FINAL TRANSCRIPT

Thomson StreetEvents℠

SFI - Q1 2008 iStar Financial Earnings Conference Call

Event Date/Time: May. 02. 2008 / 10:00AM ET

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

CORPORATE PARTICIPANTS

Andrew Backman
iStar Financial - SVP - IR and Marketing

Jay Sugarman
iStar Financial - Chairman and CEO

Katy Rice
iStar Financial - CFO

CONFERENCE CALL PARTICIPANTS

Don Fandetti
Citigroup - Analyst

Tayo Okusanya
UBS - Analyst

Douglas Harter
Credit Suisse - Analyst

David Fick
Stifel Nicolaus - Analyst

Matt Burnell
Wachovia - Analyst

Dean Choksi
Lehman Brothers - Analyst

Jim Shanahan
Wachovia - Analyst

PRESENTATION

Operator

Good day and welcome to iStar Financial's first quarter 2008 earnings conference call. (OPERATOR INSTRUCTIONS).

As a reminder today's conference is being recorded. At this time for of the remarks and introductions I would like to turn the conference over to iStar Financial's Senior Vice President of Investor Relations and Marketing, Mr. Andrew Backman. Please go ahead, Sir.

Andrew Backman - *iStar Financial - SVP - IR and Marketing*

Thank you, Tony, and good morning, everyone. Thank you for joining us today to review iStar Financial's first quarter earnings report.

With me today are Jay Sugarman, Chairman and Chief Executive Officer; Jay Nydick, our President; Katy Rice, our Chief Financial Officer; Nina Matis, Chief Investment Officer and General Counsel; and Jim Burns, Executive Vice President and Treasurer.

This morning's call is being web cast on our web site at istarfinancial.com in the Investor Relations section. There will be a replay of the call beginning at 12:30 PM Eastern time today. The dial-in for the replay is 1-800-475-6701 with a confirmation code of 918586.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Before I turn the call over to Jay I would like to remind everyone that statements in this earnings which are not historical facts may be deemed forward-looking statements. Factors that could cause actual results to differ materially from iStar Financial's expectations are detailed in our SEC reports.

Now let me turn the call over to iStar's Chairman and CEO, Jay Sugarman. Jay?

Jay Sugarman - *iStar Financial - Chairman and CEO*

Thanks, Andy. Welcome, everyone. I want to start off with a quick recap of the first quarter highlights. Then I'm going to spend some time later adding color to a number of areas I think will be of interest.

Let me start with earnings. First quarter earnings were $0.87 per share. That's down about 6% from last year as a result of higher loss provisions on the loan portfolio, offset by some good news in the Other Income category. Slower resolutions of non-earning assets continued to drag on earnings growth. I will comment further on that a little later.

In terms of investments, we funded just under $950 million in new and existing investments; and iStar received approximately $750 million in repayments. Inside the portfolio we actually received $1.3 billion in repayment but as you know a portion of those repayment proceeds are contractually committed to paying down the Fremont A note. That A note is now down from about $4.2 billion at closing to $2.4 billion today.

Turning to returns and return on equity, margins in return on equity looked pretty good this quarter, helped by interest rate floors kicking in on a good number of floating rate assets and a sizable return on an equity kicker from a previous financing. ROE for the quarter was north of 20% and margins were solid in the mid 300 range in spite of the non-earning asset drag.

Next on credit, we, like others, adjusted our overall macro economic view further downward last quarter, resulting in more asset downgrades and increased reserves. The Bear Stearns situation at the end of the quarter stalled some of the progress we were making on a number of assets; and we have been working very hard to reassess almost every challenged asset in the portfolio. We will share some data on asset resolutions at the end of the call as well.

Lastly, on the capital front, we pushed very hard to pay off the Fremont interim loan well ahead of its June 30th maturity. The opportunistic sale of our timber assets created a very large gain and paid off the first 1/3 of that loan and we very recently completed our planned CTL financing with a single institution, opting to eliminate any syndication risk or delay, and enabling us to pay off that loan in full.

While it cost us a few extra dollars, we wanted to start focusing and have our investors start focusing on the drivers of future success and put the last major debt maturity of 2008 behind us.

With that overview, let me turn it over to Katy and then follow up with some more detailed comments later. Katy?

Katy Rice - *iStar Financial - CFO*

Thanks, Jay, and good morning, everyone. As Jay mentioned, and as you'll see from the press release that we issued this morning, we have been busy this quarter executing the secured financing initiative and asset sales that we set in motion late last year and in the first quarter of this year. We've successfully generated over $1.7 billion of liquidity that will properly position us longer-term and enable us to begin to take advantage of the new, more attractive lending environment.

Before I discuss some of these initiatives, let me run through the results for the quarter. As Jay mentioned, our adjusted earnings for the quarter were $117 million or $0.87 per diluted common share. Net investment income for the quarter was $186 million up 55% from the first quarter of 2007. Year-over-year increase was due to growth in the overall loan portfolio, primarily due to

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

the addition of the Fremont asset as well as the amortization of $28 million of the Fremont loan purchase discount recognized in the quarter.

In addition we recorded $44 million in Other Income this quarter from a profit participation related to one of our higher risk, higher return loans.

This quarter, as LIBOR declined almost 190 basis points, we benefited from the LIBOR floors that we have in many of our floating rate loans. As LIBOR declined the floors kicked in. However if LIBOR increases in coming quarters, above the floor amounts, this benefit will diminish.

Consistent with our expectations for slower overall asset growth, new commitments for the first quarter totaled $101 million in four separate transactions, $21 million of which was funded during the quarter. However, during the quarter, we funded $921 million of pre-existing commitments and received repayments of approximately $1.3 billion.

Of the $1.3 billion in principal repayments, $575 million was used to pay down the A participation interest in the Fremont portfolio and $752 million was retained by iStar. The principal balance of the A participation interest at the end of the first quarter was $2.4 billion, down from $3 billion last quarter and $4.2 billion at the close of the transaction last summer. As you know, 70% of all principal repayments from the Fremont portfolio go to reduce the A participation until it is paid off. After that iStar will retained 100% of all principal received.

Our adjusted return on equity was just over 20% this quarter, at the high end of our targeted range of 15 to 20%. Our net finance margin for the quarter, excluding the amortization of the Fremont loan purchase discount, was 3.42%. With respect to our credit statistics for the quarter, interest coverage was 1.7 times, essentially in line with last quarter.

Our trailing 12-month fixed charge coverage ratio as calculated in accordance with our covenant was 1.6 times. We expect our fixed charge coverage ratio to remain at or around this level over the next couple of quarters.

During the quarter, we recorded loan loss provisions of $89.5 million versus $113 million last quarter, a decrease of approximately $24 million quarter-over-quarter. For the balance of the year we are expecting between $70 million and $110 million of additional loan loss provisions, reflecting our view that we will continue to see stress in both the credits and real estate market.

The actual provisions will be based on our quarterly risk rating process, the number of NPL and REO assets in the portfolio, and our view of the macro economic and real estate environments.

As you know, the vast majority of our assets are performing and our portfolio remains diversified by product type, geographic area, loan structure, and origination vintage. Further, we believe that our total loss coverage of $367 million which includes $253 million of on-balance sheet loan loss reserve and $114 million of discounts remaining from the Fremont acquisition is adequate.

At the end of the quarter, our equity represented 22% of our total capitalization and our leverage -- defined as debt to equity plus accumulative depreciation, depletion and loan loss reserves -- was 3.5 times versus 3.4 times at the end of the fourth quarter last year. As we've said, we expect to see slight variations in quarter-over-quarter leverage, but we don't anticipate leverage increasing materially from these levels.

At the end of the first quarter, we saw a slight decrease in loans on NPL status, in part due to the resolution of four assets as well as the transfer of three assets from NPL to other real estate owned. At the end of the first quarter, there were 30 assets on NPL status representing $1.1 billion of gross loan value or 7.8% of total managed loans versus 31 assets last quarter, representing $1.2 billion of gross loan value or 8.4% of total managed loans.

Just as a reminder gross loan value represents iStar's book value plus the A participation interest in the associated assets.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

With respect to our watch list, we had 30 assets representing $1.2 billion of gross loan value at the end of the quarter compared to 40 assets representing $1.6 billion of gross loan value last quarter. While we are pleased that a number of the assets were resolved or removed from the watch list this quarter, we will continue to closely monitor these assets as part of our overall risk management process and will adjust their status as appropriate.

Loans on NPL and watch list this quarter range in size from $7 million to $200 million, but are typically in the $35 million to $40 million range. As we mentioned last quarter, the NPL list includes a number of our higher risk, higher return investments in addition to a number of the condo conversions on the Fremont portfolio. The largest of our NPLs this quarter -- and not one of the higher risk, higher return assets -- is the $200 million first mortgage on a parcel of land in midtown Manhattan. This loan was put on NPL status last quarter due to a maturity default.

We continue to believe that our principal is well protected and that we will receive full recovery in addition to default interest and other fees, given the amount of subordinated capital that is behind us as well as the significant interest from third parties in the property at values well above our basis.

In addition to this loan, we placed a $132 million first mortgage loan on NPL status this quarter. This loan was added to our watch list last quarter ending the completion of a sale to a third party, and was moved to NPL status this quarter based on a payment default as a result of the sale not being completed.

NPL assets are costly from both an earnings and a return on assets perspective. When an asset becomes an NPL it is our policy to stop accruing interest income. In addition, there are often general or asset-specific reserves associated with our NPL assets which have a direct impact on our earnings. However, while we are clearly focused on reducing assets on NPL status, one of our primary goals is to maximize the overall return of each of these assets.

During the first quarter, we took title to three properties, all of which were previously on NPL status, and had an aggregate growth loan value of $192 million. This resulted in a $36.5 million charge against our allowance for loan loss reserve. Once the property is taken back through foreclosure, we are responsible for any operating costs associated with the property. These expenses are shown in the Other Expense line item in our income statement.

We are prepared to foreclose if necessary, in order to generate the highest possible return from these situations; and unlike other financial institutions, we have a highly capable team of in-house professionals who are responsible for formulating and executing a plan to maximize the value of each of our REO assets.

We continue to believe that both the macro economic and real estate environments remain challenging. While the aggregate book value of REO, NPL and Watch list assets has decreased from the prior quarter, we do not believe this improvement represents the beginning of a trend and do not yet see a systemic improvement across our challenged assets.

Now let's turn to our capital markets and funding initiatives. First we were very pleased to announce that we recently entered into a $960 million first mortgage financing with a major financial institution. The transaction has a three-year term and is prepayable in 20 months. Financing is secured by 34 properties in our corporate tenant lease portfolio with an aggregate net book value of $1.1 billion and an aggregate appraised value of $1.6 billion.

We received approximately $810 million of proceeds from the initial closing of the financing and expect to receive the remaining $150 million prior to the end of the second quarter, subject to finalizing some additional loan documentation. We used the initial proceeds, together with other available corporate funds, to repay the remaining balance on the interim Fremont facility.

Now that the Fremont facility is paid off, our only remaining debt obligation in 2008 is $50 million of senior notes maturing on August 15th.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

In addition to the CTL financing, and as part of the liquidity plan that we outlined in the fourth quarter, we've executed some additional financings and asset sales with proceeds totaling $753 million.

Let me walk you through these initiatives. As we previously announced, we closed on the sale of our TimberStar Southwest joint venture on April 1st. We received $400 million of net proceeds which included a gain of approximately $250 million. Our timber team was able to create significant shareholder value by optimizing the harvest and merchandising plan in what turned out to be a short 18 month holding period.

Given the relatively low current yields, we were pleased that we were able to sell these assets at very competitive prices and redeploy our capital into areas that we believe have more attractive near-term risk-adjusted returns.

During the first quarter, we entered into a $300 million term loan secured by collateral from our corporate loan and debt portfolio. The loan is a 364-day facility that can be extended at our option for six months. We also completed a $53 million first mortgage financing, secured by a small pool of our AutoStar CTLs.

We entered the credit crunch with an almost completely unencumbered balance sheet. This has enabled us to successfully navigate through the challenging market by generating liquidity as needed from multiple sources. We have been able to utilize a small portion of our assets as collateral for relatively attractively priced financing at a time when the capital markets have been either unavailable or highly unattractive. We have specifically structured the secured financing with relatively short terms or with prepayment options and, in certain instances, we paid a little bit more to do so. This will enable us to reunencumber our balance sheet as the capital markets stabilize and unsecured financing becomes more attractive.

Despite the persistent dislocation in the capital markets, we continue to believe that over the long term, being an investment-grade, unsecured borrower is the right financing model for iStar, and is one of our unique competitive advantages.

Okay, now let's review our sources and uses of funds for the remainder of this year as we see it today. For the remainder of 2008, specifically from May through the end of December, we expect to receive approximately $1.9 billion in asset repayments. In addition, there are approximately $1 billion of what we refer to as discretionary asset repayments. These discretionary repayments relate to assets where we may have an opportunity to refinance or restructure a loan at significantly higher rates or better terms in lieu of getting repaid. We make these decisions on an asset by asset basis and view these transactions as new deals.

As we continue to build liquidity throughout the remainder of the year, we will look to balance the earnings that these discretionary assets can generate if we refinance them versus the liquidity they generate if they repay. So if you assume that we refinance half of the $1 billion of discretionary repayments then our assets repayments should total approximately $2.4 billion for the remainder of the year.

For the same period, May through the end of December 2008, we expect to fund approximately $2.2 billion of commitments. So as you can see, our expectation for repayments closely matches our expectations for funding for the balance of the year.

Now including the proceeds from our recently completed financing initiatives and asset sales, net of debt maturities, we expect to have between $500 million and $1 billion of investable capital through the end of the year, excluding any capital markets activities.

Finally, let me conclude with our earnings guidance. Based upon our current view of the market and the continued disruptions in the real estate and housing markets, we now expect 2008 diluted AEPS of $3.20 to $3.60 and diluted GAAP earnings per share of $3.70 to $4.10. This range is below our previous guidance and takes into consideration a more conservative outlook with respect to the macro economic environment, the longevity and depth of the credit crunch and our expectations for higher provisions for loan losses this year.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

While we expect our AEPS to be lower this year, our dividend is very well covered, based on the $250 million gain we booked from the sale of our TimberStar Southwest venture.

So with that, let me turn it back to Jay.

Jay Sugarman - *iStar Financial - Chairman and CEO*

Thanks, Katy. Well, a hard question we've been grappling with this quarter has been figuring out exactly where the commercial real estate market is heading. I think most people in our industry agree the answer to that question lies more in the direction of the macro economy than in the particular supply demand fundamentals of most real estate markets. The most recent macro economic statistics don't look so good. In fact I spoke at an industry conference this week and only one person out of a crowd of 200 was bullish on the near-term future.

But that is not to say there aren't already a few signs that the market may have absorbed much of the bad news already; and if almost everyone is so convinced the future is negative, maybe it is getting close to the time to take a contrarian view and start looking for the light at the end of the tunnel.

We can talk about some of the signs we at iStar are watching, but it remains hard to have complete conviction. So for now we remain somewhat cautious and focused on grinding down the rough spots in our portfolio.

I promised last quarter to share some data on problem asset resolutions and see if our $0.20 on the dollar reserve metric was feeling about right. As I mentioned in my earlier remarks, one of the frustrations in the first quarter was the impact the Bear Stearns news had on some favorable resolutions that were very close to the finish line at quarter end. We continue to work on those and hope to find resolutions some time later in this quarter, but let's focus on the resolutions we have completed.

As Katy mentioned, seven assets from the NPL list were resolved last quarter, covering several hundred million dollars of loans. Some of those resolutions were positive, some were not. Four of the loans were either paid off, paid down or brought current and losses on those resolutions were zero or relatively small. On the other hand, three of the loans were foreclosed on, wiping out large mezzanine and equity positions, and were written down by us to realizable value. Those loans are written down by an average of about 25 points.

So, overall, in total NPL resolutions, the average resolution cost was about 13 points. Obviously the foreclosure assets had the bigger losses, but those were offset by some of the more favorable resolutions and under our base case, we believe recent resolutions continued to suggest the 20 point metric will be close or sufficient to resolve the majority of the NPL assets. Even under a downside case where we might need to bump that to 25 points, we think the timber gain gives us the room to handle even the downside case with a sufficient economic cushion.

One of the side effects of slower resolutions is, of course, longer periods where capital is tied up without generating any earnings. Right now, we think there is somewhere between $80 million and $100 million of earnings power trapped in the NPL portfolio, and getting that untrapped over the next four quarters will be a key to earnings going forward.

Let me switch over to the condo front. Markets continue to be quite distinct with the New York market continuing to be the clear leader in terms of pace and strength of closings and other markets displaying varying levels of weakness with the occasional success story.

Good real estate with attractive pricing still sells, while marginal real estate requires heavy discounting to sell. In projects, we are involved in the sales closing process. The pace in March and April was the highest in six months, but some of that is just related to the timing of properties been completed and able to actually complete sales.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

One clear trend we see is that with prices falling in many markets, buyer interest has picked up, but financing availability is becoming the real enemy in many markets with appraisal levels and restrained credit holding back that buying interest. We have yet to see the recent policy initiatives coming out of the government begin to have a material positive impact on end-user financing, but we hope that recent Fed liquidity moves, including those of today, may help free up the mortgage markets during the coming sales season.

I think with that we should open it up for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Don Fandetti with Citigroup.

Don Fandetti - *Citigroup - Analyst*

Jay, it's good to see your liquidity position improving. As you look at your CDS spreads coming in along with other financials, what is your sense on your ability to tap the bond market? I mean do you feel like that window could open up for you or is it still a little premature to be thinking that way?

Katy Rice - *iStar Financial - CFO*

Hi, Don, it's Katy. I think one of the things that most issuers have realized over the last nine months during the pretty dramatic dislocations in the credit market, is that it is important to be opportunistic with respect to any issuances. So I think as we continue to see our credit spreads tighten to the extent we see -- and I think we are starting to see the ability to put that capital to work at appropriate returns -- we will be opportunistic in tapping those markets.

Don Fandetti - *Citigroup - Analyst*

Okay and then, Jay, just wanted to drill down a little bit more on the credit side. You know it seems like we are starting to seek more cracks in CRE and just wanted to get your sense on where you are seeing the weakness and what's the risk that maybe you are even being a little too optimistic on your provisioning?

Jay Sugarman - *iStar Financial - Chairman and CEO*

Too optimistic in which sense?

Don Fandetti - *Citigroup - Analyst*

Meaning that you are not assuming enough loan loss provisions and that really the market is a little weaker and could get more so over the next few quarters?

Jay Sugarman - *iStar Financial - Chairman and CEO*

I think again one of the hard things we are struggling with is a lot of it really will come into play depending on what macro economics scenario you look for. If we go into a pretty hard recession, there's definitely more downside in commercial real

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

estate values. Although, I will tell you I think there's somewhat of a floor just by virtue of the fact that an enormous amount of capital has been raised, waiting on the sidelines, watching for opportunities.

So I think the depth of any downturn will be moderated by the fact that, this time, there's a lot of money already raised, already standing ready to buy attractive opportunities, where in the past, normally, there's a period of time where people are trying to figure out how to get that capital. So we do see potential for further downside. It's really more related, I think, to the larger macro economic question out there, but we have some time to continue to build reserves as we see fit. We continue, as I said, to reassess almost every challenged asset in the portfolio.

And I can give you a good case and I can give you a bad case on almost every asset. Right now we are walking probably a little closer to the bad case line. But, yes, we're not going right to the worst possible case we can imagine but again as I said, I think we have quite a bit of time to handle any unexpected issues and I think the timber gain just gives us the comfort to think that, on an economic basis, our on-balance sheet reserves, our discounts, and that gain give us an economic cushion that should handle just about everything we see.

Don Fandetti - *Citigroup - Analyst*

Then lastly, Katy the pricing on the first mortgage on the CTL, can you give us a range or sort of what -- how it shucked out versus your expectations?

Katy Rice - *iStar Financial - CFO*

Sure, I mean one of the things that we did try to do particularly with this lender -- as you know, most real estate lenders today are looking for sort of 10-year lockout capital and given our unsecured debt strategy, I think that was less appealing to us. So this loan as a three-year loan with a lockout for only 20 months, I think, was very attractive in this particular market. It is a floating rate loan with a LIBOR margin in the mid 300 range.

Don Fandetti - *Citigroup - Analyst*

Thank you.

Operator

Tayo Okusanya with UBS.

Tayo Okusanya - *UBS - Analyst*

Quick question. In regard to the guidance revision, could you walk us through what the biggest -- kind of like the biggest changes from where you were thinking versus now that caused the -- about the $0.40 change?

Katy Rice - *iStar Financial - CFO*

Hi Tayo, it's Katy. Really the change in guidance relates to -- as Jay mentioned in some of his comments I think taking a more conservative view on the economy, the real estate market, the housing market and then really how all of that impacts our portfolio and as we went through our risk rating process this quarter, I think we, as you can see in the results, bumped assets down a bit as we are continuing to see a bit of stress. So the range in guidance and the change in guidance really relates to our forecasting higher reserves through the year than we had originally anticipated. That range is predicated on sort of a total for

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

the year of about $160 million to $200 million loan loss reserves. So we've already taken 89 this quarter, 89.5. So that's an estimate.

Obviously our provisioning is based very specifically on our risk rating review of each asset each quarter. And as we see changes occurring, we may adjust accordingly.

Tayo Okusanya - *UBS - Analyst*

Great. Could you also talk a little bit about the cost of funding for each of your new sources of funding that you received during the quarter? I know you mentioned for the term loan, it's about LIBOR plus somewhere in the mid 300, but what about the first mortgage loan?

Katy Rice - *iStar Financial - CFO*

Yes. Tayo, that was actually the first mortgage loan.

Tayo Okusanya - *UBS - Analyst*

That was the first mortgage loan, okay.

Katy Rice - *iStar Financial - CFO*

The CTL financing, the $960 million was in the mid 300 range on the margin. The secured term loan that we did with our corporate securities is in the mid 200 range. It is also a LIBOR. It's a floating rate loan, prepayable. And then we did -- we executed a small financing, first mortgage financing on a pool of four of our AutoStar corporate tenant leases and that was relatively inexpensive. It was, I think LIBOR plus 165.

So, again, we are really trying to position these as shorter term financings, particularly the secured transactions that we're doing so that when credit markets become more attractive we can repay them without experiencing significant prepayment penalties.

Tayo Okusanya - *UBS - Analyst*

Great. Last question, do you have a sense of what the taxable EPS was during the quarter?

Katy Rice - *iStar Financial - CFO*

I am sorry, what? The what?

Tayo Okusanya - *UBS - Analyst*

The taxable, your taxable EPS rather than the adjusted EPS?

Katy Rice - *iStar Financial - CFO*

The timber transaction was actually consummated in the second quarter so that will have some of the biggest impacts to the quarterly or the annual taxable income. So that won't show up in our first quarter.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Tayo Okusanya - *UBS - Analyst*

But what was the first -- do you have a sense of what the first quarter estimate was, if you have an estimate?

Katy Rice - *iStar Financial - CFO*

I don't right now.

Operator

Douglas Harter with Credit Suisse.

Douglas Harter - *Credit Suisse - Analyst*

I was wondering if you could give us an update? On the last call you said you entered into a JV to start making some loans. Sort of where you stand with that.

Jay Sugarman - *iStar Financial - Chairman and CEO*

We've begun, I would say, putting bids out into the market on certain assets, which is the beginning of the process. We are testing, I would say, the elasticity of the market to see where pricing might be. I would tell you right now, that capital we priced pretty aggressively, i.e. pretty wide and have lost a couple of deals to other parties who have been a little bit inside of us continue to search for some of the areas of the market where we think liquidity is most in short supply. And those are longer lived, I think, transaction opportunities.

So right now we are in the process of trying to find the kind of things that are the best risk adjusted return opportunities. We will see where some of those bids and some of those transactions go, but nothing completed to date.

Douglas Harter - *Credit Suisse - Analyst*

And could you just talk about your appetite for doing additional JV type money, now that you've taken some actions and you've shored up your liquidity for your own balance sheet? Sort of how you look at those two different opportunities?

Jay Sugarman - *iStar Financial - Chairman and CEO*

Yes. I think if you believe in a kind of stabilized slow recovery, probably more of those dangers won't make sense. If you believe that there is a possibility for continued deterioration and potentially larger asset transactions coming out of that deterioration, which I think we still believe is a very real possibility, the ability to team up and option capital in that kind of environment is still interesting to us. Obviously the larger the size, the bigger the credibility of that capital pool, the more opportunities you can get yourself in front of. They tend to be very long and hard underwritings when you are doing very large transactions. And so you want to have the credibility up front that the money is there, if in fact somebody hits your bid.

So, I still think that's something given our view that we are not convinced that some of the positive signs we've seen are necessarily going to forestall a deteriorating marketplace. That if we had a chance to team up with the right partner with a large pool of capital for those types of large-scale opportunities, we would still do that.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Douglas Harter - *Credit Suisse - Analyst*

Thanks and, Katy, if you could just size the amount of interest rate floors that you have that will be kicking in and whether that should be a bigger impact on the second quarter?

Katy Rice - *iStar Financial - CFO*

It is actually not an easy thing because each loan has -- it's not standardized. They might have a different floor level. So it is not as easy a number to give you. This quarter, I think it added a couple of cents. It could be up to $0.05; but obviously some of them will go away as LIBOR, if LIBOR continues to move up.

Operator

(OPERATOR INSTRUCTIONS). David Fick with Stifel Nicolaus.

David Fick - *Stifel Nicolaus - Analyst*

Can you walk us through the assets that are going into REO from last quarter?

Katy Rice - *iStar Financial - CFO*

Sure. Seven assets are currently in REO. Three came in in the first quarter. The seven assets that are on our REO currently have a book value of about $284 million. Five of those seven are condo conversions. One is a condo construction project. And one small asset is from our AutoStar portfolio. They range in size from sort of $5 million to $60 million. They are pretty well scattered geographically, so --.

Jay Sugarman - *iStar Financial - Chairman and CEO*

Yes, the three that moved this quarter, David, were all condo conversions. One, I would consider a high-quality asset with a construction problem that a good borrower and a good mezzanine lender would have caught long ago. One, candidly, is not a very good asset and it came with a lot of sponsor recourse from a very high net worth pair of individuals that we plan to chase and one is just a really good asset that is in a market that there's enough other new supply, rental supply being dumped on the market that it's going to be a shame to sell it at a price today that I think is going to be well below what it is worth a couple of years from now. And we are still evaluating what is the best course of action with that. But there is literally nothing wrong with the asset. It is in a very good market. It's just, I think, rent growth expectations have been restrained because there's enough of that product converting back to rental, high-quality product converting back to rental that people start to change their forward rent assumption growth rates.

So it's a little bit of a mix. One of seven assets just got paid off inside our 20 point reserve metric so we feel good about that. But this is a process and as I said one of the more disappointing things is, I think, right at the end of the quarter, the Bear Stearns event scared a lot of people into rethinking where they were going to come out. And we've got more work to do on that portfolio.

David Fick - *Stifel Nicolaus - Analyst*

But do you feel you've got adequate reserves at this point to deal with all contingencies?

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Jay Sugarman - *iStar Financial - Chairman and CEO*

Yes. I mean, I think those three we foreclosed and charged-off barely aggressively. They were some of the deals that we probably had a better or higher thought process around the previous quarter. And when we actually got in and dug in when the sponsors decided not to carry them, we found some issues that made us think. We've gone back and reassessed almost every challenged asset to look for the same types of issues and make sure that when we do write these things down, we are getting them down to what we think fair value is.

David Fick - *Stifel Nicolaus - Analyst*

Okay. A two-part question, why do a one-year term loan today, No. 1, and No. 2, what about the bond market, given the fairly aggressive pricing that we have seen for other investment grade wreaks REITs like A&B and ProLogis?

Katy Rice - *iStar Financial - CFO*

I think that the buoyancy that we are seeing in the bond market is a relatively new phenomenon. I think coming in the first quarter the bond markets were effectively closed down for anything but A and above companies. So I think that is a very recent phenomenon that we are watching carefully.

And I think one-year term loans, we have an option to extend it for six months. But I think, as I mentioned, one of our strategies is here not to remain a secured borrower in these particular situations, but to actually pay slightly more for financings that are short-term and prepayable; so that over the coming year to two years as we hope the bond market stabilizes, we will be able to tap back into the unsecured markets and repay the financings that we've put in place with really no additional cost or prepayments.

David Fick - *Stifel Nicolaus - Analyst*

In your secured facility on top of that, what kind of response have you had from the ratings agencies?

Katy Rice - *iStar Financial - CFO*

Yes. This is a plan that we had reviewed with the ratings agencies and in fact reviewed sort of as part of our investor day. I think the agencies have sort of slightly different metrics, each of them, that they focus on with respect to secured assets. But if you look at a typical finance company, particularly today, their secured debt levels are very, very high.

One of the benefits for us of entering the credit crunch with effectively an unencumbered balance sheet and not really having participated in a lot of secured transactions was that we had a lot of room there to generate liquidity. So as we've said before, I think by and large the agencies are comfortable at the plus or minus 15% of total debt range. Many many single A finance companies operate well in excess of those ranges.

So I think they are taking a fairly hard line with us. But fortunately we had all that capacity and as you can see from this quarter, we are busy using it.

David Fick - *Stifel Nicolaus - Analyst*

My last question is on the dividend. Obviously, probably, don't have the option to cut it this year given the gain in TimberStar and your other operating income. But the low end of guidance, you are not fully covering the current dividend run rate and TimberStar was a onetime thing. What about beyond this year?

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Katy Rice - *iStar Financial - CFO*

Yes. We haven't, as you know, we really don't give any guidance for coming years until much later in the year, typically at our October call, our third quarter call.

Obviously with the downturn in the markets, and while Fremont and some of our own funding obligations are creating what we still think are fairly attractive assets on our balance sheet, we haven't put a lot of capital to work over the last couple of quarters. So we will have to evaluate the '09 earnings and dividend later in the year as we get a better feel for that throughout the year.

Jay Sugarman - *iStar Financial - Chairman and CEO*

As I said in my comments, it is almost entirely dependent on untrapping a lot of the capital tied up in the NPLs and as Katy said getting back to a business of being an opportunistic value-driven lender in a market that should a heck of a lot better than it's been for several years.

The first goalpost here was to get past the Fremont interim loan. That's tied up a lot of resources in the firm. We can continue to confirm that being a secured lender is a lot less efficient than being an unsecured borrower and certainly we hope that some of the steps we've taken, some of the strengths of our balance sheet have become evident enough that we get back into that unsecured market when we see opportunities, and when we think it is appropriate.

What we have said is that is generally longer-term paper, generally call protected paper. It makes no sense to go finance in that market when there are lots of questions that people have unresolved in their minds. We think we are resolving those questions relatively affirmatively and certainly hope that the market reflects the positive news and that there is a return to the kind of levels that make a lot of sense for our business. Because we will just tell you it's so much more efficient for us, for our borrowers, for our customers that that is a competitive advantage we want to put back to work.

David Fick - *Stifel Nicolaus - Analyst*

It might be prudent for incoming investors to think about the dividend having some downside flexibility going forward, if it's necessary.

Jay Sugarman - *iStar Financial - Chairman and CEO*

I wouldn't rule that out. Again I think we have almost $80 million plus of earnings trapped in NPLs and I don't know what quarter exactly we are going to unleash that earnings power back into our ongoing run rates, but you are right. We are 320 to 360 on AEPS.

I do think it's a fair point though to say that the Timber gain isn't just a onetime event. We took a very low single digit current return on that for several quarters since we bought it. Part of that capital gain was intended to be what made it to a 15 to 20 ROE. So over the last eight quarters, we've kind of been restrained on the current income AEPS number. Some of that you should give us credit for in the $250 million gain.

David Fick - *Stifel Nicolaus - Analyst*

Absolutely. Thank you.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Operator

Matt Burnell with Wachovia.

Matt Burnell - *Wachovia - Analyst*

Just a couple of quick questions. In terms of the -- Katy, in terms of your guidance for the full year in terms of loan loss provisions, you said somewhere between $160 million and $200 million, you've already taken as you said $89.5 million in the first quarter. If you take another quarter, like the first quarter, in the second quarter you will get pretty close to the remaining $110.5 million for the year.

Could you give us a better sense as we sit here today as to how you think those provisions will play out over the course of the year?

Katy Rice - *iStar Financial - CFO*

Yes. I think that's what's hard to do. We really do predicate our actual provision on the results from our risk-rating process and as you guys know, we sit in this room once a quarter and literally review in depth, and particularly with respect to the more problematic assets, each asset and for those that we think may need an impairment, we think about specific reserves. We also have a general reserve model which is also based on our risk rating and the trend in fours and fives which are the more higher risk assets.

So as those increase, the general provision is also increasing. So it is hard for me to give you right now kind of how exactly the remaining reserve that we think we are going to take this year will play out quarter to quarter. I mean if I had to guess, I'd say it would be more heavily weighted in Q2 and Q3, but we will have to see how things go and how the markets go. Then how specific assets go.

Matt Burnell - *Wachovia - Analyst*

I guess in a related question, and maybe this gets back to one of the prior questions, is there any way of giving us some sense as to how long the workout can take on some of these assets? Is there any way of getting a sense? Is it two quarters, is it six quarters, something like that?

Katy Rice - *iStar Financial - CFO*

No. Each of our assets has a unique story. I think some of them, particularly, with respect to the condo conversion, you sort of try to make decisions upfront whether you want to keep it as a condo or return it to a rental. Those can, generally speaking, be resolved in a couple of quarters. But sometimes there are construction issues. Some assets are just not ready to be sold in terms of maximizing value. So it's hard to generalize.

Jay Sugarman - *iStar Financial - Chairman and CEO*

Yes, I would caution you that it is taking longer than we had hoped. I think that's part and parcel of a very tough liquidity environment. Some hesitation on the part of buyers who have expressed a lot of interest in the assets generically. But when you try to push them to the finish line and have them closed, there seems to be quite a bit of tiptoeing and dancing.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

So right now, I guess I would take -- two quarters is probably too optimistic to work through the bulk of those issues. Six quarters, probably too long. So you probably ranged it correctly.

We would hope certainly by the time we work into 2009 that we've got a good portion of that list back into either capital in our hands to reinvest or borrowers who have stepped up and we've come up with a resolution that works for both of us. So I think the crunch period is the next three quarters. I think as we move into 2009, what will be will be and we will have a pretty good handle on where we are going to come out. And that will give us a lot more comfort in giving you guidance on earnings and dividends and other things.

Matt Burnell - *Wachovia - Analyst*

Then one last quick follow-up. Katy, where would the unsecured markets in terms of spreads have to get to for you to look at doing a three-year or a five-year unsecured deal?

Katy Rice - *iStar Financial - CFO*

Yes, I actually am encouraged by hearing you say three-year. I don't know that that market is available because the three-year floater market has really not been reenergized even with the recent uptick and sort of buoyancy in the market. So I think most investors are looking for either 5s or 10s from issuers.

You know it will be interesting to see how our CDS and bonds trade today. I think, frankly, the repayment of the Fremont interim facility was weighing heavily on a number of bondholders' minds. So we're hopeful that the back out of the way, people will get refocused on the very good dynamic that we see developing in our business to put money to work.

So I'm not giving you a specific answer. Obviously, we are opportunistic with respect to raising capital and if we see that market becoming more favorable we will tap into it on an opportunistic basis.

Operator

Dean Choksi with Lehman Brothers.

Dean Choksi - *Lehman Brothers - Analyst*

Can you talk about your European exposure, both on balance sheet and through the JVs, are there any European loans in NPL and watch lists? Then brief thoughts on relative value in Europe versus the U.S.?

Katy Rice - *iStar Financial - CFO*

Sure we have about I think $700 million to $750 million of assets in Europe. There are none on the NPL or watch list. I think on a relative value basis, Europe seems to be moving maybe somewhat behind the U.S. in terms of a slowdown. But obviously it is hard to generalize as just Europe. Europe is many countries that have many different dynamics; and one of the reasons why we think it was important for us to have people over there and move cautiously is that there are a lot of different ways to invest capital over there.

We have chosen to do that through not only direct investing but through some joint ventures with very seasoned players over there who can help us maneuver through the various dynamics in each of those markets.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Jay Sugarman - *iStar Financial - Chairman and CEO*

I think it is better to say that we haven't seen a lot of transaction opportunities in the first quarter. Our team is actually thinking about ways to take advantage of some of the, what I would say, dislocation that is beginning to show up in Europe more so on the liquidity side than the credit side just yet. One of the positives or, perversely, the negatives of that market is the senior loan market always is priced extremely tightly for borrowers who are having some issues that's a real benefit with rates low and spreads low.

We are trying to figure out how to take advantage of some of that in-place capital that is already sitting there. How do you provide some incremental capital and take advantage of maybe something that was done in the prior credit world at very tight spreads. But right now I would say it is pretty quiet over there as well. We are testing that market to see where spreads might have widened to and I would say I agree with Katy. We haven't seen spreads widen out dramatically over there. I think probably you'd see better relative value in the U.S. right now.

Operator

Jim Shanahan with Wachovia.

Jim Shanahan - *Wachovia - Analyst*

Thank you and good morning. After factoring in the secure financings that have been announced year-to-date, would you be able to make some sort of pro forma estimate where the secured financing is relative to total debt and total assets? And how those ratios compared to where the ratings agencies might be comfortable?

Katy Rice - *iStar Financial - CFO*

Yes. On a pro forma basis, and you won't see all of this in the first quarter numbers as we have been busy, and in the second quarter as well and certainly with the CTL financing, it's sort of as we had talked about. We'll be probably just about that 15% of total debt level plus or minus.

Jim Shanahan - *Wachovia - Analyst*

Closer to 10 or something in debt?

Katy Rice - *iStar Financial - CFO*

Yes.

Jim Shanahan - *Wachovia - Analyst*

Percent assets rather. Yes, okay.

Katy Rice - *iStar Financial - CFO*

Exactly.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Jim Shanahan - *Wachovia - Analyst*

In a follow-up question on -- the income statement, Katy, in other income there was the $44.2 million. If you went into some detail in your prepared remarks and I missed it. I apologize. But if you could provide a little bit more detail on what that was and the $59.9 million and Other Income, if you strip that out plus the gain on the sale of nonstrategic corporate tenant lease assets, it gets to sort of a number in the mid-teens, which is more consistent with what we would expect to say absent significant volatility from prepayment penalty fees.

And I'm wondering if that mid-teens run rate is something that you are comparable with given the current market environment and the decreased likelihood of prepayments?

Katy Rice - *iStar Financial - CFO*

Yes, our other income over the past really maybe almost two years has declined somewhat because prepayments -- or maybe not two years, but maybe a year. Prepayment penalties have basically receded. People are not really prepaying loans at this point.

The large Other Income number that I did reference was about $44 million this quarter and we sort of joke about things like this here which is it's sort of the recurring, non-recurring sort of kicker from a loan. Probably 5, maybe as many as 10% of our loans have -- and typically they are the higher risk, higher return loans -- have some feature that enables us to garner either extraordinary exit fees or some sort of participation with the borrower on upside that he is getting.

And we have them once a year or so. There's typically one that will be in a position to provide us with that income and it just so happens it was in the first quarter this year. So that was on a loan that we made in 2005.

Jay Sugarman - *iStar Financial - Chairman and CEO*

Yes, I guess to your point though, 15 to 20 is kind of our target. We said I think a number of times in the past when it's up towards 20 it sometimes surprises us, given the low leverage we employ, a high percentage of first mortgages beyond average low loan to values in that book. The fact that a lot of our CTLs are investment-grade.

20 has always been an anomaly, but as Katy said it seems to keep recurring. We hope people understand that making 15% with relatively low leverage versus the rest of the industry is not easy. But we still believe that somewhere in that range is a good solid number. The anomaly right now again is, we have probably $1 billion of capital sitting idle and [dead]. We are actually paying the cost to carry that capital and having no income associated with it.

So I think rather than focus necessarily on future Other Income, our sights right now are focused on redeploying and recapturing some of the trapped earnings in that bucket as one of the upsides that's embedded in the portfolio today.

The other income upsides are hard to predict. They are great when I come. They tend to be somewhat lumpy; but they have been consistent enough that we've run closer to 20% than 15, but I've got to tell you if you tell us what our long-term target is, it is 15 to 20. It is not 20. It is 15 to 20 and I think as we continue to see some of the credit market dislocation impacting our cost of funds, somewhere between 15 and 20 would make me quite happy.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Jim Shanahan - *Wachovia - Analyst*

Thanks, Jay. And one more very brief follow-up if you could indulge me here. The General and Administrative expenses were also somewhat elevated versus Q4 and I would like to know, Katy, if you are comfortable giving us an estimate of how General and Administrative expenses are impacting your adjusted EPS forecast for the balance of the year?

Katy Rice - *iStar Financial - CFO*

In Q4, I think the differences between Q4 and Q1 in terms of the G&A was the bonus accrual reduction. And then, I'm sorry, your second question?

Jim Shanahan - *Wachovia - Analyst*

How your outlook for G&A for the balance of this year is perhaps impacting your adjusted EPS guidance?

Katy Rice - *iStar Financial - CFO*

Yes, I mean we are continuing to look at G&A in this market and I think we are going to adjust that, according to sort of where we see the opportunities. Right now, the numbers that you see for Q1 are a pretty good run rate. There will probably be some reduction in that.

Andrew Backman - *iStar Financial - SVP - IR and Marketing*

We have time for one more question, Tony.

Operator

Tayo Okusanya with UBS.

Tayo Okusanya - *UBS - Analyst*

Jay and Katy, just going back to the resolution of the seven loans and NPL this quarter, kind of net net way you look at that charge-off on that portfolio versus the reserves. You said it kind of comes out to about 13% or so versus the 20% you have in regards to reserves for your overall portfolio.

But for the three particular loans that had the charge-off, could you give us a little bit more detail in regards to anything you saw in those portfolios that may have surprised you, for you to have such high levels of charge-offs on just those three specific loans?

Katy Rice - *iStar Financial - CFO*

I think you are referring to the charge-off from taking re assets from NPL to REO.

Tayo Okusanya - *UBS - Analyst*

That's correct.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Katy Rice - *iStar Financial - CFO*

So those assets have already been reserved and all the charge-off represents is obviously the reversal of that reserve.

Jay Sugarman - *iStar Financial - Chairman and CEO*

Yes but to your point, I think David asked the same question sort of which is, those deals -- we give you a story on each one of them. Probably the biggest surprise when we took one of them back was a relatively smart operator and a relatively smart mezzanine lender both made significant structural mistakes that we are having to go in and correct.

That is always a real disappointment. We have a great construction team. They can only catch so much. That was a particular case where even if you thought -- it is actually quite a good market long-term. It has a little short-term issue but very constrained supply. Really a product that is needed in the market and these guys totally blew it.

So, that one I think was the biggest surprise. Probably going to lose the most money on that one because of the biggest charge-off.

Another one is outside the D.C. market. It's a good rental property. There's nothing wrong with it. It's just fine. If we wanted to sit on that and hold it at multi-family rates of return, we will definitely get back full principal. Our view is we are probably going to take the charge-off and sell it at today's multi-family value with probably occupancies and rents a little lower than they will be two years from now. But that is the right decision for a company like ours.

The third one is a bad piece of real estate that we just want to stop the music on. We have a very large recourse component to that. All three of those deals were three-month deals. So some of the documentation is quite good and some of the borrowers are, we think, just poking us in the eye, when in fact, they should just pay their recourse and move on. They are not going to be able to wriggle out of it.

So those are cases where I think we believe if the keys are in our hands, we will create more value and we will go chase the recourse. I mean, if we get the full recourse back, we've over-reserved and overcharged-off that deal. But we are trying to pick again what we think fair realizable values are; and while we think we will recover meaningful amounts of recourse in most of our deals, it is rare that you recover every dollar.

So I think at this point, we are continuing to grind away at that portfolio. Again, anything over 20 points is what I consider a bad resolution. Anything under 20 points is a good resolution. On whole we kind of feel like there's as many good resolutions as bad. And that gives us comfort that certainly 20 points feels about right, but even if it's 25, I think we've got enough economic cushions through some of the gains we've seen to say maybe it's time to start resolving stuff so we have a clean 2009 to operate from.

Operator

Mr. Backman, we have no further questions.

Andrew Backman - *iStar Financial - SVP - IR and Marketing*

Thank you, Jay. Any final comments?

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Jay Sugarman - *iStar Financial - Chairman and CEO*

I guess I would just say this. We recently passed our 10th anniversary as a public company. We look forward to the next three years of being somewhat back to our roots, being opportunistic in the capital structure, being value-driven, looking at real replacement costs; again taking some contrarian views where we think the best risk-adjusted returns are.

We spent the last three years really dancing away from all of this new capital. Some of the things we've done have worked out great a la Timber. Some haven't worked out so well, but I'd just say we are looking very much forward to a much more rational market and having ability to use some of our competitive advantages.

So hopefully in the coming quarters we will be able to focus more on some of those opportunities and we will keep working away at it.

Andrew Backman - *iStar Financial - SVP - IR and Marketing*

Great. Thanks, Jay, and thanks, Katy, and thanks to everybody for joining us this morning. As always if you should have additional questions on today's earnings release or call please feel free to contact me and Jason Fooks directly here in New York.

Tony, can you please give the conference replay instructions one more time?

Operator

Thank you. Ladies and gentlemen, this conference will be available for replay after 12:30 PM Eastern time today through May 16th, 2008, at midnight. You may access AT&T's teleconference replay system at any time by dialing 1-800-475-6701 and entering the access code of 918586. International participants may dial 320-365-3844. (OPERATOR INSTRUCTIONS)

That does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.