way of a reverse stock split. Upon completing the merger and the spin-off, the combined company, which will keep the name of Safehold Inc. and NYSE ticker symbol of "SAFE," will be internally-managed and will be solely focused on growth in the new (for public REITs) and dynamic asset class of ground leases.
- **Creates a company with value-realization opportunity.** Several of our assets present uncertain future cash flows because they are still in varying stages of development. We believe the separation creates a value realization opportunity through maximizing cash flows from active asset management and sales of the legacy portfolio, the proceeds of which are expected to be used for repayment of indebtedness, payment of management fees, payment of capital expenditures and distributions to holders of the Star Holdings' common stock.
- **Provides a solution for iStar to monetize long-term assets in an orderly fashion while retiring its unsecured debt in full.** The financing being obtained from the margin loan and the secured term loan, together with proceeds from asset sales and repayments, are expected to enable iStar to repay its unsecured senior notes in full and monetize assets in an orderly fashion.

The iStar board of directors also considered a number of potentially negative factors in evaluating the spin-off, including the following:

- **Ongoing costs.** We will separately bear the costs of fees and expenses payable under the management agreement and other costs, such as the costs associated with being a public company.
- **One-time costs of the separation.** Each of iStar and we will incur costs in connection with our transition to being a separate public company that may include accounting, tax, legal and other professional services costs, insurance costs and costs to separate information systems.
- **Inability to realize anticipated benefits of the spin-off.** We may not achieve the anticipated benefits of the spin-off for a variety of reasons, including: (i) following the spin-off, we will be more susceptible to adverse events relating to our assets than if we were still a part of iStar; (ii) following the spin-off, Star Holdings' businesses will be less diversified than iStar's businesses prior to the separation; (iii) we will be largely dependent on asset sales to generate cash flows to pay our debt obligations, pay management fees and pay ongoing expenses; and (iv) market conditions may make it difficult for us to sell our assets at attractive prices.
- **Taxability of the Spin-Off.** The spin-off is expected to be treated as a taxable distribution to iStar common stockholders for U.S. federal income tax purposes.

The iStar board of directors concluded that the potential benefits of the spin-off outweighed these factors. For more information, see "Risk Factors" beginning on page 16.

The Separation and Distribution Agreement

The following discussion summarizes the material provisions of the separation and distribution agreement. The separation and distribution agreement sets forth, among other things, our agreements with iStar (and Safe after the merger) regarding the principal transactions necessary to separate us from iStar. It also sets forth other agreements that govern certain aspects of our relationship with iStar after the spin-off date.

Transfer of Assets and Assumption of Liabilities

The separation and distribution agreement identifies the assets to be transferred, the liabilities to be assumed and the contracts to be assigned to each of us and iStar as part of the separation of our two companies, and it provides for when and how these transfers, assumptions and assignments will occur. In particular, the separation and distribution agreement provides, among other things, that subject to the terms and conditions contained therein:

- certain assets related to our businesses (the “Star Holdings Assets”) will be retained by Star Holdings or one of Star Holdings’ subsidiaries or transferred to Star Holdings or one of Star Holdings’ subsidiaries, including:
 - all issued capital stock or other equity interests owned by iStar or a subsidiary thereof in each of our subsidiaries and entities agreed to in the separation and distribution agreement (the “Transferred Entities”);
 - all right, title and interest (whether as owner, mortgagee or holder of a security interest) in our portfolio of properties;
 - the Safe Shares;
 - all of the trademark rights of iStar or its subsidiaries in the name and logo of Star Holdings, the names and logos of the subsidiaries of Star Holdings, the names and logos of the real estate-related assets and development projects held by Star Holdings and its subsidiaries and the know-how used to conduct the business of Star Holdings, subject to certain exceptions;
 - certain computing peripherals (monitors, keyboards, webcams, etc.), tablets, conference room cameras/computers/display units, and server room equipment;
 - all contracts entered into in the name of, or expressly on behalf of, Star Holdings, any subsidiary of Star Holdings, or any of the Transferred Entities or a subsidiary thereof;
 - all other assets primarily related to the properties owned by the Transferred Entities, including all furniture, buildings, fixtures, equipment, easements and other appurtenances located at the real properties;
 - all Shared Contracts (as defined in the separation and distribution agreement) to the extent allocated to Star Holdings or its subsidiaries pursuant to the separation and distribution agreement;
 - all permits of iStar or its subsidiaries used primarily in our business;
 - all books and records, wherever located, of iStar or its subsidiaries primarily related to our business (and subject to certain access rights retained by iStar and its subsidiaries pursuant to the separation and distribution agreement);
 - all accounts receivable, rights, claims, demands, causes of action, judgments, decrees, property tax appeals and rights to indemnify or contribution in favor of iStar or its subsidiaries that are primarily related to our business; and
 - other assets mutually agreed by the parties prior to the spin-off;
- certain liabilities related to Star Holdings’ businesses or the Star Holdings Assets (collectively, the “Star Holdings Liabilities”) will be retained by or transferred to Star Holdings or one of Star Holdings’ subsidiaries, including:

- all liabilities under contracts or agreements assumed in connection with our businesses;
- all liabilities (including environmental liabilities) of iStar relating to underlying circumstances, facts existing or events occurring, prior to the spin-off, whether related to Star Holdings or not, other than ground lease related liabilities;
- all guarantees and indemnitees in respect of any of the Star Holdings Assets or Star Holdings Liabilities;
- all third-party claims to the extent relating to our business and the Star Holdings Assets; and
- all insurance charges related to our business and the Star Holdings Assets;
- all of the assets and liabilities (including whether accrued, contingent, or otherwise) other than the Star Holdings Assets and Star Holdings Liabilities, including such assets other than the Star Holdings Assets (the “iStar Assets”) and such liabilities other than the Star Holdings Liabilities (the “iStar Liabilities”), will be retained by or transferred to iStar or one of its subsidiaries.

Information in this information statement with respect to the assets and liabilities of the parties following the spin-off is presented based on the allocation of such assets and liabilities pursuant to the separation and distribution agreement unless the context otherwise indicates.

Cash Assets

The separation and distribution agreement provides that, at or prior to the spin-off, iStar will contribute at least \$50.0 million in cash to Star Holdings, and will also pay to Star Holdings any cash proceeds in respect of asset sales occurring prior to the spin-off date that generate proceeds in excess of amounts needed for iStar to retire its unsecured senior notes, cash out its preferred stock in connection with the merger and pay other liabilities.

Commercially Reasonable Efforts

The separation and distribution agreement provides that the parties will use commercially reasonable efforts to take or cause to be taken all actions, and to do or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary to consummate and make effective the spin-off, including causing the conditions precedent to the spin-off to be satisfied, obtaining and making all necessary approvals and filings, obtaining third party consents, and executing any other necessary instruments.

The Spin-Off

The separation and distribution agreement governs the rights and obligations of the parties regarding the spin-off. On the spin-off date, iStar will distribute to its common stockholders that held shares of iStar common stock as of the record date all of the issued and outstanding Star Holdings common shares based on the spin-off ratio of _____ common shares of Star Holdings for one share of iStar common stock, subject to any adjustment in the event of iStar undertaking a stock dividend, stock split or similar change in its common stock prior to the spin-off.

Conditions to the Spin-Off

The separation and distribution agreement provides that the spin-off is subject to the satisfaction (or waiver by iStar) of certain conditions, including:

- the agreements pertaining to the loans described more fully below in the section entitled “Description of Material Indebtedness” have been executed or be ready to be executed, subject only to the completion of the spin-off and the merger;
- the SEC declaring effective the registration statement of which this information statement forms a part, with no stop order in effect with respect thereto, and no proceeding for such purpose pending before, or threatened by, the SEC;
- the mailing of this information statement;

- no order, injunction, or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, the spin-off or any of the related transactions are in effect;
- the Star Holdings common shares to be distributed have been approved for listing on a designated exchange, subject to official notice of distribution;
- the parties to the merger agreement have confirmed that the conditions to the closing of the merger have been satisfied or waived, other than the spin-off, the filing of the articles of merger and any other conditions that by their nature are satisfied at the closing of the merger; and
- the execution of ancillary agreements by us and iStar, including the management agreement.

Release of Claims

We agree to release and discharge iStar, its subsidiaries and all persons who at any time prior to the distribution were stockholders, directors, officers, agents or employees thereof or of any transferred entity from the Star Holdings Liabilities, all liabilities arising from or in connection with the transactions and activities to implement the spin-off and all liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the distribution, in each case, relating to, arising out of or resulting from the transferred business, the Star Holdings Assets and Star Holdings Liabilities. iStar agrees to release and discharge Star Holdings, our subsidiaries, and all persons who at any time prior to the distribution were stockholders, directors, officers, agents or employees thereof from all iStar Liabilities and all liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the distribution, in each case, relating to, arising out of or resulting from iStar's business, iStar Assets and iStar Liabilities. The release described above will not include certain specified liabilities, including without limitation liabilities arising out of the agreements among the parties with respect to the spin-off, liabilities allocated pursuant to such agreements and liabilities in connection with any untrue or alleged untrue statement of material fact from disclosure documents, among others.

Indemnification

In the separation and distribution agreement, we agree to indemnify, defend and hold harmless iStar, each of its affiliates and each of their respective directors, officers, employees and agents, from and against all liabilities relating to, arising out of or resulting from:

- the Star Holdings Liabilities and our failure to pay any Star Holdings Liabilities in accordance with their terms;
- third-party claims relating to our business or the Star Holdings Assets;
- our breach of the separation and distribution agreement or any ancillary agreement;
- the use by Star Holdings or any subsidiary of any know-how licensed to Star Holdings pursuant to the separation and distribution agreement;
- any untrue statement or alleged untrue statement of material fact or omission or alleged omission in the registration statement to which this information statement is a part or any other disclosure document filed by Star Holdings; and
- any untrue statement of material fact or omission with respect to certain specified statements made in Star Holdings' name in any disclosure document filed by iStar, including the Joint Proxy Statement / Prospectus filed by iStar.

iStar agrees to indemnify, defend and hold harmless, us and each of our affiliates and each of our affiliates' respective directors, officers, employees and agents from and against all liabilities relating to, arising out of or resulting from:

- all iStar Liabilities and the failure of iStar to pay any iStar Liabilities in accordance with their terms;
- third-party claims relating to the iStar Assets;

- the breach by iStar of the separation and distribution agreement or any ancillary agreement;
- any untrue statement or alleged untrue statement of material fact or omission or alleged omission in the registration statement to which this information statement is a part or any other disclosure document filed by Star Holdings, to the extent such statement is explicitly made in iStar's name; and
- any untrue statement of material fact or omission in any disclosure document filed by iStar which describes the spin-off or Star Holdings and its subsidiaries, including the Joint Proxy Statement / Prospectus filed by iStar other than the specified statements of Star Holdings referred to above.

Neither we nor iStar will be liable to the other for special, punitive or exemplary damages, except, in each case, to the extent such damages are finally awarded and actually paid by a party to a third party in connection with a third-party claim.

Insurance

The separation and distribution agreement provides that, at or after the effective time of the spin-off, iStar will be entitled to terminate coverage under its existing insurance policies with respect to the Star Holdings Assets that it previously owned and the Star Holdings Liabilities to which it previously was subject. The separation and distribution agreement further provides that Star Holdings will cause the Star Holdings Assets and Star Holdings Liabilities to be covered by existing or new insurance policies of Star Holdings. The separation and distribution agreement also contains procedures for asserting claims for losses arising prior to the separation and the spin-off under the policies that covered the property in question at the applicable time.

Non-Solicitation

Pursuant to the separation and distribution agreement, for a period of two years after the closing of the spin-off, neither we nor any of our subsidiaries may, directly or indirectly, solicit for employment or employ or cause to leave the employ of iStar or any of its subsidiaries any employee of iStar or any of its subsidiaries with a title of Vice President or higher, subject to customary exceptions.

Segregation of Accounts

We and iStar will use commercially reasonable efforts to separate and de-link any common bank or brokerage accounts between us, and any outstanding checks issued or payments initiated prior to the effective time of the spin-off will be honored after the effective time of the spin-off by the party then owning the account on which the check is drawn or the payment was initiated.

Information Sharing

We and iStar will use commercially reasonable efforts to provide or make available, or cause to be provided or made available, to the other party, at any time before, on or after the spin-off, any information (or a copy thereof) in the possession or under the control of such party which the requesting party reasonably requests to the extent that such information relates to the requesting party's assets and liabilities, such information is reasonably required by the requesting party to comply with the obligations of the separation and distribution agreement or such information is reasonably required by the requesting party to comply with any obligation imposed by any governmental authority. The separation and distribution agreement will include customary confidentiality covenants with respect to such information.

Amendments

No provision of the separation and distribution agreement may be amended or modified except by a written instrument signed by the authorized representative of the party against whom it is sought to enforce such amendment or modification; *provided that*, any waiver, amendment, supplement or modification of any provisions of the separation and distribution agreement prior to the closing of the merger may only be made with the prior written consent of the Safe special committee.

When and How You Will Receive Star Holdings Shares in the Spin-Off

With the assistance of Computershare, iStar expects to distribute Star Holdings common shares on _____, 2023 to all holders of shares of outstanding iStar common stock as of the close of business on _____, 2023, the record date. Computershare currently serves as the transfer agent and registrar for iStar common stock and will serve as the settlement and distribution agent in connection with the spin-off. Thereafter, Computershare will serve as the transfer agent and registrar for Star Holdings common shares. If you own shares of iStar common stock as of the close of business on the record date, the common shares of Star Holdings that you are entitled to receive in the spin-off will be issued electronically, as of the spin-off date, to you in book-entry form or to your bank or brokerage firm on your behalf. If you are a registered holder, Computershare will then mail you a direct registration account statement that reflects your common shares of Star Holdings. If you hold your shares through a bank or brokerage firm, your bank or brokerage firm will credit your account for the shares. Book-entry form refers to a method of recording share ownership when no physical share certificates are issued to stockholders, as is the case in this spin-off. If you sell shares of iStar common stock in the “regular-way” market up to and including the spin-off date, you will be selling your right to receive common shares of Star Holdings on such shares of iStar common stock in the spin-off.

Commencing on or shortly after the spin-off date, if you hold physical share certificates that represent your iStar common stock and you are the registered holder of the shares represented by those certificates, the distribution agent will mail to you an account statement that indicates the number of common shares of Star Holdings that have been registered in book-entry form in your name.

Most iStar stockholders hold their shares of iStar common stock through a bank or brokerage firm. In such cases, the bank or brokerage firm would be said to hold the shares in “street name” and ownership would be recorded on the bank or brokerage firm’s books. If you hold shares of iStar common stock through a bank or brokerage firm, your bank or brokerage firm will credit your account for the common shares of Star Holdings that you are entitled to receive in the spin-off. If you have any questions concerning the mechanics of having shares held in “street name,” please contact your bank or brokerage firm.

Transferability of Shares You Receive

Common shares of Star Holdings distributed in connection with the spin-off will be transferable without registration under the Securities Act, except for shares received by persons who may be deemed to be our affiliates. Persons who may be deemed to be our affiliates after the spin-off generally include individuals or entities that control, are controlled by, or are under common control with us, which may include certain of our executive officers, trustees or principal shareholders. Securities held by our affiliates will be subject to resale restrictions under the Securities Act. Our affiliates will be permitted to sell our common shares only pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act, such as the exemption afforded by Rule 144 under the Securities Act.

The Number of Common Shares of Star Holdings You Will Receive

For each share of iStar common stock that you own as of the close of business on the record date for the spin-off, you will receive _____ common shares of Star Holdings.

iStar will not distribute any fractional common shares of Star Holdings to its stockholders. Instead, if you are a registered holder, Computershare will aggregate fractional shares into whole shares, sell the whole shares in the open market on the spin-off date and distribute the aggregate cash proceeds (net of discounts and commissions) of the sales based on the closing price on the spin-off date, pro rata to each holder based on the fractional share such holder would otherwise be entitled to receive in the spin-off. Computershare, in its sole discretion, without any influence by iStar or Star Holdings, will determine when, how, through which broker-dealer and at what price to sell the whole shares. Any broker-dealer used by Computershare will not be an affiliate of either iStar or Star Holdings. Neither Star Holdings nor iStar will be able to guarantee any minimum sale price in connection with the sale of these shares. Recipients of cash in lieu of fractional shares will not be entitled to any interest on any payments made in lieu of fractional shares.

The aggregate net cash proceeds of these sales will be taxable for U.S. federal income tax purposes. See “Certain Material U.S. Federal Income Tax Consequences — Certain Material U.S. Federal Income Tax

Consequences of the Spin-Off to U.S. Stockholders” for an explanation of the material U.S. federal income tax consequences of the distribution.

Results of the Spin-Off

After the spin-off, we will be an independent, externally managed publicly traded company. The actual aggregate number of Star Holdings shares to be distributed to iStar stockholders will be determined at the close of business on [redacted], 2023, the record date for the spin-off. The spin-off will not affect the number of outstanding shares of iStar common stock or any rights of iStar stockholders.

As of or prior to the effective time of the spin-off, we will enter into the separation and distribution agreement with iStar and will enter into other agreements with iStar to effect the spin-off. These agreements will provide a framework for our relationship with iStar after the spin-off. Additionally, these agreements will allocate between us and iStar the assets, liabilities and obligations of iStar (including intellectual property, and tax-related assets and liabilities) that are attributable to periods prior to the spin-off. For a more detailed description of these agreements, see “Certain Relationships and Related Person Transactions.”

Market for Star Holdings Common Shares

There is currently no public trading market for Star Holdings common shares. We intend to apply to list our common shares on a nationally recognized exchange. We have not and will not set the initial price of our common shares. The initial price will be established by the public markets.

We cannot predict the price at which our common shares will trade after the spin-off. In fact, the combined trading prices, after the spin-off, of the common shares of Star Holdings that each iStar stockholder will receive in the spin-off and the iStar common stock held at the record date may not equal the “regular-way” trading price of a share of iStar stock immediately prior to the spin-off. The price at which Star Holdings common shares trade may fluctuate significantly, particularly until an orderly public market develops. Trading prices for Star Holdings common shares will be determined in the public markets and may be influenced by many factors.

Trading Before the Spin-Off Date

Beginning as early as two trading days before the record date and continuing up to and including the spin-off date, iStar expects that there will be two markets for shares of iStar common stock: a “regular-way” market and an “ex-distribution” market. Shares of iStar common stock that trade on the “regular-way” market will trade with an entitlement to common shares of Star Holdings distributed in the spin-off. Shares of iStar common stock that trade on the “ex-distribution” market will trade without an entitlement to common shares of Star Holdings distributed pursuant to the spin-off. Therefore, if you sell your shares of iStar common stock in the “regular-way” market up to and including through the spin-off date, you will be selling your right to receive common shares of Star Holdings in the spin-off. If you own shares of iStar common stock at the close of business on the record date and sell those shares on the “ex-distribution” market up to and including through the spin-off date, you will receive the common shares of Star Holdings that you are entitled to receive pursuant to your ownership of shares of iStar common stock as of the record date.

Furthermore, beginning approximately one week before the record date and continuing up to and including the spin-off date, Star Holdings expects that there will be a “when-issued” market for its common shares. “When-issued” trading refers to a sale or purchase made conditionally, because the security has been authorized but not yet issued. The “when-issued” trading market will be a market for Star Holdings common shares that will be distributed to holders of iStar common stock on the spin-off date. If you owned shares of iStar common stock at the close of business on the record date, you would be entitled to Star Holdings common shares distributed pursuant to the spin-off. With respect to iStar stockholders, you may trade this entitlement to Star Holdings common shares, without the iStar common stock you own, on the “when-issued” market. On the first trading day following the spin-off date, “when-issued” trading with respect to Star Holdings common shares will end, and “regular-way” trading will begin.

You should consult your bank, broker, nominee or other advisor before selling your shares to be sure you understand the effects of the trading procedures described above.

Conditions to the Spin-Off

iStar has announced that the spin-off will be effective at 12:01 a.m., Eastern time, on , 2023, which is the spin-off date, *provided that* certain conditions have been satisfied (or waived by iStar in its sole discretion), including:

- the agreements pertaining to the loans described more fully below in the section entitled “Description of Material Indebtedness” have been executed or be ready to be executed, subject only to the completion of the spin-off and the merger;
- the SEC declaring effective the registration statement of which this information statement forms a part, with no stop order in effect with respect thereto, and no proceeding for such purpose pending before, or threatened by, the SEC;
- the mailing of this information statement;
- no order, injunction, or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, the spin-off or any of the related transactions are in effect;
- the Star Holdings common shares to be distributed have been approved for listing on a designated exchange, subject to official notice of distribution;
- the parties to the merger agreement have confirmed that the conditions to the closing of the merger have been satisfied or waived, other than the spin-off, the filing of the articles of merger and any other conditions that by their nature are satisfied at the closing of the merger; and
- the execution of ancillary agreements by us and iStar, including the management agreement.

iStar does not intend to notify its stockholders of any modifications to the terms of the spin-off that, in the judgment of its board of directors, are not material. For example, the iStar board of directors might consider material such matters as significant changes to the spin-off ratio, the assets to be contributed or the liabilities to be assumed in the spin-off. To the extent that the iStar board of directors determines that any modifications by iStar materially change the terms of the spin-off, iStar will notify iStar stockholders in a manner reasonably calculated to inform them about the modification as may be required by law, by, for example, publishing a press release, filing a current report on Form 8-K, or circulating a supplement to this information statement.

DIVIDEND POLICY

We are a newly formed company that has not commenced operations, and as a result, we have not paid any dividends as of the date of this information statement. We do not expect to pay regular dividends. We intend to make distributions of available cash from time to time, primarily dependent upon our ability to sell assets and the prices at which we sell our assets. Our debt instruments limit our ability to pay dividends. See “Description of Material Indebtedness.”

CAPITALIZATION

The following table sets forth Star Holdings' capitalization as of September 30, 2022 on a historical basis and on a pro forma basis to give effect to the pro forma adjustments included in Star Holdings' pro forma financial information, assuming a spin-off ratio of common shares of Star Holdings for each share of iStar common stock. The information below is not necessarily indicative of what Star Holdings' capitalization would have been had the spin-off and related transactions been completed as of September 30, 2022. In addition, it is not indicative of Star Holdings' future capitalization. This table should be read in conjunction with "Selected Historical Combined and Consolidated Financial Data — iStar Included Assets," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Star Holdings' unaudited combined and consolidated financial statements and notes included elsewhere in this information statement.

	As of September 30, 2022		
	Historical	Pro Forma Adjustments (in thousands)	Pro Forma
Cash and cash equivalents	\$ 29,744	\$ 20,256	\$ 50,000
Debt			
Margin loan	—	138,611	138,611
Senior Secured Term Loan	—	99,400	99,400
Total debt ⁽¹⁾	—	238,011	238,011
iStar Included Assets			
Net Parent Investment	1,141,184	(1,141,184)	—
Common stock	—	12	12
Additional paid in capital ⁽²⁾	—	773,008	773,008
Noncontrolling interests	735	3,119	3,854
Total equity	1,141,919	(365,045)	776,874
Total capitalization	\$1,171,663	\$ (106,778)	\$1,064,885

(1) Represents Star Holdings' \$100 million secured term loan payable to iStar, net of fees and Star Holdings' up to \$140 million margin loan, net of fees, the proceeds of which will be distributed to iStar.

(2) Net carrying value of equity distributed, net of the par value of common stock.

**SELECTED HISTORICAL COMBINED AND CONSOLIDATED FINANCIAL DATA — iSTAR
INCLUDED ASSETS**

In connection with the spin-off, Star Holdings will succeed to the assets owned by iStar immediately prior to the completion of the spin-off that remain from its historical non-ground lease related businesses, including real estate finance, operating properties and land and development (the “iStar Included Assets”). The following tables set forth selected historical combined and consolidated financial data of the iStar Included Assets, which was carved out from the financial information of iStar. The summary historical financial data set forth below as of and for the nine months ended September 30, 2022 and September 30, 2021 has been derived from Star Holdings’ unaudited combined and consolidated financial statements, which are included elsewhere in this information statement. The summary historical financial data set forth below as of and for the years ended December 31, 2021, 2020 and 2019 has been derived from the iStar Included Assets’ audited combined and consolidated financial statements, which are included elsewhere in this information statement.

	For the Nine Months Ended September 30,		For the Years Ended December 31,		
	2022	2021	2021	2020	2019
	(in thousands)				
Revenues:					
Operating lease income	\$ 9,715	\$ 13,456	\$ 16,824	\$ 21,571	\$ 28,710
Interest income	11,187	23,878	29,522	56,676	75,636
Other income	30,734	31,534	36,726	28,189	30,421
Land development revenue	54,390	157,936	189,103	164,702	119,595
Total revenues	<u>106,026</u>	<u>226,804</u>	<u>272,175</u>	<u>271,138</u>	<u>254,362</u>
Costs and expenses:					
Interest expense	33,296	39,390	51,369	62,176	67,586
Real estate expense	37,693	32,691	45,126	45,616	67,237
Land development cost of sales	55,369	147,507	171,961	177,727	109,663
Depreciation and amortization	3,561	5,267	6,487	6,095	5,954
General and administrative	5,882	25,458	46,340	40,140	40,900
(Recovery of) provision for loan losses	22,556	(7,411)	(8,085)	8,866	6,482
Impairment of assets	1,750	679	679	5,790	10,949
Other expense	274	422	515	271	352
Total costs and expenses	<u>160,381</u>	<u>244,003</u>	<u>314,392</u>	<u>346,681</u>	<u>309,123</u>
Gain on equity investment	—	17,862	17,642	23,916	—
Income from sales of real estate	—	26,319	26,319	263	11,969
Income (loss) from operations before earnings from equity method investments and other items	(54,355)	26,982	1,744	(51,364)	(42,792)
Earnings from equity method investments	<u>50,502</u>	<u>49,389</u>	<u>83,458</u>	<u>5,903</u>	<u>23,559</u>
Net income (loss) from operations before income taxes	(3,853)	76,371	85,202	(45,461)	(19,233)
Income tax benefit (expense)	—	(20,195)	(22,531)	17,483	5,049
Net income (loss)	(3,853)	56,176	62,671	(27,978)	(14,184)
Net loss (income) from operations attributable to noncontrolling interests	(46)	54	74	196	438
Net income (loss) attributable to iStar Included Assets	<u>\$ (3,899)</u>	<u>\$ 56,230</u>	<u>\$ 62,745</u>	<u>\$ (27,782)</u>	<u>\$ (13,746)</u>

	For the Nine Months Ended September 30,		For the Years Ended December 31,		
	2022	2021	2021	2020	2019
Cash flows (used in) provided by operating activities	\$ (18,218)	\$ 15,928	\$ 8,534	\$ (26,073)	\$(41,485)
Cash flows provided by investing activities	107,781	527,282	673,119	164,531	34,236
Cash flows provided by (used in) financing activities	(74,916)	(537,141)	(676,434)	(139,561)	3,867
	As of September 30,		As of December 31,		
	2022	2021	2021	2020	2019
	(in thousands)				
ASSETS					
Total real estate	\$ 89,445	\$ 95,026	\$ 92,451	\$ 197,590	\$ 208,787
Land and development, net	248,246	302,845	286,810	430,663	580,545
Loans receivable and other lending investments, net	176,623	357,953	332,844	686,931	783,522
Other investments	602,925	575,486	500,410	511,443	421,250
Total assets	1,178,095	1,367,439	1,256,763	1,885,763	2,043,778
LIABILITIES AND EQUITY					
Liabilities:					
Accounts payable, accrued expenses and other liabilities	\$ 36,176	\$ 35,122	\$ 32,379	\$ 46,094	\$ 58,043
Loan participations payable, net	—	—	—	42,501	35,638
Total liabilities	36,176	35,122	32,379	88,595	93,681
Equity:					
Net Parent Investment	1,141,184	1,331,609	1,223,695	1,796,625	1,949,358
Noncontrolling interests	735	708	689	543	739
Total equity	1,141,919	1,332,317	1,224,384	1,797,168	1,950,097
Total liabilities and equity	<u>\$1,178,095</u>	<u>\$1,367,439</u>	<u>\$1,256,763</u>	<u>\$1,885,763</u>	<u>\$2,043,778</u>

Summary of Legacy Portfolio as of September 30, 2022

	Asbury Park	Magnolia Green	Coney Island Bath Site	Other	Total
Total real estate	\$ 73,069	\$ —	\$ —	\$ 16,376	\$ 89,445
Land and development, net	106,519	89,151	39,026	13,550	248,246
Loans receivable and other lending investments, net ⁽¹⁾	—	—	—	176,623	176,623
Other investments	—	—	—	55,635	55,635
Total portfolio	179,588	89,151	39,026	262,184	569,949
Other assets ⁽²⁾	—	—	—	60,856	60,856
Total legacy assets	179,588	89,151	39,026	323,040	630,805
Investment in Safe at book value	—	—	—	547,290	547,290
Star Holdings total assets	\$179,588	\$89,151	\$39,026	\$870,330	\$1,178,095

(1) One loan within Loans receivable and other lending investments, net, with a carrying value of \$35.7 million was repaid subsequent to September 30, 2022. Loans receivable and other lending

investments, net includes \$67.8 million of loans and other lending investments that mature before June 30, 2023 (December 31, 2023, with extensions).

- (2) Other assets includes \$29.7 million of cash and cash equivalents, \$8.0 million of seller financing receivable, \$3.9 million of interest receivable, accounts receivable and deferred operating lease income receivable, net, \$1.5 million of restricted cash and \$17.8 million of other assets related to real estate properties. Star Holdings may not hold these assets at the time of the spin off; however, Star Holdings will hold at least \$50.0 million of cash and cash equivalents at the time of the spin off.

UNAUDITED PRO FORMA COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

In connection with the spin-off, iStar Included Assets will be separated from iStar’s ground lease businesses. Upon closing of the Merger, subject to the satisfaction or waiver of the conditions to the spin-off, each iStar common stockholder will be entitled to receive Star Holdings common shares for each share of iStar common stock held at the close of business on the spin-off record date. The following unaudited pro forma combined and consolidated financial statements assume a spin-off ratio of one common share of Star Holdings for every one share of iStar common stock issued and outstanding on the date of the spin-off for illustrative purposes. The final spin-off ratio will be set by the board of directors of iStar prior to the spin-off and is currently expected to be equivalent to the ratio that iStar expects to use to effectuate a reverse split of iStar common stock in connection with the merger.

The following unaudited pro forma combined and consolidated financial statements have been derived from the historical combined and consolidated financial statements of iStar Included Assets included elsewhere in this information statement. The unaudited pro forma combined and consolidated financial statements give effect to the following: (i) transaction accounting adjustments including the spin-off; and (ii) other pro forma adjustments including Star Holdings’ management agreement with iStar and Star Holdings entering into a senior secured term loan facility with iStar having a principal amount of \$100 million (which principal amount may be increased from time to time with the approval of both parties, including prior to the spin-off) and entering into an up to \$140 million margin loan with Morgan Stanley Bank, N.A., the proceeds of which will be distributed to iStar as consideration for the legacy assets contributed to Star Holdings.

The unaudited pro forma combined and consolidated balance sheet assumes the spin-off and the related transactions occurred on September 30, 2022. The unaudited pro forma combined and consolidated statements of operations presented for the nine months ended September 30, 2022 and the year ended December 31, 2021 assumes the spin-off and the related transactions occurred on January 1, 2021. Our unaudited pro forma combined and consolidated financial statements and explanatory notes present how our financial statements may have appeared had we completed the above transactions as of the dates noted above.

The separation of the assets and liabilities related to iStar Included Assets from iStar’s ground lease businesses will be at iStar’s carryover basis, representing a combination of entities under common control that have been “carved out” from iStar’s historical consolidated financial statements. iStar historically accounted for its investment in shares of Safe common stock as an equity method investment in accordance with Accounting Standards Codification (“ASC”) 323 — Investments — Equity Method and Joint Ventures due to its ability to exercise significant influence over Safe. On a prospective basis, Star Holdings expects to account for its investment in shares of Safe common stock pursuant to ASC 321 — Investments — Equity Securities due to its lack of significant influence over Safe. As a result, except for Star Holdings’ investment in shares of Safe common stock, the future financial statements of Star Holdings will initially reflect the carryover basis from iStar.

At the time of the spin-off, iStar will contribute to Star Holdings shares of Safe common stock with an aggregate market value of at least \$400 million. For purposes of the unaudited combined and consolidated balance sheet as of September 30, 2022, iStar Included Assets is assuming it receives 15,117,158 shares of Safe common stock from iStar at a price of \$26.46 per share, the closing price of Safe common stock on September 30, 2022. The actual number of shares of Safe common stock Star Holdings receives from iStar will depend on the price per share of Safe common stock at the time of the spin-off. The table below presents the number of shares of Safe common stock Star Holdings will receive if the price per share of Safe common stock should increase or decrease by \$5 from the price used for the combined and consolidated financial statements:

Aggregate market value of Safe common stock	\$400,000,000	\$400,000,000	\$400,000,000
Price per share of Safe common stock	\$ 21.46	\$ 26.46	\$ 31.46
Number of shares of Safe common stock received by Star Holdings	18,639,329	15,117,158	12,714,558

The following unaudited pro forma combined and consolidated financial statements were prepared in accordance with Article 11 of Regulation S-X, using the assumptions set forth in our unaudited pro forma combined and consolidated financial statements. The unaudited pro forma combined and consolidated financial statements are presented for illustrative purposes only and do not purport to reflect the results we may achieve in future periods or the historical results that would have been obtained had the above transactions been completed on the dates indicated above. The unaudited pro forma combined and consolidated financial statements also do not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result from the transactions described above.

Star Holdings
Unaudited Pro Forma Combined and Consolidated Balance Sheet as of September 30, 2022
(Unaudited)
(\$ in thousands)

	Historical iStar Included Assets	Transaction Accounting Adjustments	Other Pro Forma Adjustments	Star Holdings Pro Forma
Real estate				
Real estate, at cost	\$ 111,719	\$ —	\$ —	\$ 111,719
Less: accumulated depreciation	(22,575)	—	—	(22,575)
Real estate, net	89,144	—	—	89,144
Real estate available and held for sale	301	—	—	301
Total real estate	89,445	—	—	89,445
Land and development, net	248,246	—	—	248,246
Loans receivable and other lending investments, net	176,623	—	—	176,623
Other investments	602,925	(147,290) ⁽¹⁾	—	455,635
Cash and cash equivalents	29,744	20,256 ⁽²⁾	—	50,000
Accrued interest and operating lease income receivable, net	1,035	—	—	1,035
Deferred operating lease income receivable, net	2,842	—	—	2,842
Deferred expenses and other assets, net	27,235	—	—	27,235
Total assets	<u>\$ 1,178,095</u>	<u>\$ (127,034)</u>	<u>—</u>	<u>\$ 1,051,061</u>
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable, accrued expenses and other liabilities	\$ 36,176	\$ —	\$ —	\$ 36,176
Debt obligations, net	—	—	238,011 ⁽⁶⁾	238,011
Total liabilities	<u>36,176</u>	<u>—</u>	<u>238,011</u>	<u>274,187</u>
Commitments and contingencies				
Equity:				
Net Parent Investment	1,141,184	(1,141,184) ⁽³⁾	—	—
Common Stock, \$0.001 par value	—	12 ⁽⁴⁾	—	12
Additional paid-in capital	—	1,014,138 ⁽⁵⁾	(241,130) ⁽⁷⁾	773,008
Noncontrolling interests	735	—	3,119 ⁽⁸⁾	3,854
Total equity	<u>1,141,919</u>	<u>(127,034)</u>	<u>(238,011)</u>	<u>776,874</u>
Total liabilities and equity	<u>\$ 1,178,095</u>	<u>\$ (127,034)</u>	<u>\$ —</u>	<u>\$ 1,051,061</u>

- (1) Following the spin-off, Star Holdings' ownership of Safe is evaluated independently of iStar's influence over Safe. iStar accounted for its investment in Safe as an equity method investment under ASC 323 due to its ability to exercise significant influence over Safe. Star Holdings is not expected to retain significant influence over Safe. Star Holdings will hold shares of Safe common stock and, pursuant to a governance agreement that Star Holdings and Safe will enter into at the time of the merger, will be required vote its shares of Safe common stock in accordance with the recommendations of the board of directors of Safe. Members of Star Holdings' board of trustees will not hold seats on the Safe board of directors. Safe will serve as external manager of Star Holdings. Star Holdings is expected to account for its investment in Safe as an equity investment under ASC 321, which requires that Star Holdings adjust its investment in Safe to fair value through income at each reporting period. This

adjustment presents Star Holdings' investment of at least \$400.0 million, the fair value of the shares of common stock that iStar intends to contribute to iStar Holdings at the date of the spin-off.

- (2) Represents incremental cash to be received from iStar to satisfy iStar's contribution of at least \$50.0 million to Star Holdings.
- (3) Represents the elimination of Net Parent Investment in connection with the spin-off and issuances of common stock.
- (4) Represents the par value for the issuance of 11,819,043 shares, or one common share of Star Holdings, \$0.001 par value, for each share of iStar stock outstanding on the date of the spin-off, after giving effect to the reverse stock-split.
- (5) Represents the net carrying value of equity distributed, net of the par value of common stock.
- (6) Represents Star Holdings' \$100 million secured term loan payable to iStar, net of fees and Star Holdings' up to \$140 million margin loan, net of fees, the proceeds of which will be distributed to iStar.
- (7) Represents the net equity distributed to iStar.
- (8) Represents noncontrolling interests attributable to a consolidated venture that holds cash reserves for potential post-closing expenses related to the sale of iStar's net lease portfolio of which a portion is allocable to noncontrolling interest holders. Any cash from the reserves from the venture distributed prior to the spin-off will be distributed to iStar and noncontrolling interest holders, and any remaining cash distributed following the spin-off will be distributed to Star Holdings, net of the noncontrolling interest holders.

Star Holdings
Unaudited Pro Forma Combined and Consolidated Statements of Operations
for the Nine Months Ended September 30, 2022
(in thousands, except per share data)

	Historical iStar Included Assets	Transaction Accounting Adjustments	Other Pro Forma Adjustments	Star Holdings Pro Forma
Revenues:				
Operating lease income	\$ 9,715	\$ —	\$ —	\$ 9,715
Interest income	11,187	—	—	11,187
Other income	30,734	8,987 ⁽¹⁾	—	39,721
Land development revenue	54,390	—	—	54,390
Total revenues	<u>106,026</u>	<u>8,987</u>	<u>—</u>	<u>115,013</u>
Costs and expenses:				
Interest expense	33,296	—	12,624 ⁽⁴⁾	45,920
Real estate expense	37,693	—	—	37,693
Land development cost of sales	55,369	—	—	55,369
Depreciation and amortization	3,561	—	—	3,561
General and administrative	5,882	—	11,250 ⁽⁵⁾	17,132
Provision for loan losses	22,556	—	—	22,556
Impairment of assets	1,750	—	—	1,750
Other expense	274	—	—	274
Total costs and expenses	<u>160,381</u>	<u>—</u>	<u>23,874</u>	<u>184,255</u>
Income (loss) from operations before earnings from equity method investments and other items	(54,355)	8,987	(23,874)	(69,242)
Earnings (losses) from equity method investments	50,502	(27,956) ⁽²⁾	—	22,546
Loss on equity investment	—	(788,194) ⁽²⁾	—	(788,194)
Net loss from operations before income taxes	(3,853)	(807,163)	(23,874)	(834,890)
Income tax benefit	—	— ⁽³⁾	— ⁽³⁾	—
Net loss	(3,853)	(807,163)	(23,874)	(834,890)
Net income from operations attributable to noncontrolling interests	(46)	—	—	(46)
Net loss allocable to iStar Included Assets	<u>\$ (3,899)</u>	<u>\$ (807,163)</u>	<u>\$ (23,874)</u>	<u>\$ (834,936)</u>
Loss per share – basic and diluted				\$ (76.83)
Weighted average shares outstanding – basic and diluted ⁽⁶⁾				10,867

- (1) Represents dividends Star Holdings received on its shares of Safe common stock for the nine months ended September 30, 2022, presented in other income pursuant to ASC 321.
- (2) Following the spin-off, Star Holdings' ownership of Safe is evaluated independently of iStar's influence over Safe. iStar accounted for its investment in Safe as an equity method investment under ASC 323 due to its ability to exercise significant influence. Star Holdings is not expected to retain significant influence over Safe and is expected to account for its investment in Safe as an equity investment under ASC 321, which requires that Star Holdings adjust its investment in Safe to fair value through income at each reporting period. For this purpose, Star Holdings calculated its unrealized loss on equity investment assuming ownership of an approximated weighted average number of shares of Safe common stock of 14,762,951 shares for the nine months ended September 30, 2022 and a price per share of

Safe common stock of \$79.85 as of December 31, 2021 and \$26.46 as of September 30, 2022. The table below provides a sensitivity analysis of the impact of the price per share of Safe common stock at the time of the spin-off and consequently the number of shares contributed to Star Holdings and the corresponding loss on equity investment:

Price per share of Safe common stock	Weighted average number of shares outstanding	Loss on equity investment (in 000's)
\$21.46	18,202,595	\$1,062,850
\$26.46	14,762,951	\$ 788,194
\$31.46	12,416,646	\$ 600,842

- (3) Represents the estimated tax impact from iStar Included Assets transaction accounting adjustments and other pro forma adjustments.
- (4) Adjustment represents \$6.0 million of interest expense attributable to Star Holdings' \$100 million secured term loan which accrues interest at a fixed rate of 8.00% per annum and \$6.7 million of interest expense (including the amortization of fees) on Star Holdings' up to \$140 million margin loan which accrues interest at a floating rate of 3-month SOFR plus 3.00% per annum. For this purpose, Star Holdings used a SOFR rate of 2.98%, which represented SOFR rate as of September 30, 2022. A 0.125% change in SOFR would increase or decrease interest expense by \$0.1 million.
- (5) Represents incremental costs under the management agreement between iStar and Star Holdings. Star Holdings expects that its general and administrative expense will change from historical general and administrative expense amounts allocated as a result of becoming a stand-alone publicly-traded company, including but not limited to expenses relating to legal, insurance, accounting and other compliance matters. An adjustment to general and administrative expenses has not been made in the pro forma statement of operations as such expenses are not currently factually supportable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (6) Weighted average shares outstanding is shown after giving effect to the spin-off ratio.

Star Holdings
Unaudited Pro Forma Combined and Consolidated Statements of Operations
for the Year Ended December 31, 2021
(in thousands, except per share data)

	Historical iStar Included Assets	Transaction Accounting Adjustments	Other Pro Forma Adjustments	Star Holdings Pro Forma
Revenues:				
Operating lease income	\$ 16,824	\$ —	\$ —	\$ 16,824
Interest income	29,522	—	—	29,522
Other income	36,726	8,610 ⁽¹⁾	—	45,336
Land development revenue	189,103	—	—	189,103
Total revenues	<u>272,175</u>	<u>8,610</u>	<u>—</u>	<u>280,785</u>
Costs and expenses:				
Interest expense	51,369	—	16,959 ⁽⁴⁾	68,328
Real estate expense	45,126	—	—	45,126
Land development cost of sales	171,961	—	—	171,961
Depreciation and amortization	6,487	—	—	6,487
General and administrative	46,340	—	25,000 ⁽⁵⁾	71,340
Recovery of loan losses	(8,085)	—	—	(8,085)
Impairment of assets	679	—	—	679
Other expense	515	—	—	515
Total costs and expenses	<u>314,392</u>	<u>—</u>	<u>41,959</u>	<u>356,351</u>
Income from sales of real estate	26,319	—	—	26,319
Gain on equity investment	17,642	—	—	17,642
Income (loss) from operations before earnings from equity method investments and other items	1,744	8,610	(41,959)	(31,605)
Earnings (losses) from equity method investments	83,458	(40,647) ⁽²⁾	—	42,811
Gain on equity investment	—	97,656 ⁽²⁾	—	97,656
Net income (loss) from operations before income taxes	85,202	65,619	(41,959)	108,862
Income tax (expense) benefit	(22,531)	(17,352) ⁽³⁾	11,095 ⁽³⁾	(28,788)
Net income	<u>62,671</u>	<u>48,267</u>	<u>(30,864)</u>	<u>80,074</u>
Net loss from operations attributable to noncontrolling interests	74	—	—	74
Net income allocable to iStar Included Assets	<u>\$ 62,745</u>	<u>\$ 48,267</u>	<u>\$(30,864)</u>	<u>\$ 80,148</u>
Earnings per share – basic and diluted				\$ 8.08
Weighted average shares outstanding – basic and diluted ⁽⁶⁾				9,918

- (1) Represents dividends Star Holdings received on its shares of Safe common stock for the year ended December 31, 2021, presented in other income pursuant to ASC 321.
- (2) Following the spin-off, Star Holdings' ownership of Safe is evaluated independently of iStar's influence over Safe. iStar accounted for its investment in Safe as an equity method investment under ASC 323 due to its ability to exercise significant influence. Star Holdings is not expected to retain significant influence over Safe and is expected to account for its investment in Safe as an equity investment under ASC 321, which requires that Star Holdings adjust its investment in Safe to fair value through income

at each reporting period. For this purpose, Star Holdings calculated its unrealized gain on equity investment assuming ownership of an approximated weighted average number of shares of Safe common stock of 13,268,473 shares for the year ended December 31, 2021 and a price per share of Safe common stock of \$72.49 as of December 31, 2020 and \$79.85 as of December 31, 2021. The table below provides a sensitivity analysis of the impact of the price per share of Safe common stock at the time of the spin-off and consequently the number of shares contributed to Star Holdings and the corresponding gain on equity investment:

Price per share of Safe common stock	Weighted average number of shares outstanding	Gain on equity investment (in 000's)
\$21.46	16,359,916	\$137,185
\$26.46	13,268,473	\$ 97,656
\$31.46	11,159,688	\$ 93,579

- (3) Represents the estimated tax impact from iStar Included Assets transaction accounting adjustments and other pro forma adjustments using the same effective tax rate as Historical iStar Included Assets.
- (4) Adjustment represents \$8.0 million of interest expense attributable to Star Holdings' \$100 million secured term loan which accrues interest at a fixed rate of 8.00% per annum and \$9.0 million of interest expense (including the amortization of fees) on Star Holdings' up to \$140 million margin loan which accrues interest at a floating rate of 3-month SOFR plus 3.00% per annum. For this purpose, Star Holdings used a SOFR rate of 2.98%, which represented the SOFR rate as of September 30, 2022. A 0.125% change in SOFR would increase or decrease interest expense by \$0.2 million.
- (5) Represents incremental costs under the management agreement between iStar and Star Holdings. Star Holdings expects that its general and administrative expense will change from historical general and administrative expense amounts allocated as a result of becoming a stand-alone publicly-traded company, including but not limited to expenses relating to legal, insurance, accounting and other compliance matters. An adjustment to general and administrative expenses has not been made in the pro forma statement of operations as such expenses are not currently factually supportable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (6) Weighted average shares outstanding is shown after giving effect to the spin-off ratio.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the historical results of operations and liquidity and capital resources of the iStar Included Assets. iStar Included Assets was not operated by iStar as a stand-alone business. You should read the following discussion and analysis in conjunction with "Selected Historical Combined and Consolidated Financial Data — iStar Included Assets," "Unaudited Pro Forma Combined And Consolidated Financial Statements" and the financial statements beginning on page F-1 included elsewhere in this information statement. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. The matters discussed in these forward-looking statements are subject to risk, uncertainties and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. Please refer to "Risk Factors," beginning on page 16 and "Cautionary Statement Concerning Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements.

The Spin-Off

On August 11, 2022, iStar announced its plans to merge with Safe to create a self-managed pure-play ground lease company. iStar is required to complete the spin-off in order to separate its non-ground lease related assets from iStar prior to the closing of the merger with Safe.

iStar will accomplish the separation by transferring to us interests in the assets that will comprise our portfolio at the time of the spin-off, at least \$50.0 million in cash and the Safe Shares. We will assume all liabilities and obligations related to these assets and iStar's operations prior to the spin-off that do not relate to its ground lease business. In consideration for these assets, we will issue to iStar common shares of Star Holdings that iStar will distribute to its stockholders on a pro rata basis as well as the net proceeds of an up to \$140.0 million margin loan that we intend to enter into in connection with the spin-off. iStar will retain all of the assets and liabilities related to its ground lease business.

The spin-off is expected to occur on _____, 2023, by way of a distribution to iStar stockholders. In the distribution, each iStar common stockholder will be entitled to receive _____ Star Holdings common shares for each share of iStar common stock held at the close of business on the spin-off record date. iStar stockholders will not be required to make any payment to surrender or exchange their iStar common stock, or to take any other action to receive their Star Holdings common shares in the spin-off. The spin-off as described in this information statement is subject to the satisfaction or waiver of certain conditions. In addition, iStar has reserved the right, in its sole discretion, to amend, modify or abandon the spin-off or any related transaction at any time prior to the distribution date; provided that, any waiver, amendment, supplement or modification of any provisions of the separation and distribution agreement prior to the closing of the merger may only be made with the prior written consent of the Safe special committee. The completion of the spin-off is a condition to the closing of the merger of iStar and Safe. As of September 30, 2022, the iStar board of directors estimated that approximately \$4.5 million in costs would be incurred in connection with the spin-off.

iStar and Star Holdings will separate their respective liabilities as set forth in the separation and distribution agreement. In addition to the separation and distribution agreement, we and iStar will enter into the management agreement and we and Safe will enter into the governance agreement and the registration rights agreement. We have signed commitment letters for a senior secured term loan facility having a principal amount of \$100.0 million (which principal amount may be increased or decreased from time to time with the approval of both parties, including prior to the spin-off) plus an additional commitment amount of up to \$25.0 million at Star Holdings' election (the proceeds of which may only be used to satisfy Star Holdings' "soft call" obligations under the margin loan) and an up to \$140.0 million margin loan facility that we expect to enter into on or about the date of completion of the spin-off. Additional information about the secured term loan and the margin loan referenced above may be found under "Description of Material Indebtedness."

Basis of Presentation

The accompanying combined and consolidated financial statements of iStar Included Assets do not represent the financial position and results of operations of one legal entity, but rather a combination of

entities under common control that have been “carved out” from iStar’s consolidated financial statements. Historically, financial statements of iStar Included Assets have not been prepared as it has not operated separately from iStar. These combined and consolidated financial statements reflect the revenues and expenses of iStar Included Assets and include certain material assets and liabilities of iStar that are specifically identifiable and generated through, or associated with, certain legacy assets of iStar’s real estate finance, operating properties and land and development business segments, which have been reflected at iStar’s historical basis given the contribution of the predecessor’s business to Star Holdings is a transaction under common control.

The preparation of these combined and consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These combined and consolidated financial statements include an allocation of general and administrative expenses and interest expense to Star Holdings from iStar consistent with the methodology used by iStar to allocate expenses to its real estate finance, operating properties and land and development business segments. General and administrative expenses that are directly attributable to the assets from the real estate finance, operating properties and land and development business segments have been allocated to Star Holdings.

In addition, certain other general and administrative expenses from iStar corporate functions, including executive oversight, treasury, finance, human resources, tax compliance and planning, internal audit, financial reporting, information technology and investor relations have been allocated to Star Holdings. These general and administrative expenses, including stock-based compensation, represent a pro rata allocation of costs from iStar’s corporate business segment based on Star Holdings’ average net assets as a percentage of iStar’s average net assets. Interest expense was allocated to Star Holdings by assigning a leverage factor to Star Holdings’ assets and allocating iStar’s corporate level debt and interest expense based on that leverage factor.

Star Holdings believes the allocation methodology for general and administrative expenses and interest expense is reasonable. Accordingly, the general and administrative expense allocation presented in our combined and consolidated statements of operations for historical periods does not necessarily reflect what our general and administrative expenses will be as a standalone public company for future reporting periods.

Critical Accounting Policies and Estimates

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

Management reviewed and evaluated these critical accounting estimates and believes they are appropriate. Our significant accounting policies are described in our audited combined and consolidated financial statements for the year ended December 31, 2021. The following is a summary of accounting policies that require more significant management estimates and judgments:

Allowance for loan losses. We perform a quarterly comprehensive analysis of our loan portfolio and assign risk ratings that incorporate management’s current judgments about credit quality based on all known and relevant internal and external factors that may affect collectability. We consider, among other things, payment status, lien position, borrower or tenant financial resources and investment collateral, collateral type, project economics and geographical location as well as national and regional economic factors. This methodology results in loans being risk-rated, with ratings ranging from “1” to “5” with “1” representing the lowest risk of loss and “5” representing the highest risk of loss.

Upon the adoption of ASU 2016-13 on January 1, 2020, we implemented procedures to estimate our expected loss (“Expected Loss”) on our loans (including unfunded loan commitments) and held-to-maturity debt securities based on relevant information including historical realized loss rates, current market conditions and reasonable and supportable forecasts that affect the collectability of our investments. The estimate of our Expected Loss requires significant judgment and we analyze our loan portfolio based upon our different categories of financial assets, which includes: (i) loans and held-to-maturity debt securities and (ii) construction loans.

For our loans, held-to-maturity debt securities and construction loans, we analyzed our historical realized loss experience to estimate our Expected Loss. We adjusted our Expected Loss through the use of third-party market data that provided current and future economic conditions that may impact the performance of the commercial real estate assets securing our investments.

We consider a loan to be non-performing and place it on non-accrual status at such time as: (1) interest payments become 90 days delinquent; (2) it has a maturity default; or (3) management determines it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan. Non-accrual loans are returned to accrual status when they have become contractually current and management believes all amounts contractually owed will be received. We will record a specific allowance on a non-performing loan if we determine that the collateral fair value less costs to sell is less than the carrying value of the collateral-dependent asset. The specific allowance is increased (decreased) through “Provision for (recovery of) loan losses” in our combined and consolidated statements of operations and is decreased by charge-offs. During delinquency and the foreclosure process, there are typically numerous points of negotiation with the borrower or tenant as we work toward a settlement or other alternative resolution, which can impact the potential for repayment or receipt of collateral. Our policy is to charge off a loan when we determine, based on a variety of factors, that all commercially reasonable means of recovering the loan balance have been exhausted. This may occur at different times, including when we receive cash or other assets in a pre-foreclosure sale or take control of the underlying collateral in full satisfaction of the loan upon foreclosure or deed-in-lieu, or when we have otherwise ceased significant collection efforts. We consider circumstances such as the foregoing to be indicators that the final steps in the loan collection process have occurred and that a loan is uncollectible. At this point, a loss is confirmed and the loan and related allowance will be charged off.

The provision for (recovery of) loan losses for the years ended December 31, 2021, 2020 and 2019 were (\$8.1) million, \$8.9 million and \$6.5 million, respectively. The provision for (recovery of) loan losses for the nine months ended September 30, 2022 and 2021 were \$22.6 million and (\$7.4 million), respectively.

Impairment or disposal of long-lived assets. We periodically review real estate to be held for use and land and development assets for impairment in value whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The asset’s value is impaired only if management’s estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the asset (taking into account the anticipated holding period of the asset) is less than the carrying value. Such estimate of cash flows considers factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the asset and reflected as an adjustment to the basis of the asset. Impairments of real estate and land and development assets are recorded in “Impairment of assets” in our combined and consolidated statements of operations. Estimating future cash flows and fair values is highly subjective and such estimates could differ materially from actual results.

Real estate assets to be disposed of are reported at the lower of their carrying amount or estimated fair value less costs to sell and are included in “Real estate available and held for sale” on our combined and consolidated balance sheets. The difference between the estimated fair value less costs to sell and the carrying value will be recorded as an impairment charge. Impairment for real estate assets is included in “Impairment of assets” in our combined and consolidated statements of operations. Once the asset is classified as held for sale, depreciation expense is no longer recorded.

During the year ended December 31, 2021, we recorded an impairment of \$0.7 million in connection with the sale of residential condominiums. During the year ended December 31, 2020, we recorded an

aggregate impairment of \$5.8 million on a real estate asset held for sale and land and development assets. During the year ended December 31, 2019, we recorded aggregate impairments on real estate and land and development assets of \$10.9 million. During the nine months ended September 30, 2022 and 2021, we recognized impairments of \$1.8 million and \$0.7 million, respectively.

Results of Operations for the Year Ended December 31, 2021 compared to the Year Ended December 31, 2020

	For the Year Ended December 31,		\$ Change
	2021	2020	
	(in thousands)		
Operating lease income	\$ 16,824	\$ 21,571	\$ (4,747)
Interest income	29,522	56,676	(27,154)
Other income	36,726	28,189	8,537
Land development revenue	189,103	164,702	24,401
Total revenue	<u>272,175</u>	<u>271,138</u>	<u>1,037</u>
Interest expense	51,369	62,176	(10,807)
Real estate expense	45,126	45,616	(490)
Land development cost of sales	171,961	177,727	(5,766)
Depreciation and amortization	6,487	6,095	392
General and administrative	46,340	40,140	6,200
(Recovery of) provision for loan losses	(8,085)	8,866	(16,951)
Impairment of assets	679	5,790	(5,111)
Other expense	515	271	244
Total costs and expenses	<u>314,392</u>	<u>346,681</u>	<u>(32,289)</u>
Gain on equity investment	17,642	23,916	(6,274)
Income from sales of real estate	26,319	263	26,056
Earnings from equity method investments	83,458	5,903	77,555
Income tax benefit (expense)	(22,531)	17,483	(40,014)
Net income (loss)	<u>\$ 62,671</u>	<u>\$ (27,978)</u>	<u>\$ 90,649</u>

Revenue — Operating lease income, which primarily includes income from commercial operating properties, decreased to \$16.8 million in 2021 from \$21.6 million in 2020. The decrease was primarily due to asset sales and a lease termination, partially offset by an increase in rent at certain of our properties.

Interest income decreased to \$29.5 million in 2021 from \$56.7 million in 2020. The decrease in interest income was due primarily to a decrease in the average balance of our performing loans and other lending investments, which decreased to \$377 million for the year ended December 31, 2021 from \$706 million in 2020. The weighted average yield on our performing loans and other lending investments was 7.8% and 7.7% for the years ended December 31, 2021 and 2020, respectively.

Other income increased to \$36.7 million in 2021 from \$28.2 million in 2020. Other income in 2021 consisted primarily of income from our hotel properties, lease termination fees and other ancillary income from our land and development projects and loan portfolio. Other income in 2020 consisted primarily of income from our hotel properties, other ancillary income from our operating properties, land and development projects and loan portfolio. The increase in 2021 was primarily the result of an increase in occupancy at our hotel properties.

Land development revenue and cost of sales — In 2021, we sold residential lots and units and recognized land development revenue of \$189.1 million which had associated cost of sales of \$172.0 million. In 2020, we sold residential lots and units and recognized land development revenue of \$164.7 million which had associated cost of sales of \$177.7 million. The increase in 2021 was primarily due to the sale of three land properties.

Costs and expenses — Interest expense represents an allocation to us from iStar. Interest expense was allocated to us by calculating our average net assets by property type as a percentage of the average net assets in iStar's segments and multiplying that percentage by the interest expense allocated to each of iStar's segments included in our financial statements (refer to Note 2 to the combined and consolidated financial statements). For the years ended December 31, 2021 and 2020, we were allocated \$51.4 million and \$62.2 million, respectively, of interest expense. The decrease in 2021 from 2020 was due primarily to a decrease in our average net assets and a decrease in iStar's average outstanding debt and average cost of debt.

Real estate expense decreased to \$45.1 million in 2021 from \$45.6 million in 2020. The decrease was primarily due to cost decreases at various land and development properties due to unit sales and asset sales partially offset by an increase in expenses at certain of our hotel operating properties that have increased operations from the prior year due to higher occupancy.

Depreciation and amortization was \$6.5 million in 2021 and \$6.1 million in 2020 and relates primarily to our operating properties portfolio.

General and administrative expense represents an allocation of costs, including performance-based compensation, to us from iStar. General and administrative expenses, including stock-based compensation, represents a pro rata allocation of costs from iStar's real estate finance, operating properties, land and development and corporate business segments based on our average net assets for those property types as a percentage of iStar's average net assets for those segments (refer to Note 2 to the combined and consolidated financial statements). During the years ended December 31, 2021 and 2020, we were allocated \$46.3 million and \$40.1 million, respectively, of general and administrative expense from iStar. The increase in 2021 from 2020 was due primarily to an increase in general and administrative expense at iStar resulting from an increase in equity-based compensation.

The recovery of loan losses was \$8.1 million in 2021 as compared to a provision for loan losses of \$8.9 million in 2020. The recovery of loan losses for the year ended December 31, 2021 resulted from the reversal of Expected Loss allowances on loans that repaid in full during the year ended December 31, 2021 and from an improving macroeconomic forecast on commercial real estate markets since December 31, 2020. The provision for loan losses for the year ended December 31, 2020 included a \$4.2 million provision resulting primarily from the sale of a non-performing loan and an increase of \$4.7 million in the general allowance.

During the year ended December 31, 2021, we recorded an aggregate impairment of \$0.7 million in connection with the sale of residential condominiums. During the year ended December 31, 2020, we recorded aggregate impairments of \$5.8 million on a real estate asset held for sale and land and development assets.

Other expense increased to \$0.5 million in 2021 from \$0.3 million in 2020.

Gain on equity investment — During the years ended December 31, 2021 and 2020, we remeasured an equity investment at fair value and recognized aggregate mark-to-market gains of \$17.6 million and \$23.9 million, respectively.

Income from sales of real estate — Income from sales of real estate increased to \$26.3 million in 2021 from \$0.3 million in 2020. During the year ended December 31, 2021, we recorded \$26.3 million of income from sales of real estate from the sale of an operating property and residential condominiums. During the year ended December 31, 2020, we recorded \$0.3 million from the sale of an operating property.

Earnings from equity method investments — Earnings from equity method investments increased to \$83.5 million in 2021 from \$5.9 million in 2020. In 2021, we recognized \$40.7 million of income from our equity method investment in Safe, including dilution gains of \$22.7 million (refer to 7 to the combined and consolidated financial statements), and \$42.8 million of net aggregate income from our remaining equity method investments, which included \$18.6 million of income and gains from one equity method investment and \$17.3 million from another of our equity method investments resulting from our share of income from land sales at the venture. In 2020, we recognized \$20.1 million of income from our equity method investment

in Safe, including dilution gains of \$5.4 million (refer to 7 to the combined and consolidated financial statements), which was offset by \$14.2 million of net aggregate losses from our remaining equity method investments.

Income tax (expense) benefit — During the years ended December 31, 2021 and 2020, we recorded an income tax (expense) benefit of (\$22.5) million and \$17.5 million, respectively. The income tax expense in 2021 resulted primarily from tax at statutory rates on our net taxable income. The income tax benefit in 2020 resulted from a net taxable loss for the period. Refer to Note 2 to the combined and consolidated financial statements.

Results of Operations for the Year Ended December 31, 2020 compared to the Year Ended December 31, 2019

	For the Year Ended December 31,		\$ Change
	2020	2019	
	(in thousands)		
Operating lease income	\$ 21,571	\$ 28,710	\$ (7,139)
Interest income	56,676	75,636	(18,960)
Other income	28,189	30,421	(2,232)
Land development revenue	164,702	119,595	45,107
Total revenue	271,138	254,362	16,776
Interest expense	62,176	67,586	(5,410)
Real estate expense	45,616	67,237	(21,621)
Land development cost of sales	177,727	109,663	68,064
Depreciation and amortization	6,095	5,954	141
General and administrative	40,140	40,900	(760)
Provision for loan losses	8,866	6,482	2,384
Impairment of assets	5,790	10,949	(5,159)
Other expense	271	352	(81)
Total costs and expenses	346,681	309,123	37,558
Gain on equity investment	23,916	—	23,916
Income from sales of real estate	263	11,969	(11,706)
Earnings from equity method investments	5,903	23,559	(17,656)
Income tax benefit	17,483	5,049	12,434
Net loss	\$ (27,978)	\$ (14,184)	\$ (13,794)

Revenue — Operating lease income, which primarily includes income from commercial operating properties, decreased to \$21.6 million in 2020 from \$28.7 million in 2019. The decrease was primarily due to decreased performance at certain of our operating properties due to the COVID-19 pandemic and asset sales.

Interest income decreased to \$56.7 million in 2020 from \$75.6 million in 2019. The decrease in interest income was due primarily to a decrease in the average balance of our performing loans and other lending investments, which decreased to \$706 million for the year ended December 31, 2020 from \$857 million in 2019. The weighted average yield on our performing loans and other lending investments was 7.7% and 8.8% for the years ended December 31, 2020 and 2019, respectively.

Other income decreased to \$28.2 million in 2020 from \$30.4 million in 2019. Other income in 2020 consisted primarily of income from our hotel properties, other ancillary income from our operating properties, land and development projects and loan portfolio. Other income in 2019 consisted primarily of income from our hotel properties and other ancillary income from our operating properties, loans and other lending investments and land and development projects.

Land development revenue and cost of sales — In 2020, we sold residential lots and units and recognized land development revenue of \$164.7 million which had associated cost of sales of \$177.7 million. In 2019, we sold land parcels and residential lots and units and recognized land development revenue of \$119.6 million which had associated cost of sales of \$109.7 million. The increase in 2020 was due primarily to the sale of a 430-acre site in California for \$36.0 million which had associated cost of sales of \$35.4 million.

Costs and expenses — Interest expense represents an allocation to us from iStar. Interest expense was allocated to us by calculating our average net assets by property type as a percentage of the average net assets in iStar's segments and multiplying that percentage by the interest expense allocated to iStar's segments (refer to Note 2 to the combined and consolidated financial statements). For the years ended December 31, 2020 and 2019, we were allocated \$62.2 million and \$67.6 million, respectively, of interest expense.

Real estate expenses decreased to \$45.6 million in 2020 from \$67.2 million in 2019. The decrease was due primarily to asset sales and a decrease in expenses at certain of our operating properties that have decreased operations from the prior year.

Depreciation and amortization was \$6.1 million in 2020 and \$6.0 million in 2019 and relates primarily to our operating properties portfolio.

General and administrative expense represents an allocation of costs, including performance-based compensation, to us from iStar. General and administrative expenses, including stock-based compensation, represents a pro rata allocation of costs from iStar's real estate finance, operating properties, land and development and corporate business segments based on our average net assets for those property types as a percentage of iStar's average net assets for those segments (refer to Note 2 to the combined and consolidated financial statements). During the years ended December 31, 2020 and 2019, we were allocated \$40.1 million and \$40.9 million, respectively, of general and administrative expense from iStar.

The provision for loan losses was \$8.9 million in 2020 as compared to a provision for loan losses of \$6.5 million in 2019. The provision for loan losses for the year ended December 31, 2020 included a \$4.2 million provision resulting primarily from the sale of a non-performing loan and an increase of \$4.7 million in the general allowance. The provision for loan losses in 2019 included a \$12.5 million specific allowance resulting primarily from the deterioration of the collateral for one of our loans, partially offset by a \$6.0 million decrease in the general allowance due to a decrease in the size of our loan portfolio.

In 2020, we recorded aggregate impairments of \$5.8 million on a real estate asset held for sale and land and development assets. In 2019, we recorded an impairment of \$3.3 million on a commercial operating property, an aggregate impairment of \$5.3 million on two land and development assets based on sales proceeds, a \$1.1 million impairment on a land and development asset due to a change in business strategy, \$0.6 million of impairments in connection with the sale of residential condominium units and an impairment of \$0.6 million on an equity investment.

Other expense was \$0.3 million in 2020 and \$0.4 million in 2019.

Gain on equity investment — During the year ended December 31, 2020, we remeasured an equity investment at fair value and recognized aggregate mark-to-market gains of \$23.9 million.

Income from sales of real estate — Income from sales of real estate decreased to \$0.3 million in 2020 from \$12.0 million in 2019. During the year ended December 31, 2020, we recorded \$0.3 million from the sale of an operating property. During the year ended December 31, 2019, we recorded \$12.0 million of income from sales of real estate, primarily from the sale of operating properties.

Earnings from equity method investments — Earnings from equity method investments were \$5.9 million in 2020 as compared to earnings from equity method investments of \$23.6 million in 2019. In 2020, we recognized \$20.1 million of income from our equity method investment in Safe, including dilution gains of \$5.4 million (refer to 7 to the combined and consolidated financial statements), which was offset by \$14.2 million of net aggregate losses from our remaining equity method investments. In 2019, we recognized \$11.2 million of income from our equity method investment in Safe, including dilution gains of \$3.1 million (refer to 7 to the combined and consolidated financial statements), \$19.3 million resulting primarily from the

sale of assets in operating property ventures and \$6.9 million of aggregate losses from our remaining equity method investments.

Income tax benefit— During the years ended December 31, 2020 and 2019, we recorded an income tax benefit of \$17.5 million and \$5.0 million, respectively. The income tax benefit in both periods was a result of net taxable losses for both periods. Refer to Note 2 to the combined and consolidated financial statements.

Results of Operations for the Nine Months Ended September 30, 2022 compared to the Nine Months Ended September 30, 2021

	For the Nine Months Ended September 30,		\$ Change
	2022	2021	
	(in thousands)		
Operating lease income	\$ 9,715	\$ 13,456	\$ (3,741)
Interest income	11,187	23,878	(12,691)
Other income	30,734	31,534	(800)
Land development revenue	54,390	157,936	(103,546)
Total revenue	106,026	226,804	(120,778)
Interest expense	33,296	39,390	(6,094)
Real estate expense	37,693	32,691	5,002
Land development cost of sales	55,369	147,507	(92,138)
Depreciation and amortization	3,561	5,267	(1,706)
General and administrative	5,882	25,458	(19,576)
Provision for (recovery of) loan losses	22,556	(7,411)	29,967
Impairment of assets	1,750	679	1,071
Other expense	274	422	(148)
Total costs and expenses	160,381	244,003	(83,622)
Gain on equity investment	—	17,862	(17,862)
Income from sales of real estate	—	26,319	(26,319)
Earnings from equity method investments	50,502	49,389	1,113
Income tax expense	—	(20,195)	20,195
Net income (loss)	\$ (3,853)	\$ 56,176	\$ (60,029)

Revenue— Operating lease income, which primarily includes income from commercial operating properties, decreased to \$9.7 million during the nine months ended September 30, 2022 from \$13.5 million for the same period in 2021. The decrease was primarily due to the sale of assets, partially offset by an increase in rent at certain of our properties.

Interest income decreased to \$11.2 million during the nine months ended September 30, 2022 from \$23.9 million for the same period in 2021. The decrease was due primarily to a decrease in the average balance of our loans and other lending investments portfolio.

Other income increased to \$30.7 million during the nine months ended September 30, 2022 from \$31.5 million for the same period in 2021. Other income during the nine months ended September 30, 2022 consisted primarily of income from our hotel properties, gains on the sale of available-for-sale securities and other ancillary income from our land and development projects and operating properties. Other income during the nine months ended September 30, 2021 consisted primarily of income from our hotel properties, lease termination fees and ancillary income from our operating properties and land and development projects.

Land development revenue and cost of sales— During the nine months ended September 30, 2022, we sold land parcels and residential lots and units and recognized land development revenue of \$54.4 million

which had associated cost of sales of \$55.4 million. During the nine months ended September 30, 2021, we sold residential lots and units and recognized land development revenue of \$157.9 million which had associated cost of sales of \$147.5 million. The decrease in 2022 was primarily due to a decrease in the size of our land and development portfolio.

Costs and expenses — Interest expense represents an allocation to us from iStar. Interest expense was allocated to us by calculating our average net assets by property type as a percentage of the average net assets in iStar's segments and multiplying that percentage by the interest expense allocated to iStar's segments (refer to Note 2 to the combined and consolidated financial statements). For the nine months ended September 30, 2022 and 2021, we were allocated \$33.3 million and \$39.4 million, respectively, of interest expense.

Real estate expense increased to \$37.7 million during the nine months ended September 30, 2022 from \$32.7 million for the same period in 2021. The increase was primarily due to an increase in expenses at certain of our operating properties that have increased operations from the prior year, which was partially offset by asset sales.

Depreciation and amortization decreased to \$3.6 million during the nine months ended September 30, 2022 from \$5.3 million for the same period in 2021 and relates primarily to our operating properties portfolio. The decrease was due to fully depreciated and amortized assets primarily related to terminated leases.

General and administrative expense represents an allocation of costs, including performance-based compensation, to us from iStar. General and administrative expenses, including stock-based compensation, represents a pro rata allocation of costs from iStar's real estate finance, operating properties, land and development and corporate business segments based on our average net assets for those property types as a percentage of iStar's average net assets for those segments (refer to Note 2 to the combined and consolidated financial statements). During the nine months ended September 30, 2022 and 2021, we were allocated \$5.9 million and \$25.5 million, respectively, of general and administrative expense from iStar. The decrease in 2022 was due primarily to a decrease in general and administrative expense at iStar resulting from a decrease in equity-based compensation.

The provision for loan losses was \$22.6 million for the nine months ended September 30, 2022 as compared to a recovery of loan losses of \$7.4 million for the same period in 2021. The provision for loan losses for the nine months ended September 30, 2022 resulted primarily from a \$25.0 million provision on our held-to-maturity debt security, which is now recorded at its expected repayment proceeds. The recovery of loan losses for the nine months ended September 30, 2021 resulted from the reversal of Expected Loss allowances on loans that repaid in full during the period and from an improving macroeconomic forecast on commercial real estate markets since December 31, 2020.

During the nine months ended September 30, 2022, we recognized an impairment of \$1.8 million on an operating property based on the expected cash flows to be received. During the nine months ended September 30, 2021, we recorded an aggregate impairment of \$0.7 million in connection with the sale of residential condominiums.

Other expense was \$0.3 million during the nine months ended September 30, 2022 and \$0.4 million during the nine months ended September 30, 2021.

Gain on equity investment — During the nine months ended September 30, 2021, we remeasured an equity investment at fair value and recognized aggregate mark-to-market gains of \$17.9 million.

Income from sales of real estate — During the nine months ended September 30, 2021, we recorded \$26.3 million of income from sales of real estate from the sale of an operating property and residential condominiums.

Earnings from equity method investments — Earnings from equity method investments increased to \$50.5 million during the nine months ended September 30, 2022 from \$49.4 million for the same period in 2021. During the nine months ended September 30, 2022, we recognized \$28.0 million of income from our equity method investment in Safe, including \$0.3 million of dilution gains (refer to Note 7 to the combined and consolidated financial statements), \$11.5 million primarily from the sale of a multifamily property at

one of our venturers, \$5.0 million primarily from the settlement of our interest in a venture and \$6.0 million of net aggregate income from our remaining equity method investments. During the nine months ended September 30, 2021, we recognized \$35.5 million of income from our equity method investment in Safe, including \$22.7 million of dilution gains (refer to Note 7 to the combined and consolidated financial statements), and \$13.9 million of net aggregate income from our remaining equity method investments, which included \$13.3 million from one of our equity method investments resulting from our share of income from land sales.

Income tax expense — During the nine months ended September 30, 2021, we recorded an income tax expense of \$20.2 million. The income tax expense in 2021 resulted primarily from tax at statutory rates on our net taxable income.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including to pay interest and repay borrowings, develop our assets and maintain our operations, make distributions to our shareholders and meet other general business needs. We are a newly formed company that has not commenced operations and, as a result, we have not paid any dividends as of the date of this information statement. We do not expect to pay regular dividends. We intend to make distributions of available cash from time to time, primarily dependent upon our ability to sell assets and the prices at which we sell our assets.

Our sources of cash will be largely dependent on asset sales, which are difficult to predict in terms of timing and amount. While we may be able to anticipate and plan for certain liquidity needs, there may be unexpected increases in uses of cash that are beyond our control and which would affect our financial position, liquidity and results of operations. Even if there are no material changes to our anticipated liquidity requirements, our sources of liquidity may be fewer than, and the funds available from such sources may be less than, anticipated or needed. Our primary sources of liquidity will generally consist of our cash on hand and proceeds from asset sales.

We expect our short-term liquidity requirements to include:

- capital expenditures on our Asbury Park Waterfront and Magnolia Green development projects;
- debt service on our senior secured term loan and our margin loan, and any other indebtedness including any repurchase agreements;
- management fees and expense reimbursements payable to our manager;
- operating expenses; and
- distributions to shareholders if we have any excess cash on hand from asset sales.

We expect to meet our short-term liquidity requirements through any cash flows from operations, proceeds from asset sales and at least \$50 million in unrestricted cash.

We expect our long-term liquidity requirements to include:

- capital expenditures on our Asbury and Magnolia Green development projects;
- debt service and debt maturities on our senior secured term loan and our margin loan, and any other indebtedness including any repurchase agreements;
- management fees and expense reimbursements payable to our manager;
- operating expenses; and
- distributions to shareholders if we have any excess cash on hand from asset sales.

We expect to meet our long-term liquidity requirements through any cash flows from operations and proceeds from asset sales.

Upon completion of the spin-off, we expect to have at least \$50 million in unrestricted cash, \$400 million in shares of Safe common stock and any iStar legacy assets that were not sold prior to the spin-off. Our future cash sources will be largely dependent on proceeds from asset sales. The amount and timing of asset sales

could be adversely affected by the COVID-19 pandemic or other macroeconomic factors. In addition, we are prohibited from selling our Safe common stock for a period of nine months upon the completion of the spin-off, except as may be required under the margin loan. Our primary cash uses will be capital expenditures on certain of our development projects, debt service on our senior secured term loan and margin loan and management fees and expense reimbursements to our manager (see “Our Manager and the Management Agreement — Management Agreement”).

We cannot predict with certainty the specific transactions we will undertake to generate sufficient liquidity to meet our obligations as they come due. We will adjust our plans as appropriate in response to changes in our expectations and changes in market conditions, including conditions arising from the COVID-19 pandemic. While certain economic trends have improved since the onset of the COVID-19 pandemic, the uncertain duration of the COVID-19 pandemic and other macroeconomic factors such as inflation, interest rate increases, market volatility and its effects, particularly its effects on the commercial real estate markets in which we operate, make it impossible for us to predict or to quantify the impact of these or other trends on our financial results or liquidity.

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

	September 30, 2022	September 30, 2021	Change
Cash flows provided by (used in) operating activities	\$ (18,218)	\$ 15,928	\$ (34,146)
Cash flows provided by (used in) investing activities	107,781	527,282	(419,501)
Cash flows provided by (used in) financing activities	(74,916)	(537,141)	462,225

The decrease in cash flows provided by operating activities during 2022 was due primarily to a decrease in interest income and the amount of deferred interest on loans collected in 2022 versus 2021. The decrease in cash flows provided by investing activities during 2022 was due primarily to a decrease in proceeds from the sale of real estate, land and development assets and other investments and a decrease in proceeds from the sales and repayments of loans receivable. The decrease in cash flows used in financing activities was due primarily to a decrease in distributions to iStar in 2022 as compared to 2021 resulting from less proceeds from asset sales.

The following table outlines our cash flows provided by (used in) operating activities, cash flows provided by (used in) investing activities and cash flows provided by (used in) financing activities for the years ended December 31, 2021 and 2020 (\$ in thousands):

	December 31, 2021	December 31, 2020	Change
Cash flows provided by (used in) operating activities	\$ 8,534	\$ (26,073)	\$ 34,607
Cash flows provided by investing activities	673,119	164,531	508,588
Cash flows used in financing activities	(676,434)	(139,561)	(536,873)

The increase in cash flows provided by operating activities during 2021 was due primarily to an increase in distributions of earnings from other investments in 2021 and an increase in the amount of deferred interest on loans collected. The increase in cash flows provided by investing activities during 2021 was due primarily to an increase in proceeds from the sale of real estate, land and development assets and other investments and an increase in proceeds from the sales and repayments of loans receivable. The increase in cash flows used in financing activities during 2021 was due primarily to an increase in distributions to iStar resulting from an increase in proceeds from asset sales.

The following table outlines our cash flows provided by (used in) operating activities, cash flows provided by (used in) investing activities and cash flows provided by (used in) financing activities for the years ended December 31, 2020 and 2019 (\$ in thousands):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Change</u>
Cash flows used in operating activities	\$ (26,073)	\$(41,485)	\$ 15,412
Cash flows provided by investing activities	164,531	34,236	130,295
Cash flows (used in) provided by financing activities	(139,561)	3,867	(143,428)

The decrease in cash flows used in operating activities during 2020 was due primarily to an increase in the amount of deferred interest on loans collected. The increase in cash flows provided by investing activities during 2020 was due primarily to a decrease in capital expenditures, a decrease in the origination and fundings of loans receivable and a decrease in contributions to other investments, which was partially offset by a decrease in repayments of and principal collections on loans receivable in 2020. The increase in cash flows used in financing activities during 2020 was due primarily to an increase in distributions to iStar, which was due primarily to us receiving contributions from iStar in 2019 to fund capital expenditures, the origination and fundings of loans receivable and to make contributions to other investments.

BUSINESS AND PROPERTIES

Our company will succeed to the assets owned by iStar immediately prior to the completion of the spin-off that remain from its historical non-ground lease related businesses, including real estate finance, operating properties and land and development. The legacy assets included in our portfolio as of the date of this information statement had an aggregate carrying value of approximately \$533.9 million (based on carrying value as of September 30, 2022). We intend to focus on realizing value from the legacy portfolio primarily by maximizing cash flows from active asset management and sales of the legacy portfolio. As discussed in this information statement, our legacy portfolio will include interests in two significant residential development properties and a portfolio of commercial properties and loans that are being marketed for sale or otherwise monetized.

Our Development Portfolio

Asbury Park Waterfront

We are the managing member in Asbury Partners, LLC, which is the joint venture that owns the Asbury Park Waterfront investment. As the managing member, we generally control all decisions regarding the development of the project, as well as the business operations and assets of the joint venture, except that our partner's approval is needed for a limited number of customary major decisions. The aggregate carrying value of the Asbury Park Waterfront investment was approximately \$179.6 million as of September 30, 2022.

The joint venture owns approximately 30 acres of land and is the master developer of the Waterfront Redevelopment Area along the oceanfront in Asbury Park, New Jersey. As master developer, Asbury Partners, LLC is required to fund and install certain public infrastructure pursuant to an approved Infrastructure Component Report and Project Finance Agreement with the City of Asbury Park. Although Asbury Partners, LLC funds the initial installation, it is anticipated that the costs are reimbursed via a Payment in lieu of Taxes ("PILOT"), Special Assessment and RAB program paid for by new residents in the Waterfront Redevelopment Area. There can be no assurance that we will be able to issue bonds on this program and therefore we may not receive reimbursement for the infrastructure costs. These public improvements include utilities, street widening and repaving, replacement of storm and sanitary systems, traffic signalization, sidewalks, parks, and lighting and landscaping. The existing redevelopment agreement with the city permits up to approximately 2,500 additional units, comprised of for-sale residential homes, hotel keys and multi-family apartments to be developed in Asbury Park, subject to the local approval process for each individual project. The investment includes certain improvements that are already completed, including the following:

- Asbury Ocean Club Surfside Resort and Residences: a 16-story mixed use project featuring 130 residential condominium units, a 54-key luxury boutique hotel, 24,000 square feet of retail space, 410 structured parking spaces and a 15,000 square foot gym and spa amenity area. The property was completed in 2019. The hotel is managed by a third party. As of the date of this information statement, 9 residential condominium units remain unsold.
- The Asbury: a 110-key independent boutique hotel with indoor and outdoor event spaces, and a rooftop bar. The hotel was completed in 2016 and is managed by a third party.
- Asbury Lanes: a 12,000 square foot music and entertainment venue. The venue was completed in 2018, connected to The Asbury, and is managed by a third party.

In addition to the assets that are operating and completed, the joint venture owns approximately 18 development sites which it intends to sell to third parties for residential development. As of the date of this information statement, the joint venture has three properties under contract for sale to third parties, subject to certain closing conditions. There can be no assurance, however, that these sales will be completed.

We hold a 75% interest in Asbury Partners, LLC, but a larger share in the economics of the venture due to our accrued preferred return. We are also the managing member of the venture. The distribution waterfall in the operative joint venture agreement provides that before any distributions are made to our partner, we will receive a return of our capital contribution and a preferred return. As of September 30, 2022,

the aggregate amount of our capital contributions and accrued preferred return was approximately \$540 million, which exceeded our aggregate carrying value of \$179.6 million. After payment of our accrued preferred return, additional amounts will be distributed to the members in accordance with specified percentages set forth in the distribution waterfall. We will make capital contributions to the joint venture as we determine to be necessary or desirable for the conduct of the venture's business, the execution of the project and the payment of liabilities. Our partner may, but is not obligated to, fund its share of capital contributions. We may fund our partner's share if it does not do so.

The operative joint venture agreement provides our partner with an option to cause the joint venture to sell all of its right, title and interest in all of the assets of the joint venture based on an agreed asset appraisal. We would have the right to purchase either the assets of the joint venture for the appraised value or the partner's membership interest in the venture for the amount the partner would have received based on a liquidation of the venture had the assets been sold for the appraised value.

Prior to consummating a proposed sale of all or substantially all of the property owned by the joint venture, and subject to certain other conditions relating to the square footage comprising the property, we must first give a right-of-first-offer sale notice to our partner specifying the purchase price and the economic and other material terms of the proposed sale of the property.

Our current strategy for the Asbury Park Waterfront investment is to sell the remaining residential condominium units at Asbury Ocean Club, actively asset manage our operating assets, and strategically monetize the remaining development sites and our operating assets through sales to third party developers and operators while meeting our obligations under the redevelopment agreement with the city of Asbury Park. We anticipate it will take at least four years to execute our strategy and it could take substantially longer. These current plans are subject to change based on many factors, including those described in "Risk Factors" and we may decide to sell some or all of our interests sooner or later than currently expected.

Magnolia Green

Magnolia Green is an approximately 1,900 acre multi-generational master planned residential community that is entitled for 3,550 single and multifamily dwelling units and approximately 193 acres of land for commercial development. The community is located 19 miles southwest of Richmond, Virginia and offers distinct phases designed for people in different life stages, from first home buyers to empty nesters in single family and townhomes built by the area's top homebuilders. The project is anchored by the Magnolia Green Golf Club, a semi-private 18-hole Nicklaus Design championship golf course with full-service clubhouse and driving range. There are also numerous community amenities, including the Aquatic Center, featuring multiple pools and a snack bar, Arbor Walk, featuring a junior Olympic competition pool, water slide and sports courts, the Tennis Center, featuring tennis and pickleball courts and a pro shop, and miles of paved trails. The aggregate carrying value of our Magnolia Green assets as of September 30, 2022 was \$89.2 million.

As of September 30, 2022, 1,771 residential lots have been sold to homebuilders, approximately 51 developed lots are under contract for sale to homebuilders subject to certain closing conditions, 181 lots are under horizontal development and 148 of such lots are under contract to be sold to homebuilders subject to certain closing conditions. There are also approximately 460 planned lots not yet under development. We anticipate selling our remaining residential lots to homebuilders either upon completion of horizontal lot development or in bulk as unimproved lots over the next three years and it could take substantially longer. We anticipate selling the golf course operations to a third party upon completion of residential lot sellout. There can be no assurance, however, that these sales will be completed.

As of September 30, 2022, we have sold 4 acres of our commercial land which has been developed into a daycare facility. As of the date of this information statement, we have a 14-acre parcel of commercial land under contract to be developed as multi-family apartments, and another 100-acre parcel of commercial land zoned for senior multi-family under contract. There can be no assurance, however, that these sales will be completed. We are marketing portions of the remaining commercial land for sale, but timing for those sales remains uncertain and any sales to third party developers or owner/operators may not be completed until closer to the sellout of our residential development or later. These current plans are subject to change

based on many factors, including those described in “Risk Factors,” and we may decide to sell some or all of our interests sooner or later than currently expected.

Monetizing Portfolio

As of the date of this information statement, iStar owns 18 legacy assets (that have a carrying value above zero) that it expects to monetize primarily through asset sales, loan repayments or active asset management. In addition to the development portfolio, we will own whichever of these assets iStar has not sold as of the date of the completion of the spin-off. These assets included in our portfolio as of the date of this information statement had an aggregate carrying value of approximately \$265.2 million as of September 30, 2022 and were comprised primarily of loans, operating properties, land and other assets. Summarized information regarding these assets is set forth below.

Loans and Other Finance Assets. The loans and other finance assets included in our monetizing portfolio as of the date of this information statement include five assets with an aggregate carrying value of \$141.0 million as of September 30, 2022, after giving effect to the repayment of a loan with a carrying value of \$35.7 million after September 30, 2022. The assets are secured by real properties or equity interests in entities that own directly or indirectly real properties. The properties underlying the loan and other finance assets include hotels, entertainment centers, residential and other property types. Loans and other finance assets representing 5% or more of our total legacy portfolio or revenues as of or for the year ended December 31, 2021 are summarized below. Our general strategy is to seek to sell the loans and other finance assets, but we may hold certain loans through repayment.

Retail/Entertainment Center Loan Participation. We own a \$50 million participation in an approximately \$1.2 billion first mortgage loan collateralized by a 2.8 million square feet entertainment and retail complex located in New Jersey and pledges of equity interests in two additional entertainment and retail complexes owned by the sponsor. Our participation has very limited approval rights over the administration of the loan. This asset is recorded as a non-performing loan in our financial statements. As of September 30, 2022, our total funded balance, including our funding of the proportionate share of protective advances is \$60.4 million. The funded balance excludes unpaid accrued interest, default interest, late fees and other unpaid expenses that are due and owed. We may fund our pro rata share of additional protective advances in the future.

Germantown Active Adult Loan. We are the lender under a \$29.4 million first mortgage construction loan. As of September 30, 2022, \$29.1 million was funded. The applicable interest rate is LIBOR+5.25% with floor rate of 7.38%. The loan matured on December 1, 2022. The loan is collateralized by a newly completed 161-unit active adult residential community on a 5.3 acre site in Germantown, Tennessee.

Preferred Equity Interest in Joint Venture. We own a preferred equity interest in a joint venture that owns interests in a portfolio of hotels and other real estate assets. The carrying value of our preferred equity interest as of September 30, 2022 was approximately \$32.0 million. The joint venture may redeem our interest for \$75 million if the redemption is completed on or before December 30, 2022, and \$100 million thereafter, less any redemptions paid. As of the date of the information statement, \$42.1 million has been received in respect of this redemption right. Certain cash flows from the assets are swept to repay the preferred equity interest until it is fully redeemed. The preferred equity interest accrues interest at SOFR+400 through the end of 2022; *provided, however, that* any accrual will be waived if the remaining redemption price is fully paid by December 30, 2022. If the remaining redemption price is not fully paid by such date, the \$75 million redemption right is no longer valid, the accrual will increase to 15% and be due and payable monthly based on then outstanding total preferred equity interest until fully redeemed. Upon the occurrence of a material event of default (including failure to pay the remaining redemption price by December 30, 2022), we will have the ability to cause the joint venture to sell certain assets and use the proceeds to redeem our preferred equity interest.

Operating Properties. The operating properties included in our portfolio as of the date of this information statement include 3 assets with an aggregate carrying value of approximately \$45.9 million as of September 30, 2022. These assets are primarily residential active adult properties and commercial condominium interests at one property. Operating properties that represent 5% or more of our total legacy

portfolio or revenues as of or for the year ended December 31, 2021 are summarized below. Our general strategy is to seek to sell the operating properties.

Naperville, IL Active Adult Joint Venture. We hold a 95% interest in a 146-unit active adult community in a 95/5 joint venture. This asset had a carrying value of approximately \$13.9 million as of September 30, 2022. The property is located Chicago's Naperville submarket, approximately 30 miles west of Downtown Chicago in an established and affluent suburban community.

Major decisions with regard to the property are joint between us and the general partner. Either partner may trigger a sale of the property after the second year following stabilization of the property. Distributions are made no less than quarterly.

Lakewood, CO Active Adult Joint Venture. We hold a 95% interest in a 230-unit active adult community in a 95/5 joint venture. This asset had a carrying value of approximately \$19.5 million as of September 30, 2022. The property is located in Lakewood, Colorado.

Major decisions with regard to the property are joint between us and the general partner. Either partner may trigger a sale of the property after the second year following stabilization of the property. Distributions are made no less than quarterly.

Land. The land assets included in our portfolio as of the date of this information statement include four assets with an aggregate carrying value of approximately \$52.6 million as of September 30, 2022, the largest of which is a development site in Coney Island, New York, described below. Our general strategy is to seek to sell the land assets to third party developers.

Coney Island Bath Site . The Bath Site is a 4.9-acre assemblage of land planned for residential development along the boardwalk in Coney Island, New York. Sale or development of certain parcels within the site is subject to the sale and capitalization of three multifamily affordable housing buildings, of which two have been sold and completed and the site for the third building is under contract for sale to a developer who has committed to complete such development. There can be no assurance, however, that this sale will be completed. We expect to perform limited pre-development work at the remaining development site and intend to sell the remaining development site once the sale restriction terminates.

Other. The remainder of the monetizing assets primarily consist of limited partner or non-managing member interests in several investment funds, two short term leases that we have subleased to third parties, which had an aggregate carrying value of \$25.8 million at September 30, 2022, and a group of loans and equity interests that are recorded as having no carrying value in our financial statements. Our general strategy is to seek to sell these assets, although we may hold one or both leases until they expire. For the assets with no carrying value, we may seek to sell these assets but can give no assurance that we will recover any value from them.

Investment in Safe and Other. In addition to the legacy portfolio, we will own shares of Safe common stock having a value of \$400 million based on market trading prices at the time of the spin-off. If the \$400 million of Safe common stock was calculated based on the closing price of Safe's common stock on _____, 2023 of \$ _____, we would own _____ Safe Shares which would represent an approximately _____ % ownership interest in Safe, on a pro forma basis after giving effect to the closing of the merger. Our Safe Shares will collateralize an up to \$140 million margin loan that we expect to enter into on or about the date of completion of the spin-off with a third-party commercial bank. We are prohibited from transferring our Safe Shares for nine months following the closing of the merger, except as may be required under the terms of the margin loan. After the expiration of the 9 month lockup and repayment of the margin loan, the Safe Shares would be available to us as a source of liquidity to address future capital needs subject to market conditions. We intend to operate in a manner so as to remain exempt from registration as an investment company under the Investment Company Act, and, as a result, we may invest available cash in certain real estate securities, including residential mortgage-backed securities guaranteed by Ginnie Mae. We may enter into one or more repurchase agreements with commercial lenders to finance the purchase of such securities.

The following table presents a summary of our portfolio, based on carrying values, as of September 30, 2022.

Summary of Legacy Portfolio as of September 30, 2022

	Asbury Park	Magnolia Green	Coney Island Bath Site	Other	Total
Total real estate	\$ 73,069	\$ —	\$ —	\$ 16,376	\$ 89,445
Land and development, net	106,519	89,151	39,026	13,550	248,246
Loans receivable and other lending investments, net ⁽¹⁾	—	—	—	176,623	176,623
Other investments	—	—	—	55,635	55,635
Total portfolio	179,588	89,151	39,026	262,184	569,949
Other assets ⁽²⁾	—	—	—	60,856	60,856
Total legacy assets	179,588	89,151	39,026	323,040	630,805
Investment in Safe at book value	—	—	—	547,290	547,290
Star Holdings total assets	\$179,588	\$89,151	\$39,026	\$870,330	\$1,178,095

- (1) One loan within Loans receivable and other lending investments, net, with a carrying value of \$35.7 million was repaid subsequent to September 30, 2022. Loans receivable and other lending investments, net includes \$67.8 million of loans and other lending investments that mature before June 30, 2023 (December 31, 2023, with extensions).
- (2) Other assets includes \$29.7 million of cash and cash equivalents, \$8.0 million of seller financing receivable, \$3.9 million of interest receivable, accounts receivable and deferred operating lease income receivable, net, \$1.5 million of restricted cash and \$17.8 million of other assets related to real estate properties. Star Holdings may not hold these assets at the time of the spin off; however, Star Holdings will hold at least \$50.0 million of cash and cash equivalents at the time of the spin off.

Financing

In connection with the spin-off, we will enter into the margin loan in an aggregate principal amount of up to \$140.0 million and a senior secured term loan having a principal amount of \$100.0 million (which principal amount may be increased or decreased from time to time with the approval of both parties, including prior to the spin-off). For more information, see “Description of Material Indebtedness.” In addition, we may enter into one or more debt arrangements, including repurchase agreements, from time to time to finance our assets.

We intend to use leverage and expect that we may, from time to time, consider refinancing opportunities and possibly additional financing in light of current economic conditions, relative costs of debt and equity capital, the pace of sales of our properties, capital expenditures, development, redevelopment and other factors. Our governing documents do not limit the amount of debt that we may incur.

Competition

We face competition from numerous real estate and lodging companies and other owners of real properties, both private and public, in attracting guests to our hotel properties, buyers of our residential home sites and condominiums, tenants for our space available for lease and buyers of our assets. We compete with our competitors in terms of the quality of our assets, sale prices, rental rates, location, availability of alternative space and maintenance.

Employees

We will have no employees after the spin-off. Our manager will provide us with services related to our operations under the management agreement. For additional information, see “Our Manager and the

Management Agreement.” In addition, we will be party to a property management agreement with a firm of consultants that will provide services for our Asbury and Magnolia Green assets.

Insurance

We, tenants or customers at our properties, will carry commercial general liability, business interruption, rental loss coverage, environmental and umbrella liability coverage on all our properties. We, tenants or customers also will carry wind, earthquake and/or flood coverage on properties in areas where we believe such coverage is warranted, in each case with limits of liability and deductibles that we deem satisfactory. Similarly, our properties will be insured against the risk of direct physical damage, on an all risk basis, in amounts we believe to be adequate. Property coverage is placed on a replacement cost basis, for costs incurred to repair or rebuild the property, including loss of rental income, law and ordinance and downzoning during the reconstruction period.

We, tenants, developers or customers at our properties, will also place sufficient coverage in the event of construction, demolition or alteration of an asset. The coverages may include but are not limited to the above mentioned coverages as well as professional indemnity, builders risk, Workers Compensation, Materials in transit or stored goods, soft cost and delay in startup coverages. These requirements may also extend to the contractor and subcontractors on any projects.

The insurance coverage on our properties contain policy specifications and insured limits that we anticipate to be customary for similar properties, business activities and markets, and we believe our properties will be adequately insured. However, we may be subject to certain types of losses that are generally uninsured losses, including, but not limited to, losses caused by riots, war or acts of God. In the opinion of our management, our properties are adequately insured given the relative risk of loss, the cost of the coverage, and industry practice.

Policies with Respect to Certain Other Activities

We expect to focus on realizing value for shareholders from the legacy portfolio primarily through asset management and asset sales. We do not expect to make material investments in newly acquired assets, except to the extent they relate to one of our development properties. Subject to the approval of our board of trustees, we have the authority to offer our common shares or other equity or debt securities in exchange for property and to repurchase or otherwise reacquire our common shares or any other securities and may engage in such activities in the future. We also may make loans to, or provide guarantees of certain obligations of, our subsidiaries. We may invest in securities of other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities. We may engage in the purchase and sale of investments. Our officers and trustees may change any of these policies and our investment guidelines without a vote of our shareholders. In the event that we determine to raise additional equity capital, our board of trustees has the authority, without shareholder approval (subject to certain stock exchange requirements), to issue additional common shares or preferred shares in any manner and on such terms and for such consideration it deems appropriate, including in exchange for property. Decisions regarding the form and other characteristics of the financing for our investments are made by our manager, subject to the general investment guidelines adopted by our board of trustees.

Conflicts of Interest Policies

We have adopted certain policies that are designed to minimize certain potential conflicts of interest, including a policy for the review, approval or ratification of any related party transactions with iStar, Safe or other parties. We have adopted a code of business conduct and ethics, effective immediately prior to the effective time of the spin-off (the “Code of Ethics”), that will restrict certain conflicts of interest between our employees, officers and trustees and our company.

However, we cannot assure you that these policies or any provisions of law will always be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of all shareholders.

Legal Proceedings

We may be involved from time to time in various legal proceedings that arise in the ordinary course of our business, including, but not limited to commercial disputes, environmental matters and litigation in connection with transactions including acquisitions and divestitures. We believe that such litigation, claims and administrative proceedings will not have a material adverse impact on our financial position or our results of operations. Most occurrences involving liability, claims of negligence and employees will be covered by insurance with solvent insurance carriers. For those losses not covered by insurance, we will record a liability when a loss is considered probable and the amount can be reasonably estimated.

Regulation

General

Our properties will be subject to various covenants, laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe that each of the properties in our portfolio will have the necessary permits and approvals to operate its business. For more information, see “Risk Factors — Risks Related to Our Properties and Business.”

Environmental Matters

Under various federal, state and local laws, ordinances and regulations, current and former owners and operators of real estate are liable for the costs of removal or remediation of certain hazardous or toxic substances on such real estate. These laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The costs of remediation or removal of such substances may be substantial and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect an owner’s ability to sell such real estate or to borrow using such real estate as collateral. In connection with our ownership and operation of our properties, we may be potentially liable for such costs. The operations of current and former customers at our properties have involved, or may have involved, the use of hazardous materials or generated hazardous wastes. The release of such hazardous materials and wastes could result in the incurrence of liabilities to remediate any resulting contamination if the responsible party is unable or unwilling to do so. In addition, some of our properties are located in urban areas, and are therefore exposed to the risk of contamination originating from third-party sources. While a property owner may not be held responsible for remediating contamination that has migrated onsite from an offsite source, the contaminant’s presence can have material adverse effects on our business, operations and the redevelopment of our properties. For more information, see “Risk Factors — Risks Related to Our Properties and Business.”

Emerging Growth Company Status

We expect to be an “emerging growth company,” as defined in the JOBS Act, and, as such, expect to be eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We have not yet made a decision as to whether we will take advantage of any or all of these exemptions. If we do take advantage of any of these exemptions, we do not know if some investors will find our common shares less attractive as a result. The result may be a less active trading market for our common shares and a more volatile stock price for our common shares.

In addition, the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in the Securities Act for complying with new or revised accounting standards. As a result, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we do not intend to take advantage of such extended transition period and may choose to “opt out” of this extended transition period.

and, as a result, we will be required to comply with new or revised accounting standards. Should we choose to “opt out” of this extended transition period, our decision would be irrevocable.

If we qualify as an emerging growth company, we will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenue equals or exceeds \$1.235 billion (subject to adjustment for inflation), (ii) the last day of the fiscal year following the fifth anniversary of the spin-off, (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt or (iv) the date on which we are deemed to be a “large accelerated filer” under the Exchange Act.

OUR MANAGER AND THE MANAGEMENT AGREEMENT

General

We are externally managed by our manager. All of our executive officers are employees of our manager or its affiliates. The executive offices of our manager are located at 1114 Avenue of the Americas, New York, New York 10036, and the telephone number of our manager's executive offices is (212) 930-9400.

Executive Officers and Key Personnel of Our Manager

The following table sets forth certain information with respect to each of our executive officers and certain other key personnel of our manager:

Executive officer	Age	Position	Position held with iStar
Jay Sugarman	60	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer
Marcos Alvarado	41	President and Chief Investment Officer	President and Chief Investment Officer
Brett Asnas	38	Chief Financial Officer	Chief Financial Officer

Biographical Information

Set forth below is biographical information for our executive officers.

Jay Sugarman serves as Chairman and Chief Executive Officer of iStar and Safe. Mr. Sugarman has experience building two public companies from inception as founder and CEO of both iStar and Safe and brings financial, operational and real estate expertise both companies. Prior to founding iStar, Mr. Sugarman managed private investment funds on behalf of several high-net-worth families. Mr. Sugarman holds a B.A. from Princeton University (*summa cum laude*, Paul Volcker Award in Economics) and an M.B.A. from Harvard Business School (Baker Scholar, Loeb Fellow).

Marcos Alvarado serves as iStar's and Safe's President and Chief Investment Officer, having joined iStar and Safe in 2018. In those capacities, he is responsible for overseeing originations and driving growth across Safe's diversified \$5 billion investment portfolio. Mr. Alvarado was previously Head of Acquisitions & Business Operations for Cadre, a technology-enabled real estate investment platform, and a Managing Director at Starwood Capital. Prior to Starwood Capital, he served as Vice President in Lehman Brothers' Global Capital Real Estate Group. He started his career in Morgan Stanley's CMBS Group. Mr. Alvarado holds a B.A. from Dartmouth College.

Brett Asnas serves as iStar's and Safe's Chief Financial Officer, having been appointed to those roles in February 2022. He previously served as iStar's and Safe's Executive Vice President, Head of Capital Markets. Mr. Asnas has been responsible for overseeing corporate finance initiatives, strategy, financial planning and analysis, and execution of debt and equity capital markets activity. Mr. Asnas joined iStar in 2008 and previously held positions in the real estate private equity business at Fortress Investment Group, the real estate investment banking division at Nomura Securities, as well as structured finance advisory at Ernst & Young LLP. Mr. Asnas holds a B.S. degree in Finance from the School of Management at Binghamton University.

Management Agreement

We will enter into the management agreement with our manager, a special purpose vehicle that will serve as our investment manager and a subsidiary of iStar, concurrently with the completion of the spin-off. Pursuant to the management agreement, our manager provides our company with our management team and appropriate support personnel.

The management agreement requires our manager to manage our assets and our and our subsidiaries' day-to-day operations subject to the supervision of our board of trustees. Our manager has only such functions and authority as we may delegate to it, which may include, without limitation, the following:

- managing, financing, retaining, selling, restructuring or disposing of our assets, in accordance with any specific parameters established by our board of trustees;

- advising on the terms of transactions entered into by Star Holdings and its subsidiaries and general corporate strategy of Star Holdings and its subsidiaries;
- representing and making recommendations to us in connection with the development, management, financing and sale of assets;
- with respect to prospective transactions, contracts, leases, sales or exchanges involving assets, conducting negotiations on our behalf with buyers, tenants, developers, construction agents, purchasers and brokers and, if applicable, their respective agents and representatives;
- advising us on, negotiating and entering into, on our behalf, credit facilities (including term loans and revolving facilities), mortgage indebtedness, repurchase agreements, warehouse lines, financing vehicles, agreements relating to borrowings under programs established by governmental agencies or programs, commercial paper programs, interest rate swap and cap agreements and other hedging instruments, and all other agreements and engagements required for us to conduct our business;
- overseeing tenants, borrowers and other counterparties;
- retaining, supervising and directing asset-level personnel and consultants;
- engaging and supervising, on our behalf and at our expense, independent contractors which provide construction consulting, real estate brokerage, hotel and property management, investment banking, mortgage brokerage, securities brokerage, other real estate and financial services, due diligence services, underwriting review services, legal and accounting services and all other services as may be required relating to our assets;
- advising us on, preparing, negotiating and entering into, on our behalf, applications and agreements relating to governmental programs;
- coordinating and managing operations of any co-investment interests or joint venture held by us and conducting all matters with the co-investment partners or joint ventures;
- arranging marketing materials, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote our assets;
- providing executive and administrative personnel, office space and office services required in rendering services to us;
- administering the day-to-day operations and performing and supervising the performance of such other administrative functions necessary to our management as may be agreed upon by our manager and our board of trustees, including, without limitation, the collection of rents and interest payments, the payment of our debts and obligations and maintenance of appropriate computer services to perform such administrative functions;
- communicating on our behalf with the holders of any of our equity or debt securities and lenders as required to satisfy the reporting and other requirements of any governmental bodies or agencies or trading markets and to maintain effective relations with such holders and lenders;
- counseling us in connection with policy decisions to be made by our board of trustees;
- evaluating and recommending to the board of trustees' hedging strategies and engaging in hedging activities on behalf of Star Holdings and the subsidiaries, consistent with such strategies as so modified from time to time;
- counseling us regarding tax matters and tax compliance;
- counseling us regarding the maintenance of our exemption from the status of an investment company required to register under the 1940 Act and monitoring compliance with the requirements for maintaining such exemption and using commercially reasonable efforts to cause us to maintain such exemption from such status;
- furnishing reports and statistical and economic research to us regarding our activities and services performed for us by our manager;

- monitoring the performance of our assets and providing periodic reports with respect thereto to the board of trustees, including comparative information with respect to such operating performance and budgeted or projected operating results;
- investing and reinvesting any moneys and securities of ours (including investing in short-term investments pending the disposition of other assets, payment of fees, costs and expenses, or payments of dividends or distributions to our shareholders and partners) and advising us as to our capital structure and capital raising;
- assisting us in retaining qualified accountants and legal counsel, as applicable, to assist in developing appropriate accounting systems and procedures, internal controls and other compliance procedures and testing systems with respect to financial reporting obligations;
- assisting us to qualify to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;
- assisting us in complying with all regulatory requirements applicable to us in respect of our business activities, including preparing or causing to be prepared all financial statements required under applicable regulations and contractual undertakings and all reports and documents, if any, required under the Exchange Act, the Securities Act or by the stock exchange;
- assisting us in taking all necessary action to enable us to make required tax filings and reports;
- handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) on our behalf in which we may be involved or to which we may be subject arising out of our day-to-day operations (other than with our manager or its affiliates), subject to such limitations or parameters as may be imposed from time to time by the board of trustees;
- using commercially reasonable efforts to cause expenses incurred by us or on our behalf to be commercially reasonable or commercially customary and within any budgeted parameters or expense guidelines set by the board of trustees from time to time;
- advising us with respect to and structuring long-term financing vehicles for our portfolio of assets, and offering and selling securities publicly or privately in connection with any such financing;
- serving as our consultant with respect to decisions regarding any of our financings, hedging activities or borrowings undertaken by us, including (1) assisting us in developing criteria for debt and equity financing that is specifically tailored to our investment objectives, and (2) advising us with respect to obtaining appropriate financing for our investments;
- performing such other services as may be required from time to time for management and other activities relating to our assets and business as our board of trustees shall reasonably request or our manager shall deem appropriate under the particular circumstances; and
- using commercially reasonable efforts to cause us to comply with all applicable laws.

Unless otherwise agreed by our board of trustees and the manager or as otherwise in connection with the ordinary course management and operation of our assets, the manager will not be responsible for assisting Star Holdings in the acquisition, purchase or origination of additional assets.

Pursuant to the management agreement, our manager does not assume any responsibility other than to render the services called for thereunder and is not responsible for any action of our board of trustees in following or declining to follow its advice or recommendations. To the extent that officers of our manager also serve as our executive officers, these executive officers owe us duties under Maryland law in their capacity as our executive officers, which may include the duty to exercise reasonable care in the performance of the executive officers' responsibilities, as well as the duties of loyalty, good faith and candid disclosure. Under the management agreement, our manager, its officers, stockholders, members, managers, directors, personnel, any person or entity controlling or controlled by our manager and any of their officers, stockholders, members, managers, directors, employees, consultants and personnel, and any person providing advisory services to our manager are not liable to us, any subsidiary of ours, our board of trustees, our shareholders or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to the

management agreement, except because of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of their duties under the management agreement, as determined by a final non-appealable order of a court of competent jurisdiction. We have agreed to indemnify our manager, its officers, stockholders, members, managers, directors, personnel, any person or entity controlling or controlled by our manager and any of their officers, stockholders, members, managers, directors, employees, consultants and personnel, and any person providing advisory services to our manager with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our manager not constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties, performed in accordance with and pursuant to the management agreement. Our manager has agreed to indemnify us, our trustees and executive officers with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our manager constituting bad faith, willful misconduct, gross negligence or reckless disregard of its duties under the management agreement.

Pursuant to the terms of our management agreement, our manager is required to provide us with our management team, including a chief executive officer, a chief financial officer and a chief compliance officer, along with appropriate support personnel, to provide the management services to be provided by our manager to us. None of our manager or its affiliates will be obligated to dedicate any of its officers or employees exclusively to us. Pursuant to the terms of our management agreement, our manager may retain, for and on behalf and at our sole cost and expense, such services of accountants, legal counsel, appraisers, insurers, brokers, transfer agents, registrars, developers, investment banks, valuation firms, financial advisors, due diligence firms, underwriting review firms, construction consulting firms, banks and other lenders and others as the manager deems necessary or advisable in connection with the management and operations of our business.

The management agreement may be amended or modified by agreement between us and our manager. The initial term of the management agreement will expire on the first anniversary of the date of the management agreement and will be automatically renewed for a one-year term each anniversary date thereafter unless previously terminated as described below. The management agreement may be terminated without cause by not less than one hundred eighty days' written notice to the manager upon the affirmative vote of at least two-thirds of our independent directors, *provided, however, that* if the date of termination occurs prior to the fourth anniversary of the spin-off, the termination will be subject to payment of the applicable termination fee to the manager as outlined in the below section entitled "— Management Fees and Expense Reimbursements — Termination Fee."

We may also terminate the management agreement at any time, including during the initial term, with 30 days' prior written notice from our board of trustees for cause, which is defined as:

- our manager's continued material breach of any provision of the management agreement following a period of 30 days after written notice thereof (or 60 days after written notice of such breach if our manager has taken steps to cure such breach within 30 days after the written notice);
- iStar (i) ceasing to be the direct or indirect beneficial owner of not less than a majority of (x) the combined voting power of our manager's then outstanding equity interests or (y) our manager's outstanding equity interests, or (ii) ceasing to hold the exclusive power to direct or control the management policies of our manager, whether through the ownership of beneficial equity interests, common directors or officers, by contract or otherwise;
- our manager's fraud, misappropriation of funds or embezzlement against us;
- our manager's bad faith, willful misconduct, gross negligence or reckless disregard of duties under the management agreement;
- the occurrence of certain events with respect to the bankruptcy or insolvency of our manager, including an order for relief in an involuntary bankruptcy case or our manager authorizing or filing a voluntary bankruptcy petition;
- our manager is convicted (including a plea of *nolo contendere*) of a felony; and
- the dissolution of our manager.

Our manager may generally only assign the management agreement or any of its duties thereunder with the written approval of a majority of our independent trustees. The manager may assign the management agreement without the approval of the independent trustees so long as iStar (i) is the direct or indirect beneficial owner of not less than a majority of (x) the combined voting power of the assignee's then outstanding equity interests and (y) the assignee's outstanding equity interests, and (ii) holds the exclusive power to direct or control the management policies of such assignee.

Our manager may terminate the management agreement if we become required to register as an investment company under the 1940 Act, with such termination deemed to occur immediately before such event. If the gross book value, determined in accordance with iStar's historical practices, of our consolidated assets as of the end of a fiscal quarter is less than the applicable threshold amount for the relevant annual term that includes such quarter, our manager may deliver written notice of at least one hundred eighty days to us that the manager intends to terminate the management agreement, *provided, however, that* we may elect to accelerate the effective date of any such termination. In addition, if we default in the performance of any material term of the management agreement and the default continues for a period of 30 days after written notice to us (or 60 days after written notice of such breach if we have taken steps to cure such breach within 30 days after the written notice), our manager may terminate the management agreement upon 60 days' written notice.

Management Fees and Expense Reimbursements

We do not maintain an office or employ personnel. Instead, we rely on the facilities and resources of our manager to conduct our day-to-day operations.

We will pay our manager an annual management fee fixed at \$25.0 million, \$15.0 million, \$10.0 million and \$5.0 million in each of the first four annual terms of the agreement, and 2.0% of the gross book value of our assets thereafter, excluding the Safe Shares, as of the end of each fiscal quarter as reported in our SEC filings. The management fee is payable in cash quarterly, in arrears. If we do not have sufficient net cash proceeds on hand from sales of our assets or other available sources to pay the management fee in full by the original due date of the management fee, we will pay the maximum amount available to us by the original due date and the remaining shortfall will be carried forward and be paid within 10 days after sufficient net proceeds have been generated by subsequent asset sales to cover such shortfall in full; *provided that* in no event may such shortfall in respect of any fiscal quarter remain unpaid by the 12 month anniversary of the original due date.

Reimbursement of expenses

We pay all operating expenses, except those specifically required to be borne by our manager under the management agreement. The expenses required to be paid by us include, but are not limited to:

- expenses in connection with the transaction costs incident to transactions involving our assets, including, without limitation, the leasing, disposition and financing of our assets;
- costs of legal, tax, accounting, consulting, auditing, administrative and other similar services rendered for us by providers retained by our manager;
- the compensation and expenses of our trustees and the allocable share of cost of liability insurance;
- costs associated with the establishment and maintenance of any of our credit facilities, margin loans, repurchase agreements, mortgage indebtedness or other indebtedness (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of our securities offerings;
- expenses connected with communications to lenders and holders of our securities or of our subsidiaries and other bookkeeping and clerical work necessary in maintaining relations with lenders and holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including, without limitation, all costs of preparing and filing required reports with the SEC, the costs payable by us to any transfer agent and registrar in connection with the listing and/or trading of our shares on any exchange, the fees payable by us to any such exchange in connection with its listing, costs of preparing, printing and mailing our annual report to our shareholders and proxy materials with respect to any meeting of our shareholders;

- costs associated with any computer software or hardware, electronic equipment or purchased information technology services from third-party vendors that is used for us;
- expenses incurred by managers, officers, personnel and agents of our manager for travel on our behalf and other out-of-pocket expenses incurred by managers, officers, personnel and agents of our manager in connection with the management, development, construction, leasing, financing, refinancing, sale or other disposition of an asset or establishment and maintenance of any of our credit facilities, margin loans, repurchase agreements, financing vehicles and borrowings under programs established by governmental agencies or any of our securities offerings;
- costs and expenses incurred with respect to market information systems and publications, pricing and valuation services, research publications and materials, and settlement, clearing and custodial fees and expenses;
- compensation and expenses of our custodian and transfer agent, if any;
- the costs of maintaining compliance with all federal, state and local rules and regulations or any other regulatory agency;
- all taxes and license fees;
- all insurance costs incurred in connection with the operation of our business;
- all other costs and expenses relating to our business operations, including, without limitation, the costs and expenses of managing, owning, protecting, maintaining, developing and disposing of assets, including appraisal, reporting, audit and legal fees;
- expenses relating to any office(s) or office facilities, including, but not limited to, disaster backup recovery sites and facilities, maintained for us or our assets separate from the office or offices of our manager;
- expenses connected with the payments of interest, dividends or other distributions in cash or any other form authorized or caused to be made by the board of trustees to or on account of lenders or holders of our securities or of our subsidiaries, including, without limitation, in connection with any dividend reinvestment plan;
- any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise), including any costs or expenses incurred in connection therewith, against us or any subsidiary, or against any trustee, director or executive officer of us or of any subsidiary in his or her capacity as such for which we or any subsidiary is required to indemnify such trustee, director or executive officer by any court or governmental agency;
- all costs and expenses relating to the development and management of our website;
- the allocable share of expenses under a universal insurance policy covering our manager, iStar or its affiliates in connection with obtaining and maintaining “errors and omissions” insurance coverage and other insurance coverage which is customarily carried by property, asset and investment managers performing functions similar to those of our manager in an amount which is comparable to that customarily maintained by other managers or servicers of similar assets; and
- the costs and expenses of consultants retained to work at our real property assets.

We will not reimburse our manager or its affiliates for the compensation paid to its personnel except for the compensation costs paid to up to two accounting personnel who will be dedicated to performing services for us, whose compensation will be subject to the reasonable approval of our independent trustees. In addition, the manager will be solely responsible for any portion of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses attributable to the personnel of the manager and its affiliates required for our operations.

Termination Fee

In the event of a termination without cause by us prior to the fourth anniversary of the spin-off, we will pay our manager a termination fee of \$50.0 million minus the aggregate amount of management fees

actually paid to the manager prior to the termination date; *provided, however, that* if we have completed the liquidation of our assets on or before the termination date, the termination fee will consist of any portion of the annual management fee that remained unpaid for the remainder of the then current annual term plus, if the termination date occurs on or before the third anniversary of the spin-off, the amount of the management fee that would have been payable for the next succeeding annual term, or if the termination date occurs after the third anniversary of the spin-off, zero.

In the event of a termination because the gross book value, determined in accordance with iStar's historical practices, of our consolidated assets as of the end of a fiscal quarter is less than the applicable threshold amount for the relevant annual term that includes such quarter, we will pay our manager a termination fee of \$30.0 million if the termination occurs in the first year, \$15.0 million if the termination occurs in the second year and \$5.0 million if the termination occurs in the third year, in each case, plus the balance of any unpaid portion of the annual management fee for the applicable year.

MANAGEMENT

Executive Officers Following the Spin-Off

Pursuant to the management agreement, our manager provides us with our executive officers. The following table sets forth the names, ages and positions of our executive officers.

Name	Age	Title
Jay Sugarman	60	Chairman and Chief Executive Officer
Marcos Alvarado	41	President, Chief Investment Officer
Brett Asnas	38	Chief Financial Officer

Jay Sugarman serves as Chairman and Chief Executive Officer of iStar and Safe. Mr. Sugarman has experience building two public companies from inception as founder and CEO of both iStar and Safe and brings financial, operational and real estate expertise both companies. Prior to founding iStar, Mr. Sugarman managed private investment funds on behalf of several high-net-worth families. Mr. Sugarman holds a B.A. from Princeton University (*summa cum laude*, Paul Volcker Award in Economics) and an M.B.A. from Harvard Business School (Baker Scholar, Loeb Fellow).

Marcos Alvarado serves as iStar's and Safe's President and Chief Investment Officer, having joined iStar and Safe in 2018. In those capacities, he is responsible for overseeing originations and driving growth across Safe's diversified \$5 billion investment portfolio. Mr. Alvarado was previously Head of Acquisitions & Business Operations for Cadre, a technology-enabled real estate investment platform, and a Managing Director at Starwood Capital. Prior to Starwood Capital, he served as Vice President in Lehman Brothers' Global Capital Real Estate Group. He started his career in Morgan Stanley's CMBS Group. Mr. Alvarado holds a B.A. from Dartmouth College.

Brett Asnas serves as iStar's and Safe's Chief Financial Officer, having been appointed to those roles in February 2022. He previously served as iStar's and Safe's Executive Vice President, Head of Capital Markets. Mr. Asnas has been responsible for overseeing corporate finance initiatives, strategy, financial planning and analysis, and execution of debt and equity capital markets activity. Mr. Asnas joined iStar in 2008 and previously held positions in the real estate private equity business at Fortress Investment Group, the real estate investment banking division at Nomura Securities, as well as structured finance advisory at Ernst & Young LLP. Mr. Asnas holds a B.S. degree in Finance from the School of Management at Binghamton University.

Board of Trustees Following the Spin-Off

Under the Maryland Statutory Trust Act, the business and affairs of Star Holdings is managed under the direction of our board of trustees, unless our declaration of trust provides otherwise, which it does not. The declaration of trust and bylaws provide that the number of trustees may be fixed by the board of trustees from time to time. Our board of trustees consists of _____ members, a substantial majority of whom we expect to satisfy the independence standards established by the Sarbanes-Oxley Act and the applicable rules of the SEC and NYSE. Each trustee will serve until our next annual meeting and until his or her successor is duly elected and qualified or until the trustee's earlier death, resignation or removal.

The following table sets forth information with respect to persons who serve on our board of trustees and are expected to continue to serve on the board of trustees following the completion of the spin-off. The nominees will be presented to Star Holdings' sole shareholder, iStar, for election as of the effective time of the spin-off.

Name	Age	Title
		Trustee
		Trustee
		Trustee

Prior to the spin-off date, our board of trustees will begin to hold board meetings to allow the members of our board of trustees to make determinations related to the spin-off and the separation.

Set forth below is biographical information about our trustees, as well as a description of the specific skills and qualifications such trustees are expected to provide to our board of trustees.

Trustee Independence

A majority of our board of trustees will at all times comprise trustees who are “independent” as defined by the rules of the NYSE and the corporate governance guidelines that will be adopted by our board of trustees, effective immediately prior to the effective time of the spin-off (the “Corporate Governance Guidelines”). The board of trustees will annually review all relationships between Star Holdings and each of the trustees and will make a final determination regarding the independence of the trustees. The Corporate Governance Guidelines only permit the chairman of the board of trustees to serve as chief executive officer on an interim basis following the resignation of the chairman or the chief executive officer.

Committees of the Board of Trustees

Our board of trustees has three standing committees: the Audit Committee (defined below), the Compensation Committee (defined below) and the Corporate Governance and Nominating Committee (defined below).

Audit Committee

Each of our trustees is a member of the audit committee of our board of trustees (the “Audit Committee”), with _____ serving as chair. Each of the members of the Audit Committee is independent as defined by the rules of the NYSE, Section 10A(m)(3) of the Exchange Act, the rules and regulations of the SEC and the Corporate Governance Guidelines. The Audit Committee’s purposes are to provide oversight of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent accountants’ qualifications and independence and (iv) the performance of our internal audit function and independent accountants. To that end, the Audit Committee will review (i) our financial reports and other financial information; (ii) our systems of internal control over financial reporting and disclosure controls and procedures; (iii) approval of related party transactions; and (iv) our auditing, accounting and financial reporting processes generally. Our management is responsible for the preparation, presentation and integrity of our financial statements and for the effectiveness of internal controls over financial reporting. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The Audit Committee will consist of no fewer than three members, each of whom will be financially literate, as interpreted by the board of trustees in its business judgment. At least one member of the Audit Committee must qualify as an “audit committee financial expert” as defined by the SEC. In addition, this committee will meet as often as it determines, but not less frequently than quarterly. _____ has been designated as the “audit committee financial expert.”

Compensation Committee

Each of our trustees is a member of the compensation committee of our board of directors (the “Compensation Committee”), with _____ serving as chair. Each of the members of the Compensation Committee is independent as defined by the rules of the NYSE, the rules and regulations of the SEC and the Corporate Governance Guidelines. The Compensation Committee is responsible for administering any compensation paid by Star Holdings to executives. The Compensation Committee reviews and recommends to the board of trustees compensation of our trustees and compensation, if any, of our officers, as well as trustee and employee benefit plans and programs, and is responsible for overseeing such policies, compensation, plans and programs approved by the board of trustees (or the Compensation Committee) and, where appropriate, by the shareholders.

The Compensation Committee may, in its discretion, delegate authority to act upon specific matters, within determined parameters, to a subcommittee of the Compensation Committee. In addition, the Compensation Committee will meet at least once annually, or more frequently as circumstances may dictate. The Compensation Committee will consist of no fewer than three members.

Corporate Governance and Nominating Committee

Each of our trustees is a member of the corporate governance and nominating committee of our board of trustees (the “Corporate Governance and Nominating Committee”), with _____ serving as chair. Each of the members of the Corporate Governance and Nominating Committee is independent as defined by the rules of the NYSE, the rules and regulations of the SEC and the Corporate Governance Guidelines. The Corporate Governance and Nominating Committee’s responsibilities include creating and maintaining the overall corporate governance policies for Star Holdings (including the Corporate Governance Guidelines), reviewing the structure of the board of trustees, including all standing committees of the board of trustees, and identifying, screening, recruiting and presenting trustee candidates to the board of trustees. It also oversees annual self-evaluations of the board of trustees and its committees. The Corporate Governance and Nominating Committee will select and evaluate candidates for the board of trustees in accordance with the criteria set out in Star Holdings’ Corporate Governance Guidelines, which are set forth below. The Corporate Governance and Nominating Committee will then be responsible for recommending to the board of trustees a slate of trustee candidates for the approval by the board of trustees.

The Corporate Governance and Nominating Committee will consist of at least two members. In addition, this committee will meet at least once annually, or more frequently as circumstances may dictate.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee has at any time been one of our executive officers or employees. None of our executive officers currently serve, or have served during the last completed fiscal year, on the Compensation Committee or board of trustees of any other entity that has one or more executive officers serving as a member of our board of trustees or Compensation Committee.

Shareholder Recommendations for Trustees Nominees

The Star Holdings bylaws will contain provisions that address the process by which a shareholder may nominate an individual to stand for election to the board of trustees. All trustee nominees, regardless of who recommended such nominee, will be evaluated by the same criteria.

Corporate Governance***Corporate Governance Profile***

We have structured our corporate governance in a manner that we believe closely aligns our interests with those of our shareholders. Notable features of our corporate governance structure include the following:

- our board of trustees is not staggered, with each of our trustees subject to re-election annually by majority vote;
- all of our trustees have been determined by our board of trustees to be “independent” as defined by the rules of the NYSE; and
- we have determined that one of our trustees qualifies as an “audit committee financial expert” as defined by the SEC.

Corporate Governance Guidelines

The board of trustees has adopted, effective immediately prior to the effective time of the spin-off, the Corporate Governance Guidelines to assist the board of trustees in guiding our governance. The Corporate Governance Guidelines will be re-evaluated periodically and at least annually by the Corporate Governance and Nominating Committee in light of changing circumstances in order to ensure that the Corporate Governance Guidelines continue to serve our and our shareholders’ best interests.

Communicating with the Board of Trustees

Shareholders and other parties interested in communicating directly with the chairman of our board of trustees or with the non-management trustees as a group may do so by writing to the chairman of our board

of trustees, at Star Holdings, Attn: Chairman of the Board, 1114 Avenue of the Americas, 39th Floor, New York, New York 10036. Correspondence so addressed will be forwarded directly to the chairman of our board of trustees.

Trustee Qualification Standards

The Corporate Governance Guidelines provide that the Corporate Governance and Nominating Committee is responsible for recommending to the board of trustees a slate of trustees for election at the annual meeting of Star Holdings shareholders, or one or more nominees to fill vacancies occurring between annual meetings of Star Holdings.

Star Holdings does not plan to institute a formal policy regarding diversity of membership of our board of trustees, or to otherwise require that the composition of our board of trustees include individuals from any particular background or who possess specific attributes. Accordingly, “diversity” is not initially defined in the Corporate Governance Guidelines. The Corporate Governance and Nominating Committee will continue to consider whether it would be appropriate to adopt a policy or guidelines regarding diversity on our board of trustees or to define diversity as it relates to the composition of our board of trustees.

The process that the Corporate Governance and Nominating Committee will use to identify a nominee to serve as a member of the board of trustees will depend on the specific qualifications being sought, but in any event the nomination will be based on the recommendation of the Corporate Governance and Nominating Committee and will be consistent with the Corporate Governance Guidelines. In considering potential trustee candidates, our board of trustees will consider, among other criteria, (i) degree of independence from management; (ii) judgment, accountability and integrity; (iii) diversity, age, background, skills and experience; (iv) personal qualities, high ethical standards and characteristics, accomplishments, and reputation in the business community; (v) knowledge and contacts in and familiarity with the markets in which we conduct business and in our industry or other industries relevant to our business; (vi) ability and willingness to devote sufficient time to serve on the board of trustees and committees of the board of trustees, including other board appointments; (vii) knowledge and expertise in various areas deemed appropriate by the board of trustees, including financial literacy; and (viii) fit of the individual’s skills, experience and personality with those of other trustees in maintaining an effective, collegial and responsive board of trustees.

The Corporate Governance and Nominating Committee will consider the criteria described above in the context of an assessment of the perceived needs of the board of trustees as a whole. The board of trustees as a whole should have competency in the following areas, with at least one trustee contributing knowledge, experience and skill in each area: (i) accounting and finance; (ii) business judgment; (iii) management; (iv) crisis response; (v) industry knowledge; (vi) leadership; and (vii) strategy/vision. Our board of trustees is responsible for selecting candidates for election as trustees based on the recommendation of the Corporate Governance and Nominating Committee.

Policies on Business Ethics

In connection with the spin-off, Star Holdings has adopted the Code of Ethics that will require that all of its business activities be conducted in compliance with laws, regulations and ethical principles and values. All trustees, officers and asset level consultants of Star Holdings will be required to read, understand and abide by the requirements of the Code of Ethics.

The Code of Ethics will be accessible on Star Holdings’ website on the investor relations page. Any amendment to a provision of the Code of Ethics may be approved only by our board of trustees. Waivers involving any of our executive officers or trustees may be made only by the Corporate Governance and Nominating Committee or by our board of trustees itself, and all waivers granted to executive officers and trustees will be disclosed promptly as required by the rules and regulations of the SEC and the NYSE. Our manager’s chief legal officer, who will be responsible for overseeing, administering and monitoring the code of conduct, will report to our Chief Executive Officer with respect to all matters relating to the Code of Ethics.

Procedures for Treatment of Complaints Regarding Accounting, Internal Accounting Controls and Auditing Matters

In accordance with the Sarbanes-Oxley Act, our board of trustees has adopted, effective immediately prior to the effective time of the spin-off, procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and auditing matters and to allow for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters.

Policy on Trustees Attendance at Annual Meetings of Shareholders

Although their attendance is not required, the members of the board of trustees are expected to attend the annual meeting of shareholders.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Related Person Transactions

This section summarizes material agreements between us and certain related parties and agreements between us and iStar that will govern the ongoing relationships between the two companies after the spin-off. The agreements with iStar are intended to provide for an orderly transition to our status as an independent, externally managed publicly-traded company. Additional or modified agreements, arrangements and transactions, which would be negotiated at arm's-length, may be entered into between us and iStar after the spin-off. Safe will assume these agreements in the merger. These summaries are qualified in their entirety by reference to the full text of the applicable agreements, which are filed as exhibits to the registration statement on Form 10 of which this information statement is a part and are incorporated herein by reference.

Agreements with iStar

Following the spin-off, we and iStar will operate as independent public companies. To govern certain ongoing relationships between us and iStar after the spin-off, and to provide mechanisms for an orderly transition, we and iStar intend to enter into agreements pursuant to which certain services and rights will be provided for following the spin-off, and we and iStar will indemnify each other against certain liabilities arising from our respective businesses. Safe will assume these agreements in the merger. The following is a summary of the terms of the material agreements we expect to enter into with iStar.

We and iStar will enter into the separation and distribution agreement and the management agreement. These agreements are intended to provide a framework for our relationship with iStar after the spin-off and provide for the allocation between us and iStar of iStar's assets, liabilities and obligations attributable to periods prior to, at and after Star Holdings' separation from iStar. We have signed a commitment letter for the senior secured term loan facility that we expect to enter into on or about the date of completion of the spin-off. The forms of the foregoing agreements have been filed as exhibits to the registration statement on Form 10 of which this information statement is a part. For more information regarding these agreements, please refer to the discussion under "The Spin-off — The Separation and Distribution Agreement" and "Our Manager and the Management Agreement" and "Description of Material Indebtedness."

Agreements with Safe

Governance Agreement

At the time of the merger, we and Safe will enter into the governance agreement. Pursuant to the governance agreement, we and any of our directly or indirectly wholly owned subsidiaries will not be able to transfer any securities of Safe on or before the nine-month anniversary of the date of the governance agreement unless we obtain Safe's prior written consent, not to be unreasonably withheld, or the transfer is to a bona fide financing institution in connection with a margin loan while retaining the control over the right to vote such shares in the absence of a foreclosure. The governance agreement further includes a general restriction on transfers of securities of Safe without the prior written consent of Safe to any person who is an activist or a competitor of Safe, subject to certain exceptions.

During a "restrictive period" which lasts until the earliest to occur of (i) the effective date on which Safe terminates the management agreement; or (ii) the date on which we beneficially own less than 7.5% of Safe's outstanding common stock and Safe is no longer our external manager; or (iii) a Change of Control of Safe (as defined in the governance agreement), we and our directly or indirectly wholly owned subsidiaries are required to vote our shares of Safe common stock in accordance with the recommendations of the board of directors of Safe. We will irrevocably designate and appoint the board of directors of Safe as our sole and exclusive attorney-in-fact and proxy with full power of substitution and re-substitution to exercise the voting power of our shares of Safe in accordance with these requirements. We will also be subject to certain standstill agreements during the restrictive period, except as permitted by the governance agreement or with the prior written consent of the independent directors of the board of directors of Safe. The terms of such standstill agreements will restrict certain acquisitions of securities by us, solicitation of proxies or written consents of shareholders with respect to the Safe common stock by us, actions which could reasonably be

expected to cause or require Safe to make a public announcement, disclosure or filing regarding the spin off, among other related actions, by us.

The voting and standstill covenants will terminate if (i) Safe terminates the management agreement, (ii) the management agreement is terminated for any other reason and we beneficially owns less than 7.5% of the outstanding Safe common stock or (iii) there is a change of control of Safe as defined in the governance agreement.

Registration Rights Agreement

We will enter into a registration rights agreement with Safe at the time of the merger under which Safe will agree to (i) register our shares of Safe common stock and the other registrable securities for resale by filing and maintaining a shelf registration statement; (ii) file a registration statement covering our Safe shares and other registrable securities pursuant to the demand right and (iii) allow us to piggyback on certain other registration statements filed by Safe. We may use the registration rights to sell our shares in underwritten offerings, block trades and other methods of distribution. We will be subject to certain suspension and lockup obligations. Our registration rights will end, among other times, when we own less than 2% of Safe's outstanding common stock and are able to sell all of our shares pursuant to Rule 144(b) without restriction.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Before the spin-off, all of the outstanding common shares of Star Holdings will be owned beneficially and of record by iStar or one of its subsidiaries. Immediately following the spin-off, Star Holdings expects to have outstanding approximately _____ million common shares of based upon approximately _____ million shares of iStar common stock outstanding as of _____, and after giving effect to the spin-off ratio.

Security Ownership of Certain Beneficial Owners

The following table reports the beneficial ownership of Star Holdings common shares by each person or group (as those terms are used in Section 13(d)(3) of the Exchange Act) that we expect to beneficially own more than 5% of the outstanding common shares of Star Holdings immediately following the completion of the spin-off based on certain filings made under Section 13 of the Exchange Act by each respective person or group, calculated as if the record date for the spin-off was _____, and based upon the receipt of _____ common shares of Star Holdings for every share of iStar common stock. Unless otherwise stated in the footnotes, shares are owned directly and the person has sole voting and investment power with respect to the securities owned by such person. Unless otherwise stated, the address of each named person is c/o Star Holdings, 1114 Avenue of the Americas, 39th Floor, New York, New York 10036.

Name and Address	Number of Shares of Common Stock	Percent of Common Stock ⁽¹⁾

(1) Based on approximately _____ common shares expected to be outstanding immediately following the spin-off.

Security Ownership of Trustees and Officers

The following table reports the number of common shares of Star Holdings we expect to be beneficially owned by (i) each of our trustees, (ii) each of our named executive officers and (iii) all of our trustees and executive officers following the spin-off, calculated as if the record date for the spin-off was _____ in each case, based upon the spin-off ratio of _____ common shares of Star Holdings for each share of iStar common stock. The SEC has defined “beneficial ownership” of a security to mean the possession, directly or indirectly, of voting power or investment power over such security. A shareholder is also deemed to be, as of any date, the beneficial owner of all securities that such shareholder has the right to acquire within 60 days after that date through (a) the exercise of any option, warrant or right, (b) the conversion of a security, (c) the power to revoke a trust, discretionary account or similar arrangement or (d) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, common stock subject to options or other rights (as set forth above) held by that person that are currently exercisable or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person. Unless otherwise stated in the footnotes, shares are owned directly and the person has sole voting and investment power with respect to the securities owned by such person. Unless otherwise stated, the address of each named person is c/o Star Holdings, 1114 Avenue of the Americas, 39th Floor, New York, New York 10036.

Name	Number of Common Shares	Percent of Common Shares
Jay Sugarman		*
Marcos Alvarado		*
Brett Asnas		*

Name	Number of Common Shares	Percent of Common Shares
		*
		*
		*
		*
		*
		*
All directors and executive officers		

* Less than 1%

(1) Based on approximately common shares expected to be outstanding immediately following the spin-off.

DESCRIPTION OF MATERIAL INDEBTEDNESS

In connection with the spin-off, Star Holdings or a subsidiary of Star Holdings will enter into two separate financing arrangements: (i) a secured term loan to be provided by iStar and assumed by Safe in the merger that will be primarily secured by Star Holdings' real estate assets, and (ii) an up to \$140.0 million margin loan from Morgan Stanley Bank, N.A. ("MS Bank") that will be secured by the shares of Safe common stock owned by Star Holdings. The proceeds of these financings will be used by iStar to redeem its outstanding unsecured senior notes. iStar has obtained commitments for both financings. The financing commitments are each subject to certain conditions, including the negotiation of definitive documentation and the satisfaction of all conditions to the spin-off and the merger.

Secured Term Loan Commitment

Safe, as a lender and an administrative agent, has committed to provide Star Holdings, as a borrower, a senior secured term loan facility in an aggregate principal amount of up to \$100.0 million, which principal amount may be increased or decreased from time to time with the approval of both parties, including prior to the spin-off (the "Secured Term Loan Facility") and an additional commitment amount of up to \$25.0 million at Star Holdings' election, the proceeds of which may only be used to satisfy Star Holdings' "soft call" obligations under the margin loan (the "Incremental Term Loan Facility", together with the Secured Term Loan Facility, the "Term Loan Facility"), in connection with the merger. The commitment of Safe is subject to the terms and conditions set forth in the commitment letter, dated December 15, 2022.

The Secured Term Loan Facility will be a secured credit facility available in a single drawing on the date of the closing of the pending merger. Borrowings under the Term Loan Facility will bear interest at a fixed rate of 8.00% per annum, which will increase to 10.00% per annum if either (i) any loans remain outstanding under the Incremental Term Loan Facility or (ii) Star Holdings elects for interest due for any two fiscal quarters to be paid in kind. The interest rate will increase to 12.00% per annum if both (i) and (ii) in the previous sentence occur. The Term Loan Facility will have a maturity of four years from the initial funding date. The Term Loan Facility will generally be secured by Star Holdings' equity interests in its subsidiaries, subject to any restrictions under the margin loan. Within five business days after Star Holdings has delivered its unaudited quarterly financial statements, Star Holdings will apply any unrestricted cash on balance sheet in excess of the aggregate of (i) the operating reserve; and (ii) \$50 million, to prepay the facility. The operating reserve will be calculated quarterly and is equal to the aggregate of projected operating expenses (excluding management fees and public company costs), projected land carry costs, projected capital expenditure and projected interest expense on the Margin Loan Facility and Term Loan Facility for the next twelve months; less the projected operating revenues for the next twelve months consistent with the operating budget approved by Safe.

The Term Loan Facility is expected to contain certain customary covenants, including affirmative covenants on reporting, maintenance of property, continued ownership of interests in Safe as well as negative covenants relating to investments, indebtedness and liens, fundamental changes, asset dispositions, repayments, distributions and affiliate transactions. Furthermore, the Term Loan Facility is expected to contain customary events of default, including payment defaults, failure to perform covenants, cross-default and cross acceleration to other indebtedness, including the Margin Loan Facility, impairment of security interests and change of control.

Margin Loan Commitment

On August 10, 2022, Star Holdings entered into the Margin Loan Commitment Letter with MS Bank, as lender, Morgan Stanley Senior Funding, Inc., as administrative agent, and Morgan Stanley & Co. LLC, as sole custodian, calculation agent and collateral agent, with respect to a margin loan facility in an aggregate principal amount of up to \$140.0 million (the "Margin Loan Facility") in connection with the merger.

Subject to entry into a definitive agreement, borrowings under the Margin Loan Facility will bear interest, at a floating rate, indexed to higher of (i) 3-month Term SOFR and (ii) zero, in each case, plus 3.00%. The spread will increase to 3.25% for the entirety of the interest period succeeding any interest period with respect to which Star Holdings has elected to pay the interest in kind. Star Holdings is required to pay MS Bank (i) an upfront fee of 0.50% of the commitment amount, and (ii) a commitment fee of 0.75% on the

commitment amount. The Margin Loan Facility will have a maturity of three years from the funding date. The Margin Loan Facility will be secured by the number of shares of Safe common stock to be determined based on \$400.0 million of value on the funding date.

The Margin Loan Facility is expected to contain certain covenants, including covenants relating to maintenance of collateral coverage and negative covenants related to liens and other financings. Furthermore, the Margin Loan Facility is expected to contain customary events of default, including payment defaults, failure to perform covenants, failure to cure a shortfall in the collateral and cross-default to indebtedness of affiliates of Star Holdings secured by the same collateral, some of which are expected to be subject to cure periods. The loan is subject to mandatory prepayment upon the occurrence of certain events, including a decrease in the price of the Safe common stock below a threshold, a change of control or merger. If the closing price of Safe common stock falls below (a) prior to the funding date of the Margin Loan Facility, \$14 or (b) after the funding date, the higher of (i) \$14 and (ii) 45% of its official closing price on the funding date, Star Holdings must repay the outstanding margin loan amount as well as all accrued and unpaid interest, and a make whole amount, if applicable. The borrower may voluntarily prepay the loan subject to payment of a make whole amount.

iStar will pay customary fees and expenses in connection with obtaining the margin loan commitment and has agreed to indemnify the lenders if certain losses are incurred by the lenders in connection therewith. Among other termination rights, the obligations of the lender under the margin loan commitment will terminate automatically upon the earlier of the outside date under the merger agreement or December 31, 2023.

DESCRIPTION OF OUR SHARES OF BENEFICIAL INTEREST

Our declaration of trust and bylaws will be amended and restated prior to the spin-off. The following is a summary description of the material terms of our capital stock, as will be set forth in the declaration of trust and the Star Holdings bylaws, that will govern the rights of holders of our common shares and limited voting stock following consummation of the spin-off.

The following description of certain terms of our common shares, as will be in effect upon completion of the spin-off, is a summary and is qualified in its entirety by reference to the declaration of trust and the Star Holdings bylaws, as they will be in effect upon completion of the spin-off. While the following describes the material terms of our capital stock, the description may not contain all of the information that is important to you. You are encouraged to read the full text of the declaration of trust and the Star Holdings bylaws, the forms of which are included as exhibits to the registration statement on Form 10, of which this information statement is a part, as well as the applicable provisions of the Maryland Statutory Trust Act.

General

Following the spin-off, our authorized stock will consist of 200,000,000 common shares of beneficial interest, par value \$0.001 per share, and 30,000,000 preferred shares of beneficial interest, par value \$0.001 per share. Our declaration of trust authorizes our board of trustees to amend our declaration of trust from time to time to increase or decrease the aggregate number of authorized shares of beneficial interest or the number of shares of beneficial interest of any class or series that we have authority to issue without shareholder approval. Under the Maryland Statutory Trust Act, unless the declaration of trust provides otherwise, which it does not, shareholders are entitled to the same limitation of personal liability extended to stockholders under the Maryland General Corporation Law (the “MGCL”). Under the MGCL, stockholders are not generally liable for debts or obligations solely as a result of their status as stockholders.

Based on approximately _____ million shares of iStar common stock outstanding as of _____, 2022, it is expected that we will have approximately _____ million common shares and 0 preferred shares issued and outstanding upon completion of the spin-off.

Common Shares

All of the common shares distributed to the iStar stockholders in the spin-off will be duly authorized, fully paid and nonassessable. Subject to the preferential rights of any other class or series of our shares and to the provisions of our declaration of trust regarding the restrictions on ownership and transfer of our shares, holders of common shares are entitled to receive distributions on such common shares out of assets legally available therefore if, as and when authorized by our board of trustees and declared by us, and the holders of our common shares are entitled to share ratably in our assets legally available for distribution to our shareholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all our known debts and liabilities.

Subject to the provisions of our declaration of trust regarding the restrictions on ownership and transfer of our shares and except as may otherwise be specified in our declaration of trust, each outstanding common share entitles the holder thereof to one vote on all matters on which the holders of common shares are entitled to vote, including the election of trustees, and, except as provided with respect to any other class or series of shares, the holders of common shares will vote together as a single class and will possess the exclusive voting power. There is no cumulative voting in the election of our trustees, which means that the shareholders entitled to cast a majority of the votes of the outstanding common shares can elect all of the trustees then standing for election, and the holders of the remaining shares will not be able to elect any trustees. Trustees are elected by a plurality of all the votes cast in the election of trustees. Under a plurality voting standard, trustees who receive the greatest number of votes cast in their favor are elected to the board of trustees.

Holders of common shares have no preference, conversion, exchange, sinking fund or redemption rights, have no preemptive rights to subscribe for any securities of our company and generally have no appraisal rights unless our board of trustees determines that appraisal rights apply, with respect to all or any such classes or series of shares, to one or more transactions occurring after the date of such determination

in connection with which holders of such shares would otherwise be entitled to exercise appraisal rights. Subject to the provisions of our declaration of trust regarding the restrictions on ownership and transfer of our shares and except as otherwise provided in our declaration of trust, common shares will have equal distribution, liquidation and other rights.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge or consolidate with, or convert into, another entity, sell all or substantially all of its assets or engage in a share exchange unless the action is approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is specified in the corporation's charter. Our declaration of trust provides that these actions (other than the sale of all or substantially all of our assets, which will not require shareholder approval) may be approved by a majority of all of the votes entitled to be cast on the matter.

Power to Reclassify Our Unissued Shares of Stock

Our declaration of trust authorizes our board of trustees to classify and reclassify any unissued common shares or preferred shares into other classes or series of shares. Prior to the issuance of shares of each class or series, our board of trustees is required by our declaration of trust to set, subject to the provisions of our declaration of trust regarding restrictions on ownership and transfer of our shares, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series. Therefore, our board of trustees could authorize the issuance of common shares or preferred shares with terms and conditions that may have the effect of delaying, deferring or preventing a change in control or other transaction that might involve a premium price for our common shares or otherwise be in the best interest of our shareholders. No preferred shares are presently outstanding and we have no present plans to issue any preferred shares.

Power to Increase or Decrease Authorized Common Shares and Issue Additional Common Shares and Preferred Shares

We believe the power of our board of trustees to amend our declaration of trust from time to time to increase or decrease the number of authorized shares, to issue additional authorized but unissued common shares or preferred shares and to classify or reclassify unissued common shares or preferred shares and thereafter to issue such classified or reclassified shares will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the additional common shares, will be available for issuance without further action by our shareholders, unless such approval is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of trustees does not intend to do so, it could authorize us to issue a class or series of shares that may, depending upon the terms of the particular class or series, delay, defer or prevent a change in control or other transaction that might involve a premium price for our common shares or otherwise be in the best interest of our shareholders.

Listing

We expect to apply to have our common shares listed on a nationally recognized exchange.

Transfer Agent and Registrar

We expect the transfer agent and registrar for our common shares to be Computershare.

**CERTAIN PROVISIONS OF MARYLAND LAW AND
OUR DECLARATION OF TRUST AND BYLAWS**

The following is a summary of certain provisions of Maryland law applicable to us and of our declaration of trust and bylaws. For a complete description, we refer you to the Maryland Statutory Trust Act and our declaration of trust and bylaws. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law and our declaration of trust and bylaws. Copies of our declaration of trust and bylaws are filed as exhibits to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

Our Board of Trustees

Our declaration of trust and bylaws provide that the number of trustees we have may be established by our board of trustees but that the number may not be less than one nor more than 15. Our declaration of trust and bylaws currently provide that, except as may be provided by the board of trustees in setting the terms of any class or series of preferred shares, any vacancy may be filled by a majority of the remaining trustees, even if the remaining trustees do not constitute a quorum.

Each of our trustees is elected by our shareholders to serve until the next annual meeting and until his or her successor is duly elected and qualifies. Holders of common shares will have no right to cumulative voting in the election of trustees. Consequently, at each annual meeting of shareholders, the holders of a majority of the common shares entitled to vote will be able to elect all of our trustees at any annual meeting. Trustees are elected by a plurality of all votes cast in the election of trustees.

Removal of Trustees

Our declaration of trust provides that, subject to the rights of holders of one or more classes or series of preferred shares to elect or remove one or more trustees, any trustee or the entire board of trustees may be removed only for cause and only by the affirmative vote of shareholders entitled to cast at least two-thirds of the votes entitled to be cast generally in the election of trustees. Cause is defined in our declaration of trust to mean, with respect to any particular trustee, a conviction of a felony or a final judgment of a court of competent jurisdiction holding that such trustee caused demonstrable, material harm to us through bad faith or active and deliberate dishonesty.

Subtitle 8

Our declaration of trust permits our board of trustees, without shareholder approval, to implement the following corporate governance provisions by written resolution:

- a classified board;
- a two-thirds vote requirement for removing a trustee;
- a requirement that the number of trustees be fixed only by vote of the trustees;
- a requirement that a vacancy on the board be filled only by the remaining trustees and for the remainder of the full term of class of trustees in which the vacancy occurred; and
- a majority requirement for the calling of a special meeting of shareholders.

Our board of trustees has not yet elected to be subject to any of the above corporate governance provisions.

Shareholder Rights Plan

We do not have a shareholder rights plan and our board of trustees has adopted a policy that our board may not adopt any shareholder rights plan unless the adoption of the plan has been approved by the affirmative vote of a majority of the votes cast on the matter by shareholders entitled to vote generally in the election of trustees, except that our board of trustees may adopt a shareholder rights plan without the prior approval of our shareholders if our board, in the exercise of its duties, determines that seeking prior shareholder approval would not be in our best interests under the circumstances then existing. The policy

further provides that if a shareholder rights plan is adopted by our board without the prior approval of our shareholders, the shareholder rights plan will expire on the date of the first annual meeting of shareholders held after the first anniversary of the adoption of the plan, unless an extension of the plan is approved by our shareholders.

Meetings of Shareholders

Pursuant to our bylaws, a meeting of our shareholders for the election of trustees and the transaction of any business will be held annually at a date, time and place set by our board of trustees beginning in 2023. The chairman of our board of trustees, our chief executive officer or our board of trustees may call a special meeting of our shareholders. Subject to the provisions of our bylaws, a special meeting of our shareholders will also be called by our secretary upon the written request of the shareholders entitled to cast a majority of all the votes entitled to be cast on any matter that may be properly considered at a meeting of shareholders and containing the information required in our bylaws.

Amendments to Our Declaration of Trust and Bylaws

Our declaration of trust generally may be amended only with the approval of our board of trustees and the affirmative vote of the shareholders entitled to cast a majority of all of the votes entitled to be cast on the matter. However, our board of directors, without shareholder approval, has the power under our declaration of trust to amend our declaration of trust from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of any class or series that we are authorized to issue, to authorize us to issue authorized but unissued common shares or preferred shares and to classify or reclassify any unissued common shares or preferred shares into one or more classes or series of shares and set the terms of such newly classified or reclassified shares. See “Description of Our Shares of Beneficial Interest — Power to Reclassify Our Unissued Shares of Stock” and “— Power to Increase or Decrease Authorized Common Shares and Issue Additional Common Shares and Preferred Shares.”

Our board of trustees has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

Sale of Assets and Dissolution of Our Company

Our declaration of trust provides that our board of trustees may sell all or substantially all of our assets and dissolve the company without having to obtain the approval of our shareholders.

Advance Notice of Director Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of shareholders, nominations of individuals for election to our board of trustees and the proposal of other business to be considered by shareholders may be made only (i) pursuant to our notice of the meeting, (ii) by or at the direction of our board of trustees or (iii) by a shareholder who is a shareholder of record as of the record date for the meeting, at the time of giving the notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on such other business and who has complied with the advance notice provisions set forth in our bylaws.

With respect to special meetings of shareholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of individuals for election to our board of trustees may be made only (i) by or at the direction of our board of trustees or (ii) *provided that* the meeting has been called in accordance with our bylaws for the purpose of electing trustees, by a shareholder who is a shareholder of record as of the record date for the meeting, at the time of giving the notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions set forth in our bylaws.

The purpose of requiring shareholders to give us advance notice of nominations and other business is to afford our board of trustees a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of trustees, to inform shareholders and make recommendations about such qualifications or

business, as well as to provide a more orderly procedure for conducting meetings of shareholders. Although our bylaws do not give our board of trustees any power to disapprove shareholder nominations for the election of trustees or proposals recommending certain action, they may have the effect of precluding a contest for the election of trustees or the consideration of shareholder proposals, if proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of trustees or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our shareholders.

Interested Director and Executive Officer Transactions

Pursuant to the MGCL, a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director's vote in favor thereof, if:

- the fact of the common directorship or interest is disclosed or known to our board of directors or a committee of our board, and our board or committee authorizes, approves or ratifies the contract or transaction by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;
- the fact of the common directorship or interest is disclosed or known to our stockholders entitled to vote thereon, and the contract or transaction is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or corporation or other entity; or
- the contract or transaction is fair and reasonable to us.

Following the completion of the spin-off, we intend to adopt a policy that requires all contracts and transactions between us or any of our subsidiaries, on the one hand, and any of our directors or executive officers or any entity in which such director or executive officer is a director or has a material financial interest, including iStar, on the other hand, to be approved by the affirmative vote of a majority of the disinterested directors, even if less than a quorum.

Exclusive Forum

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the U.S. District Court for the District of Maryland, Baltimore Division, is the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of any duty owed by any of our directors or executive officers or other employees us or our shareholders; (iii) any action asserting a claim against us or any of our trustees or executive officers or other employees arising pursuant to any provision of the Maryland Statutory Trust Act or our declaration of trust or bylaws; or (iv) any action asserting a claim against us or any or any of our trustees or executive officers or other employees that is governed by the internal affairs doctrine.

Indemnification and Limitation of Trustees' and Executive Officers' Liability

The Maryland Statutory Trust Act provides that our declaration of trust may not limit the liability of our trustees and officers to any extent greater than permitted by the MGCL. The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty that was established by a final judgment and was material to the cause of action. Our declaration of trust contains such a provision and eliminates the liability of our trustees and executive officers to the maximum extent permitted by Maryland law.

The Maryland Statutory Trust Act provides that, unless the declaration of trust provides otherwise, which ours does not, trustees shall be indemnified to the same extent as provided in the MGCL. The MGCL

requires a Maryland corporation (unless its charter provides otherwise, which our declaration of trust does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify a director or officer in a suit by or in the right of the corporation, in which the director or officer was adjudged liable to the corporation or in any proceeding charging improper personal benefit in which the director or officer was adjudged liable on the basis that personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by the corporation or in its right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or officer or on the director's or officer's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our declaration of trust and bylaws obligate us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former trustee or executive officer who is made, or threatened to be made, a party to or witness in the proceeding by reason of his or her service in that capacity;
- any individual who, while a trustee or executive officer of our company and at our request, serves or has served as a director, officer, partner, member, manager or trustee of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise and who is made, or threatened to be made, a party to or witness in the proceeding by reason of his or her service in that capacity; or
- any individual who served any predecessor of our company in a similar capacity, who is made or threatened to be made a party to or witness in the proceeding by reason of his or her service in such capacity.

Our declaration of trust and bylaws also permit us, with the approval of our board of trustees, to indemnify and advance expenses to any employee or agent of our company or a predecessor of our company.

Upon completion of the spin-off, we intend to enter into indemnification agreements with each of our trustees and executive officers providing for the indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against (i) our trustees and executive

officers and (ii) our executive officers who are former members, managers, stockholders, directors, limited partners, general partners, officers or controlling persons of our predecessor in their capacities as such. Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

Certain Material U.S. Federal Income Tax Consequences of the Spin-Off to U.S. Stockholders

The following is a general discussion of certain anticipated material U.S. federal income tax consequences of the spin-off to U.S. holders (as defined below) of iStar common stock that receive Star Holdings common shares in the spin-off. For purposes of this section, references to “we,” “our,” “us” or “our company” mean only Star Holdings, and not any subsidiaries or other lower-tier entities, except as otherwise indicated. This summary is based upon the Internal Revenue Code, or the Code, the regulations promulgated by the U.S. Treasury Department, or the Treasury Regulations, current administrative interpretations and practices of the U.S. Internal Revenue Service, or the IRS (including administrative interpretations and practices expressed in private letter rulings which are binding on the IRS only with respect to the particular taxpayers who requested and received those rulings) and judicial decisions, all as currently in effect and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. No advance ruling has been or will be sought from the IRS regarding any matter discussed in this summary. The summary is also based upon the assumption that the operation of our company, and of our subsidiaries and other lower-tier and affiliated entities will, in each case, be in accordance with its applicable organizational documents. This discussion assumes that the spin-off will be completed in accordance with the separation and distribution agreement.

This summary is for general information only, and does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular stockholder in light of its investment or tax circumstances or to stockholders subject to special tax rules, such as:

- U.S. expatriates;
- persons who mark-to-market our common stock;
- subchapter S corporations;
- U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar;
- financial institutions;
- insurance companies;
- broker-dealers;
- regulated investment companies, or RICs;
- trusts and estates;
- holders who receive our common stock through the exercise of employee stock options or otherwise as compensation;
- persons holding our common stock as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security” or other integrated investment;
- persons subject to the alternative minimum tax provisions of the Code;
- persons holding their interest through a partnership or similar pass-through entity;
- persons holding a 5% or more (by vote or value) beneficial interest in us;

and, except to the extent discussed below:

- non-U.S. holders; and
- tax-exempt organizations.

This summary does not consider the effect of (a) any U.S. federal non-income tax laws, (b) any applicable state, local, or non-U.S. tax laws, or (c) the Medicare contribution tax on net investment income or the alternative minimum tax. Further, this summary assumes that stockholders will hold our common stock as capital assets, which generally means as property held for investment.

For purposes of this discussion, the term “U.S. holder” means a beneficial owner of iStar common stock that is for U.S. federal income tax purposes (i) an individual citizen or resident of the United States, (ii) a corporation, or entity treated as a corporation for U.S. federal income tax purposes, organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) such trust has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes or (iv) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

If an entity or an arrangement treated as a partnership for U.S. federal income tax purposes holds iStar common stock, the U.S. federal income tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Any entity treated as a partnership for U.S. federal income tax purposes that holds iStar common stock, and any partners in such partnership should consult their own independent tax advisors regarding the tax consequences of the spin-off to their specific circumstances.

Determining the actual tax consequences of the spin-off to you may be complex and will depend on your specific situation and on factors that are not within our control. You should consult your own independent tax advisor as to the specific tax consequences of the spin-off in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local, foreign and other tax laws and of changes in those laws.

For U.S. federal income tax purposes, the spin-off will not qualify for treatment as a tax-free distribution by iStar with respect to its stock. Accordingly, the spin-off will be treated as a taxable distribution by iStar to each U.S. holder of iStar stock in an amount equal to the fair market value on the spin-off date of the Star Holdings common shares (including fractional shares for which a U.S. holder receives cash) received by such stockholder (the “spin-off amount”).

The spin-off amount received by a U.S. holder will generally be treated as a taxable dividend to the extent of such U.S. holder’s ratable share of any current or accumulated earnings and profits of iStar (including gain recognized by iStar in connection with the separation and the spin-off). iStar will not be able to advise holders of the amount of earnings and profits of iStar until after the end of the calendar year in which the spin-off occurs. However, iStar anticipates that it may recognize a capital gain for tax purposes in connection with the spin-off, which would have the effect of increasing its earnings and profits for the year in which the spin-off occurs.

To the extent that the spin-off amount received by a U.S. holder exceeds such U.S. holder’s ratable share of iStar’s current and accumulated earnings and profits (as determined under U.S. federal income tax principles), any such excess will generally be treated as a return of capital and will not be taxable to a U.S. holder to the extent of such U.S. holder’s adjusted tax basis in its iStar common stock. Any portion of the spin-off amount that is treated as a nontaxable return of capital will reduce the adjusted tax basis of the U.S. holder’s iStar shares.

To the extent that any such excess portion of the spin-off amount received by a U.S. holder exceeds such U.S. holder’s adjusted tax basis in its iStar shares, such excess will be treated as capital gain recognized on a sale or exchange of such iStar shares. Any such gain will be long-term capital gain if the U.S. holder’s holding period for the iStar shares exceeds one year, or short-term capital gain if the U.S. holder’s shares of iStar common stock have been held for one year or less.

A U.S. holder’s tax basis in the Star Holdings common shares received in the spin-off (including any fractional shares deemed to be received) generally will equal the fair market value of those shares on the spin-off date, and a U.S. holder’s holding period for those shares will begin the day after the spin-off date. Although iStar will ascribe a value to the Star Holdings common shares it distributes in the spin-off for tax purposes, this valuation is not binding on the IRS or any other tax authority. These taxing authorities could ascribe a higher valuation to those shares, particularly if Star Holdings common shares trade at prices significantly above the value ascribed to those shares by iStar in the period following the spin-off. Such a higher valuation may cause a U.S. holder to recognize additional dividend or capital gain income or may cause a larger reduction in the tax basis of a U.S. holder’s shares of iStar common stock.

Cash in Lieu of Fractional Star Holdings Common Shares

Any cash received by a U.S. holder in lieu of a fractional Star Holdings common share should be treated as if such fractional share had been (i) received by the U.S. holder as part of the spin-off and then (ii) sold by such U.S. holder for the amount of cash received. Because the basis of the fractional share deemed received by a U.S. holder in the spin-off will equal the fair market value of such fractional share on the spin-off date, a stockholder of iStar generally should not recognize additional gain or loss on the transaction described in (ii) of the preceding sentence unless the fractional share is sold at a price different from its fair market value on the spin-off date.

Backup Withholding and Information Reporting

The distribution of Star Holdings common shares and any payment of cash to a U.S. holder of iStar common stock in lieu of fractional Star Holdings common shares may be subject to information reporting and backup withholding (currently at a rate of 24%), unless such U.S. holder delivers a properly completed IRS Form W-9 certifying such U.S. holder's correct taxpayer identification number and certain other information, or otherwise establishes an exemption from backup withholding. Similarly, a non-U.S. holder of iStar common stock could be subject to backup withholding unless the non-U.S. holder provides a certification of its foreign status on a duly executed applicable IRS Form W-8 or by otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be credited or refunded against a U.S. holder's federal income tax liability, if any, provided that the required information is timely supplied to the IRS.

Taxation of Non-U.S. Holders

iStar or another applicable withholding agent may be required to withhold at the applicable rate on all or a portion of the spin-off amount payable to non-U.S. stockholders, and any such withholding would be satisfied by iStar or the other applicable withholding agent withholding and selling a portion of the Star Holdings common shares otherwise distributable to such non-U.S. stockholder.

iStar or another applicable withholding agent generally will be required to withhold 30% on the portion of the spin-off amount to non-U.S. holders that treated as a dividend for U.S. federal income tax purposes, unless an applicable tax treaty reduces or eliminates that tax. However, if such non-U.S. holder holds its investment in iStar stock in connection with the non-U.S. holder's conduct of a U.S. trade or business, the non-U.S. holder generally will be subject to U.S. federal income tax at graduated rates, in the same manner as U.S. holders are taxed with respect to such distributions (and also may be subject to the 30% branch profits tax in the case of a non-U.S. holder that is a corporation). iStar expect to withhold U.S. income tax at the rate of 30% on the distribution of Star Holdings common shares made to a non-U.S. holder unless: (1) a lower treaty rate applies and any required form, such as an IRS Form W-8BEN, evidencing eligibility for that reduced rate has been provided by the non-U.S. holder; or (2) the non-U.S. holder has provided iStar with an IRS Form W-8ECI certifying that the distribution is effectively connected income.

Any portion of the spin-off amount that is in excess of iStar's current and accumulated earnings and profits will not be taxable to a non-U.S. holder to the extent that such distribution does not exceed the adjusted basis of the U.S. holder's iStar stock, but rather will reduce the adjusted basis of such shares. To the extent that the spin-off amount that is in excess of current and accumulated earnings and profits exceeds the adjusted basis of the non-U.S. holder's iStar stock, such amount will give rise to tax liability if the non-U.S. holder would otherwise be subject to tax on any gain from the sale or disposition of its stock, as described above. Because it generally cannot be determined at the time a distribution is made whether or not such distribution will be in excess of current and accumulated earnings and profits, the entire spin-off amount generally will be subject to withholding at the same rate as a dividend. However, amounts so withheld are refundable to the extent it is subsequently determined that such distribution was, in fact, in excess of iStar's current and accumulated earnings and profits. All or a portion of the distribution could be designated as a capital gain dividend and could be considered attributable to the sale or other disposition of U.S. real property interests by iStar, in which case certain additional taxes could apply under the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, to any non-U.S. holder that has held or has been attributed 10% or more of iStar stock during the year preceding the distribution. However, a non-U.S. holder that has held, directly and applying certain attribution rules, 10% or less of the stock of iStar generally is not

expected to be subject to U.S. federal income tax under FIRPTA on the distribution of Star Holdings common shares, provided that certain applicable holding periods are satisfied.

Non-U.S. holders should speak to their own tax advisors regarding the U.S. federal income tax consequences of the receipt of Star Holdings shares.

This preceding discussion does not purport to be a complete analysis or discussion of all of the potential tax consequences of the spin-off. Determining the actual tax consequences of the spin-off to you may be complex and will depend on your specific situation and on factors that are not within our control. You should consult your own independent tax advisor as to the specific tax consequences of the spin-off in your particular circumstances, including (i) the amount of gain, if any, that you could recognize in connection with the spin-off to the extent that the value of the Star Holdings common shares on the spin-off date exceeds that amount required to be treated as a taxable dividend and (ii) the applicability and effect of the alternative minimum tax and any state, local, foreign and other tax laws and of changes in those laws.

Taxation of Star Holdings and its Shareholders

Star Holdings will be treated as a C corporation for U.S. federal income tax purposes, and unlike iStar will not elect to qualify as a real estate investment trust. As a general matter, Star Holdings will be subject to U.S. federal income tax in the same manner as other U.S. corporations at corporate rates (currently 21%), plus additional state and local taxes. Shareholders of Star Holdings generally will be subject to tax on dividends paid by Star Holdings, if any, to the extent of Star Holdings' current and accumulated earnings and profits. As a general matter, dividends paid by Star Holdings are expected to be subject to tax in the hands of non-corporate taxable U.S. holders as "qualified dividend income" subject to a 20% U.S. federal income tax rate provided that the U.S. holder satisfies applicable holding period requirements with respect to the Star Holdings common shares, and a 21% federal income tax rate in the hands of corporate taxable U.S. shareholders. Non-U.S. holders of Star Holdings common shares generally will be subject to 30% U.S. withholding tax on dividends paid by Star Holdings, unless reduced or eliminated under the terms of an applicable tax treaty. This summary does not address state, local or non-U.S. tax considerations. This summary also does not consider tax considerations that may be relevant with respect to securities we may issue, or selling security holders may sell, such as limited voting shares, other than our common shares.

The U.S. federal income tax treatment of holders of our common shares depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Each prospective investor is advised to consult his or her tax advisor to determine the impact of his or her personal tax situation on the anticipated tax consequences of the acquisition, ownership and sale of our common shares. This includes the U.S. federal, state, local, foreign and other tax considerations of the ownership and sale of our common shares and the potential changes in applicable tax laws.

SHARES ELIGIBLE FOR FUTURE SALE**General**

Prior to the spin-off, there will be no market for our common shares. Therefore, future sales of substantial amounts of our common shares in the public market could adversely affect the prevailing market price of our common shares.

Upon completion of the spin-off, we expect to have approximately _____ million shares of common stock and no shares of preferred stock outstanding.

The Star Holdings common shares distributed to iStar stockholders will be freely transferable, except for shares received by persons who may be deemed to be Star Holdings "affiliates" under the Securities Act. Persons who may be deemed to be affiliates of Star Holdings after the separation generally include individuals or entities that control, are controlled by or are under common control with Star Holdings and may include trustees and certain officers or principal shareholders of Star Holdings. Star Holdings affiliates will be permitted to sell their Star Holdings common shares only pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, such as the exemptions afforded by Rule 144.

The Star Holdings limited voting stock will not be registered under the Securities Act and will only be transferable pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, such as Rule 144.

Rule 144

Any "restricted" securities under the meaning of Rule 144 of the Securities Act may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including exemptions contained in Rule 144.

In general, under Rule 144 as currently in effect, if six months have elapsed since the date of acquisition of restricted shares from us or any of our affiliates, the holder of such restricted shares can sell such shares; *provided that* the number of shares sold by such person within any three-month period cannot exceed the greater of 1% of the total number of shares of our common equity then outstanding or the average weekly trading volume of our common equity on the stock exchange during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates also are subject to certain manner of sale provisions, notice requirements and the availability of current public information about us.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form 10 with the SEC with respect to the Star Holdings common shares being distributed as contemplated by this information statement. This information statement is a part of, and does not contain all of the information set forth in, the registration statement and the exhibits and schedules to the registration statement. For further information with respect to Star Holdings and its common stock, please refer to the registration statement, including its exhibits and schedules. Statements made in this information statement relating to any contract or other document are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document. You may review a copy of the registration statement, including its exhibits and schedules, at the SEC's public reference room, located at 100 F Street, N.E., Washington, D.C. 20549, by calling the SEC at 1-800-SEC-0330, as well as on the website maintained by the SEC at www.sec.gov. Information contained on any website referenced in this information statement is not incorporated by reference in this information statement.

As a result of the spin-off, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with the Exchange Act, will file periodic reports, proxy statements and other information with the SEC.

We plan to make available, free of charge, on Star Holdings' website its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, reports filed pursuant to Section 16 of the Exchange Act and amendments to those reports as soon as reasonably practicable after it electronically files or furnishes such materials to the SEC.

You should rely only on the information contained in this information statement or to which this information statement has referred you. We have not authorized any person to provide you with different information or to make any representation not contained in this information statement.

ISTAR INCLUDED ASSETS
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of iStar Inc.

Opinion on the Financial Statements

We have audited the accompanying combined and consolidated balance sheets of iStar Included Assets (the “Company”) as described in Note 1 to the combined and consolidated financial statements as of December 31, 2021 and 2020, the related combined and consolidated statements of operations, equity and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes and the schedules listed in the Index on page F-1 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the Company has changed its method of accounting for allowance for Loan Losses in 2020 due to adoption of Financial Accounting Standards Board (“FASB”); Accounting Standards Update (“ASU”) 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments on January 1, 2020.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

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

/s/ DELOITTE & TOUCHE LLP

New York, New York
December 16, 2022

We have served as the Company’s auditor since 2022.

iStar Included Assets
Combined and Consolidated Balance Sheets
(In thousands)⁽¹⁾

	As of	
	December 31,	
	2021	2020
ASSETS		
Real estate		
Real estate, at cost	\$ 113,510	\$ 209,952
Less: accumulated depreciation	(21,360)	(17,574)
Real estate, net	92,150	192,378
Real estate available and held for sale	301	5,212
Total real estate	92,451	197,590
Land and development, net	286,810	430,663
Loans receivable and other lending investments, net (\$4,769 and \$12,020 of allowances as of December 31, 2021 and 2020, respectively)	332,844	686,931
Other investments	500,410	511,443
Cash and cash equivalents	15,504	9,427
Deferred tax asset, net	—	22,494
Accrued interest and operating lease income receivable, net	1,813	6,128
Deferred operating lease income receivable, net	3,159	2,905
Deferred expenses and other assets, net	23,772	18,182
Total assets	<u>\$1,256,763</u>	<u>\$1,885,763</u>
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 32,379	\$ 46,094
Loan participations payable, net	—	42,501
Total liabilities	<u>32,379</u>	<u>88,595</u>
Commitments and contingencies (refer to Note 10)		
Equity:		
Net Parent Investment	1,223,695	1,796,625
Noncontrolling interests	689	543
Total equity	<u>1,224,384</u>	<u>1,797,168</u>
Total liabilities and equity	<u>\$1,256,763</u>	<u>\$1,885,763</u>

(1) Refer to Note 2 for details on the Company's consolidated variable interest entities ("VIEs").

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

iStar Included Assets
Combined and Consolidated Statements of Operations
(In thousands)

	For the Years Ended December 31,		
	2021	2020	2019
Revenues:			
Operating lease income	\$ 16,824	\$ 21,571	\$ 28,710
Interest income	29,522	56,676	75,636
Other income	36,726	28,189	30,421
Land development revenue	189,103	164,702	119,595
Total revenues	<u>272,175</u>	<u>271,138</u>	<u>254,362</u>
Costs and expenses:			
Interest expense	51,369	62,176	67,586
Real estate expense	45,126	45,616	67,237
Land development cost of sales	171,961	177,727	109,663
Depreciation and amortization	6,487	6,095	5,954
General and administrative	46,340	40,140	40,900
(Recovery of) provision for loan losses	(8,085)	8,866	6,482
Impairment of assets	679	5,790	10,949
Other expense	515	271	352
Total costs and expenses	<u>314,392</u>	<u>346,681</u>	<u>309,123</u>
Gain on equity investment	17,642	23,916	—
Income from sales of real estate	26,319	263	11,969
Income (loss) from operations before earnings from equity method investments and other items	1,744	(51,364)	(42,792)
Earnings from equity method investments	83,458	5,903	23,559
Net income (loss) from operations before income taxes	85,202	(45,461)	(19,233)
Income tax benefit (expense)	(22,531)	17,483	5,049
Net income (loss)	62,671	(27,978)	(14,184)
Net loss from operations attributable to noncontrolling interests	74	196	438
Net income (loss) attributable to iStar Included Assets	<u>\$ 62,745</u>	<u>\$ (27,782)</u>	<u>\$ (13,746)</u>

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

iStar Included Assets
Combined and Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	For the Years Ended December 31,		
	2021	2020	2019
Net income (loss)	\$62,671	\$(27,978)	\$(14,184)
Other comprehensive income (loss):			
Reclassification of losses on cash flow hedges into earnings upon realization ⁽¹⁾	729	413	123
Unrealized gains (losses) on available-for-sale securities	(357)	1,838	2,280
Unrealized gains (losses) on cash flow hedges	3,239	(5,006)	(8,094)
Other comprehensive income (loss)	3,611	(2,755)	(5,691)
Comprehensive income (loss)	66,282	(30,733)	(19,875)
Comprehensive loss attributable to noncontrolling interests	74	196	438
Comprehensive income (loss) attributable to iStar Included Assets	<u>\$66,356</u>	<u>\$(30,537)</u>	<u>\$(19,437)</u>

(1) Reclassified to "Earnings from equity method investments" in the Company's consolidated and combined statements of operations for the Company's impact of designated cash flow hedges at Safe (refer to Note 7).

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

iStar Included Assets
Combined and Consolidated Statements of Net Parent Investment
(In thousands)

	Net Parent Investment			Total Equity
	Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	
Balance as of December 31, 2018	\$ 1,951,158	\$ (612)	\$ 1,029	\$ 1,951,575
Net loss	(13,746)	—	(438)	(14,184)
Change in accumulated other comprehensive income (loss)	—	(5,691)	—	(5,691)
Contribution from noncontrolling interest	—	—	279	279
Distribution to noncontrolling interest	—	—	(131)	(131)
Stock-based compensation	12,522	—	—	12,522
Net transactions with iStar Inc.	5,727	—	—	5,727
Balance as of December 31, 2019	\$ 1,955,661	\$ (6,303)	\$ 739	\$ 1,950,097
Impact from adoption of new accounting standard (refer to Note 3)	(2,307)	—	—	(2,307)
Net loss	(27,782)	—	(196)	(27,978)
Change in accumulated other comprehensive income (loss)	—	(2,755)	—	(2,755)
Stock-based compensation	15,256	—	—	15,256
Net transactions with iStar Inc.	(135,145)	—	—	(135,145)
Balance as of December 31, 2020	\$ 1,805,683	\$ (9,058)	\$ 543	\$ 1,797,168
Net income (loss)	62,745	—	(74)	62,671
Change in accumulated other comprehensive income (loss)	—	3,611	—	3,611
Stock-based compensation	23,360	—	—	23,360
Net transactions with iStar Inc.	(662,646)	—	—	(662,646)
Distributions to noncontrolling interests	—	—	(500)	(500)
Contributions from noncontrolling interests	—	—	794	794
Change in noncontrolling interests	—	—	(74)	(74)
Balance as of December 31, 2021	<u>\$ 1,229,142</u>	<u>\$ (5,447)</u>	<u>\$ 689</u>	<u>\$ 1,224,384</u>

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

iStar Included Assets
Combined and Consolidated Statements of Cash Flows
(In thousands)

	For the Years Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	\$ 62,671	\$ (27,978)	\$ (14,184)
Adjustments to reconcile net income (loss) to cash flows from operating activities:			
(Recovery of) provision for loan losses	(8,085)	8,866	6,482
Impairment of assets	679	5,790	10,949
Depreciation and amortization	6,487	6,095	5,954
Stock-based compensation expense	23,360	15,256	12,522
Amortization of discounts/premiums and deferred interest on loans, net	(14,481)	(30,737)	(42,342)
Deferred interest on loans received	27,526	20,661	10,397
Earnings from equity method investments	(83,458)	(5,903)	(23,559)
Distributions from operations of other investments	29,896	9,935	22,781
Deferred operating lease income	(257)	(450)	(681)
Gain on equity investment	(17,642)	(23,916)	—
Income from sales of real estate	(26,319)	(263)	(11,969)
Land development revenue in excess of cost of sales	(17,142)	13,025	(9,932)
Other operating activities, net	20,404	(17,634)	(5,088)
Changes in assets and liabilities:			
Changes in accrued interest and operating lease income receivable	5,222	(2,487)	2,079
Changes in deferred expenses and other assets, net	1,647	5,005	(238)
Changes in accounts payable, accrued expenses and other liabilities	(1,974)	(1,338)	(4,656)
Cash flows provided by (used in) operating activities	8,534	(26,073)	(41,485)
Cash flows from investing activities:			
Originations and fundings of loans receivable, net	(75,250)	(119,368)	(211,980)
Capital expenditures on real estate assets	(677)	(2,231)	(6,412)
Capital expenditures on land and development assets	(23,929)	(40,954)	(117,464)
Acquisitions of real estate assets	—	—	(7,250)
Repayments of and principal collections on loans receivable and other lending investments, net	270,393	208,240	419,800
Net proceeds from sales of loans receivable	122,609	11,000	5,898
Net proceeds from sales of real estate	127,348	5,953	86,058
Net proceeds from sales of land and development assets	182,723	161,063	114,885
Net proceeds from sales of other investments	111,429	—	—
Distributions from other investments	33,304	13,903	51,210
Contributions to and acquisition of interest in other investments	(71,183)	(76,671)	(270,419)
Other investing activities, net	(3,648)	3,596	(30,090)
Cash flows provided by investing activities	673,119	164,531	34,236

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

iStar Included Assets

Notes to Combined and Consolidated Financial Statements

Note 1 — Business and Organization

Star Holdings (“Star Holdings”) is a Maryland statutory trust that was formed as a wholly-owned subsidiary of iStar Inc. (“iStar”). Star Holdings was formed on October 7, 2022 to receive, via a contribution from iStar, all of the assets and liabilities and any associated non-controlling interests of iStar’s non-ground lease related businesses and an allocation of shares of Safehold Inc. (“Safe”) common stock (the “iStar Included Assets”). Star Holdings has not yet been capitalized. All references to “the Company” refer to iStar Included Assets. iStar intends to execute a pro rata distribution of 100% of the common shares of the Company to iStar stockholders of record (the “spin-off”) as of the close of business on the record date of the spin-off. Each iStar common stockholder will receive one common share of Star Holdings for each share of iStar common stock they hold on the record date for the spinoff. After the completion of the spin-off, Star Holdings expects to be an independent, publicly traded company and will be externally managed by iStar pursuant to a management agreement Star Holdings intends to execute upon the spin-off. Shortly after the spin-off, Star Holdings expects that iStar will complete its previously announced merger with Safe, a publicly traded company, rebrand itself as Safe (“new Safe”) and Star Holdings will then be managed by new Safe. Star Holdings expects to focus on realizing value for shareholders primarily by generating cash flows through active asset management and sales of its existing loans, operating properties and land and development properties.

The combined and consolidated financial statements of the Company include loans and other lending investments, operating properties and land and development assets that represent the assets, liabilities and operations from the assets included in the spin-off and attributable to the Company. The Company’s primary reportable business segments are net lease, real estate finance, operating properties and land and development (refer to Note 14).

Note 2 — Basis of Presentation and Principles of Combination and Consolidation

Basis of Presentation — The accompanying combined and consolidated financial statements of the Company represent a combination of entities under common control that have been “carved out” from iStar’s consolidated financial statements. Historically, financial statements of the Company have not been prepared as it has not operated separately from iStar. These combined and consolidated financial statements reflect the revenues and expenses of the Company and include certain assets and liabilities of iStar that are specifically identifiable and generated through, or associated with, certain assets of iStar that are attributable to the Company, which have been reflected at iStar’s historical basis given the contribution of the assets to the Company is a transaction under common control. All intercompany balances and transactions have been eliminated. The combined and consolidated financial statements may not be indicative of the Company’s future performance and do not necessarily reflect what the financial position, results of operations and cash flows would have been had the Company operated as a standalone company during the periods presented.

The preparation of these combined and consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the combined and consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. These combined and consolidated financial statements include an allocation of general and administrative expenses and interest expense to the Company from iStar. General and administrative expenses include certain iStar corporate functions, including executive oversight, treasury, finance, human resources, tax compliance and planning, internal audit, financial reporting, information technology and investor relations. General and administrative expenses, including stock-based compensation, represent a pro rata allocation of costs from iStar’s real estate finance, operating properties, land and development and corporate business segments based on the Company’s average net assets for those segments as a percentage of iStar’s average net assets for those segments. Interest expense, net of capitalized interest, was allocated to the Company by calculating the Company’s average net assets by segment as a percentage of the average net assets in iStar’s segments and multiplying that percentage by the interest expense allocated to iStar’s segments. The Company believes the

iStar Included Assets

Notes to Combined and Consolidated Financial Statements

allocation methodology for general and administrative expenses and interest expense is reasonable. Accordingly, the general and administrative expense and interest expense allocations presented in our combined and consolidated statements of operations for historical periods does not necessarily reflect what our general and administrative expenses and interest expense will be as a standalone public company for future reporting periods. For the years ended December 31, 2021, 2020 and 2019, the Company was allocated \$46.3 million, \$40.1 million and \$40.9 million, respectively, of general and administrative expense and \$51.4 million, \$62.2 million and \$67.6 million, respectively, of interest expense. For the years ended December 31, 2021, 2020 and 2019, the general and administrative expense allocation includes \$23.4 million, \$15.3 million and \$12.5 million, respectively, of stock-based compensation (refer to Note 3).

Certain of the entities included in the Company's financial statements did not have bank accounts for the periods presented, and certain cash transactions for the Company were transacted through bank accounts owned by iStar. The combined and consolidated statements of cash flows for the periods presented were prepared as if operating, investing and financing transactions for the Company had been transacted through its own bank accounts.

Principles of Combination and Consolidation — The combined and consolidated financial statements include on a carve-out basis the historical balance sheets and statements of operations and cash flows attributed to the Company, which represents certain assets, liabilities and operations of the historical iStar real estate finance, operating properties and land and development business segments and also includes the Company's investment in shares of Safe common stock as part of the net lease business segment. The Company was allocated shares of Safe common stock using a price per share of \$26.46, which represented the closing price of Safe common stock on September 30, 2022 (refer to Note 7).

Consolidated VIEs — The Company consolidates VIEs for which it is considered the primary beneficiary. The liabilities of these VIEs are non-recourse to the Company and can only be satisfied from each VIE's respective assets. The Company did not have any unfunded commitments related to consolidated VIEs as of December 31, 2021. The following table presents the assets and liabilities of the Company's consolidated VIEs as of December 31, 2021 and 2020 (\$ in thousands):

	As of	
	December 31, 2021	December 31, 2020
ASSETS		
Real estate		
Real estate, at cost	\$ 93,477	\$ 93,225
Less: accumulated depreciation	(14,987)	(11,568)
Real estate, net	78,490	81,657
Land and development, net	176,833	240,137
Cash and cash equivalents	10,588	7,077
Accrued interest and operating lease income receivable, net	—	211
Deferred operating lease income receivable, net	3	—
Deferred expenses and other assets, net	5,001	3,893
Total assets	<u>\$270,915</u>	<u>\$332,975</u>
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	\$ 24,744	\$ 59,917
Total liabilities	24,744	59,917

Unconsolidated VIEs — The Company has investments in VIEs where it is not the primary beneficiary, and accordingly, the VIEs have not been consolidated in the Company's combined and consolidated financial statements. As of December 31, 2021, the Company's maximum exposure to loss from these investments

iStar Included Assets**Notes to Combined and Consolidated Financial Statements**

does not exceed the sum of the \$52.6 million carrying value of the investments, which are classified in “Other investments” on the Company’s combined and consolidated balance sheets, and \$6.6 million of related unfunded commitments.

Note 3 — Summary of Significant Accounting Policies**Significant Accounting Policies**

Real estate and land and development — Real estate and land and development assets are recorded at cost less accumulated depreciation and amortization, as follows:

Capitalization and depreciation — Certain improvements and replacements are capitalized when they extend the useful life of the asset. For real estate projects, the Company begins to capitalize qualifying development and construction costs, including interest, real estate taxes, compensation and certain other carrying costs incurred which are specifically identifiable to a development project once activities necessary to get the asset ready for its intended use have commenced. If specific allocation of costs is not practicable, the Company will allocate costs based on relative fair value prior to construction or relative sales value, relative size or other methods as appropriate during construction. The Company’s policy for interest capitalization on qualifying real estate assets is to use the average amount of accumulated expenditures during the period the asset is being prepared for its intended use, which is typically when physical construction commences, and a capitalization rate which is derived from specific borrowings on the qualifying asset or the Company’s corporate borrowing rate in the absence of specific borrowings. The Company ceases capitalization on the portions substantially completed and ready for their intended use. Repairs and maintenance costs are expensed as incurred. Depreciation is computed using the straight-line method of cost recovery over the estimated useful life, which is generally 40 years for facilities, five years for furniture and equipment, the shorter of the remaining lease term or expected life for tenant improvements and the remaining useful life of the facility for facility improvements.

Purchase price allocation — The Company’s acquisition of properties are generally accounted for as an acquisition of assets. For asset acquisitions, the Company recognizes and measures identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree based on their relative fair values and acquisition-related costs are capitalized and recorded in “Real estate, net” on the Company’s combined and consolidated balance sheets.

The Company accounts for its acquisition of properties by recording the purchase price of tangible and intangible assets and liabilities acquired based on their estimated fair values. The value of the tangible assets, consisting of land, buildings, building improvements and tenant improvements is determined as if these assets are vacant. Intangible assets may include the value of above-market leases and in-place leases which are each recorded at their estimated fair values and included in “Deferred expenses and other assets, net” on the Company’s combined and consolidated balance sheets. Intangible liabilities may include the value of below-market leases, which are recorded at their estimated fair values and included in “Accounts payable, accrued expenses and other liabilities” on the Company’s combined and consolidated balance sheets. In-place leases are amortized over the remaining non-cancelable term and the amortization expense is included in “Depreciation and amortization” in the Company’s combined and consolidated statements of operations. Above-market (or below-market) lease value is amortized as a reduction of (or, increase to) operating lease income over the remaining non-cancelable term of each lease plus any renewal periods with fixed rental terms that are considered to be below-market. The Company may also engage in sale/leaseback transactions and execute leases with the occupant simultaneously with the purchase of the asset. These transactions are accounted for as asset acquisitions.

Impairments — The Company reviews real estate assets to be held for use and land and development assets, for impairment in value whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The value of a long-lived asset held for use and land and development assets are impaired only if management’s estimate of the aggregate future cash flows

iStar Included Assets**Notes to Combined and Consolidated Financial Statements**

(undiscounted and without interest charges) to be generated by the asset (taking into account the anticipated holding period of the asset) is less than the carrying value. Such estimate of cash flows considers factors such as expected future operating income trends, as well as the effects of demand, competition and other economic factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the estimated fair value of the asset and reflected as an adjustment to the basis of the asset. Impairments of real estate assets and land and development assets are recorded in “Impairment of assets” in the Company’s combined and consolidated statements of operations.

Real estate available and held for sale — The Company reports real estate assets to be sold at the lower of their carrying amount or estimated fair value less costs to sell and classifies them as “Real estate available and held for sale” on the Company’s combined and consolidated balance sheets. If the estimated fair value less costs to sell is less than the carrying value, the difference will be recorded as an impairment charge. Impairment for real estate assets disposed of or classified as held for sale are included in “Impairment of assets” in the Company’s combined and consolidated statements of operations. Once a real estate asset is classified as held for sale, depreciation expense is no longer recorded.

The Company classifies its real estate assets as held for sale in the period in which all of the following conditions are met: (i) the Company commits to a plan and has the authority to sell the asset; (ii) the asset is available for sale in its current condition; (iii) the Company has initiated an active marketing plan to locate a buyer for the asset; (iv) the sale of the asset is both probable and expected to qualify for full sales recognition within a period of 12 months; (v) the asset is being actively marketed for sale at a price that is reflective of its current fair value; and (vi) the Company does not anticipate changes to its plan to sell the asset. Assets held for sale may qualify as a discontinued operation if certain conditions exist.

If circumstances arise that were previously considered unlikely and, as a result the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used and included in “Real estate, net” on the Company’s combined and consolidated balance sheets. The Company measures and records a property that is reclassified as held and used at the lower of: (i) its carrying amount before the property was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the property been continuously classified as held and used; or (ii) the estimated fair value at the date of the subsequent decision not to sell.

Dispositions — Gains or losses on the sale of real estate assets, including residential property, are recognized in accordance with Accounting Standards Codification (“ASC”) 610-20, Gains and Losses from the Derecognition of Nonfinancial Assets. The Company primarily uses specific identification and the relative sales value method to allocate costs. Gains on sales of real estate are included in “Income from sales of real estate” in the Company’s combined and consolidated statements of operations.

Loans receivable and other lending investments, net — Loans receivable and other lending investments, net includes the following investments: senior mortgages, corporate/partnership loans, subordinate mortgages, preferred equity investments and debt securities. Management considers nearly all of its loans to be held-for-investment, although certain investments may be classified as held-for-sale or available-for-sale.

Loans receivable classified as held-for-investment and debt securities classified as held-to-maturity are reported at their outstanding unpaid principal balance net of any unamortized acquisition premiums or discounts and unamortized deferred loan costs or fees. These loans and debt securities could also include accrued and paid-in-kind interest and accrued exit fees that the Company determines are probable of being collected. Debt securities classified as available-for-sale are reported at fair value with unrealized gains and losses recorded in “Accumulated other comprehensive income (loss)” on the Company’s combined and consolidated balance sheets.

Loans receivable and other lending investments designated for sale are classified as held-for-sale and are carried at lower of amortized cost or estimated fair value. The amount by which carrying value exceeds fair value is recorded as a valuation allowance. Subsequent changes in the valuation allowance are included in the determination of net income (loss) in the period in which the change occurs.

iStar Included Assets

Notes to Combined and Consolidated Financial Statements

The Company may acquire properties through foreclosure or by deed-in-lieu of foreclosure in full or partial satisfaction of non-performing loans. Based on the Company's strategic plan to realize the maximum value from the collateral received, property is classified as "Land and development, net," "Real estate, net" or "Real estate available and held for sale" at its estimated fair value when title to the property is obtained. Any excess of the carrying value of the loan over the estimated fair value of the property (less costs to sell for assets held for sale) is charged-off against the allowance for loan losses as of the date of foreclosure.

Equity investments — Equity interests are accounted for pursuant to the equity method of accounting if the Company can significantly influence the operating and financial policies of an investee. The Company's periodic share of earnings and losses in equity method investees is included in "Earnings from equity method investments" in the combined and consolidated statements of operations. Equity method investments are included in "Other investments" on the Company's combined and consolidated balance sheets. The Company also has equity interests that are not accounted for pursuant to the equity method of accounting. These equity interests are carried at cost, plus or minus any changes in value identified through observable comparable price changes in transactions in identical or similar investments of the same entity. The changes in fair value for these investments are included in "Gain on equity investment" in the combined and consolidated statements of operations.

The Company periodically reviews equity method investments for impairment in value whenever events or changes in circumstances indicate that the carrying amount of such investments may not be recoverable. The Company will record an impairment charge to the extent that the estimated fair value of an investment is less than its carrying value and the Company determines the impairment is other-than-temporary. Impairment charges are recorded in "Earnings from equity method investments" in the Company's combined and consolidated statements of operations.

Cash and cash equivalents — Cash and cash equivalents include cash held in bank accounts. Certain of the entities included in the Company's financial statements did not have bank accounts for the periods presented, and certain cash transactions for the Company were transacted through bank accounts owned by iStar. Cash and cash equivalents presented on the Companies combined and consolidated balance sheets represents cash held in bank accounts directly attributable to the iStar Included Assets.

Restricted cash — Restricted cash represents amounts required to be maintained under certain of the Company's loans, real estate and land and development properties. Restricted cash is included in "Deferred expenses and other assets, net" on the Company's combined and consolidated balance sheets.

Variable interest entities — The Company evaluates its investments and other contractual arrangements to determine if they constitute variable interests in a VIE. A VIE is an entity where a controlling financial interest is achieved through means other than voting rights. A VIE is consolidated by the primary beneficiary, which is the party that has the power to direct matters that most significantly impact the activities of the VIE and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This overall consolidation assessment includes a review of, among other factors, which interests create or absorb variability, contractual terms, the key decision making powers, their impact on the VIE's economic performance, and related party relationships. Where qualitative assessment is not conclusive, the Company performs a quantitative analysis. The Company reassesses its evaluation of the primary beneficiary of a VIE on an ongoing basis and assesses its evaluation of an entity as a VIE upon certain reconsideration events.

Deferred expenses and other assets — Deferred expenses and other assets include right-of-use operating lease assets, certain non-tenant receivables and leasing costs. Leasing costs that include brokerage, legal and other costs are amortized over the life of the respective leases and presented as an operating activity in the Company's combined and consolidated statements of cash flows.

The Company, as lessee, records right-of-use operating lease assets in "Deferred expenses and other assets" and operating lease liabilities in "Accounts payable, accrued expenses and other liabilities," both initially measured at the present value of the fixed and determinable lease payments. Some of the Company's

iStar Included Assets**Notes to Combined and Consolidated Financial Statements**

lease agreements include extension options, which are not included in the lease payments unless the extensions are reasonably certain to be exercised. For operating leases, the Company recognizes a single lease cost for ground leases in “Real estate expense” in the combined and consolidated statements of operations, calculated so that the cost of the lease is allocated generally on a straight-line basis over the term of the lease, and classifies all cash payments within operating activities in the combined and consolidated statements of cash flows.

Identified intangible assets and liabilities — Upon the acquisition of a business or an asset, the Company records intangible assets or liabilities acquired at their estimated fair values and determines whether such intangible assets or liabilities have finite or indefinite lives. As of December 31, 2021, all such intangible assets and liabilities acquired by the Company have finite lives. Intangible assets are included in “Deferred expenses and other assets, net” and intangible liabilities are included in “Accounts payable, accrued expenses and other liabilities” on the Company’s combined and consolidated balance sheets. The Company amortizes finite lived intangible assets and liabilities based on the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the business acquired. The Company reviews finite lived intangible assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the Company determines the carrying value of an intangible asset is not recoverable it will record an impairment charge to the extent its carrying value exceeds its estimated fair value. Impairments of intangible assets are recorded in “Impairment of assets” in the Company’s combined and consolidated statements of operations.

Revenue recognition — The Company’s revenue recognition policies are as follows:

Operating lease income: For the Company’s leases classified as operating leases, operating lease income is recognized on the straight-line method of accounting generally from the later of the date the lessee takes possession of the space or the space is ready for its intended use. If the Company acquires a facility subject to an existing operating lease, the Company will recognize operating lease income on the straight-line method beginning on the date of acquisition. Accordingly, contractual lease payment increases are recognized evenly over the term of the lease. The periodic difference between lease revenue recognized under this method and contractual lease payment terms is recorded as “Deferred operating lease income receivable, net” on the Company’s combined and consolidated balance sheets.

The Company also recognizes revenue from certain tenant leases for reimbursements of all or a portion of operating expenses, including common area costs, insurance, utilities and real estate taxes of the respective property. This revenue is accrued in the same periods as the expense is incurred and is recorded as “Operating lease income” in the Company’s combined and consolidated statements of operations. Revenue is also recorded from certain tenant leases that is contingent upon tenant sales exceeding defined thresholds. These rents are recognized only after the defined threshold has been met for the period.

The Company moves to cash basis operating lease income recognition in the period in which collectability of all lease payments is no longer considered probable. At such time, any operating lease receivable or deferred operating lease income receivable balance will be written off. If and when lease payments that were previously not considered probable of collection become probable, the Company will move back to the straight-line method of income recognition and record an adjustment to operating lease income in that period as if the lease was always on the straight-line method of income recognition.

Interest Income: Interest income on loans receivable is recognized on an accrual basis using the interest method.

On occasion, the Company may acquire loans at premiums or discounts. These discounts and premiums in addition to any deferred costs or fees, are typically amortized over the contractual term of the loan using the interest method. Exit fees are also recognized over the lives of the related loans as a yield adjustment, if management believes it is probable that such amounts will be received. If loans with premiums, discounts, loan origination or exit fees are prepaid, the Company immediately recognizes the unamortized portion,

iStar Included Assets**Notes to Combined and Consolidated Financial Statements**

which is included in “Other income” or “Other expense” in the Company’s combined and consolidated statements of operations.

The Company considers a loan to be non-performing and places it on non-accrual status at such time as: (1) interest payments become 90 days delinquent; (2) it has a maturity default; or (3) management determines it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan. While on non-accrual status, based on the Company’s judgment as to collectability of principal, loans are either accounted for on a cash basis, where interest income is recognized only upon actual receipt of cash, or on a cost-recovery basis, where all cash receipts reduce a loan’s carrying value. Non-accrual loans are returned to accrual status when a loan has become contractually current and management believes all amounts contractually owed will be received.

Certain of the Company’s loans contractually provide for accrual of interest at specified rates that differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management’s determination that accrued interest and outstanding principal are ultimately collectible, based on the underlying collateral and operations of the borrower.

Certain of the Company’s loan investments provide for additional interest based on the borrower’s operating cash flow or appreciation of the underlying collateral. Such amounts are considered contingent interest and are reflected as interest income only upon receipt of cash.

Other income: Other income includes ancillary income from our operating properties, land and development projects and loan portfolio and revenues from hotel operations, which are recognized when rooms are occupied and the related services are provided. Hotel revenues include room sales, food and beverage sales, parking, telephone, spa services and gift shop sales. Other ancillary income could include gains from sales of loans, loan prepayment fees, yield maintenance payments, lease termination fees and other ancillary income.

Land development revenue and cost of sales: Land development revenue includes lot and parcel sales from wholly-owned or majority-owned properties and is recognized for full profit recognition upon closing of the sale transactions, when the profit is determinable, the earnings process is virtually complete, the parties are bound by the terms of the contract, all consideration has been exchanged, any permanent financing for which the seller is responsible has been arranged and all conditions for closing have been performed. The Company primarily uses specific identification and the relative sales value method to allocate costs.

Allowance for loan losses — The Company performs quarterly a comprehensive analysis of its loan portfolio and assigns risk ratings that incorporate management’s current judgments about credit quality based on all known and relevant internal and external factors that may affect collectability. The Company considers, among other things, payment status, lien position, borrower or tenant financial resources and investment collateral, collateral type, project economics and geographical location as well as national and regional economic factors. This methodology results in loans being risk rated, with ratings ranging from “1” to “5” with “1” representing the lowest risk of loss and “5” representing the highest risk of loss.

Upon adoption of ASU 2016-13 on January 1, 2020, the Company implemented procedures to estimate its expected loss (“Expected Loss”) on its loans (including unfunded loan commitments) and held-to-maturity debt securities based on relevant information including historical realized loss rates, current market conditions and reasonable and supportable forecasts that affect the collectability of its investments. The estimate of the Company’s Expected Loss requires significant judgment and the Company analyzes its loan portfolio based upon its different categories of financial assets, which includes: (i) loans and held-to-maturity debt securities; and (ii) construction loans.

For the Company’s loans, held-to-maturity debt securities and construction loans, the Company analyzed its historical realized loss experience to estimate its Expected Loss. The Company adjusts its Expected Loss through the use of third-party market data that provided current and future economic conditions that may impact the performance of the commercial real estate assets securing its investments.

iStar Included Assets**Notes to Combined and Consolidated Financial Statements**

The Company considers a loan to be non-performing and places it on non-accrual status at such time as: (1) interest payments become 90 days delinquent; (2) it has a maturity default; or (3) management determines it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan. Non-accrual loans are returned to accrual status when they have become contractually current and management believes all amounts contractually owed will be received. The Company will record a specific allowance on a non-performing loan if the Company determines that the collateral fair value less costs to sell is less than the carrying value of the collateral-dependent asset. The specific allowance is increased (decreased) through “Provision for (recovery of) loan losses” in the Company’s combined and consolidated statements of operations and is decreased by charge-offs. During delinquency and the foreclosure process, there are typically numerous points of negotiation with the borrower or tenant as the Company works toward a settlement or other alternative resolution, which can impact the potential for repayment or receipt of collateral. The Company’s policy is to charge off a loan when it determines, based on a variety of factors, that all commercially reasonable means of recovering the loan balance have been exhausted. This may occur at different times, including when the Company receives cash or other assets in a pre-foreclosure sale or takes control of the underlying collateral in full satisfaction of the loan upon foreclosure or deed-in-lieu, or when the Company has otherwise ceased significant collection efforts. The Company considers circumstances such as the foregoing to be indicators that the final steps in the loan collection process have occurred and that a loan is uncollectible. At this point, a loss is confirmed and the loan and related allowance will be charged off.

The Company made the accounting policy election to record accrued interest on its loan portfolio separate from its loans receivable and other lending investments and to exclude accrued interest from its amortized cost basis disclosures (refer to Note 6). As of December 31, 2021 and 2020, accrued interest was \$1.6 million and \$5.0 million, respectively, and is recorded in “Accrued interest and operating lease income receivable, net” on the Company’s combined and consolidated balance sheets. The Company places loans on non-accrual status once interest on the loan becomes 90 days delinquent and reverses any accrued interest as a reduction to interest income or recognizes a credit loss expense at such time. As such, the Company elected the practical expedient to not record an allowance against accrued interest receivable. During the years ended December 31, 2021, 2020 and 2019, the Company did not reverse any accrued interest on its loan portfolio.

As of December 31, 2021, the Company’s one impaired loan is collateral dependent and impairment is measured using the estimated fair value of the collateral, less costs to sell. The Company generally uses the income approach through internally developed valuation models to estimate the fair value of the collateral for such loans. In some cases, the Company obtains external “as is” appraisals for loan collateral, generally when third party participations exist. Valuations are performed or obtained at the time a loan is determined to be impaired or designated non-performing, and they are updated if circumstances indicate that a significant change in value has occurred. In limited cases, appraised values may be discounted when real estate markets rapidly deteriorate.

A loan is also considered impaired if its terms are modified in a troubled debt restructuring (“TDR”). A TDR occurs when the Company has granted a concession and the debtor is experiencing financial difficulties. Impairments on TDR loans are generally measured based on the present value of expected future cash flows discounted at the effective interest rate of the original loan.

Management evaluates available-for-sale debt securities held in “Loans receivable and other lending investments, net” for impairment if the security’s fair value is less than its amortized cost. If the Company has an impaired security, it will then determine if: (1) the Company has the intent to sell the security; (2) it is more likely than not that it will be required to sell the security before recovery; or (3) it does not expect to recover the entire amortized cost basis of the security. If the Company does not intend to sell the security, it is more likely than not that the entity will not be required to sell the security or it does not expect to recover its amortized cost, the Company will record an allowance for credit losses. The credit loss component of the allowance will be recorded (or reversed, if necessary) as an “Impairment of assets” in the Company’s

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combined and consolidated statements of operations, and the remainder of the allowance will be recorded in “Accumulated other comprehensive income (loss)” on the Company’s combined and consolidated balance sheets.

Stock-based compensation — The Company does not have any stock-based compensation plans; however, the Company has been allocated stock-based compensation expense from iStar, related to awards made to employees of iStar, for the years ended December 31, 2021, 2020 and 2019 (refer to Note 2).

iStar’s compensation cost for stock-based awards is measured on the grant date and adjusted over the period of the employees’ services to reflect: (i) actual forfeitures; and (ii) the outcome of awards with performance or service conditions through the requisite service period. iStar’s compensation cost for market-based awards is determined using a Monte Carlo model to simulate a range of possible future stock prices for iStar’s common stock, which is reflected in the grant date fair value. All compensation cost for market-based awards in which the service conditions are met is recognized regardless of whether the market-condition is satisfied. Compensation costs are recognized ratably over the applicable vesting/service period.

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

As of December 31, 2021, an aggregate of 3.0 million shares remain available for issuance pursuant to future awards under iStar’s 2009 LTIP.

Restricted Stock Units — Changes in iStar’s non-vested restricted stock units (“Units”) during the year ended December 31, 2021 were as follows (number of shares and \$ in thousands, except per share amounts):

	Number of Shares	Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Nonvested at beginning of period	531	\$ 10.85	\$ 7,885
Granted	372	\$ 18.59	
Vested	(115)	\$ 9.37	
Forfeited	(34)	\$ 15.67	
Nonvested at end of period	<u>754</u>	\$ 14.67	\$ 19,480

The total fair value of Units vested during the years ended December 31, 2021, 2020 and 2019 was \$1.7 million, \$3.6 million and \$1.8 million, respectively. The weighted average grant date fair value per share of Units granted during the years ended December 31, 2021, 2020 and 2019 was \$18.59, \$14.68 and \$8.84, respectively.

As of December 31, 2021, iStar had \$5.7 million of total unrecognized compensation cost related to all unvested restricted stock units that is expected to be recognized over a weighted average remaining vesting/service period of 1.10 years.

Performance Incentive Plans — iStar also has performance incentive plans (“iPIP”) that are designed to provide, primarily to senior executives and select professionals engaged in the iStar’s investment activities, long-term compensation which has a direct relationship to the realized returns on investments included in the plans. Awards vest over six years, with 40% being vested at the end of the second year and 15% each year thereafter.

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iStar has equity-classified iPIP awards and liability-classified iPIP awards. Equity-classified iPIP awards are measured at the grant date fair value and recognized as compensation cost in “General and administrative” in iStar’s consolidated statements of operations and “Noncontrolling interests” in iStar’s consolidated statements of changes in equity over the requisite service period. Liability-classified awards are remeasured each reporting period at fair value until the awards are settled. Certain employees will be granted awards that entitle employees to receive the residual cash flows from the investments in the plans after iStar has received a specified return on its invested capital and a return of its invested capital. Awards are also subject to reductions under a total shareholder return adjustment. The fair value of awards is determined using a model that forecasts iStar’s projected investment performance.

Income taxes — The Company will be subject to U.S. federal and state income taxation at corporate rates on its net taxable income. The Company intends to utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the carrying amounts in accordance with GAAP and the tax bases of assets and liabilities using enacted tax rates in effect for years in which the temporary differences are expected to reverse. Deferred income taxes could also reflect the impact of net operating loss and tax credit carryforwards.

The Company will evaluate whether its deferred tax assets are realizable and recognize a valuation allowance if, based on the available evidence, both positive and negative, it is more likely than not that some portion or all of its deferred tax assets will not be realized. When evaluating whether its deferred tax assets are realizable, the Company will consider, among other matters, estimates of expected future taxable income, nature of current and cumulative losses, existing and projected book/tax differences, tax planning strategies available, and the general and industry specific economic outlook. This analysis is inherently subjective, as it will require the Company to forecast its business and general economic environment in future periods. Changes in estimates of our valuation allowance, if any, are included in “Income tax (expense) benefit” in the combined and consolidated statements of operations. The Company recognizes interest expense and penalties related to uncertain tax positions, if any, as “Income tax (expense) benefit” in the Company’s combined and consolidated statements of operations.

The Company’s reconciliation of the income tax expense (benefit) if computed at the U.S. federal statutory income tax rate to the Company’s reported income tax expense (benefit) for the years ended December 31, 2021, 2020 and 2019 is as follows (\$ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Net income (loss) from operations before income taxes	\$85,202	\$(45,461)	\$(19,233)
Statutory federal tax rate	21%	21%	21%
Income tax expense (benefit) at statutory rates	17,892	(9,547)	(4,039)
State income taxes, net of federal benefit	4,337	(2,194)	(928)
State net operating loss limitations	449	(801)	—
Equity adjustments	(144)	—	—
Unrealized hedge losses	—	(728)	—
Mart-to-market adjustments	—	(6,192)	—
Basis adjustments	—	2,737	—
State franchise and minimum taxes	(3)	53	(82)
Valuation allowance	—	(811)	—
Income tax (benefit) expense	<u>\$22,531</u>	<u>\$(17,483)</u>	<u>\$ (5,049)</u>

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The Company had the following deferred tax assets (liabilities) as of December 31, 2021 and 2020 (\$ in thousands):

	As of December 31,	
	2021	2020
Basis differences	\$ 33,456	\$ 54,115
Deferred expense	12,436	13,094
Depreciation	(2,083)	(1,828)
Net operating loss carryovers ⁽¹⁾	36,107	37,029
Valuation allowance	(79,916)	(79,916)
Deferred tax asset, net	\$ —	\$ 22,494

- (1) The net operating loss (“NOL”) carryforwards can generally be used to offset both ordinary taxable income and capital gain net income in future years and do not expire and are carried forward indefinitely. The deduction for NOL’s is limited to 80% of taxable income when utilized.

Other — The Company is an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”) and is eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other publicly-traded companies that are not “emerging growth companies.”

In addition, the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in the Securities Act of 1933, as amended, for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, the Company has chosen to “opt out” of this extended transition period, and as a result, it will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for all public companies that are not emerging growth companies. The Company’s decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

The Company will remain an “emerging growth company” until the earliest to occur of: (i) the last day of the fiscal year during which our total annual revenue equals or exceeds \$1.235 billion (subject to adjustment for inflation); (ii) the last day of the fiscal year following the fifth anniversary of the Company’s registration statement becoming effective; (iii) the date on which the Company has, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt; or (iv) the date on which the Company is deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended.

Note 4 — Real Estate

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

	As of	
	December 31, 2021	December 31, 2020
Land, at cost	\$ 6,831	\$103,530
Buildings and improvements, at cost	106,679	106,422
Less: accumulated depreciation	(21,360)	(17,574)
Real estate, net	92,150	192,378
Real estate available and held for sale ⁽¹⁾	301	5,212
Total real estate	\$ 92,451	\$197,590

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- (1) As of December 31, 2021 and 2020, the Company had \$0.3 million and \$5.2 million, respectively, of condominiums available for sale.

Real Estate Available and Held for Sale — During the year ended December 31, 2021, the Company transferred a property with a carrying value of \$96.8 million to held for sale due to an executed contract with a third party and the property was sold.

Dispositions — The following table presents the proceeds and income recognized for properties sold (\$ in millions):

	Years Ended December 31,		
	2021	2020	2019
Operating Properties ⁽¹⁾			
Proceeds	\$127.3	\$5.9	\$86.1
Income from sales of real estate	26.3	0.2	11.9

- (1) During the year ended December 31, 2021, the Company sold a commercial operating property with a carrying value of \$96.8 million and recognized gains of \$25.6 million and sold residential operating properties and recognized gains of \$0.7 million in “Income from sales of real estate” in the Company’s combined and consolidated statements of operations. During the year ended December 31, 2019, the Company sold residential operating properties with an aggregate carrying value of \$73.1 million and recognized \$11.9 million of gains in “Income from sales of real estate” in the Company’s combined and consolidated statements of operations.

Impairments — During the years ended December 31, 2021, 2020 and 2019, the Company recorded aggregate impairments on real estate assets totaling \$0.6 million, \$3.1 million and \$3.9 million, respectively. During the year ended December 31, 2021, the Company recorded an impairment of \$0.6 million on the sale of residential condominiums. During the year ended December 31, 2020, the Company recorded an impairment of \$3.1 million on a real estate asset held for sale. During the year ended December 31, 2019, the Company recorded an aggregate impairment of \$3.9 million in connection with the sale of operating properties and residential condominium units.

Tenant Reimbursements — The Company receives reimbursements from tenants for certain facility operating expenses including common area costs, insurance, utilities and real estate taxes. Tenant reimbursements were \$2.9 million, \$3.6 million and \$5.1 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Allowance for Doubtful Accounts — As of December 31, 2021 and 2020, the allowance for doubtful accounts related to real estate tenant receivables was \$0.1 million and \$1.2 million, respectively. These amounts are included in “Accrued interest and operating lease income receivable, net” on the Company’s combined and consolidated balance sheets.

Future Minimum Operating Lease Payments — Future minimum operating lease payments to be collected under non-cancelable operating leases in effect as of December 31, 2021, are as follows by year (\$ in thousands):

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Year	Amount
2022	\$6,275
2023	6,017
2024	5,965
2025	5,372
2026	4,892
Thereafter	3,007

Note 5 — Land and Development

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

	As of	
	December 31, 2021	December 31, 2020
Land and land development, at cost	\$ 297,621	\$ 441,201
Less: accumulated depreciation	(10,811)	(10,538)
Total land and development, net	<u>\$ 286,810</u>	<u>\$ 430,663</u>

Acquisitions — During the year ended December 31, 2019, the Company acquired a land and development asset from an entity in which the Company owned a noncontrolling 50% equity interest and accounted for as an equity method investment for \$34.3 million, which consisted of a \$7.3 million cash payment and the assumption of a \$27.0 million loan. This land and development asset was sold in the fourth quarter 2020.

Dispositions — During the years ended December 31, 2021, 2020 and 2019, the Company sold land parcels and residential lots and units and recognized land development revenue of \$189.1 million, \$164.7 million and \$119.6 million, respectively. During the years ended December 31, 2021, 2020 and 2019, the Company recognized land development cost of sales of \$172.0 million, \$177.7 million and \$109.7 million, respectively, from its land and development portfolio.

Impairments — During the year ended December 31, 2020, the Company recorded an aggregate impairment of \$2.7 million on two land and development assets. During the year ended December 31, 2019, the Company recorded an aggregate impairment of \$5.3 million on two land and development assets based on expected sales proceeds and an impairment of \$1.1 million on a land and development asset due to a change in business strategy.

Note 6 — Loans Receivable and Other Lending Investments, net

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

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	As of	
	December 31, 2021	December 31, 2020
Construction loans		
Senior mortgages	\$184,643	\$449,733
Corporate/Partnership loans	618	65,100
Subtotal – gross carrying value of construction loans ⁽¹⁾	185,261	514,833
Loans		
Senior mortgages	14,965	35,922
Corporate/Partnership loans	—	20,567
Subordinate mortgages	12,457	11,640
Subtotal – gross carrying value of loans	27,422	68,129
Other lending investments		
Held-to-maturity debt securities	96,838	90,715
Available-for-sale debt securities	28,092	25,274
Subtotal – other lending investments	124,930	115,989
Total gross carrying value of loans receivable and other lending investments	337,613	698,951
Allowance for loan losses	(4,769)	(12,020)
Total loans receivable and other lending investments, net	\$332,844	\$686,931

(1) As of December 31, 2021, 100% of gross carrying value of construction loans had completed construction.

Allowance for Loan Losses — Changes in the Company's allowance for loan losses were as follows for the years ended December 31, 2021 and 2020 (\$ in thousands):

	General Allowance				
	Construction Loans	Loans	Held to Maturity Debt Securities	Specific Allowance	Total
Year Ended December 31, 2021					
Allowance for loan losses at beginning of period	\$ 6,541	\$1,643	\$3,093	\$ 743	\$ 12,020
Recovery of loan losses ⁽¹⁾	(5,328)	(967)	(789)	(167)	(7,251)
Allowance for loan losses at end of period	\$ 1,213	\$ 676	\$2,304	\$ 576	\$ 4,769
Year Ended December 31, 2020					
Allowance for loan losses at beginning of period	\$ 6,668	\$ 265	\$ —	\$ 21,701	\$ 28,634
Adoption of new accounting standard ⁽²⁾	(353)	98	20	—	(235)
(Recovery of) provision for loan losses ⁽¹⁾	226	1,280	3,073	4,931	9,510
Charge-offs ⁽³⁾	—	—	—	(25,889)	(25,889)
Allowance for loan losses at end of period	\$ 6,541	\$1,643	\$3,093	\$ 743	\$ 12,020

(1) During the year ended December 31, 2021, the Company recorded a recovery of loan losses of \$8.1 million in its combined and consolidated statement of operations resulting from the repayment of loans during the period and an improving macroeconomic impact of the COVID-19 pandemic on commercial real estate markets, of which \$1.0 million related to a provision for credit losses for unfunded

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Notes to Combined and Consolidated Financial Statements

loan commitments and is recorded as a reduction to “Accounts payable, accrued expenses and other liabilities.” During the year ended December 31, 2020, the Company recorded a provision for loan losses of \$8.9 million in its combined and consolidated statement of operations resulting from the macroeconomic impact of the COVID-19 pandemic on commercial real estate markets, of which \$1.5 million related to a recovery of credit losses for unfunded loan commitments and is recorded as a reduction to “Accounts payable, accrued expenses and other liabilities” and \$0.9 million related to a provision on a non-performing loan that was recorded as a reduction to “Accrued interest and operating lease income receivable, net.”

- (2) On January 1, 2020, the Company recorded an increase to its allowance for loan losses of \$2.3 million upon the adoption of ASU 2016-13, of which \$2.5 million related to expected credit losses for unfunded loan commitments and was recorded in “Accounts payable, accrued expenses and other liabilities.”
- (3) During the year ended December 31, 2020, the Company charged-off \$25.9 million from the specific allowance due to the sale of a non-performing loan.

The Company’s investment in loans and other lending investments and the associated allowance for loan losses were as follows (\$ in thousands):

	Individually Evaluated for Impairment ⁽¹⁾	Collectively Evaluated for Impairment	Total
As of December 31, 2021			
Construction loans ⁽²⁾	\$ 59,640	\$ 125,621	\$185,261
Loans ⁽²⁾	—	27,422	27,422
Held-to-maturity debt securities	—	96,838	96,838
Available-for-sale debt securities ⁽³⁾	—	28,092	28,092
Less: Allowance for loan losses	(576)	(4,193)	(4,769)
Total	<u>\$ 59,064</u>	<u>\$ 273,780</u>	<u>\$332,844</u>
As of December 31, 2020			
Construction loans ⁽²⁾	\$ 53,305	\$ 461,528	\$514,833
Loans ⁽²⁾	—	68,129	68,129
Held-to-maturity debt securities	—	90,715	90,715
Available-for-sale debt securities ⁽³⁾	—	25,274	25,274
Less: Allowance for loan losses	(743)	(11,277)	(12,020)
Total	<u>\$ 52,562</u>	<u>\$ 634,369</u>	<u>\$686,931</u>

- (1) The carrying value of this loan includes an amortized exit fee of \$0.8 million and \$0.8 million as of December 31, 2021 and 2020, respectively. The Company’s loans individually evaluated for impairment represent loans on non-accrual status and the unamortized amounts associated with these loans are not currently being amortized into income.
- (2) The carrying value of these loans includes an unamortized net discount of \$0.2 million and \$2.3 million as of December 31, 2021 and 2020, respectively.
- (3) Available-for-sale debt securities are evaluated for impairment under ASC 326-30 — Financial Instruments-Credit Losses.

Credit Characteristics — As part of the Company’s process for monitoring the credit quality of its loans, it performs a quarterly loan portfolio assessment and assigns risk ratings to each of its performing loans. Risk ratings, which range from 1 (lower risk) to 5 (higher risk), are based on judgments which are inherently uncertain and there can be no assurance that actual performance will be similar to current expectation.

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The Company's amortized cost basis in performing senior mortgages, corporate/partnership loans and subordinate mortgages presented by year of origination and by credit quality, as indicated by risk rating, was as follows as of December 31, 2021 (\$ in thousands):

	Year of Origination						Total
	2021	2020	2019	2018	2017	Prior to 2017	
Senior mortgages							
Risk rating							
1.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1.5	—	—	—	—	—	—	—
2.0	—	—	—	11,909	—	—	11,909
2.5	—	—	—	52,161	—	—	52,161
3.0	—	—	—	58,522	—	3,056	61,578
3.5	—	—	—	14,320	—	—	14,320
4.0	—	—	—	—	—	—	—
4.5	—	—	—	—	—	—	—
5.0	—	—	—	—	—	—	—
Subtotal ⁽¹⁾	\$ —	\$ —	\$ —	\$ 136,912	\$ —	\$ 3,056	\$ 139,968
Corporate/partnership loans							
Risk rating							
1.0	\$ —	\$ —	\$ —	\$ 618	\$ —	\$ —	\$ 618
1.5	—	—	—	—	—	—	—
2.0	—	—	—	—	—	—	—
2.5	—	—	—	—	—	—	—
3.0	—	—	—	—	—	—	—
3.5	—	—	—	—	—	—	—
4.0	—	—	—	—	—	—	—
4.5	—	—	—	—	—	—	—
5.0	—	—	—	—	—	—	—
Subtotal	\$ —	\$ —	\$ —	\$ 618	\$ —	\$ —	\$ 618
Subordinate mortgages							
Risk rating							
1.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1.5	—	—	—	—	—	—	—
2.0	—	—	—	—	—	—	—
2.5	—	—	—	—	—	—	—
3.0	—	—	—	—	—	12,457	12,457
3.5	—	—	—	—	—	—	—
4.0	—	—	—	—	—	—	—
4.5	—	—	—	—	—	—	—
5.0	—	—	—	—	—	—	—
Subtotal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12,457	\$ 12,457
Total	\$ —	\$ —	\$ —	\$ 137,530	\$ —	\$ 15,513	\$ 153,043

(1) As of December 31, 2021, excludes \$59.6 million for one loan on non-accrual status.

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

	Current	Less Than or Equal to 90 Days	Greater Than 90 Days	Total Past Due	Total
As of December 31, 2021					
Senior mortgages	\$ 139,968	\$ —	\$ 59,640	\$ 59,640	\$ 199,608
Corporate/Partnership loans	618	—	—	—	618
Subordinate mortgages	12,457	—	—	—	12,457
Total	<u>\$ 153,043</u>	<u>\$ —</u>	<u>\$ 59,640</u>	<u>\$ 59,640</u>	<u>\$ 212,683</u>
As of December 31, 2020					
Senior mortgages	\$ 443,154	\$ 42,501	\$ —	\$ 42,501	\$ 485,655
Corporate/Partnership loans	42,721	42,946	—	42,946	85,667
Subordinate mortgages	11,640	—	—	—	11,640
Total	<u>\$ 497,515</u>	<u>\$ 85,447</u>	<u>\$ —</u>	<u>\$ 85,447</u>	<u>\$ 582,962</u>

Impaired Loans — In the fourth quarter 2020, the Company sold a non-performing loan with a carrying value of \$15.2 million and received proceeds of \$11.0 million. In addition, the Company recorded a \$4.2 million loan loss provision and simultaneously charged-off of the remaining unpaid balance.

The Company's impaired loans, presented by class, were as follows (\$ in thousands):

	As of December 31, 2021			As of December 31, 2020		
	Amortized Cost	Unpaid Principal Balance	Related Allowance	Amortized Cost	Unpaid Principal Balance	Related Allowance
With an allowance recorded:						
Senior mortgages ⁽¹⁾	\$ 59,640	\$ 58,888	\$(576)	\$ 53,305	\$ 52,552	\$(743)
Total	<u>\$ 59,640</u>	<u>\$ 58,888</u>	<u>\$(576)</u>	<u>\$ 53,305</u>	<u>\$ 52,552</u>	<u>\$(743)</u>

(1) The Company has one non-accrual loan as of December 31, 2021 and 2020 that is considered impaired and included in the table above. The Company did not record any interest income on impaired loans for the years ended December 31, 2021, 2020 and 2019.

The Company's average recorded investment in impaired loans and interest income recognized, presented by class, was as follows (\$ in thousands):

	Years Ended December 31,					
	2021		2020		2019	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:						
Senior mortgages	\$ 57,853	\$ —	\$ 50,205	\$ 2,145	\$ 38,556	\$ —
Total	<u>\$ 57,853</u>	<u>\$ —</u>	<u>\$ 50,205</u>	<u>\$ 2,145</u>	<u>\$ 38,556</u>	<u>\$ —</u>

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

	Face Value	Amortized Cost Basis	Net Unrealized Gain	Estimated Fair Value	Net Carrying Value
As of December 31, 2021					
Available-for-Sale Securities					
Municipal debt securities	\$ 23,855	\$ 23,855	\$ 4,237	\$ 28,092	\$ 28,092
Held-to-Maturity Securities					
Debt securities	100,000	96,838	—	96,838	96,838
Total	<u>\$123,855</u>	<u>\$120,693</u>	<u>\$ 4,237</u>	<u>\$124,930</u>	<u>\$124,930</u>
As of December 31, 2020					
Available-for-Sale Securities					
Municipal debt securities	\$ 20,680	\$ 20,680	\$ 4,594	\$ 25,274	\$ 25,274
Held-to-Maturity Securities					
Debt securities	100,000	90,715	—	90,715	90,715
Total	<u>\$120,680</u>	<u>\$111,395</u>	<u>\$ 4,594</u>	<u>\$115,989</u>	<u>\$115,989</u>

As of December 31, 2021, the contractual maturities of the Company's securities were as follows (\$ in thousands):

	Held-to-Maturity Debt Securities		Available-for-Sale Debt Securities	
	Amortized Cost Basis	Estimated Fair Value	Amortized Cost Basis	Estimated Fair Value
Maturities				
Within one year	\$ —	\$ —	\$ —	\$ —
After one year through 5 years	96,838	96,838	—	—
After 5 years through 10 years	—	—	—	—
After 10 years	—	—	23,855	28,092
Total	<u>\$96,838</u>	<u>\$96,838</u>	<u>\$23,855</u>	<u>\$28,092</u>

Note 7 — Other Investments

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

	Carrying Value As of December 31,		Equity in Earnings (Losses) For the Years Ended December 31,		
	2021	2020	2021	2020	2019
Real estate equity investments					
Safehold Inc. ("Safe") ⁽¹⁾	\$438,186	\$351,628	\$40,647	\$ 20,054	\$11,161
Other real estate equity investments	44,349	89,939	36,600	(12,929)	12,621
Subtotal	482,535	441,567	77,247	7,125	23,782
Other strategic investments ⁽²⁾	17,875	69,876	6,211	(1,222)	(223)
Total	<u>\$500,410</u>	<u>\$511,443</u>	<u>\$83,458</u>	<u>\$ 5,903</u>	<u>\$23,559</u>

(1) As of December 31, 2021, the Company is allocated ownership of 13.7 million shares of Safe common

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stock which, based on the closing price of \$79.85 on December 31, 2021, had a market value of \$1.1 billion. Pursuant to ASC 323-10-40-1, an equity method investor shall account for a share issuance by an investee as if the investor had sold a proportionate share of its investment. Any gain or loss to the investor resulting from an investee's share issuance shall be recognized in earnings. For the years ended December 31, 2021, 2020 and 2019, equity in earnings includes \$22.7 million, \$5.4 million and \$3.1 million, respectively, of dilution gains resulting from Safe equity offerings.

- (2) During the years ended December 31, 2021 and 2020, the Company identified observable price changes in an equity security held by the Company as evidenced by orderly private issuances of similar securities by the same issuer. In accordance with ASC 321, the Company remeasured its equity investment at fair value and recognized aggregate mark-to-market gains during the years ended December 31, 2021 and 2020 of \$17.6 million and \$23.9 million, respectively, in "Gain on equity investment" in the Company's combined and consolidated statements of operations. The Company's equity security was redeemed at its carrying value in the fourth quarter of 2021.

Safehold Inc. — Safe is a publicly-traded company formed by iStar primarily to acquire, own, manage, finance and capitalize ground leases. Ground leases generally represent ownership of the land underlying commercial real estate projects that is net leased by the fee owner of the land to the owners/operators of the real estate projects built thereon ("Ground Leases"). As of December 31, 2021, the Company was allocated ownership of approximately 13.7 million shares, or 24.3% of Safe's outstanding common stock, from iStar. Together with the Safe common stock contributed to the Company, as of December 31, 2021, iStar owned 36.6 million shares, or 64.6%, of Safe's outstanding common stock. The Company is subject to the governance structure of iStar and iStar casts the votes with respect to any eligible Safe shares held by the Company on the Company's behalf. The combined discretionary voting power of the shares controlled by iStar and the Company is limited to 41.9% pursuant to a stockholders agreement between iStar and Safe executed in January of 2019 until the combined ownership held by iStar and the Company of Safe common stock is less than 41.9%.

During the year ended December 31, 2021, iStar purchased 1.0 million shares of Safe's common stock for \$69.5 million, for an average cost of \$72.96 per share, in open market purchases made in accordance with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended, and contributed 0.4 million shares at a basis of \$26.0 million to the Company. In addition, in the fourth quarter 2021 iStar purchased 24,108 shares of Safe's common stock for \$1.8 million, for an average cost of \$73.86 per share, in an open market transaction and iStar contributed 9,041 shares with bases of \$0.7 million to the Company.

In September 2021, iStar acquired 657,894 shares of Safe's common stock in a private placement for \$50.0 million and contributed 0.2 million shares with a basis of \$18.7 million to the Company. In November 2020, iStar acquired 1.1 million shares of Safe's common stock in a private placement for \$65.0 million and contributed 0.4 million shares with a basis of \$24.4 million to the Company. In March 2020, iStar acquired 1.7 million shares of Safe's common stock in a private placement for \$80.0 million and contributed approximately 0.6 million shares with a basis of \$30.0 million to the Company. In November 2019, iStar acquired 3.8 million shares of Safe's common stock in a private placement for \$130.0 million, and contributed approximately 1.4 million with a basis of \$48.7 million to the Company. In August 2019, iStar acquired 6.0 million shares of Safe's common stock in a private placement for \$168.0 million and contributed 2.3 million with a basis of \$63.0 million to the Company.

Safe pays a quarterly management fee to iStar. Safe has the option of paying this fee in cash or issuing new shares of Safe stock in consideration of its fee. During the years ended December 31, 2021, 2020 and 2019, iStar recorded \$14.9 million, \$12.7 million and \$7.5 million, respectively, of management fees pursuant to its management agreement with Safe, all of which were paid in shares of Safe stock. iStar contributed a portion of the shares it received as consideration for these fees to the Company.

A wholly-owned subsidiary of iStar is the external manager of Safe and is responsible for investments made by Safe, including transactions entered into with iStar or the Company. Following is a list of

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investments that the Company has transacted with Safe, all of which were approved by iStar's and Safe's independent directors, for the periods presented:

In February 2021, the Company provided a \$50.0 million loan to the ground lessee of a Ground Lease originated at Safe. The loan was for the Ground Lease tenant's recapitalization of a hotel property. The Company received \$1.9 million of consideration from Safe in connection with this transaction. The Company sold the loan in July 2021 and recorded no gain or loss on the sale. During the year ended December 31, 2021, the Company recorded \$2.9 million of interest income on the loan prior to the sale.

In October 2020, the Company provided a \$22.5 million loan to the ground lessee of a Ground Lease originated at Safe. The loan was for the Ground Lease tenant's recapitalization of an existing multi-family property. The Company received \$2.3 million of consideration from Safe in connection with this transaction.

In August 2018, the Company provided a mezzanine loan with a principal balance of \$33.0 million to an unconsolidated entity in which iStar owned a 50% equity interest. The loan was included in "Loans receivable and other lending investments, net" on the Company's consolidated balance sheet as of December 31, 2020. In December 2021, iStar's partner in the venture recapitalized the existing multifamily property, which included a Ground Lease provided by Safe. As part of the recapitalization, iStar's partner acquired its 50% equity interest in the entity and the mezzanine loan was repaid in full. During the years ended December 31, 2021, 2020 and 2019, the Company recorded \$2.3 million, \$2.4 million and \$2.8 million, respectively, of interest income on the mezzanine loan.

In October 2017, the Company closed on a \$80.5 million construction financing commitment to support the ground-up development of a to-be-built luxury multi-family project. In January 2021, the Company sold the leasehold first mortgage to an entity in which iStar has a 53% equity interest for \$63.3 million.

In August 2017, the Company committed to provide a \$24.0 million loan to the ground lessee of a Ground Lease originated at Safe. The loan was for the renovation of a medical office building. The Company funded \$18.4 million of the loan, which was fully repaid in August 2019.

Other real estate equity investments — As of December 31, 2021, the Company's other real estate equity investments include equity interests in real estate ventures ranging from 48% to 95%, comprised of investments of \$43.3 million in operating properties and \$1.1 million in land assets. As of December 31, 2020, the Company's other real estate equity investments included \$58.7 million in operating properties and \$31.2 million in land assets.

In December 2016, the Company sold a land and development asset to a newly formed uncombined and consolidated entity in which the Company owned a 50.0% equity interest. The Company provided financing to the entity in the form of a \$27.0 million senior loan. In April 2019, the Company acquired the land and development asset from the entity for \$34.3 million, which consisted of a \$7.3 million cash payment and the assumption of the \$27.0 million senior loan. During the year ended December 31, 2019, the Company recorded \$0.6 million of interest income on the senior loan. This asset was sold in the fourth quarter 2020.

Other strategic investments — As of December 31, 2021 and 2020, the Company also had investments in real estate related funds and other strategic investments in real estate entities.

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

	As of December 31,		For the Years Ended December 31,			
	2021	2020	2021	2020	2019	
Balance Sheets			Income Statements			
Total assets	\$5,981,622	\$4,184,347	Revenues	\$ 883,259	\$ 129,776	\$ 208,732
Total liabilities	3,018,488	2,250,620	Expenses	(253,940)	(188,612)	(171,613)
			Net income (loss)			
Noncontrolling interests	2,924	2,180	attributable to parent entities	629,085	(59,030)	36,926
Total equity attributable to parent entities	2,960,210	1,931,547				

During the year ended December 31, 2021, Safe represented a significant subsidiary of the Company. For detailed financial information regarding Safe, please refer to its financial statements, which are publicly available on the website of the Securities and Exchange Commission at <http://www.sec.gov> under the ticker symbol "Safe."

Note 8 — Other Assets and Other Liabilities

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

	As of	
	December 31, 2021	December 31, 2020
Intangible assets, net ⁽¹⁾	\$ 1,209	\$ 2,490
Restricted cash	1,570	2,428
Operating lease right-of-use assets ⁽²⁾	2,419	3,256
Other assets ⁽³⁾	14,185	6,516
Other receivables	3,571	2,173
Leasing costs, net ⁽⁴⁾	818	1,319
Deferred expenses and other assets, net	<u>\$23,772</u>	<u>\$18,182</u>

- (1) Intangible assets, net includes above market and in-place lease assets related to the acquisition of real estate assets. Accumulated amortization on intangible assets, net was \$10.2 million and \$12.3 million as of December 31, 2021 and 2020, respectively. The amortization of above market leases decreased operating lease income in the Company's combined and consolidated statements of operations by \$0.3 million, \$0.2 million and \$0.2 million for the years ended December 31, 2021, 2020 and 2019, respectively. These intangible lease assets are amortized over the remaining term of the lease. The amortization expense for in-place leases was \$1.0 million, \$0.2 million and \$0.2 million for the years ended December 31, 2021, 2020 and 2019, respectively. These amounts are included in "Depreciation and amortization" in the Company's combined and consolidated statements of operations. As of December 31, 2021, the weighted average remaining amortization period for the Company's intangible assets was approximately 5.9 years.
- (2) Right-of use lease assets initially equal the lease liability. For operating leases, rent expense is recognized on a straight-line basis over the term of the lease and is recorded in "Real estate expense" in the Company's combined and consolidated statements of operations. During the years ended December 31, 2021, 2020 and 2019, the Company recognized and \$0.6 million, \$0.6 million and \$0.6 million, respectively, in "Real estate expense" in its combined and consolidated statements of operations relating to operating leases.

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- (3) Other assets primarily includes a seller financing receivable, prepaid expenses and deposits for certain real estate assets.
- (4) Accumulated amortization of leasing costs was \$1.1 million and \$1.7 million as of December 31, 2021 and 2020, respectively.

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

	As of	
	December 31, 2021	December 31, 2020
Other liabilities ⁽¹⁾	\$24,449	38,297
Accrued expenses	5,540	3,886
Operating lease liabilities (see table above)	2,390	3,256
Accrued interest payable	—	655
Accounts payable, accrued expenses and other liabilities	<u>\$32,379</u>	<u>\$46,094</u>

- (1) As of December 31, 2021 and 2020, “Other liabilities” includes \$20.1 million and \$27.0 million, respectively, of deferred income. As of December 31, 2021 and 2020, other liabilities includes \$0.1 million and \$1.0 million, respectively, of expected credit losses for unfunded loan commitments.

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

Year	Amount
2022	\$212
2023	212
2024	203
2025	175
2026	222

Note 9 — Debt Obligations and Loan Participations Payable, Net

As of December 31, 2021 and 2020, the Company did not have any debt obligations outstanding; however, certain of the Company’s assets served as collateral for certain debt obligations held by iStar. The Company did not directly incur any interest expense for this debt but was allocated interest expense from iStar (refer to Note 2). As of December 9, 2022 the iStar debt obligations secured by certain of the Company’s assets have been repaid in full.

The Company had one loan participation payable with a carrying value of \$42.5 million and an interest rate of 6.0% as of December 31, 2020. The loan was repaid in the first quarter 2021.

Loan participations represent transfers of financial assets that did not meet the sales criteria established under ASC Topic 860 and are accounted for as loan participations payable, net as of December 31, 2020. As of December 31, 2020, the corresponding loan receivable balance was \$42.5 million and is included in “Loans receivable and other lending investments, net” on the Company’s consolidated balance sheets. The principal and interest due on loan participations payable are paid from cash flows of the corresponding loans receivable, which serve as collateral for the participations.

Note 10 — Commitments and Contingencies

Unfunded Commitments — The Company generally funds construction and development loans and build-outs of space in real estate assets over a period of time if and when the borrowers and tenants meet established

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milestones and other performance criteria. The Company refers to these arrangements as Performance-Based Commitments. In addition, the Company has committed to invest capital in several real estate funds and other ventures. These arrangements are referred to as Strategic Investments.

As of December 31, 2021, the maximum amount of fundings the Company may be required to make under each category, assuming all performance hurdles and milestones are met under the Performance-Based Commitments and that 100% of its capital committed to Strategic Investments is drawn down, are as follows (\$ in thousands):

	Loans and Other Lending Investments	Real Estate	Other Investments	Total
Performance-Based Commitments	\$6,980	\$270	\$ —	\$ 7,250
Strategic Investments	—	—	6,621	6,621
Total	<u>\$6,980</u>	<u>\$270</u>	<u>\$6,621</u>	<u>\$13,871</u>

Other Commitments — Total operating lease expense for each of the years ended December 31, 2021, 2020 and 2019 was \$0.6 million. Future minimum lease obligations under non-cancelable operating leases as of December 31, 2021 are as follows (\$ in thousands):

	Operating ⁽¹⁾
2022	\$ 486
2023	486
2024	486
2025	486
2026	486
Thereafter	161
Total undiscounted cash flows	2,591
Present value discount ⁽¹⁾	(201)
Lease liabilities	<u>\$2,390</u>

(1) The lease liability equals the present value of the minimum rental payments due under the lease discounted at the rate implicit in the lease or the Company's incremental secured borrowing rate for similar collateral. For operating leases, lease liabilities were discounted at the Company's weighted average incremental secured borrowing rate for similar collateral estimated to be 3.0% and the weighted average remaining lease term is 5.3 years.

Legal Proceedings — The Company and/or one or more of its subsidiaries is party to various pending litigation matters that are considered ordinary routine litigation incidental to the Company's business as a finance and investment company focused on the commercial real estate industry, including foreclosure-related proceedings. The Company believes it is not a party to, nor are any of its properties the subject of, any pending legal proceeding that would have a material effect on the Company's combined and consolidated financial statements. In addition, the Company could be liable for residual claims arising from shell entities that are part of these combined and consolidated financial statements. The amount of any liability is neither probable nor estimable at this time.

Note 11 — Risk Management

Risk management

In the normal course of its on-going business operations, the Company encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk and market risk. The

iStar Included Assets

Notes to Combined and Consolidated Financial Statements

Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different points in time and potentially at different bases, than its interest-earning assets. Credit risk is the risk of default on the Company's lending investments or leases that result from a borrower's or tenant's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of loans and other lending investments due to changes in interest rates or other market factors, including the rate of prepayments of principal and the value of the collateral underlying loans, the valuation of real estate assets by the Company as well as changes in foreign currency exchange rates.

Risk concentrations — Concentrations of credit risks arise when a number of borrowers or tenants related to the Company's investments are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions.

Substantially all of the Company's real estate and assets collateralizing its loans receivable are located in the United States. As of December 31, 2021, the Company's portfolio contains concentrations in the following property types: office, entertainment/leisure, land and development, multifamily, hotel, condominium, retail and other property types.

The Company underwrites the credit of prospective borrowers and tenants and often requires them to provide some form of credit support such as corporate guarantees, letters of credit and/or cash security deposits. Although the Company's loans and real estate assets are geographically diverse and the borrowers and tenants operate in a variety of industries, to the extent the Company has a significant concentration of interest or operating lease revenues from any single borrower or tenant, the inability of that borrower or tenant to make its payment could have a material adverse effect on the Company.

Note 12 — Equity

Net Parent Investment — The Company's equity represents net contributions from and distributions to iStar. Certain of the entities included in the Company's financial statements did not have bank accounts for the periods presented and most cash transactions for the Company were transacted through bank accounts owned by iStar and are included in the Company's equity.

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

	As of	
	December 31, 2021	December 31, 2020
Unrealized gains on available-for-sale securities	\$ 4,237	\$ 4,594
Unrealized losses on cash flow hedges	(9,684)	(13,652)
Accumulated other comprehensive loss	<u>\$(5,447)</u>	<u>\$ (9,058)</u>

Noncontrolling interests — Noncontrolling interests includes third-party equity interests in ventures that are consolidated in the Company's combined and consolidated financial statements.

Note 13 — Fair Values

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

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

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Notes to Combined and Consolidated Financial Statements

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

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

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

	Fair Value Using		
	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of December 31, 2021			
Recurring basis:			
Available-for-sale securities ⁽¹⁾	\$28,092	\$—	\$—
			\$ 28,092
As of December 31, 2020			
Recurring basis:			
Available-for-sale securities ⁽¹⁾	25,274	—	—
			25,274
Non-recurring basis:			
Impaired land and development ⁽²⁾	6,078	—	—
			6,078

(1) The fair value of the Company's available-for-sale securities are based upon unadjusted third-party broker quotes and are classified as Level 3.

(2) The Company recorded a \$1.3 million impairment on a land and development asset with an estimated aggregate fair value of \$6.1 million. The estimated fair value is based on future cash flows expected to be received.

The following table summarizes changes in Level 3 available-for-sale securities reported at fair value on the Company's combined and consolidated balance sheets for the years ended December 31, 2021 and 2020 (\$ in thousands):

	2021	2020
Beginning balance	\$25,274	\$23,896
Purchases	3,375	—
Repayments	(200)	(460)
Unrealized gains (losses) recorded in other comprehensive income	(357)	1,838
Ending balance	\$28,092	\$25,274

iStar Included Assets

Notes to Combined and Consolidated Financial Statements

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

	As of December 31, 2021		As of December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Loans receivable and other lending investments, net ⁽¹⁾	333	345	687	726
Cash and cash equivalents ⁽²⁾	16	16	9	9
Restricted cash ⁽²⁾	2	2	3	3
Liabilities				
Loan participations payable, net ⁽¹⁾	—	—	43	43

- (1) The fair value of the Company's loans receivable and other lending investments, net and loan participations payable, net are classified as Level 3 within the fair value hierarchy.
- (2) The Company determined the carrying values of its cash and cash equivalents and restricted cash approximated their fair values. Restricted cash is recorded in "Deferred expenses and other assets, net" on the Company's balance sheet. The fair value of the Company's cash and cash equivalents and restricted cash are classified as Level 1 within the fair value hierarchy.

Impaired real estate — If the Company determines a real estate asset available and held for sale is impaired, it records an impairment charge to adjust the asset to its estimated fair market value less costs to sell. Due to the nature of individual real estate properties, the Company generally uses a discounted cash flow methodology through internally developed valuation models to estimate the fair value of the assets. This approach requires the Company to make judgments with respect to significant unobservable inputs, which may include discount rates, capitalization rates and the timing and amounts of estimated future cash flows. For income producing properties, cash flows generally include property revenues, operating costs and capital expenditures that are based on current observable market rates and estimates for market rate growth and occupancy levels. For other real estate, cash flows may include lot and unit sales that are based on current observable market rates and estimates for annual market rate growth, operating costs, costs of completion and the inventory sell out pricing and timing. The Company will also consider market comparables if available. In some cases, the Company obtains external "as is" appraisals for real estate assets and appraised values may be discounted when real estate markets rapidly deteriorate. The Company has determined that significant inputs used in its internal valuation models and appraisals fall within Level 3 of the fair value hierarchy. Additionally, in certain cases, if the Company is under contract to sell an asset, it will mark the asset to the contracted sales price less costs to sell. The Company considers this to be a Level 3 input under the fair value hierarchy.

Loans receivable and other lending investments, net — The Company estimates the fair value of its performing loans and other lending investments using a discounted cash flow methodology. This method discounts estimated future cash flows using rates management determines best reflect current market interest rates that would be offered for loans with similar characteristics and credit quality. The Company determined that the significant inputs used to value its loans and other lending investments fall within Level 3 of the fair value hierarchy. For certain lending investments, the Company uses market quotes, to the extent they are available, that fall within Level 2 of the fair value hierarchy or broker quotes that fall within Level 3 of the fair value hierarchy.

The Company estimates the fair value of its non-performing loans using a discounted cash flow methodology through internally developed valuation models to estimate the fair value of the collateral. This approach requires the Company to make judgments in respect to significant unobservable inputs, which may include discount rates, capitalization rates and the timing and amounts of estimated future cash flows. For income producing properties, cash flows generally include property revenues, operating costs and capital

iStar Included Assets

Notes to Combined and Consolidated Financial Statements

expenditures that are based on current observable market rates and estimates for market rate growth and occupancy levels. For other real estate, cash flows may include lot and unit sales that are based on current observable market rates and estimates for annual revenue growth, operating costs, costs of completion and the inventory sell out pricing and timing. The Company will also consider market comparables if available. In some cases, the Company obtains external “as is” appraisals for loan collateral, generally when third party participations exist, and appraised values may be discounted when real estate markets rapidly deteriorate. The Company has determined that significant inputs used in its internal valuation models and appraisals fall within Level 3 of the fair value hierarchy.

Note 14 — Segment Reporting

The Company has determined that it has four reportable segments based on how management reviews and manages its business. These reportable segments include: Net Lease, Real Estate Finance, Operating Properties and Land and Development. The Net Lease Segment represents the Company’s investment in Safe common stock. The Real Estate Finance segment includes all of the Company’s activities related to senior and mezzanine real estate loans and real estate related securities. The Operating Properties segment includes the Company’s activities and operations related to its commercial and residential properties. The Land and Development segment includes the Company’s activities related to its developable land portfolio.

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

	Net Lease	Real Estate Finance	Operating Properties	Land and Development	Corporate/ Other ⁽¹⁾	Company Total
Year Ended December 31, 2021						
Operating lease income	\$ —	\$ —	\$ 16,445	\$ 379	\$ —	\$ 16,824
Interest income	—	29,522	—	—	—	29,522
Other income	—	1,206	27,342	6,899	1,279	36,726
Land development revenue	—	—	—	189,103	—	189,103
Earnings from equity method investments	40,647	—	15,108	21,492	6,211	83,458
Gain on equity investment	—	—	—	—	17,642	17,642
Income from sales of real estate	—	—	26,319	—	—	26,319
Total revenue and other earnings	40,647	30,728	85,214	217,873	25,132	399,594
Real estate expense	—	—	(26,778)	(18,348)	—	(45,126)
Land development cost of sales	—	—	—	(171,961)	—	(171,961)
Other expense	—	(515)	—	—	—	(515)
Allocated interest expense	(12,378)	(14,830)	(6,949)	(15,242)	(1,970)	(51,369)
Allocated general and administrative ⁽²⁾	(2,963)	(4,736)	(2,227)	(9,555)	(3,499)	(22,980)
Segment profit (loss)⁽³⁾	\$ 25,306	\$ 10,647	\$ 49,260	\$ 2,767	\$ 19,663	\$ 107,643
Other significant items:						
Recovery of loan losses	\$ —	\$ (8,085)	\$ —	\$ —	\$ —	\$ (8,085)
Impairment of assets	—	—	679	—	—	679
Depreciation and amortization	—	—	5,585	902	—	6,487
Capitalized expenditures	—	—	655	24,036	—	24,691
Year Ended December 31, 2020						
Operating lease income	\$ —	\$ —	\$ 21,215	\$ 356	\$ —	\$ 21,571

iStar Included Assets
Notes to Combined and Consolidated Financial Statements

	Net Lease	Real Estate Finance	Operating Properties	Land and Development	Corporate/ Other ⁽¹⁾	Company Total
Interest income	—	56,676	—	—	—	56,676
Other income	—	11,975	8,065	6,525	1,624	28,189
Land development revenue	—	—	—	164,702	—	164,702
Earnings (losses) from equity method investments	20,054	—	(16,361)	3,432	(1,222)	5,903
Gain on equity investment	—	—	—	—	23,916	23,916
Income from sales of real estate	—	—	263	—	—	263
Total revenue and other earnings	20,054	68,651	13,182	175,015	24,318	301,220
Real estate expense	—	—	(22,936)	(22,680)	—	(45,616)
Land development cost of sales	—	—	—	(177,727)	—	(177,727)
Other expense	—	(266)	—	—	(5)	(271)
Allocated interest expense	(10,417)	(23,390)	(8,951)	(17,940)	(1,478)	(62,176)
Allocated general and administrative ⁽²⁾	(2,383)	(6,622)	(2,591)	(9,990)	(3,298)	(24,884)
Segment profit (loss) ⁽³⁾	\$ 7,254	\$ 38,373	\$ (21,296)	\$ (53,322)	\$ 19,537	\$ (9,454)
Other significant items:						
Provision for loan losses	\$ —	\$ 8,866	\$ —	\$ —	\$ —	\$ 8,866
Impairment of assets	—	—	3,052	2,738	—	5,790
Depreciation and amortization	—	—	5,143	952	—	6,095
Capitalized expenditures	—	—	1,636	30,506	—	32,142
Year Ended December 31, 2019						
Operating lease income	\$ —	\$ —	\$ 28,424	\$ 286	\$ —	\$ 28,710
Interest income	—	75,636	—	—	—	75,636
Other income	—	4,946	17,384	7,838	253	30,421
Land development revenue	—	—	—	119,595	—	119,595
Earnings (losses) from equity method investments	11,161	—	8,299	4,322	(223)	23,559
Income from sales of real estate	—	—	11,969	—	—	11,969
Total revenue and other earnings	11,161	80,582	66,076	132,041	30	289,890
Real estate expense	—	—	(35,322)	(31,915)	—	(67,237)
Land development cost of sales	—	—	—	(109,663)	—	(109,663)
Other expense	—	(252)	—	—	(100)	(352)
Allocated interest expense	(6,250)	(29,587)	(10,250)	(20,706)	(793)	(67,586)
Allocated general and administrative ⁽²⁾	(1,711)	(8,254)	(2,887)	(11,957)	(3,569)	(28,378)
Segment profit (loss) ⁽³⁾	\$ 3,200	\$ 42,489	\$ 17,617	\$ (42,200)	\$ (4,432)	\$ 16,674
Other significant non-cash items:						
Provision for loan losses	\$ —	\$ 6,482	\$ —	\$ —	\$ —	\$ 6,482
Impairment of assets	—	—	3,853	6,427	669	10,949
Depreciation and amortization	—	—	4,977	977	—	5,954
Capitalized expenditures	—	—	5,617	99,031	—	104,648

iStar Included Assets

Notes to Combined and Consolidated Financial Statements

	Net Lease	Real Estate Finance	Operating Properties	Land and Development	Corporate/Other ⁽¹⁾	Company Total
As of December 31, 2021						
Real estate, net	\$ —	\$ —	\$ 92,150	\$ —	\$ —	\$ 92,150
Real estate available and held for sale	—	—	301	—	—	301
Total real estate	—	—	92,451	—	—	92,451
Land and development, net	—	—	—	286,810	—	286,810
Loans receivable and other lending investments, net	—	332,844	—	—	—	332,844
Other investments	438,186	—	43,252	1,096	17,876	500,410
Total portfolio assets	438,186	332,844	135,703	287,906	17,876	1,212,515
Cash and other assets						44,248
Total assets						\$1,256,763
As of December 31, 2020						
Real estate, net	\$ —	\$ —	\$ 192,378	\$ —	\$ —	\$ 192,378
Real estate available and held for sale	—	—	5,212	—	—	5,212
Total real estate	—	—	197,590	—	—	197,590
Land and development, net	—	—	—	430,663	—	430,663
Loans receivable and other lending investments, net	—	686,931	—	—	—	686,931
Other investments	351,628	—	58,739	31,200	69,876	511,443
Total portfolio assets	351,628	686,931	256,329	461,863	69,876	1,826,627
Cash and other assets						59,136
Total assets						\$1,885,763

- (1) Corporate/Other represents all corporate level and unallocated items including any intercompany eliminations necessary to reconcile to consolidated Company totals. This caption also includes the Company's joint venture investments and strategic investments that are not included in the other reportable segments above.
- (2) General and administrative excludes stock-based compensation of \$23.4 million, \$15.3 million and \$12.5 million, respectively, for the years ended December 31, 2021, 2020 and 2019, respectively.
- (3) The following is a reconciliation of segment profit to net income (loss) (\$ in thousands):

	For the Years Ended December 31,		
	2021	2020	2019
Segment profit (loss)	\$ 107,643	\$ (9,454)	\$ 16,674
Less: Recovery of (provision for) loan losses	8,085	(8,866)	(6,482)
Less: Impairment of assets	(679)	(5,790)	(10,949)
Less: Stock-based compensation expense	(23,360)	(15,256)	(12,522)
Less: Depreciation and amortization	(6,487)	(6,095)	(5,954)
Less: Income tax benefit (expense)	(22,531)	17,483	5,049
Net income (loss)	\$ 62,671	\$ (27,978)	\$ (14,184)

iStar Included Assets**Notes to Combined and Consolidated Financial Statements****Note 15—Subsequent Events**

The Company has evaluated events and transactions that have occurred since December 31, 2021 through December 16, 2022, the date the financial statements were available for issuance. Based upon this evaluation, the Company has determined that the following transactions that occurred subsequent to December 31, 2021 require disclosure or adjustment in the Company's combined and consolidated financial statements.

Subsequent to December 31, 2021, the Company entered into commitments for the following financing arrangements: (i) a \$100.0 million secured term loan to be provided by iStar and assumed by new Safe in the merger that will be primarily secured by the Company's real estate assets, and (ii) an up to \$140.0 million margin loan from Morgan Stanley Bank, N.A. that will be secured by the shares of Safe common stock owned by the Company. The proceeds of these financings will be used by iStar to redeem its outstanding unsecured senior notes. iStar has obtained commitments for both financings. The financing commitments are each subject to certain conditions, including the negotiation of definitive documentation and the satisfaction of all conditions to the spin-off and the merger.

iStar Included Assets
Schedule II — Valuation and Qualifying Accounts and Reserves
(\$ in thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Adjustments to Valuation Accounts	Deductions	Balance at End of Period
For the Year Ended December 31, 2019					
Reserve for loan losses ⁽¹⁾⁽²⁾	\$ 53,395	\$ 6,482	\$ —	\$(31,243)	\$ 28,634
Allowance for doubtful accounts ⁽²⁾	1,633	(280)	—	(622)	731
Allowance for deferred tax assets ⁽²⁾	80,727	—	—	—	80,727
	<u>\$135,755</u>	<u>\$ 6,202</u>	<u>\$ —</u>	<u>\$(31,865)</u>	<u>\$110,092</u>
For the Year Ended December 31, 2020					
Reserve for loan losses ⁽¹⁾⁽²⁾	\$ 28,634	\$ 8,866	\$409	\$(25,889)	\$ 12,020
Allowance for doubtful accounts ⁽²⁾	731	1,324	—	(896)	1,159
Allowance for deferred tax assets ⁽²⁾	80,727	(811)	—	—	79,916
	<u>\$110,092</u>	<u>\$ 9,379</u>	<u>\$409</u>	<u>\$(26,785)</u>	<u>\$ 93,095</u>
For the Year Ended December 31, 2021					
Reserve for loan losses ⁽¹⁾⁽²⁾	\$ 12,020	\$ (8,085)	\$834	\$ —	\$ 4,769
Allowance for doubtful accounts ⁽²⁾	1,159	(907)	—	(198)	54
Allowance for deferred tax assets ⁽²⁾	79,916	—	—	—	79,916
	<u>\$ 93,095</u>	<u>\$ (8,992)</u>	<u>\$834</u>	<u>\$ (198)</u>	<u>\$ 84,739</u>

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

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

Star Holdings
Schedule III — Real Estate and Accumulated Depreciation
As of December 31, 2021

Location	Encumbrances	(\$ in thousands)			Gross Amount Carried at Close of Period	Accumulated Depreciation	Date Acquired	Depreciable Life (Years)			
		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition ⁽¹⁾							
		Land	Building and Improvements	Land							
LAND:											
California	LAN003	\$ —	\$ 28,464	\$ 2,836	\$ (19,453)	\$ 9,011	\$ 2,836	\$ 11,847	\$ 2,866 ⁽²⁾	2010	—
Florida	LAN004	—	26,600	—	(25,987)	26,600	(25,987)	613	7	2010	—
New Jersey	LAN006	—	43,300	—	32,034	75,334	—	75,334	1,189 ⁽²⁾	2009	—
New Jersey	LAN007	—	3,992	—	51,329	55,321	—	55,321	—	2009	—
New Jersey	LAN008	—	111	5,954	2,275	2,386	5,954	8,340	—	2009	—
New York	LAN009	—	58,900	—	(19,874)	39,026	—	39,026	—	2011	—
New York	LAN011	—	4,600	—	—	4,600	—	4,600	—	2018	—
Virginia	LAN012	—	72,138	—	30,401	102,539	—	102,539	6,748 ⁽²⁾	2009	—
Subtotal		—	238,105	8,790	50,725	314,817	(17,197)	297,620	10,810		
RETAIL:											
Hawaii	RET003	\$ —	\$ 3,393	\$ 21,155	\$ (7,134)	\$ 3,393	\$ 14,021	\$ 17,414	\$ 4,994	2009	40.0
Illinois	RET004	—	—	336	2,282	—	2,618	2,618	1,379	2010	40.0
Subtotal		—	3,393	21,491	(4,852)	3,393	16,639	20,032	6,373		
HOTEL:											
Hawaii	HOT001	\$ —	\$ 17,996	\$ 17,996	\$ (31,160)	\$ 3,419	\$ 1,413	\$ 4,832	\$ 4,531	2009	40.0
New Jersey	HOT002	—	297	18,299	3,931	297	22,230	22,527	3,089	2019	40.0
New Jersey	HOT003	—	120	6,548	23	120	6,571	6,691	412	2019	40.0
New Jersey	HOT004	—	3,815	40,194	4,143	3,815	44,337	48,152	10,002	2016	40.0
Subtotal		—	22,228	83,037	(23,063)	7,651	74,551	82,202	18,034		
ENTERTAINMENT:											
New Jersey	ENT060	\$ —	\$ 750	\$ 10,670	\$ 798	\$ 750	\$ 11,468	\$ 12,218	\$ 1,226	2017	40.0
New York	ENT063	—	3,277	—	614	587	3,304	3,891	259	2013	40.0
Subtotal		—	4,027	10,670	1,412	1,337	14,772	16,109	1,485		
TOTAL⁽³⁾		\$ —	\$267,753	\$ 123,988	\$ 24,222	\$327,198	\$ 88,765	\$415,963	\$ 36,702⁽⁴⁾		

Star Holdings
Schedule III — Real Estate and Accumulated Depreciation (continued)
As of December 31, 2021
(\$ in thousands)

- (1) Includes impairments and unit sales.
- (2) These properties have land improvements which have depreciable lives of 15 to 20 years.
- (3) The aggregate cost for Federal income tax purposes was approximately \$586.5 million at December 31, 2021.
- (4) Includes \$10.8 million and \$4.5 million relating to accumulated depreciation for land and development assets and real estate assets held for sale, respectively, as of December 31, 2021.

The following table reconciles real estate from January 1, 2019 to December 31, 2021:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 660,896	\$ 817,382	\$ 885,200
Improvements and additions	24,691	32,142	102,590
Other acquisitions	—	—	34,492
Dispositions	(268,945)	(182,838)	(194,523)
Impairments	(679)	(5,790)	(10,377)
Balance at December 31	<u>\$ 415,963</u>	<u>\$ 660,896</u>	<u>\$ 817,382</u>

The following table reconciles accumulated depreciation from January 1, 2019 to December 31, 2021:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Balance at January 1	\$(32,643)	\$(28,049)	\$(30,961)
Additions	(5,086)	(5,482)	(5,221)
Dispositions	1,027	888	8,133
Balance at December 31	<u>\$(36,702)</u>	<u>\$(32,643)</u>	<u>\$(28,049)</u>

iStar Included Assets
Schedule IV — Mortgage Loans on Real Estate
As of December 31, 2021
(\$ in thousands)

Type of Loan/Borrower	Underlying Property Type	Contractual Interest Accrual Rates	Contractual Interest Payment Rates	Effective Maturity Dates	Periodic Payment Terms ⁽¹⁾	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages ⁽²⁾⁽³⁾
Senior Mortgages:								
Borrower A	Apartment/Residential	LIBOR + 5.25%	LIBOR + 5.25%	June, 2022	IO	—	\$ 14,350	\$ 14,320
Borrower B	Mixed Use/Mixed Collateral	LIBOR + 6.75%	LIBOR + 6.75%	June, 2021	IO	—	54,151	59,063
Borrower C	Mixed Use/Mixed Collateral	LIBOR + 4.75%	LIBOR + 4.75%	July, 2022	IO	—	52,230	52,161
Borrower D	Apartment/Residential	LIBOR + 5.25%	LIBOR + 5.25%	December, 2022	IO	—	28,337	28,394
Borrower E	Apartment/Residential	LIBOR + 5.25%	LIBOR + 5.25%	January, 2022	IO	—	29,952	30,128
Senior mortgages individually <3%	Retail, Mixed Use/Mixed Collateral	Fixed: 9.68% Variable: LIBOR + 5.00%	Fixed: 9.68% Variable: LIBOR + 5.00%	2022 to 2024	IO	—	14,859	14,965
Subordinate Mortgages:								
Subordinate mortgages individually <3%	Hotel	Fixed: 6.80%	Fixed: 6.80%	September, 2057	IO	—	12,453	12,457
							12,453	12,457
Total mortgages							\$206,332	\$ 211,488

- (1) IO = Interest only.
- (2) Amounts are presented net of asset-specific allowances of \$0.6 million on impaired loans. Impairment is measured using the estimated fair value of collateral, less costs to sell.
- (3) The carrying amount of mortgages approximated the federal income tax basis.

iStar Included Assets
Schedule IV—Mortgage Loans on Real Estate (continued)
As of December 31, 2021
(\$ in thousands)

Reconciliation of Mortgage Loans on Real Estate:

The following table reconciles Mortgage Loans on Real Estate from January 1, 2019 to December 31, 2021:⁽¹⁾

	2021	2020	2019
Balance at January 1	\$ 496,553	\$ 561,761	\$ 730,515
Additions:			
New mortgage loans	32,942	19,975	11,667
Additions under existing mortgage loans	20,958	72,574	164,120
Other ⁽²⁾	7,455	25,867	25,740
Deductions ⁽³⁾ :			
Collections of principal	(304,053)	(178,662)	(355,769)
Provision for loan losses	166	(4,930)	(493)
Transfers to real estate and equity investments	(42,501)	—	(13,987)
Amortization of premium	(32)	(32)	(32)
Balance at December 31	<u>\$ 211,488</u>	<u>\$ 496,553</u>	<u>\$ 561,761</u>

- (1) Balances represent the carrying value of loans, which are net of asset specific allowances.
- (2) Amount includes amortization of discount and deferred interest capitalized.
- (3) Amount is presented net of charge-offs of \$25.9 million for the years ended December 31, 2020 (refer to Note 6).

PART I. COMBINED FINANCIAL INFORMATION

Item 1. Financial Statements

iStar Included Assets
Combined and Consolidated Balance Sheets
(In thousands)⁽¹⁾
(unaudited)

	As of	
	September 30, 2022	December 31, 2021
ASSETS		
Real estate		
Real estate, at cost	\$ 111,719	\$ 113,510
Less: accumulated depreciation	(22,575)	(21,360)
Real estate, net	89,144	92,150
Real estate available and held for sale	301	301
Total real estate	89,445	92,451
Land and development, net	248,246	286,810
Loans receivable and other lending investments, net (\$2,890 and \$4,769 of allowances as of September 30, 2022 and December 31, 2021, respectively)	176,623	332,844
Other investments	602,925	500,410
Cash and cash equivalents	29,744	15,504
Accrued interest and operating lease income receivable, net	1,035	1,813
Deferred operating lease income receivable, net	2,842	3,159
Deferred expenses and other assets, net	27,235	23,772
Total assets	<u>\$ 1,178,095</u>	<u>\$ 1,256,763</u>
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 36,176	\$ 32,379
Total liabilities	<u>36,176</u>	<u>32,379</u>
Commitments and contingencies (refer to Note 10)		
Equity:		
Net Parent Investment	1,141,184	1,223,695
Noncontrolling interests	735	689
Total equity	<u>1,141,919</u>	<u>1,224,384</u>
Total liabilities and equity	<u>\$ 1,178,095</u>	<u>\$ 1,256,763</u>

(1) Refer to Note 2 for details on the Company's consolidated variable interest entities ("VIEs").

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

iStar Included Assets
Combined and Consolidated Statements of Operations
(In thousands)
(unaudited)

	For the Nine Months Ended September 30,	
	2022	2021
Revenues:		
Operating lease income	\$ 9,715	\$ 13,456
Interest income	11,187	23,878
Other income	30,734	31,534
Land development revenue	54,390	157,936
Total revenues	<u>106,026</u>	<u>226,804</u>
Costs and expenses:		
Interest expense	33,296	39,390
Real estate expense	37,693	32,691
Land development cost of sales	55,369	147,507
Depreciation and amortization	3,561	5,267
General and administrative	5,882	25,458
Provision for (recovery of) loan losses	22,556	(7,411)
Impairment of assets	1,750	679
Other expense	274	422
Total costs and expenses	<u>160,381</u>	<u>244,003</u>
Gain on equity investment	—	17,862
Income from sales of real estate	—	26,319
Income (loss) from operations before earnings from equity method investments and other items	(54,355)	26,982
Earnings from equity method investments	50,502	49,389
Net income (loss) from operations before income taxes	(3,853)	76,371
Income tax expense	—	(20,195)
Net income (loss)	(3,853)	56,176
Net (income) loss from operations attributable to noncontrolling interests	(46)	54
Net income (loss) allocable to iStar Included Assets	<u>\$ (3,899)</u>	<u>\$ 56,230</u>

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

iStar Included Assets
Combined and Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(unaudited)

	For the Nine Months Ended September 30,	
	2022	2021
Net income (loss)	\$(3,853)	\$56,176
Other comprehensive income:		
Reclassification of losses on cash flow hedges into earnings upon realization ⁽¹⁾	661	496
Reclassification of losses on available-for-sale securities	386	—
Unrealized losses on available-for-sale securities	(4,623)	(913)
Unrealized gains on cash flow hedges	7,186	3,239
Other comprehensive income (loss)	3,610	2,822
Comprehensive income (loss)	(243)	58,998
Comprehensive (income) attributable to noncontrolling interests	(46)	54
Comprehensive income (loss) attributable to iStar Included Assets	<u>\$ (289)</u>	<u>\$59,052</u>

(1) Reclassified to “Earnings (losses) from equity method investments” in the Company’s combined and consolidated statements of operations for the Company’s impact of designated cash flow hedges at Safe (refer to Note 7).

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

iStar Included Assets
Combined and Consolidated Statements of Changes in Net Parent Investment
(In thousands)
(unaudited)

	Net Parent Investment			
	Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance as of December 31, 2021	\$1,229,142	\$(5,447)	\$ 689	\$1,224,384
Net income (loss)	(3,899)	—	46	(3,853)
Change in accumulated other comprehensive income (loss)	—	3,610	—	3,610
Stock-based compensation	(13,166)	—	—	(13,166)
Net transactions with iStar Inc.	(69,056)	—	—	(69,056)
Balance as of September 30, 2022	<u>\$1,143,021</u>	<u>\$(1,837)</u>	<u>\$ 735</u>	<u>\$1,141,919</u>
Balance as of December 31, 2020	\$1,805,683	\$(9,058)	\$ 543	\$1,797,168
Net income (loss)	56,230	—	(54)	56,176
Change in accumulated other comprehensive income (loss)	—	2,822	—	2,822
Contribution from noncontrolling interests	—	—	793	793
Distributions to noncontrolling interests	—	—	(500)	(500)
Change to noncontrolling interests	—	—	(74)	(74)
Stock-based compensation	8,260	—	—	8,260
Net transactions with iStar Inc.	(532,328)	—	—	(532,328)
Balance as of September 30, 2021	<u>\$1,337,845</u>	<u>\$(6,236)</u>	<u>\$ 708</u>	<u>\$1,332,317</u>

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

iStar Included Assets
Combined and Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	For the Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	\$ (3,853)	\$ 56,176
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Provision for (recovery of) loan losses	22,556	(7,411)
Impairment of assets	1,750	679
Depreciation and amortization	3,561	5,267
Stock-based compensation	(13,166)	8,260
Amortization of discounts/premiums and deferred interest on loans, net	(6,615)	(11,730)
Deferred interest on loans received	4,738	24,394
Earnings from equity method investments	(50,502)	(49,389)
Distributions from operations of other investments	23,353	21,605
Deferred operating lease income	317	(175)
Gain on equity investment	—	(17,862)
Income from sales of real estate	—	(26,319)
Land development revenue in excess of cost of sales	979	(10,429)
Other operating activities, net	(2,683)	20,370
Changes in assets and liabilities:		
Changes in accrued interest and operating lease income receivable	791	5,061
Changes in deferred expenses and other assets, net	468	(63)
Changes in accounts payable, accrued expenses and other liabilities	88	(2,506)
Cash flows provided by (used in) operating activities	<u>(18,218)</u>	<u>15,928</u>
Cash flows from investing activities:		
Originations and fundings of loans receivable, net	(5,831)	(71,921)
Capital expenditures on real estate assets	(588)	(560)
Capital expenditures on land and development assets	(15,945)	(15,507)
Repayments of and principal collections on loans receivable and other lending investments, net	90,615	226,065
Net proceeds from sales of loans receivable	49,382	122,609
Net proceeds from sales of other investments	—	3,000
Net proceeds from sales of real estate	—	125,666
Net proceeds from sales of land and development assets	51,580	154,094
Distributions from other investments	8,913	33,195
Contributions to and acquisition of interest in other investments	(80,399)	(53,484)
Other investing activities, net	10,054	4,125
Cash flows provided by investing activities	<u>107,781</u>	<u>527,282</u>
Cash flows from financing activities:		
Net transactions with iStar Inc.	(74,916)	(536,641)
Distributions to noncontrolling interests	—	(500)
Cash flows used in financing activities	<u>(74,916)</u>	<u>(537,141)</u>
Changes in cash, cash equivalents and restricted cash	14,647	6,069
Cash, cash equivalents and restricted cash at beginning of period	17,074	11,855
Cash, cash equivalents and restricted cash at end of period	<u>\$ 31,721</u>	<u>\$ 17,924</u>

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

iStar Included Assets
Combined and Consolidated Statements of Cash Flows (continued)
(In thousands)
(unaudited)

	For the Nine Months	
	Ended September 30,	
	2022	2021
Reconciliation of cash and cash equivalents and restricted cash presented on the consolidated statements of cash flows		
Cash and cash equivalents	\$29,744	\$ 15,786
Restricted cash included in deferred expenses and other assets, net	<u>1,977</u>	<u>2,138</u>
Total cash and cash equivalents and restricted cash	<u>\$31,721</u>	<u>\$ 17,924</u>
Supplemental disclosure of non-cash investing and financing activity:		
Increase in other investments upon contribution from iStar Inc.	\$ 5,860	\$ 4,313
Fundings and (repayments) of loan receivables and loan participations, net	—	(42,501)

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

Note 1 — Business and Organization

Star Holdings (“Star Holdings”) is a Maryland statutory trust that was formed as a wholly-owned subsidiary of iStar Inc. (“iStar”). Star Holdings was formed on October 7, 2022 to receive, via a contribution from iStar, all of the assets and liabilities and any associated non-controlling interests of iStar’s non-ground lease related businesses and an allocation of shares of Safehold Inc. (“Safe”) common stock (the “iStar Included Assets”). Star Holdings has not yet been capitalized. All references to “the Company” refer to iStar Included Assets. iStar intends to execute a pro rata distribution of 100% of the common shares of the Company to iStar stockholders of record (the “spin-off”) as of the close of business on the record date of the spin-off. Each iStar common stockholder will receive one common share of Star Holdings for each share of iStar common stock they hold on the record date for the spinoff. After the completion of the spin-off, Star Holdings expects to be an independent, publicly traded company and will be externally managed by iStar pursuant to a management agreement Star Holdings intends to execute upon the spin-off. Shortly after the spin-off, Star Holdings expects that iStar will complete its previously announced merger with Safe, a publicly traded company, rebrand itself as Safe (“new Safe”) and Star Holdings will then be managed by new Safe. Star Holdings expects to focus on realizing value for shareholders primarily by generating cash flows through active asset management and sales of its existing loans, operating properties and land and development properties.

The combined and consolidated financial statements of the Company include loans and other lending investments, operating properties and land and development assets that represent the assets, liabilities and operations from the assets included in the spin-off and attributable to the Company. The Company’s primary reportable business segments are net lease, real estate finance, operating properties and land and development (refer to Note 14).

Note 2 — Basis of Presentation and Principles of Combination and Consolidation

Basis of Presentation — The combined and consolidated financial statements have been prepared in conformity with Article 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States of America (“GAAP”) for complete financial statements. These unaudited consolidated financial statements and related notes should be read in conjunction with the combined and consolidated financial statements and related notes for the year ended December 31, 2021. The Company believes the disclosures made are adequate to make the information not misleading. The unaudited combined and consolidated financial statements have been prepared on the same basis as the audited combined and consolidated financial statements for the year ended 2021 and include all adjustments necessary for the fair presentation of our financial position as of September 30, 2022 and December 31, 2021, and our results of operations for the periods presented.

The accompanying combined and consolidated financial statements of the Company represent a combination of entities under common control that have been “carved out” from iStar’s consolidated financial statements. Historically, financial statements of the Company have not been prepared as it has not operated separately from iStar. These combined and consolidated financial statements reflect the revenues and expenses of the Company and include certain assets and liabilities of iStar that are specifically identifiable and generated through, or associated with, certain assets of iStar that are attributable to the Company, which have been reflected at iStar’s historical basis given the contribution of the assets to the Company is a transaction under common control. All intercompany balances and transactions have been eliminated. The combined and consolidated financial statements may not be indicative of the Company’s future performance and do not necessarily reflect what the financial position, results of operations and cash flows would have been had the Company operated as a standalone company during the periods presented.

The preparation of these combined and consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the combined and consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. These combined and consolidated financial statements include an allocation of general and administrative expenses and interest expense to the Company from iStar. General and administrative expenses include certain iStar corporate functions,

including executive oversight, treasury, finance, human resources, tax compliance and planning, internal audit, financial reporting, information technology and investor relations. General and administrative expenses, including stock-based compensation, represent a pro rata allocation of costs from iStar's real estate finance, operating properties, land and development and corporate business segments based on the Company's average net assets for those segments as a percentage of iStar's average net assets for those segments. Interest expense, net of capitalized interest, was allocated to the Company by calculating the Company's average net assets by segment as a percentage of the average net assets in iStar's segments and multiplying that percentage by the interest expense allocated to iStar's segments. The Company believes the allocation methodology for general and administrative expenses and interest expense is reasonable. Accordingly, the general and administrative expense and interest expense allocations presented in our combined and consolidated statements of operations for historical periods does not necessarily reflect what our general and administrative expenses and interest expense will be as a standalone public company for future reporting periods. For the nine months ended September 30, 2022 and 2021, we were allocated \$5.9 million and \$25.5 million, respectively, of general and administrative expense and \$33.3 million and \$39.4 million, respectively, of interest expense. For the nine months ended September 30, 2022 and 2021, the general and administrative expense allocation includes (\$13.2) million and \$8.3 million, respectively, of stock-based compensation. In the opinion of management, the accompanying combined and consolidated financial statements contain all adjustments consisting of normal recurring adjustments necessary for a fair statement of the results for the interim periods presented.

Certain of the entities included in the Company's financial statements did not have bank accounts for the periods presented, and certain cash transactions for the Company were transacted through bank accounts owned by iStar. The combined and consolidated statements of cash flows for the periods presented were prepared as if operating, investing and financing transactions for the Company had been transacted through its own bank accounts.

Principles of Combination and Consolidation — The combined and consolidated financial statements include on a carve-out basis the historical balance sheets and statements of operations and cash flows attributed to the Company, which represents certain assets, liabilities and operations of the historical iStar real estate finance, operating properties and land and development business segments and also includes the Company's investment in shares of Safe common stock. The Company was allocated shares of Safe common stock using a price per share of \$26.46, which represented the closing price of Safe common stock on September 30, 2022 (refer to Note 7).

Consolidated VIEs — The Company consolidates VIEs for which it is considered the primary beneficiary. The liabilities of these VIEs are non-recourse to the Company and can only be satisfied from each VIE's respective assets. The Company did not have any unfunded commitments related to consolidated VIEs as of September 30, 2022. The following table presents the assets and liabilities of the Company's consolidated VIEs as of September 30, 2022 and December 31, 2021 (\$ in thousands):

	As of	
	September 30, 2022	December 31, 2021
ASSETS		
Real estate		
Real estate, at cost	\$ 93,940	\$ 93,477
Less: accumulated depreciation	(17,277)	(14,987)
Real estate, net	76,663	78,490
Land and development, net	145,545	176,833
Cash and cash equivalents	25,660	10,588
Deferred operating lease income receivable, net	6	3
Deferred expenses and other assets, net	6,420	5,001
Total assets	<u>\$254,294</u>	<u>\$270,915</u>
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	\$ 25,078	\$ 24,744
Total liabilities	25,078	24,744

Unconsolidated VIEs — The Company has investments in VIEs where it is not the primary beneficiary, and accordingly, the VIEs have not been consolidated in the Company’s combined and consolidated financial statements. As of September 30, 2022, the Company’s maximum exposure to loss from these investments does not exceed the sum of the \$55.3 million carrying value of the investments, which are classified in “Other investments” on the Company’s combined and consolidated balance sheets, and \$4.9 million of related unfunded commitments

Note 3 — Summary of Significant Accounting Policies

Other — The Company is an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”) and is eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other publicly-traded companies that are not “emerging growth companies,” including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. The Company has elected to utilize the exemption for auditor attestation requirements.

In addition, the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in the Securities Act of 1933, as amended, for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, the Company has chosen to “opt out” of this extended transition period, and as a result, it will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for all public companies that are not emerging growth companies. The Company’s decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

The Company will remain an “emerging growth company” until the earliest to occur of: (i) the last day of the fiscal year during which our total annual revenue equals or exceeds \$1.235 billion (subject to adjustment for inflation); (ii) the last day of the fiscal year following the fifth anniversary of the Company’s registration statement becoming effective; (iii) the date on which the Company has, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt; or (iv) the date on which the Company is deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended.

Note 4 — Real Estate

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

	As of	
	September 30, 2022	December 31, 2021
Land, at cost	\$ 6,831	\$ 6,831
Buildings and improvements, at cost	104,888	106,679
Less: accumulated depreciation	(22,575)	(21,360)
Real estate, net	89,144	92,150
Real estate available and held for sale ⁽¹⁾	301	301
Total real estate	<u>\$ 89,445</u>	<u>\$ 92,451</u>

(1) As of September 30, 2022 and December 31, 2021, the Company had \$0.3 million and \$0.3 million, respectively, of condominiums available for sale.

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

Tenant Reimbursements — The Company receives reimbursements from tenants for certain facility operating expenses including common area costs, insurance, utilities and real estate taxes. Tenant reimbursements for the nine months ended September 30, 2022 and 2021 were \$2.4 million and \$2.0 million, respectively.

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

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

Year	Operating Properties
2022 (remaining three months)	\$ 1,649
2023	6,459
2024	6,348
2025	5,698
2026	5,200
Thereafter	4,413

Note 5 — Land and Development

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

	As of	
	September 30, 2022	December 31, 2021
Land and land development, at cost	\$ 259,732	\$ 297,621
Less: accumulated depreciation	(11,486)	(10,811)
Total land and development, net	<u>\$ 248,246</u>	<u>\$ 286,810</u>

Dispositions — During the nine months ended September 30, 2022 and 2021, the Company sold land parcels and residential lots and units and recognized land development revenue of \$54.4 million and

\$157.9 million, respectively. During the nine months ended September 30, 2022 and 2021, the Company recognized land development cost of sales of \$55.4 million and \$147.5 million, respectively, from its land and development portfolio.

Note 6 — Loans Receivable and Other Lending Investments, net

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

	As of	
	September 30, 2022	December 31, 2021
Construction loans		
Senior mortgages	\$133,468	\$184,643
Corporate/Partnership loans	—	618
Subtotal – gross carrying value of construction loans ⁽¹⁾	133,468	185,261
Loans		
Senior mortgages	—	14,965
Subordinate mortgages	13,107	12,457
Subtotal – gross carrying value of loans	13,107	27,422
Other lending investments		
Held-to-maturity debt securities	32,938	96,838
Available-for-sale debt securities	—	28,092
Subtotal – other lending investments	32,938	124,930
Total gross carrying value of loans receivable and other lending investments	179,513	337,613
Allowance for loan losses	(2,890)	(4,769)
Total loans receivable and other lending investments, net	\$176,623	\$332,844

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

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

	General Allowance				
	Construction Loans	Loans	Held to Maturity Debt Securities	Specific Allowance	Total
Nine Months Ended September 30, 2022					
Allowance for loan losses at beginning of period	\$ 1,213	\$ 676	\$ 2,304	\$ 576	\$ 4,769
Provision for (recovery of) loan losses ⁽¹⁾	(365)	(298)	23,643	141	23,121
Charge-offs	—	—	(25,000)	—	(25,000)
Allowance for loan losses at end of period	\$ 848	\$ 378	\$ 947	\$ 717	\$ 2,890
Nine Months Ended September 30, 2021					
Allowance for loan losses at beginning of period	\$ 6,541	\$1,643	\$ 3,093	\$ 743	\$ 12,020
Recovery of loan losses ⁽¹⁾	(5,050)	(889)	(555)	(103)	(6,597)
Allowance for loan losses at end of period	\$ 1,491	\$ 754	\$ 2,538	\$ 640	\$ 5,423

(1) During the nine months ended September 30, 2022 and 2021, the Company recorded a provision for

(recovery of) loan losses of \$22.6 million and (\$7.4) million, respectively, in its combined and consolidated statements of operations. The provision in 2022 was due primarily to a \$25.0 million charge-off on the Company's held-to-maturity debt security, which is now recorded at its expected repayment proceeds. The recovery in 2021 was due primarily to the repayment of loans during the nine months ended September 30, 2021 and an improving macroeconomic forecast on commercial real estate markets since December 31, 2020. Of this amount, \$0.9 million related to a recovery of credit losses for unfunded loan commitments and is recorded as a reduction to "Accounts payable, accrued expenses and other liabilities."

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

	Individually Evaluated for Impairment ⁽¹⁾	Collectively Evaluated for Impairment	Total
As of September 30, 2022			
Construction loans ⁽²⁾	\$ 61,159	\$ 72,309	\$133,468
Loans ⁽²⁾	—	13,107	13,107
Held-to-maturity debt securities	—	32,938	32,938
Less: Allowance for loan losses	(717)	(2,173)	(2,890)
Total	<u>\$ 60,442</u>	<u>\$ 116,181</u>	<u>\$176,623</u>
As of December 31, 2021			
Construction loans ⁽²⁾	\$ 59,640	\$ 125,621	\$185,261
Loans ⁽²⁾	—	27,422	27,422
Held-to-maturity debt securities	—	96,838	96,838
Available-for-sale debt securities ⁽³⁾	—	28,092	28,092
Less: Allowance for loan losses	(576)	(4,193)	(4,769)
Total	<u>\$ 59,064</u>	<u>\$ 273,780</u>	<u>\$332,844</u>

- (1) The carrying value of this loan includes an amortized exit fee of \$0.8 million and \$0.8 million as of September 30, 2022 and December 31, 2021, respectively. The Company's loans individually evaluated for impairment represent loans on non-accrual status and the unamortized amounts associated with these loans are not currently being amortized into income.
- (2) The carrying value of these loans includes unamortized discounts, premiums, deferred fees and costs totaling net premiums (discounts) of \$0.3 million and (\$0.2) million as of September 30, 2022 and December 31, 2021, respectively.
- (3) During the nine months ended September 30, 2022, the Company sold its available-for-sale securities and recognized a gain of \$2.9 million, which is recorded in "Other income" in the Company's combined and consolidated statements of operations. Available-for-sale debt securities were evaluated for impairment under ASC 326-30 — Financial Instruments-Credit Losses.

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

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

	Year of Origination						Total
	2022	2021	2020	2019	2018	Prior to 2018	
Senior mortgages							
Risk rating							
1.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1.5	—	—	—	—	—	—	—
2.0	—	—	—	—	—	—	—
2.5	—	—	—	—	—	—	—
3.0	—	—	—	—	65,559	—	65,559
3.5	—	—	—	—	6,750	—	6,750
4.0	—	—	—	—	—	—	—
4.5	—	—	—	—	—	—	—
5.0	—	—	—	—	—	—	—
Subtotal ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$72,309	\$ —	\$72,309
Subordinate mortgages							
Risk rating							
1.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1.5	—	—	—	—	—	—	—
2.0	—	—	—	—	—	—	—
2.5	—	—	—	—	—	—	—
3.0	—	—	—	—	—	13,107	13,107
3.5	—	—	—	—	—	—	—
4.0	—	—	—	—	—	—	—
4.5	—	—	—	—	—	—	—
5.0	—	—	—	—	—	—	—
Subtotal	\$ —	\$ —	\$ —	\$ —	\$ —	\$13,107	\$13,107
Total	\$ —	\$ —	\$ —	\$ —	\$72,309	\$13,107	\$85,416

(1) As of September 30, 2022, excludes \$61.2 million for one loan on non-accrual status.

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

	Current	Less Than or Equal to 90 Days	Greater Than 90 Days	Total Past Due	Total
As of September 30, 2022					
Senior mortgages	\$ 72,309	\$ —	\$61,159	61,159	\$133,468
Subordinate mortgages	13,107	—	—	—	13,107
Total	\$ 85,416	\$ —	\$61,159	\$61,159	\$146,575
As of December 31, 2021					
Senior mortgages	\$139,968	\$ —	\$59,640	59,640	\$199,608
Corporate/Partnership loans	618	—	—	—	618
Subordinate mortgages	12,457	—	—	—	12,457
Total	\$153,043	\$ —	\$59,640	\$59,640	\$212,683

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

	As of September 30, 2022			As of December 31, 2021		
	Amortized Cost	Unpaid Principal Balance	Related Allowance	Amortized Cost	Unpaid Principal Balance	Related Allowance
With an allowance recorded:						
Senior mortgages ⁽¹⁾	\$ 61,159	\$60,409	\$(717)	\$ 59,640	\$58,888	\$(576)
Total	<u>\$ 61,159</u>	<u>\$60,409</u>	<u>\$(717)</u>	<u>\$ 59,640</u>	<u>\$58,888</u>	<u>\$(576)</u>

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

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

	Face Value	Amortized Cost Basis	Net Unrealized Gain (Loss)	Estimated Fair Value	Net Carrying Value
As of September 30, 2022					
Held-to-Maturity Securities					
Debt securities ⁽¹⁾	\$ 32,938	\$ 32,938	\$ —	\$ 32,938	\$ 32,938
Total	<u>\$ 32,938</u>	<u>\$ 32,938</u>	<u>\$ —</u>	<u>\$ 32,938</u>	<u>\$ 32,938</u>
As of December 31, 2021					
Available-for-Sale Securities					
Municipal debt securities	\$ 23,855	\$ 23,855	\$4,237	\$ 28,092	\$ 28,092
Held-to-Maturity Securities					
Debt securities	100,000	96,838	—	96,838	96,838
Total	<u>\$123,855</u>	<u>\$120,693</u>	<u>\$4,237</u>	<u>\$124,930</u>	<u>\$124,930</u>

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

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

	Held-to-Maturity Debt Securities		Available-for-Sale Debt Securities	
	Amortized Cost Basis	Estimated Fair Value	Amortized Cost Basis	Estimated Fair Value
Maturities				
Within one year	\$32,938	\$32,938	\$ —	\$ —
After one year through 5 years	—	—	—	—
After 5 years through 10 years	—	—	—	—
After 10 years	—	—	—	—
Total	<u>\$32,938</u>	<u>\$32,938</u>	<u>\$ —</u>	<u>\$ —</u>

Note 7—Other Investments

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

	Carrying Value as of		Earnings (Losses) from Equity Method Investments For the Nine Months Ended September 30,	
	September 30, 2022	December 31, 2021	2022	2021
Real estate equity investments Safehold Inc. ("Safe") ⁽¹⁾	\$ 547,290	\$ 438,186	\$ 27,956	\$ 35,471
Other real estate equity investments	33,808	44,349	19,749	9,902
Subtotal	581,098	482,535	47,705	45,373
Other strategic investments ⁽²⁾	21,827	17,875	2,797	4,016
Total	\$ 602,925	\$ 500,410	\$ 50,502	\$ 49,389

- (1) As of September 30, 2022, the Company is allocated ownership of 15.1 million shares of Safe common stock which, based on the closing price of \$26.46 on September 30, 2022, had a market value of \$400.0 million. For the nine months ended September 30, 2022 and 2021, equity in earnings includes \$0.3 million and \$22.7 million, respectively, of dilution gains resulting from Safe equity offerings.
- (2) During the nine months ended September 30, 2021, the Company identified observable price changes in an equity security held by the Company as evidenced by orderly private issuances of similar securities by the same issuer. In accordance with ASC 321, the Company remeasured its equity investment at fair value and recognized aggregate mark-to-market gains of \$17.9 million in "Gain on equity investment" in the Company's combined and consolidated statements of operations. The Company's equity security was redeemed at its carrying value in the fourth quarter of 2021.

Safehold Inc. — Safe is a publicly-traded company formed by iStar primarily to acquire, own, manage, finance and capitalize ground leases. Ground leases generally represent ownership of the land underlying commercial real estate projects that is net leased by the fee owner of the land to the owners/operators of the real estate projects built thereon ("Ground Leases"). As of September 30, 2022, the Company was allocated ownership of approximately 15.1 million shares, or 24.3% of Safe's common stock outstanding, from iStar. Together with the Safe common stock contributed to the Company, as of September 30, 2022, iStar owned 40.3 million shares, or 64.8%, of Safe's outstanding common stock. The Company is subject to the governance structure of iStar and iStar casts the votes with respect to any eligible Safe shares held by the Company on the Company's behalf. The combined discretionary voting power of the shares controlled by iStar and the Company is limited to 41.9% pursuant to a stockholders agreement between iStar and Safe executed in January of 2019 until the combined ownership held by iStar and the Company of Safe common stock is less than 41.9%.

During the nine months ended September 30, 2022, the Company purchased 0.2 million shares of SAFE's common stock for \$10.5 million, for an average cost of \$66.83 per share, in open market purchases made in accordance with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended, and contributed approximately 0.1 million shares at a basis of \$3.9 million to the Company.

In March 2022, iStar acquired approximately 3.2 million shares of Safe's common stock in a private placement for \$191.2 million and contributed approximately 1.2 million shares at a basis of \$71.7 million to the Company.

During the year ended December 31, 2021, iStar purchased 1.0 million shares of Safe's common stock for \$69.5 million, for an average cost of \$72.96 per share, in open market purchases made in accordance with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended, and contributed 0.4 million shares at a basis of \$26.0 million to the Company. In addition, in the fourth quarter 2021 iStar purchased 24,108 shares of Safe's common stock for \$1.8 million, for an average cost of \$73.86 per share, in an open market transaction and iStar contributed 9,041 shares with bases of \$0.7 million to the Company.

In September 2021, iStar acquired 657,894 shares of Safe's common stock in a private placement for \$50.0 million and contributed 0.2 million shares with a basis of \$18.7 million to the Company. In November 2020, iStar acquired 1.1 million shares of Safe's common stock in a private placement for \$65.0 million and contributed 0.4 million shares with a basis of \$24.4 million to the Company. In March 2020, iStar acquired 1.7 million shares of Safe's common stock in a private placement for \$80.0 million and contributed approximately 0.6 million shares with a basis of \$30.0 million to the Company. In November 2019, iStar acquired 3.8 million shares of Safe's common stock in a private placement for \$130.0 million, and contributed approximately 1.4 million with a basis of \$48.7 million to the Company. In August 2019, iStar acquired 6.0 million shares of Safe's common stock in a private placement for \$168.0 million and contributed 2.3 million with a basis of \$63.0 million to the Company.

Safe pays a quarterly management fee to iStar. Safe has the option of paying this fee in cash or issuing new shares of Safe stock in consideration of its fee. During the nine months ended September 30, 2022 and 2021, iStar recorded \$15.0 and \$10.6 million, respectively, of management fees pursuant to its management agreement with Safe, all of which were paid in shares of Safe stock. iStar contributed a portion of the shares it received as consideration for these fees to the Company.

A wholly-owned subsidiary of iStar is the external manager of Safe and is responsible for investments made by Safe, including transactions entered into with iStar or the Company. Following is a list of investments that the Company has transacted with Safe, all of which were approved by iStar's and Safe's independent directors, for the periods presented:

In April 2022, the Company exchanged its 50% equity interest with a carrying value of \$4.4 million in a venture that owned a hotel property for land underlying the property with an in-place Ground Lease valued at \$9.0 million and recorded a gain of \$4.6 million in "Earnings from equity method investments" in the combined and consolidated statements of operations. Subsequently, the Company sold the Ground Lease on the land to Safe for \$9.0 million and did not recognize any gain or loss on the sale.

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

In August 2018, the Company provided a mezzanine loan with a principal balance of \$33.0 million to an unconsolidated entity in which iStar owned a 50% equity interest. In December 2021, iStar's partner in the venture recapitalized the existing multifamily property, which included a Ground Lease provided by Safe. As part of the recapitalization, iStar's partner acquired its 50% equity interest in the entity and the mezzanine loan was repaid in full. During the nine months ended September 30, 2021, the Company recorded \$1.7 million of interest income on the mezzanine loan.

In October 2017, the Company closed on a \$80.5 million construction financing commitment to support the ground-up development of a to-be-built luxury multi-family project. In January 2021, the Company sold the leasehold first mortgage to an entity in which iStar has a 53% noncontrolling equity interest.

Real estate equity investments — As of September 30, 2022, the Company's other real estate equity investments include equity interests in real estate ventures ranging from 48% to 95%, comprised of investments of \$33.8 million in operating properties. As of December 31, 2021, the Company's other real estate equity investments included \$43.3 million in operating properties and \$1.1 million in land assets.

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

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

	Revenues	Expenses	Net Income Attributable to Safe ⁽¹⁾
For the Nine Months Ended September 30, 2022			
Safe	\$196,943	\$136,517	\$113,628
For the Nine Months Ended September 30, 2021			
Safe	\$135,001	\$ 88,585	\$ 51,844

- (1) Net Income attributable to Safe also includes gain on sale of net investment in leases, earnings from equity method investments, loss on early extinguishment of debt and selling profit from sales-type leases.

Note 8 — Other Assets and Other Liabilities

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

	As of	
	September 30, 2022	December 31, 2021
Other assets ⁽¹⁾	\$17,360	\$14,185
Operating lease right-of-use assets ⁽²⁾	1,970	2,419
Restricted cash	1,977	1,570
Other receivables	4,948	3,571
Leasing costs, net ⁽³⁾	646	818
Intangible assets, net ⁽⁴⁾	334	1,209
Deferred expenses and other assets, net	<u>\$27,235</u>	<u>\$23,772</u>

- (1) Other assets primarily includes a seller financing receivable, prepaid expenses and deposits for certain real estate assets.
- (2) Right-of use lease assets initially equal the lease liability. For operating leases, rent expense is recognized on a straight-line basis over the term of the lease and is recorded in “Real estate expense” in the Company’s combined and consolidated statements of operations. During the nine months ended September 30, 2022 and 2021, the Company recognized \$0.5 million and \$0.5 million, respectively, in “Real estate expense” in its combined and consolidated statements of operations relating to operating leases.
- (3) Accumulated amortization of leasing costs was \$0.5 million and \$1.1 million as of September 30, 2022 and December 31, 2021, respectively.
- (4) Intangible assets, net includes above market and in-place lease assets related to the acquisition of real estate assets. Accumulated amortization on intangible assets, net was \$0.1 million and \$10.2 million as of September 30, 2022 and December 31, 2021, respectively. These intangible lease assets are amortized over the remaining term of the lease. The amortization expense for in-place leases for the nine months ended September 30, 2021 was \$0.9 million. This amount is included in “Depreciation and amortization” in the Company’s combined and consolidated statements of operations. As of September 30, 2022, the weighted average remaining amortization period for the Company’s intangible assets was approximately 5.2 years.

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

	As of	
	September 30, 2022	December 31, 2021
Other liabilities ⁽¹⁾	\$27,886	\$24,449
Accrued expenses	6,178	5,540
Operating lease liabilities (see table above)	2,112	2,390
Accounts payable, accrued expenses and other liabilities	<u>\$36,176</u>	<u>\$32,379</u>

- (1) As of September 30, 2022 and December 31, 2021, other liabilities includes \$21.0 million and \$20.1 million, respectively, of deferred income. As of December 31, 2021, other liabilities includes \$0.1 million of expected credit losses for unfunded loan commitments.

Note 9 — Debt Obligations, net

As of September 30, 2022 and December 31, 2021, the Company did not have any debt obligations outstanding; however, certain of the Company's assets served as collateral for certain debt obligations held by iStar. The Company did not directly incur any interest expense for this debt but was allocated interest expense from iStar (refer to Note 2). As of September 30, 2022 the iStar debt obligations secured by certain of the Company's assets have been repaid in full.

Note 10 — Commitments and Contingencies

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

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

	Loans and Other Lending Investments	Real Estate	Other Investments	Total
Performance-Based Commitments	\$717	\$270	\$ —	\$ 987
Strategic Investments	—	—	4,907	4,907
Total	<u>\$717</u>	<u>\$270</u>	<u>\$4,907</u>	<u>\$5,894</u>

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

	Operating ⁽¹⁾
2022 (remaining three months)	\$ 121
2023	486
2024	486
2025	486
2026	486
Thereafter	161
Total undiscounted cash flows	2,226
Present value discount ⁽¹⁾	(114)
Lease liabilities	<u>\$2,112</u>

- (1) The lease liability equals the present value of the minimum rental payments due under the lease discounted at the rate implicit in the lease or the Company's incremental secured borrowing rate for similar collateral. For operating leases, lease liabilities were discounted at the Company's weighted average incremental secured borrowing rate for similar collateral estimated to be 3.0% and the weighted average remaining lease term is 4.6 years.

Legal Proceedings — The Company and/or one or more of its subsidiaries is party to various pending litigation matters that are considered ordinary routine litigation incidental to the Company's business as a

finance and investment company focused on the commercial real estate industry, including foreclosure-related proceedings. The Company believes it is not a party to, nor are any of its properties the subject of, any pending legal proceeding that would have a material effect on the Company's combined and consolidated financial statements. In addition, the Company could be liable for residual claims arising from shell entities attributable to assets that have been sold or loans that have been repaid that are part of these combined and consolidated financial statements. The amount of any liability is neither probable nor estimable at this time.

Note 11 — Risk Management

Risk management

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

Risk concentrations — Concentrations of credit risks arise when a number of borrowers or tenants related to the Company's investments are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions.

Substantially all of the Company's real estate and assets collateralizing its loans receivable are located in the United States. As of September 30, 2022, the Company's portfolio contains concentrations in the following property types: office, land and development, multifamily, hotel, condominium, retail and other property types.

The Company underwrites the credit of prospective borrowers and tenants and often requires them to provide some form of credit support such as corporate guarantees, letters of credit and/or cash security deposits. Although the Company's loans and real estate assets are geographically diverse and the borrowers and tenants operate in a variety of industries, to the extent the Company has a significant concentration of interest or operating lease revenues from any single borrower or tenant, the inability of that borrower or tenant to make its payment could have a material adverse effect on the Company.

Note 12 — Equity

Net Parent Investment — The Company's equity represents net contributions from and distributions to iStar. Certain of the entities included in the Company's financial statements did not have bank accounts for the periods presented and most cash transactions for the Company were transacted through bank accounts owned by iStar and are included in the Company's equity.

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

	As of	
	September 30, 2022	December 31, 2021
Unrealized gains on available-for-sale securities	\$ —	\$ 4,237
Unrealized losses on cash flow hedges	(1,837)	(9,684)
Accumulated other comprehensive loss	<u>\$ (1,837)</u>	<u>\$ (5,447)</u>

Noncontrolling interests — Noncontrolling interests includes third-party equity interests in ventures that are consolidated in the Company's combined and consolidated financial statements.

Note 13—Fair Values

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

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

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

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

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

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

	Fair Value Using		
	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of December 31, 2021	Total		
Recurring basis:			
Available-for-sale securities ⁽¹⁾	\$28,092	\$ —	\$ —
			\$ 28,092

(1) The fair value of the Company's available-for-sale securities are based upon unadjusted third-party broker quotes and are classified as Level 3.

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

	2022	2021
Beginning balance	\$ 28,092	\$25,274
Purchases	—	3,375
Sales and Repayments	(26,752)	(201)
Realized gain recorded in other income	2,897	—
Unrealized losses recorded in other comprehensive income	(4,237)	(913)
Ending balance	\$ —	\$27,535

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

	As of September 30, 2022		As of December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Loans receivable and other lending investments, net ⁽¹⁾	\$177	\$177	\$333	\$345
Cash and cash equivalents ⁽²⁾	30	30	16	16
Restricted cash ⁽²⁾	2	2	2	2

- (1) The fair value of the Company's loans receivable and other lending investments, net are classified as Level 3 within the fair value hierarchy.
- (2) The Company determined the carrying values of its cash and cash equivalents and restricted cash approximated their fair values. Restricted cash is recorded in "Deferred expenses and other assets, net" on the Company's balance sheet. The fair value of the Company's cash and cash equivalents and restricted cash are classified as Level 1 within the fair value hierarchy.

Note 14 — Segment Reporting

The Company has determined that it has four reportable segments based on how management reviews and manages its business. These reportable segments include: Net Lease, Real Estate Finance, Operating Properties and Land and Development. The Net Lease Segment represents the Company's investment in Safe common stock. The Real Estate Finance segment includes all of the Company's activities related to senior and mezzanine real estate loans and real estate related securities. The Operating Properties segment includes the Company's activities and operations related to its commercial and residential properties. The Land and Development segment includes the Company's activities related to its developable land portfolio.

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

	Net Lease	Real Estate Finance	Operating Properties	Land and Development	Corporate/ Other ⁽¹⁾	Company Total
Nine Months Ended September 30, 2022						
Operating lease income	\$ —	\$ —	\$ 9,396	\$ 319	\$ —	\$ 9,715
Interest income	—	11,187	—	—	—	11,187
Other income	—	3,185	22,452	5,097	—	30,734
Land development revenue	—	—	—	54,390	—	54,390
Earnings from equity method investments	27,956	—	15,233	4,516	2,797	50,502
Gain on equity investment	—	—	—	—	—	—
Total revenue and other earnings	27,956	14,372	47,081	64,322	2,797	156,528
Real estate expense	—	—	(25,144)	(12,549)	—	(37,693)
Land development cost of sales	—	—	—	(55,369)	—	(55,369)
Other expense	—	(237)	—	—	(37)	(274)
Allocated interest expense	(13,298)	(7,049)	(3,602)	(8,903)	(444)	(33,296)
Allocated general and administrative ⁽²⁾	(4,060)	(3,540)	(1,854)	(6,702)	(2,892)	(19,048)
Segment profit (loss)⁽³⁾	\$ 10,598	\$ 3,546	\$ 16,481	\$ (19,201)	\$ (576)	\$ 10,848
Other significant items:						
Provision for loan losses	\$ —	\$ 22,556	\$ —	\$ —	\$ —	\$ 22,556
Impairment of assets	—	—	1,750	—	—	1,750
Depreciation and amortization	—	—	2,878	683	—	3,561
Capitalized expenditures	—	—	644	15,824	—	16,468
Nine Months Ended September 30, 2021						

	Net Lease	Real Estate Finance	Operating Properties	Land and Development	Corporate/Other ⁽¹⁾	Company Total
Operating lease income	\$ —	\$ —	\$ 13,177	\$ 279	\$ —	\$ 13,456
Interest income	—	23,878	—	—	—	23,878
Other income	—	1,197	23,159	5,894	1,284	31,534
Land development revenue	—	—	—	157,936	—	157,936
Earnings (losses) from equity method investments	35,471	—	(5,553)	15,456	4,015	49,389
Gain on equity investment	—	—	—	—	17,862	17,862
Income from sales of real estate	—	—	26,319	—	—	26,319
Total revenue and other earnings	35,471	25,075	57,102	179,565	23,161	320,374
Real estate expense	—	—	(19,238)	(13,453)	—	(32,691)
Land development cost of sales	—	—	—	(147,507)	—	(147,507)
Other expense	—	(422)	—	—	—	(422)
Allocated interest expense	(8,891)	(11,737)	(5,714)	(11,481)	(1,567)	(39,390)
Allocated general and administrative ⁽²⁾	(2,026)	(3,659)	(1,797)	(6,968)	(2,748)	(17,198)
Segment profit (loss)⁽³⁾	\$ 24,554	\$ 9,257	\$ 30,353	\$ 156	\$18,846	\$ 83,166
Other significant items:						
Recovery of loan losses	\$ —	\$ (7,411)	\$ —	\$ —	\$ —	\$ (7,411)
Impairment of assets	—	—	679	—	—	679
Depreciation and amortization	—	—	4,593	674	—	5,267
Capitalized expenditures	—	—	610	16,727	—	17,337
As of September 30, 2022						
Real estate, net	\$ —	\$ —	\$ 89,144	\$ —	\$ —	\$ 89,144
Real estate available and held for sale	—	—	301	—	—	301
Total real estate	—	—	89,445	—	—	89,445
Land and development, net	—	—	—	248,246	—	248,246
Loans receivable and other lending investments, net	—	176,623	—	—	—	176,623
Other investments	547,290	—	33,808	—	21,827	602,925
Total portfolio assets	<u>547,290</u>	<u>176,623</u>	<u>123,253</u>	<u>248,246</u>	<u>21,827</u>	<u>1,117,239</u>
Cash and other assets	—	—	—	—	—	60,856
Total assets						<u>\$1,178,095</u>
As of December 31, 2021						
Real estate, net	\$ —	\$ —	\$ 92,150	\$ —	\$ —	\$ 92,150
Real estate available and held for sale	—	—	301	—	—	301
Total real estate	—	—	92,451	—	—	92,451
Land and development, net	—	—	—	286,810	—	286,810
Loans receivable and other lending investments, net	—	332,844	—	—	—	332,844
Other investments	438,186	—	43,252	1,096	17,876	500,410
Total portfolio assets	<u>\$438,186</u>	<u>\$332,844</u>	<u>\$135,703</u>	<u>\$287,906</u>	<u>\$17,876</u>	<u>1,212,515</u>
Cash and other assets	—	—	—	—	—	44,248
Total assets						<u>\$1,256,763</u>

(1) Corporate/Other represents all corporate level and unallocated items including any intercompany eliminations necessary to reconcile to consolidated Company totals. This caption also includes the Company's joint venture investments and strategic investments that are not included in the other reportable segments above.

(2) General and administrative excludes stock-based compensation of (\$13.2) million and \$8.3 million for the nine months ended September 30, 2022 and 2021, respectively.

(3) The following is a reconciliation of segment profit to net income (loss) (\$ in thousands):

	<u>For the Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Segment profit	\$ 10,848	\$ 83,166
Less: (Provision for) recovery of loan losses	(22,556)	7,411
Less: Impairment of assets	(1,750)	(679)
Less: Stock-based compensation	13,166	(8,260)
Less: Depreciation and amortization	(3,561)	(5,267)
Less: Income tax expense ⁽¹⁾	—	(20,195)
Net income (loss)	<u>\$ (3,853)</u>	<u>\$ 56,176</u>

(1) The Company recorded a full valuation allowance against its income tax benefit for the nine months ended September 30, 2022 because the Company determined that its net deferred tax asset was not more likely than not realizable.

Note 15—Subsequent Events

The Company has evaluated events and transactions that have occurred since September 30, 2022 through December 16, 2022, the date the financial statements were available for issuance. Based upon this evaluation, the Company has determined that the following transactions that occurred subsequent to September 30, 2022 require disclosure or adjustment in the Company's combined and consolidated financial statements.

Subsequent to September 30, 2022, the Company entered into commitments for the following financing arrangements: (i) a \$100.0 million secured term loan to be provided by iStar and assumed by new Safe in the merger that will be primarily secured by the Company's real estate assets; and (ii) an up to \$140.0 million margin loan from Morgan Stanley Bank, N.A. that will be secured by the shares of Safe common stock owned by the Company. The proceeds of these financings will be used by iStar to redeem its outstanding unsecured senior notes. iStar has obtained commitments for both financings. The financing commitments are each subject to certain conditions, including the negotiation of definitive documentation and the satisfaction of all conditions to the spin-off and the merger.