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CAPITAL TRUST INC
Form S-3
July 11, 2003

As filed with the Securities and Exchange Commission on July 11, 2003

Registration No. 333-_____

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Capital Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

94-6181186

(I.R.S. Employer Identification Number)

410 Park Avenue, 14th Floor
New York, New York 10022
(212) 655-0220

(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

John R. Klopp
Chief Executive Officer
Capital Trust, Inc.
410 Park Avenue, 14th Floor
New York, New York 10022
(212) 655-0220

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copy to:

Michael L. Zuppone, Esq.
Paul, Hastings, Janofsky & Walker LLP
75 East 55th Street
New York, New York 10022
(212) 318-6000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities being offered only in connection with dividend or

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interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

Calculation of Registration Fee

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share(1)	Proposed maximum aggregate offering price	Amount of registration fee
Class A Common Stock, par value \$0.01 per share	1,075,000	\$20.73	\$22,284,750	\$1,802.84

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(c) of the rules and regulations promulgated under the Securities Act. Pursuant to Rule 457(c), the proposed maximum offering price per share is based upon the average of the high and low trading price for the class A common stock as reported on the New York Stock Exchange on July 9, 2003.

Pursuant to Rule 429 under the Securities Act, the prospectus which constitutes part of this registration statement also relates to an aggregate of 7,201,019 shares of Registrant's Class A Common Stock (after giving effect to the one (1) for three (3) reverse stock split effected on April 2, 2003) registered on the registration statement on Form S-3 with Commission Registration No. 333-103662.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. The selling shareholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an

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offer to buy these securities in any state where such offer or sale is not permitted.

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PRELIMINARY PROSPECTUS DATED JULY 11, 2003

SUBJECT TO COMPLETION

CAPITAL TRUST, INC.
8,276,019 Shares of Class A Common Stock

All of the shares of our class A common stock covered by this prospectus are beneficially owned by the selling shareholders listed in the section of this prospectus called "Selling Shareholders." A description of such securities is set forth in the section of this prospectus called "Description of Our Stock."

This prospectus relates to the offer and sale by the selling shareholders of up to 8,276,019 shares of class A common stock. Each of the selling shareholders may sell any or all of its shares covered by this prospectus from time to time in one or more types of transactions, which may include block transactions or involve brokers who act as agents for the seller or the buyer, effected:

- o on the New York Stock Exchange or any national securities exchange or quotation service on which the shares of class A common stock may be listed or quoted at the time of sale;

- o in the over-the-counter market; or

- o otherwise than on a national securities exchange or quotation service or in the over-the-counter market or through the writing of options relating to such shares.

All shares covered by this prospectus may be sold at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. Further details regarding the distribution of the shares covered by this prospectus may be found in this prospectus in the section entitled "Plan of Distribution."

We have issued 4,002,597 shares of class A common stock to certain of the selling shareholders and may issue up to 4,273,422 additional shares of class A common stock to other selling shareholders upon the conversion of our outstanding convertible trust preferred securities. We are filing the registration statement of which this prospectus is a part to fulfill our contractual obligations to the holders of the securities discussed above.

We will not receive any proceeds from the sales effected by the selling shareholders. We have agreed to bear all expenses related to this offering, other than underwriting discounts and commissions and any transfer taxes on the shares of stock that the selling shareholders are offering.

Our class A common stock is listed for trading on the New York Stock Exchange under the symbol "CT." On July 10, 2003, the last reported sale price of our class A common stock on the New York Exchange was \$20.75.

Investing in the securities covered by this prospectus involves risks. See "Risk Factors" beginning on page 2.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2003.

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You should rely only on the information contained in this prospectus or referred to in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the shares of stock covered by this prospectus.

Unless the context otherwise indicates, references in this prospectus to "we," "us," "our" or "Capital Trust" refer to Capital Trust, Inc., a Maryland corporation.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the information incorporated into it by reference, includes forward-looking statements. These statements predict or describe our future operations as a REIT, the effects of our reverse stock split, our business plans and strategies, and do not relate solely to historical matters. We have identified forward-looking statements contained and incorporated by reference into this prospectus using words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates", "anticipates" and similar words. Because these statements reflect our current views concerning future events, they involve risks, uncertainties and assumptions which may lead to actual results that are materially different from those contemplated in the forward-looking statements. Some, but not all, of the factors that may cause these differences are discussed in the "Risk Factors" section of this prospectus and in other information incorporated by reference into this prospectus.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

i

PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not a substitute for the detailed information and financial statements appearing elsewhere in, or incorporated by reference into, this prospectus. This

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prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results anticipated in these forward-looking statements. You should read the entire prospectus carefully, including the risk factors and financial statements.

Our Company

We are an investment management and real estate finance company positioned to take advantage of high-yielding lending and investment opportunities in commercial real estate and related assets. We make investments, for our own portfolio and as an investment manager for funds we manage, in various types of income-producing commercial real estate. Our current investment program emphasizes senior and junior commercial mortgage loans, direct equity investments and subordinated interests in commercial mortgage-backed securities. Pursuant to our current business strategy, we seek to manage our portfolio of loans and other assets so that a majority of our investments are subordinate to third-party financing but senior to the owner/operator's equity position and therefore represent "mezzanine" capital. We are organized and conduct our operations to qualify as a real estate investment trust (REIT) for federal income tax purposes.

We are the co-sponsor and exclusive investment manager of CT Mezzanine Partners II LP, or Fund II, a commercial real estate mezzanine investment fund which originated approximately \$1.2 billion in investments. Our business strategy is to continue to expand our investment management business by sponsoring other commercial real estate funds focused on investments obtained from mezzanine and other financing. We believe that these funds will generate additional investment management fees and incentive compensation tied to the performance of their portfolios of investments. We continue to manage our existing portfolio of balance sheet assets originated prior to the commencement of our investment management business and are positioned to selectively add to our balance sheet investments by investing in a diverse array of real estate and investment management/finance-related assets and enterprises, including operating companies.

In December 2002, our board of directors authorized our election to be taxed as a REIT for the 2003 tax year. We will continue to make for our own account and as investment manager for the account of funds under management, loans and debt related investments in various types of commercial real estate and related assets, and, to the extent necessary, we will tailor our balance sheet investment program to originate or acquire loans and investments to produce a portfolio that meets the asset and income tests necessary to maintain our qualification as a REIT. In order to accommodate our REIT status, the legal structure of future investment funds we sponsor may be different from the legal structure of our existing investment funds.

We were incorporated in Maryland on April 7, 1998 as a successor to a business trust organized in the 1960s and our principal executive offices are located at 410 Park Avenue, 14th Floor, New York, New York 10022, and our telephone number is (212) 655-0220.

Securities That May Be Offered

This prospectus relates to the offer and sale from time to time of (i) up to 4,002,597 shares of class A common stock currently held by certain of the individuals and entities listed under the "Selling Shareholders" section of this prospectus and (ii) up to 4,273,422 additional shares of class A common stock which may be issued to other selling shareholders upon the conversion of our outstanding convertible trust preferred securities.

We will not receive any cash proceeds from the sale by the selling shareholders of the class A common stock to which this prospectus relates.

RISK FACTORS

An investment in our class A common stock involves various risks. You should carefully consider the following risk factors in conjunction with the other information contained and incorporated by reference into this prospectus before purchasing our class A common stock. If any of the risks discussed in this prospectus actually occur, our business, operating results, prospects and/or financial condition could be harmed. This could cause the market price of our class A common stock to decline and could cause you to lose all or part of your investment.

Risk Factors Related to Our Business

Because we commenced our investment management business in 2000, we are subject to risks and uncertainties associated with developing and operating a new business, and we may not achieve from this new business the investment returns that we expect.

Our investment management business commenced in 2000 and therefore has a limited track record of proven results upon which to evaluate our performance. We will encounter risks and difficulties as we proceed to develop and operate our investment management business. In order to achieve our goals as an investment manager, we must:

- o manage our mezzanine funds successfully by investing a majority of our fund capital in suitable investments that meet the funds' specified investment criteria,
- o incent our management and professional staff to the task of developing and operating the investment management business,
- o structure, sponsor and capitalize future real estate related funds and other investment products under our management that provide investors with attractive investment opportunities, and
- o convince third party investors that an investment in our future funds will meet their investment objectives and will generate attractive returns.

There can be no assurance that we will successfully develop and operate our investment management business to achieve the investment returns we expect.

Our success in developing and operating the investment management business will depend in part on the demand for real estate related investment opportunities such as those provided by our mezzanine funds and other real estate related funds and other investment products.

Our ability to develop, operate and sustain our investment management business will depend in part on the strength of the market for private equity investments generally and the demand for real estate related private equity investments in particular. Markets for real estate related investments can be materially and adversely affected by factors beyond our control, including volatility in the global capital markets, adverse changes in general economic conditions, an unfavorable market for real estate and competition from other

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investment opportunities available to third party investors.

We will face substantial competition from established participants in the private equity market as we offer the mezzanine and other real estate related funds to third party investors.

We are a recent entrant into the investment management business. As we offer our mezzanine and other real estate related funds as investment opportunities to third party investors, we will face significant competition from established Wall Street investment banking firms and large financial institutions which have proven track records in marketing and managing private equity investment funds and are otherwise competitively advantaged because they have access to pre-existing third party investor networks into which they can channel competing investment opportunities. If our competitors offer investment products that are competitive with the mezzanine and

2

other fund investments offered by us, we will find it more difficult to attract investors and to capitalize our mezzanine and other real estate related funds.

Our success in deploying our mezzanine funds' capital to originate or acquire a targeted portfolio of assets will depend on the availability of, and the degree of competition for, attractive investments.

Our operating results will be dependent upon the availability of, as well as our ability to identify, consummate, manage and realize, high yielding real estate investment opportunities. If we are not successful in investing all available equity capital for our funds, it will reduce the potential revenues we earn following our funds' investment period when our management fee base shifts from the amount of capital commitments to the amount of invested assets. We may expend significant time and resources in identifying and consummating targeted investments. In general, the availability of desirable high yielding real estate opportunities and, consequently, our funds' investment returns will be affected by the level and volatility of interest rates, by conditions in the financial markets and by general economic conditions. No assurance can be given that we will be successful in identifying and consummating investments which satisfy our rate of return objectives or that such investments, once consummated, will perform as anticipated. We will be engaged in a competitive business and will be competing for attractive investments with traditional lending sources as well as existing funds, or funds formed in the future, with similar investment objectives.

Our loans and investments will expose us to a high degree of risk associated with investing in commercial real estate related assets.

Real estate historically has experienced significant fluctuations and cycles in value that may result in reductions in the value of real estate related investments. The performance and value of our loans and investments once originated or acquired by us will depend on many factors beyond our control. The ultimate performance and value of our investments will be subject to the varying degrees of risk generally incident to the ownership and operation of the commercial property which collateralize or support our investments. The ultimate performance and value of our loans and investments depends upon the commercial property owner's ability to operate the property so that it produces the revenues and cash flow needed to pay the interest and principal due to us on the loans and investments. Revenues and cash flow may be adversely affected by:

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- o changes in national economic conditions,
- o changes in local real estate market conditions due to changes in national or local economic conditions or changes in neighborhood characteristics,
- o competition from other properties offering the same or similar services,
- o changes in interest rates and in the availability of mortgage financing on favorable terms,
- o the impact of present or future environmental legislation and compliance with environmental laws,
- o the ongoing need for capital improvements (particularly in older structures),
- o changes in real estate tax rates and other operating expenses,
- o adverse changes in governmental rules and fiscal policies, civil unrest, acts of God, including earthquakes, hurricanes and other natural disasters, acts of war or terrorism, which may result in uninsured losses,
- o adverse changes in zoning laws, and
- o other factors that are beyond our control and the control of the commercial property owners.

3

In the event that any of the properties underlying our loans and investments experience any of the foregoing events or occurrences, the value of, and return on, such investments would be negatively impacted.

Our balance sheet asset portfolio continues to be concentrated in mark-to-market mortgage backed securities and related hedges which subjects us to greater swings in equity and income as we record balance sheet gains and losses on such assets.

Our venture agreement with affiliates of Citigroup Inc. placed restrictions on our ability to originate new mezzanine loan investments for our balance sheet during the investment period for Fund II which resulted in our balance sheet portfolio becoming more concentrated in longer term fixed rate mortgage backed securities. We have adopted accounting policies under which such securities are recorded as available-for-sale and changes in the market value will impact either or both shareholders' equity or net income depending on the characterization of the change in market value. If a reduction in market value is deemed to be permanent (generally due to a change in the credit risk), the reduction in value will be recorded as a reduction of net income. If any of the available-for-sale securities are sold, the resulting gain or loss will be recorded through the income statement. All other changes in market value will impact shareholders equity only.

While the restrictions on our balance sheet investment activities

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diminished when the investment period for Fund II ended and we have begun making new mezzanine loan investments for our balance sheet, there can be no assurance that the concentration in mark-to-market mortgage backed securities will be reduced in the near term through new originations. In an environment of lower interest rates, there is also a higher risk that our existing non-mark-to-market loans will pay off early. To the extent our balance sheet remains concentrated in mark-to-market assets, we will remain subject to potential swings in equity and income as we record gains and losses on such assets on our balance sheet which will be partially offset by unrealized gains and losses on hedges. If interest rates fluctuate and affect significantly the market value of such mark-to-market assets the corresponding reductions or increases in equity and income may be significant.

We may not achieve our targeted rate of return on our investments.

We will originate or acquire investments based on our estimates or projections of overall rates of return on such investments, which in turn are based on, among other considerations, assumptions regarding the performance of assets, the amount and terms of available financing and the manner and timing of dispositions, including possible asset recovery and remediation strategies, all of which are subject to significant uncertainty. In addition, events or conditions that have not been anticipated may occur and may have a significant effect on the actual rate of return received on an investment.

We are currently confronted with a low interest rate environment which negatively impacts our ability to originate or acquire investments that produce rates of returns similar to existing investments that were added to our portfolio during a higher interest rate environment. As we acquire or originate investments for our balance sheet portfolio (whether as new additions or as replacements for maturing investments), there can be no assurance that we will be able to originate or acquire investments that produce rates of return comparable to rates on existing investments.

We may not be able to obtain the level of leverage necessary to optimize our return on investment. If we do incur significant leverage, we will be subject to the risks of holding leveraged investments.

Our return on investment will depend, in part, upon our ability to grow our funds' portfolio of invested assets through the use of leverage. Our ability to obtain the necessary leverage on attractive terms will ultimately depend upon our ability to maintain interest coverage ratios meeting prevailing market underwriting standards which will vary according to lenders' assessments of our and our funds' creditworthiness and the terms of the borrowings. The failure to obtain and/or maintain leverage at desired levels, or to obtain leverage on attractive terms, could have a material adverse effect on our funds' performance. Moreover, we are dependent upon a few lenders to provide the primary credit facilities for our origination or acquisition of loans and investments.

Leverage creates an opportunity for increased net income, but at the same time creates risks. For example, leveraging magnifies changes in the net worth of our funds. We expect that our funds will leverage assets only when there is an expectation that leverage will enhance returns, although there can be no assurance that the use of leverage will prove to be beneficial. Where pledged

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assets are marked-to-market, a decline in market value may require us to pledge additional collateral to secure our borrowings. Moreover, there can be no assurance that our funds will be able to meet their debt service obligations and, to the extent that they cannot, they risk the loss of some or all of their assets or a financial loss if they are required to liquidate assets at a commercially inopportune time.

We are dependent upon our senior management team to develop and operate our business.

Our ability to develop and operate our business depends to a substantial extent on the experience, relationships and expertise of our senior management and key employees. There can be no assurance that these individuals will remain in our employ. The employment agreement with our chief executive officer, John R. Klopp, expires in 2004, unless further extended. The loss of the services of our senior management and key employees could have a material adverse effect on our operations.

We will be exposed to the risks involved with making subordinated investments.

Our investments will involve the additional risks attendant to investments consisting of subordinated loan positions. In many cases, management of our investments and our remedies with respect thereto, including the ability to foreclose on the collateral securing such investments, will be subject to the rights of senior lenders and the rights as set forth in certain intercreditor agreements.

Our loans and investments may be subject to fluctuations in interest rates which may not be adequately protected, or protected at all, by our hedging strategies.

Our current investment program emphasizes loans with "floating" interest rates to protect against fluctuations in interest rates. However, we may from time to time make fixed rate loans. In such cases, we may employ various hedging strategies to limit the effects of changes in interest rates, including engaging in interest rate swaps, caps, floors and other interest rate exchange contracts. No strategy can completely insulate us or the funds from the risks associated with interest rate changes and there is a risk that they may provide no protection at all. Hedging transactions involve certain additional risks such as the legal enforceability of hedging contracts, the early repayment of hedged transactions and the risk that unanticipated and significant changes in interest rates may cause a significant loss of basis in the contract and a change in current period expense. There can be no assurance that we will be able to enter into hedging transactions or that such hedging transactions will adequately protect us or the funds against the foregoing risks. In addition, cash flow hedges which are not perfectly correlated with a variable rate financing will impact our income as gains and losses on the ineffective portion of such hedges will be recorded.

Our loans and investments may be illiquid which will constrain our ability to vary our portfolio of investments.

Real estate investments are relatively illiquid. Such illiquidity may limit our ability to vary our portfolio or our funds' portfolio of investments in response to changes in economic and other conditions. Illiquidity may result from the absence of an established market for investments as well as the legal or contractual restrictions on their resale. In addition, illiquidity may result from the decline in value of a property securing one of the funds' investments. There can be no assurance that the fair market value of any of the real property serving as security will not decrease in the future, leaving our or our funds' investment under-collateralized or not collateralized at all.

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We may invest in troubled assets which are subject to a higher degree of financial risk.

We may make investments in non-performing or other troubled assets that involve a higher degree of financial risk and there can be no assurance that our investment objectives will be realized or that there will be any return on investment. Furthermore, investments in properties operating in work-out modes or under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the

5

value of an investor's original investment, including equitable subordination and/or disallowance of claims or lender liability.

We may not have control over certain of our loans and investments.

Our ability to manage our portfolio of loans and investments will be subject to the form in which they are made. In certain situations, we or our funds may:

- o acquire only a minority interest,
- o co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests,
- o rely on independent third party management or strategic partners with respect to the management of an asset, or
- o acquire only a participation in an asset underlying an investment.

Therefore, we may not be able to exercise control over the loan or investment. Such financial assets may involve risks not present in investments where third party controlling investors or third parties are not involved. For example, a third party partner or co-venturer may have financial difficulties resulting in a negative impact on such asset, may have economic or business interests or goals which are inconsistent with ours and those of the funds, or may be in a position to take action contrary to the funds' investment objectives. In addition, our funds may, in certain circumstances, be liable for the actions of its third party partners or co-venturers.

Our mezzanine and other funds will be subject to the risk of defaults by third party investors on their capital commitments.

The capital commitments made by third party investors to our mezzanine and other funds represent promises by those investors to contribute cash to the funds from time to time as investments are made by the funds. We will therefore be subject to general credit risks that the investors may default on their capital commitments. If defaults occur, we may not be able to close loans and investments we have identified and negotiated, which could materially and adversely affect the fund's investment program or make us liable for breach of contract, in either case to the detriment of our franchise in the private equity market.

We must manage our portfolio and the portfolios of our funds in a manner that allows us to rely on an exclusion from registration under the Investment

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Company Act of 1940 in order to avoid the consequences of regulation under this Act.

We rely on an exclusion from registration as an investment company afforded by Section 3(c)(5)(C) of the Investment Company Act of 1940. Under this exclusion, we are required to maintain, on the basis of positions taken by the SEC staff in interpretive and no-action letters, a minimum of 55% of the value of the total assets of our portfolio in "mortgages and other liens on and interests in real estate." We refer to this category of investments herein as "Qualifying Interests." In addition, we must maintain an additional minimum of 25% of the value of our total assets in Qualifying Interests or other real estate-related assets. Because registration as an investment company would have a material adverse effect on us and our share price, since it would significantly affect our ability to engage in certain transactions or to organize ourselves in the manner as we currently do, we intend to maintain our qualification for this exclusion from registration.

If our portfolio did not comply with the requirements of the exclusion we rely upon, we could be forced to alter our portfolio by selling or otherwise disposing of a substantial portion of the assets that are not Qualifying Interests or by acquiring significant position in assets that are Qualifying Interests. Altering our portfolio in this manner may have a material adverse effect on our investment if we are forced to dispose of or acquire assets in an unfavorable market.

6

Risk Factors Relating to Our Stock

Because a limited number of shareholders, including members of our management team, own a substantial number of our shares, decisions made by them may be detrimental to your interests.

By virtue of their direct and indirect share ownership, John R. Klopp, a director and our president and chief executive officer, Craig M. Hatkoff, a director and former officer, and other shareholders indirectly owned by trusts for the benefit of our chairman of the board, Samuel Zell, have the power to significantly influence our affairs and are able to influence the outcome of matters required to be submitted to shareholders for approval, including the election of our directors, amendments to our charter, mergers, sales of assets and other acquisitions or sales. The influence exerted by these shareholders over the company's affairs might not be consistent with the interests of other shareholders. We cannot assure you that these shareholders will not exercise their influence over us in a manner detrimental to your interests. As of the date hereof, these shareholders collectively own and control 2,171,479 shares of our class A common stock representing approximately 33.4% of our outstanding class A common stock. This concentration of ownership may have the effect of delaying or preventing a change in control of our company and might affect the market price of our class A common stock.

The conversion of the outstanding convertible trust preferred securities held by EOP Operating Limited Partnership, Vornado Realty, L.P., and JP Morgan Chase Bank, as trustee for the General Motors Employee Global Group Pension Trust and the GMAM Group Pension Trust II could result in other significant concentrated holdings of class A common stock. EOP Operating Limited Partnership, Vornado Realty, L.P. and JP Morgan Chase Bank, as trustee for the General Motors Employee Global Group Pension Trust and the GMAM Group Pension

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Trust II may each acquire 1,424,474 shares of our class A common stock. Officers, directors or other related persons of these securityholders serve on our board of directors and therefore have the power to significantly influence our affairs. If these securityholders acquire a significant ownership position, they may acquire the ability to influence the outcome of matters submitted for shareholder approval.

Some provisions of our charter and bylaws and Maryland law may deter takeover attempts, which may limit the opportunity of our shareholders to sell their shares at a favorable price.

Some of the provisions of our charter and bylaws and Maryland law discussed below could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our shareholders, by providing them with the opportunity to sell their shares at a premium to the then current market price.

Issuance of Preferred Stock Without Shareholder Approval. Our charter authorizes our board of directors to authorize the issuance of up to 100,000,000 shares of preferred stock and up to 100,000,000 shares of common stock. Our charter also authorizes our board of directors, without shareholder approval, to classify or reclassify any unissued shares of our common stock and preferred stock into other classes or series of stock and to increase the aggregate number of shares of stock of any class or series that may be issued. The board therefore has the power to increase the number of shares of preferred stock we may issue without shareholder approval. Preferred stock may be issued in one or more series, the terms of which may be determined without further action by shareholders. These terms may include preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption. No shares of preferred stock are currently outstanding and we have no present plans for the issuance of any preferred stock. The issuance of any preferred stock, however, could materially adversely affect the rights of holders of our common stock, and therefore could reduce its value. In addition, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The power of the board of directors to issue preferred stock could make it more difficult, delay, discourage, prevent or make it more costly to acquire or effect a change in control, thereby preserving the current shareholders' control.

Advance Notice Bylaw. Our bylaws contain advance notice procedures for the introduction of business and the nomination of directors. These provisions could discourage proxy contests and make it more difficult for you and other shareholders to elect shareholder-nominated directors and to propose and approve shareholder proposals opposed by management.

Maryland Takeover Statutes. We are subject to the Maryland Business Combination Act which might enable our management to resist an unsolicited takeover of our company. The statute substantially restricts the ability of third parties who acquire, or seek to acquire, control of our company to complete mergers and other business combinations without the approval of our board of directors even if such transaction would be beneficial to shareholders. "Business combinations" between such a third party acquiror and our company are prohibited if the acquiror becomes an "interested shareholder" by obtaining beneficial ownership of 10 percent or more of shareholder voting power. If our

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board of directors approved in advance the transaction that would otherwise give rise to the acquiror attaining such status, the acquiror would not become an interested shareholder and, as a result, it could enter into a business combination with us. Our board of directors could choose not to negotiate with an acquirer if the board determined in its business judgment that considering such an acquisition was not in the strategic interests of our company. Even after the lapse of the five-year prohibition period, any business combination with an interested shareholder must be recommended by our board of directors and approved by the affirmative vote of at least:

- o 80% of the votes entitled to be cast by shareholders and
- o two-thirds of the votes entitled to be cast by shareholders other than the interested shareholder and affiliates and associates thereof.

The super-majority vote requirements do not apply if the transaction complies with a minimum price requirement prescribed by the statute.

Our board of directors has exempted any business combination involving family partnerships controlled separately by John R. Klopp and Craig M. Hatkoff and a limited liability company indirectly controlled by a trust for the benefit of Samuel Zell and his family. As a result, the persons described above may enter into business combinations with us without compliance with the super-majority vote requirements and the other provisions of the statute.

We are also subject to the Maryland Unsolicited Takeovers Act which permits our board of directors, among other things, to elect on our company's behalf to stagger the terms of directors, to increase the shareholder vote required to remove a director and to provide that shareholder-requested meetings may be called only upon the request of shareholders entitled to cast at least a majority of the votes entitled to be cast at the meeting. Such an election would significantly restrict the ability of third parties to wage a proxy fight for control of our board of directors as a means of advancing a takeover offer. If an acquirer was discouraged from offering to acquire us, or prevented from successfully completing a hostile acquisition, you could lose the opportunity to sell your shares at a favorable price.

Risk Factors Related to our REIT Election

Our charter does not permit ownership of over 2.5% of our class A common stock by individuals, and attempts to acquire our common stock in excess of the 2.5% limit would be void without the prior approval of our board of directors.

For the purpose of preserving our REIT qualification, our charter would prohibit direct or constructive ownership by any individual of more than 2.5% of the lesser of the total number or value of the outstanding shares of our class A common stock as a means of preventing ownership of more than 50% of our class A common stock by five or fewer individuals. The charter's constructive ownership rules are complex and may cause the outstanding class A common stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual. As a result, the acquisition of less than 2.5% of our outstanding class A common stock by an individual or entity could cause an individual to own constructively in excess of 2.5% of our outstanding class A common stock, and thus be subject to the charter's ownership limit. The ownership limit was established following a review of the aggregate ownership of the top five direct or constructive individual shareholders. There can be no assurance that our board of directors, as permitted in the charter, will increase this ownership limit in the future. Any attempt to own or transfer shares of our class A common stock in excess of the ownership limit without the

consent of our board of directors shall be void, and will result in the shares being transferred by operation of law to a charitable trust, and the person who acquired such excess shares will not be entitled to any distributions thereon or to vote such excess shares.

After reviewing the top five shareholders treated as individuals for REIT qualification purposes, our board of directors fixed the ownership limit at 2.5%. The charter contains a provision that would exempt certain of our officers and directors and related persons from the ownership limit. Based on the number of shares outstanding on the date hereof, this exemption would permit these top five shareholders collectively to hold up to 40.9% of our outstanding shares of class A common stock.

The 2.5% ownership limit may have the effect of precluding a change in control of Capital Trust by a third party without the consent of our board of directors, even if such change in control would be in the interest of our stockholders (and even if such change in control would not reasonably jeopardize our REIT status).

There are no assurances of our ability to pay dividends in the future.

We intend to pay quarterly dividends and to make distributions to our shareholders in amounts such that all or substantially all of our taxable income in each year, subject to certain adjustments, is distributed. This, along with other factors, should enable us to qualify for the tax benefits accorded to a REIT under the Internal Revenue Code. We have not established a dividend policy providing for the payment of specific dividends at regular intervals. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as our board of directors may deem relevant from time to time. There are no assurances as to our ability to pay dividends in the future. In addition, some of our distributions may include a return of capital.

An increase in market interest rates may lead prospective purchasers of our class A common stock to expect a higher dividend yield, which would adversely affect the market price of our class A common stock.

One of the factors that will influence the price of our class A common stock will be the dividend yield on our stock (distributions as a percentage of the price of our stock) relative to market interest rates. An increase in market interest rates may lead prospective purchasers of our common stock to expect a higher dividend yield, which would adversely affect the market price of our class A common stock.

Recent tax legislation may have negative consequences for REITs.

Recent tax legislation allows certain corporations to pay dividends that qualify for a reduced tax rate in the hands of certain shareholders. This legislation generally does not apply to REITs. Although the legislation does not adversely affect the tax treatment of REITs, it may cause investments in non-REIT corporations to become relatively more desirable. As a result, the capital markets may be less favorable to REITs when they seek to raise equity capital, and the prices at which REIT equity securities trade may decline or underperform non-REIT corporations.

We will be dependent on external sources of capital to finance our growth.

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As with other REITs, but unlike corporations generally, our ability to finance our growth must largely be funded by external sources of capital because we generally will have to distribute to our shareholders 90% of our taxable income in order to qualify as a REIT (including taxable income where we do not receive corresponding cash). Our access to external capital will depend upon a number of factors, including general market conditions, the market's perception of our growth potential, our current and potential future earnings, cash distributions and the market price of our stock.

9

If we do not maintain our qualification as a REIT, we will be subject to tax as a regular corporation and face a substantial tax liability.

We expect to operate so as to qualify as a REIT under the Internal Revenue Code. However, qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only a limited number of judicial or administrative interpretations exist. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT. If we fail to qualify as a REIT in any tax year, then:

- o we would be taxed as a regular domestic corporation, which under current laws, among other things, means being unable to deduct distributions to shareholders in computing taxable income and being subject to federal income tax on our taxable income at regular corporate rates;
- o any resulting tax liability could be substantial, could have a material adverse effect on our book value and could reduce the amount of cash available for distribution to shareholders; and
- o unless we were entitled to relief under applicable statutory provisions, we would be required to pay taxes, and thus, our cash available for distribution to shareholders would be reduced for each of the years during which we did not qualify as a REIT.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities.

In order to qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, our sources of income, the nature of our investments in commercial real estate and related assets, the amounts we distribute to our shareholders and the ownership of our stock. We may also be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution. The REIT provisions of the tax code may substantially limit our ability to hedge our financial assets and related borrowings. Thus, compliance with REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Complying with REIT requirements may force us to liquidate or restructure otherwise attractive investments.

In order to qualify as a REIT, we must also ensure that at the end of each

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calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets. The remainder of our investment in securities cannot include more than 10% of the outstanding voting securities of any one issuer or 10% of the total value of the outstanding securities of any one issuer. In addition, no more than 5% of the value of our assets can consist of the securities of any one issuer. If we fail to comply with these requirements, we must dispose of a portion of our assets within 30 days after the end of the calendar quarter in order to avoid losing our REIT status and suffering adverse tax consequences.

Complying with REIT requirements may force us to borrow to make distributions to shareholders.

From time to time, our taxable income may be greater than our cash flow available for distribution to shareholders. If we do not have other funds available in these situations, we may be unable to distribute substantially all of our taxable income as required by the REIT provisions of the Internal Revenue Code. Thus, we could be required to borrow funds, sell a portion of our assets at disadvantageous prices or find another alternative. These options could increase our costs or reduce our equity.

USE OF PROCEEDS

We will not receive any proceeds from the sale of any securities covered by this prospectus by the selling shareholders.

10

SELECTED FINANCIAL DATA

The following selected financial data has been derived from the Company's historical financial statements as of and for the years ended December 31, 2002, 2001, 2000, 1999, and 1998. The per share information presented has been adjusted to give effect to the one (1) for three (3) reverse stock split of the Company's outstanding shares of class A common stock as though the reverse stock split was in effect for all periods presented. Prior to March 8, 2000, the Company did not serve as investment manager for any funds under management and therefore only the historical financial information, as of and for the years ended December 31, 2002, 2001 and 2000 reflect operating results from its investment management business. For these reasons, the Company believes that, except for the information for the years ended December 31, 2002, 2001 and 2000, the following information is not indicative of the Company's current business.

	Years Ended December 31,				
	2002	2001	2000	1999	1998
STATEMENT OF OPERATIONS DATA:	(in thousands, except for per share data)				
REVENUES:					
Interest and investment income.....	\$ 47,207	\$ 67,728	\$ 88,433	\$ 89,839	\$ 63,954
Income / (loss) from equity					
investments in affiliated Funds...	(2,534)	2,991	1,530	--	--
Advisory and investment banking					
fees.....	2,207	277	3,920	17,772	10,311
Management and advisory fees from					

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Funds.....	10,123	7,664	373	--	--
Total revenues.....	57,003	78,660	94,256	107,611	74,265
OPERATING EXPENSES:					
Interest expense.....	17,992	26,348	36,931	39,791	27,665
General and administrative expenses.....	13,996	15,382	15,439	17,345	17,045
Depreciation and amortization.....	992	909	902	345	249
Net unrealized (gain) / loss on derivative securities and corresponding hedged risk on CMBS Securities.....	(21,134)	542	--	--	--
Net realized (gain) / loss on sale of fixed assets, investments and settlement of derivative securities.....	28,715	--	64	(35)	--
Provision for / (recapture of) allowance for possible credit losses.....	(4,713)	748	5,478	4,103	3,555
Total operating expenses.....	35,848	43,929	58,814	61,549	48,514
Income / (loss) before income tax expense and distributions and amortization on Convertible Trust Preferred Securities.....	21,155	34,731	35,442	46,062	25,751
Income tax expense.....	22,438	16,882	17,760	22,020	9,367
Income / (loss) before distributions and amortization on Convertible Trust Preferred Securities.....	(1,283)	17,849	17,682	24,042	16,384
Distributions and amortization on Convertible Trust Preferred Securities, net of income tax benefit.....	8,455	8,479	7,921	6,966	2,941
NET INCOME / (LOSS).....	(9,738)	9,370	9,761	17,076	13,443
Less: Preferred Stock dividend and dividend requirement.....	--	606	1,615	2,375	3,135
Net income / (loss) allocable to Common Stock.....	\$ (9,738)	\$ 8,764	\$ 8,146	\$ 14,701	\$ 10,308
PER SHARE INFORMATION:					
Net income / (loss) per share of Common Stock:					
Basic.....	\$ (1.62)	\$ 1.30	\$ 1.05	\$ 2.07	\$ 1.70
Diluted.....	\$ (1.62)	\$ 1.12	\$ 0.99	\$ 1.65	\$ 1.32
Weighted average shares of Common Stock outstanding:					
Basic.....	6,009	6,722	7,724	7,111	6,070
Diluted.....	6,009	12,041	9,897	14,575	10,208

As of December 31,

2002	2001	2000	1999	1998
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BALANCE SHEET DATA:

Total assets.....	\$384,976	\$678,800	\$644,392	\$827,808	\$766,438
Total liabilities.....	211,932	428,231	338,584	522,925	472,207
Convertible Trust Preferred					
Securities.....	88,988	147,941	147,142	146,343	145,544
Stockholders' equity.....	84,056	102,628	158,666	158,540	148,687

11

SELLING SHAREHOLDERS

As discussed elsewhere in this prospectus, the selling shareholders are individuals or entities who or which either hold shares of our class A common stock or may acquire the same upon the conversion of certain convertible trust preferred securities and, as discussed under the caption "Plan of Distribution" below, may include certain of their pledgees, donees, transferees or other successors-in-interest who receive shares as a gift, pledge, partnership distribution or other non-sale related transfer. The following table sets forth, as of the date of this prospectus:

- o the name of each selling shareholder;
- o the number of shares of class A common stock beneficially owned by each selling shareholder;
- o the number of shares of class A common stock that may be offered for the account of each selling shareholder; and
- o the number and percentage of shares of class A common stock that will be beneficially owned by each selling shareholder following the offering to which this prospectus relates.

The information with respect to ownership after the offering assumes the sale of all of the shares offered and no purchases of additional shares. We have set forth in the footnotes to the table additional information regarding the selling shareholders and their shares, including the nature of any position, office or other material relationship that a selling shareholder has had with Capital Trust or any of our affiliates within the past three years. The selling shareholders may offer all or part of the shares covered by this prospectus at any time or from time to time.

For purposes of the table below, the number of shares "beneficially owned" are those beneficially owned as determined under the rules of the SEC. Such information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which a person has sole or shared voting power or investment power and any shares for which the person has the right to acquire such power within 60 days through the exercise of any option, warrant or right, through conversion of any security or pursuant to the automatic termination of a power of attorney or revocation of a trust, discretionary account or similar arrangement.

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Name	Total Number of Shares of Class A Common Stock Beneficially Owned Prior to this Offering	Total Number of Shares of Class A Common Stock that may be Offered for the Account of the Selling Shareholder	Total Number of Shares of Class A Common Stock to be Beneficially Owned after this Offering	Percentage of Shares of Class A Common Stock to be Beneficially Owned after this Offering
Vektor Finance Company, L.L.C. (1)	897,429	897,429	--	--%
CMH Investment Partnership LP (2)	610,444 (8)	610,444	--	--%
GRG Investment Partnership LP (3)	64,807 (9)	64,807	--	--%
JRK Investment Partnership LP (4)	600,044 (10)	600,044	--	--%
Rosenberg-CT General Partnership (5)	139,807 (11)	139,807	--	--%
EOP Operating Limited Partnership	1,424,474 (12)	1,424,974	--	--%
Vornado Realty, L.P.	1,424,474 (12)	1,424,974	--	--%
JPMorgan Chase Bank, as trustee for General Motors Employee Global Group Pension Trust (6)	99,713 (13)	99,713	--	--%
JPMorgan Chase Bank, as trustee for GMAM Group Pension Trust II (6)	1,324,761 (14)	1,324,761	--	--%
Stichting Pensioenfonds ABP	590,066	590,066	--	--%

12

Name	Total Number of Shares of Class A Common Stock Beneficially Owned Prior to this Offering	Total Number of Shares of Class A Common Stock that may be Offered for the Account of the Selling Shareholder	Total Number of Shares of Class A Common Stock to be Beneficially Owned after this Offering	Percentage of Shares of Class A Common Stock to be Beneficially Owned after this Offering
Samstock, L.L.C. (7)	25,000	25,000	--	--%
WIG LP	37,000	37,000	--	--%
Verna Harrah Trust	50,000	50,000	--	--%
HHS Partnership	15,000	15,000	--	--%
Jerry Markowitz and				

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Maria Markowitz	15,000	15,000	--	--%
Barbara Clements Heller Revocable Trust	30,000	30,000	--	--%
Jerome Blank Irrevocable Trust	18,000	18,000	--	--%
Bernard Osher Trust	60,000	60,000	--	--%
Prism Partners I LP	70,000	70,000	--	--%
Fred Stein	15,000	15,000	--	--%
Sharon B Zell Family Trust	25,000	25,000	--	--%
JW Family Trust	12,500	12,500	--	--%
Richard F. Levy	10,000	10,000	--	--%
Kenneth D. Tuchman	5,000	5,000	--	--%
Harvey R. Heller	13,500	13,500	--	--%
Ramius Capital Croup, LLC	22,500	22,500	--	--%
Portside Growth & Opportunity Fund Ltd	22,500	22,500	--	--%
Santa Fe Art Foundation	15,000	15,000	--	--%
Diane Buchanan Wilsey	50,000	50,000	--	--%
SMS Trust	55,800	55,800	--	--%
ADS 1212 Trust	18,600	18,600	--	--%
You Lucky Dog Trust	18,600	18,600	--	--%
Prima Associates, LP	10,000	10,000	--	--%
The Alpha Fund	10,000	10,000	--	--%
Gaston Caperton	12,000	12,000	--	--%
John Pritzker	6,000	6,000	--	--%
Herb Lau and Carol Lau	1,000	1,000	--	--%

13

Name	Total Number of Shares of Class A Common Stock Beneficially Owned Prior to this Offering	Total Number of Shares of Class A Common Stock that may be Offered for the Account of the Selling Shareholder	Total Number of Shares of Class A Common Stock to be Beneficially Owned after this Offering	Percentage of Shares of Class A Common Stock to be Beneficially Owned after this Offering
Mellon Bank NA, Custodian for the Public Employee Retirement System of Idaho	200,000	200,000	--	--%
Boston Safe Deposit and Trust Company, as Trustee of the Raytheon Combined DB/DC Master Trust	29,900	29,900	--	--%
Boston Safe Deposit and Trust Company, as Trustee of the Raytheon				

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Master Pension Trust	85,100	85,100	--	--%
WHI Growth Fund, LP	90,000	90,000	--	--%
Shoshana Foundation Inc.	2,000	2,000	--	--%
Granite Fund I LLC	50,000	50,000	--	--%

- (1) Zell General Partnership, Inc., or Zell GP, is the sole managing member of Veqtor Finance Company, L.L.C. The sole shareholder of Zell GP is the Sam Investment Trust, a trust established for the benefit of the family of Samuel Zell, our chairman of the board. Chai Trust Company, L.L.C. serves as trustee of the Sam Investment Trust.
- (2) Craig M. Hatkoff, our former vice chairman and a member of our board of directors, is the sole general partner of CMH Investment Partnership LP.
- (3) Gary R. Garrabrant, a member of our board of directors, is the sole general partner of GRG Investment Partnership L.P.
- (4) John R. Klopp, our president and chief executive officer and a member of our board of directors, is the sole general partner of JRK Investment Partnership LP.
- (5) Sheli Z. Rosenberg, a member of our board of directors, and Burton X. Rosenberg are the sole general partners of Rosenberg-CT General Partnership.
- (6) Each trust is a pension trust formed pursuant to the laws of the State of New York for the benefit of certain employee benefit plans of General Motors Corporation, or GM, its subsidiaries and unrelated employers. These shares may be deemed to be owned beneficially by General Motors Investment Management Corporation, or GMIMCo, a wholly-owned subsidiary of GM. GMIMCo is registered as an investment adviser under the Investment Advisers Act of 1940. GMIMCo's principal business is providing investment advice and investment management services with respect to the assets of certain employee benefit plans of GM, its subsidiaries and unrelated employers, and with respect to the assets of certain direct and indirect subsidiaries of GM and associated entities. GMIMCo is serving as investment manager with respect to these shares and in that capacity it has the sole power to direct the trustee as to the voting and disposition of these shares. Because of the trustee's limited role, beneficial ownership of the shares by the trustee is disclaimed.
- (7) SZ Investments, L.L.C., or SZI, is the sole member of Samstock, L.L.C. The sole manager of SZI is Zell GP.
- (8) Excludes 18,000 shares of class A common stock owned by Craig M. Hatkoff, 141,667 shares issuable upon the exercise of vested stock options and 11,924 shares issuable upon conversion of vested stock units held by Mr. Hatkoff.
- (9) Excludes 30,710 shares of class A common stock which may be obtained upon conversion of vested stock units held by Gary R. Garrabrant, and 35,000 shares of class A common stock issuable upon exercise of vested stock options held by Mr. Garrabrant.
- (10) Excludes 69,259 shares of class A common stock owned by John R. Klopp, 29,630 shares of class A common stock subject to an unvested restricted stock grant, and 424,999 shares issuable upon exercise of vested stock options held by Mr. Klopp.

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- (11) Excludes 30,710 shares of class A common stock which may be obtained upon conversion of vested stock units held by Sheli Z. Rosenberg.
- (12) Represents shares which may be obtained upon conversion of \$29,914,000 in convertible amount of Variable Step Up Convertible Trust Preferred Securities issued by our company's consolidated Delaware statutory business trust subsidiary, CT Convertible Trust I.
- (13) Represents shares which may be obtained upon conversion of \$2,093,980 in convertible amount of Variable Step Up Convertible Trust Preferred Securities issued by our company's consolidated Delaware statutory business trust subsidiary, CT Convertible Trust I.
- (14) Represents shares which may be obtained upon conversion of \$27,820,020 in convertible amount of Variable Step Up Convertible Trust Preferred Securities issued by our company's consolidated Delaware statutory business trust subsidiary, CT Convertible Trust I.

14

PLAN OF DISTRIBUTION

We are registering shares of class A common stock on behalf of the selling shareholders. As used in this section of the prospectus, the term "selling shareholders" includes the selling shareholders named in the table above and any of their pledgees, donees, transferees or other successors-in-interest who receive shares offered hereby from a selling shareholder as a gift, pledge, partnership distribution or other non-sale related transfer and who subsequently sell any of such shares after the date of this prospectus.

All costs, expenses and fees in connection with the registration of the shares offered hereby will be borne by Capital Trust. Underwriting discounts, brokerage commissions and similar selling expenses, if any, attributable to the sale of the securities covered by this prospectus will be borne by the respective selling shareholders.

The selling shareholders may sell under this prospectus the shares of class A common stock which are outstanding or are issuable upon conversion of the convertible trust preferred securities at different times. The selling shareholders will act independently of us in making decisions as to the timing, manner and size of each sale. The sales may be made on the New York Stock Exchange or any national securities exchange or quotation system on which the shares of class A common stock may be listed or quoted at the time of sale, in the over-the-counter market or other than in such organized and unorganized trading markets, in one or more transactions, at:

- o fixed prices, which may be changed;
- o prevailing market prices at the time of sale;
- o varying prices determined at the time of sale; or
- o negotiated prices.

The shares may be sold by one or more of the following methods in addition to any other method permitted under this prospectus:

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- o a block trade in which the broker-dealer so engaged may sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- o a purchase by a broker-dealer as principal and resale by such broker-dealer for its own account;
- o an ordinary brokerage transaction or a transaction in which the broker solicits purchasers;
- o a privately negotiated transaction;
- o an underwritten offering;
- o securities exchange or quotation system sale that complies with the rules of the exchange or quotation system;
- o through the writing of options relating to such shares; or
- o through a combination of the above methods of sale.

In connection with sales of the shares of class A common stock, any selling shareholder may:

- o enter into and cover hedging transactions with broker-dealers, that may in turn engage in short sales of the shares of class A common stock in the course of hedging the positions they assume;

15

- o sell short and deliver shares of class A common stock to close out the short positions; or
- o loan or pledge shares of class A common stock to broker-dealers that in turn may sell the shares.

We have been advised by the selling shareholders that they have not, as of the date of this prospectus, entered into any agreements, understandings or arrangements with underwriters or broker-dealers regarding the sale of their shares, nor have we been advised that there is an underwriter or broker-dealer acting as of the date of this prospectus in connection with the proposed sale of the shares by the selling shareholders.

The selling shareholders may effect such transactions by selling the shares covered by this prospectus directly to purchasers, to or through broker-dealers, which may act as agents for the seller and buyer or principals, or to underwriters who acquire shares for their own account and resell them in one or more transactions. Such broker-dealers or underwriters may receive compensation in the form of discounts, concessions, or commissions from the selling shareholders and/or the purchasers of the shares covered by this prospectus for whom such broker-dealers may act as agents or to whom they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions) and such discounts, concessions, or commissions may be allowed or re-allowed or paid to dealers.

The selling shareholders and any broker-dealers that participate with the

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selling shareholders in the sale of the shares covered by this prospectus may be deemed to be "underwriters" within the meaning of Section 2(a)(11) of the Securities Act, and any commissions received by such broker-dealers and any profit on the resale of the shares sold by them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act.

The selling shareholders and any broker-dealer that may be deemed to be "underwriters" within the meaning of Section 2(a)(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act. We will make copies of this prospectus available to the selling shareholders and have informed them of their obligation to deliver copies of this prospectus to purchasers at or before the time of any sale of the shares. Such requirement may be satisfied by delivery through the facilities of the New York Stock Exchange pursuant to Rule 153 under the Securities Act.

We have informed the selling shareholders that the anti-manipulation provisions of Regulation M promulgated under the Securities Exchange Act of 1934, may apply to their sales in the market.

The selling shareholders also may resell all or a portion of their shares in open market transactions in reliance upon Rule 144 under the Securities Act, or any other available exemption from required registration under the Securities Act, provided they meet the criteria and conform to the requirements of such exemption.

We will file a supplement to this prospectus, if required, pursuant to Rule 424(b) under the Securities Act upon being notified by a selling shareholder that any material arrangements have been entered into with a broker-dealer for the sale of shares through a block trade, special offering, exchange or secondary distribution or a purchase by a broker-dealer. Such supplement will disclose:

- o the name of each such selling shareholder and of the participating broker-dealer(s);
- o the number of shares involved;
- o the price at which such shares were sold;
- o the commissions paid or discounts or concessions allowed to such broker-dealer(s), where applicable;
- o that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus; and

16

- o other facts material to the transaction.

In addition, upon receiving notice from a selling shareholder that a donee, pledgee or transferee or other successor-in-interest intends to sell more than 500 shares covered by this prospectus, we will file a supplement to this prospectus pursuant to Rule 424(b) under the Securities Act to identify the non-sale transferee.

We have agreed with the selling shareholders to keep the registration

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statement of which this prospectus is a part effective until all shares are sold by the selling shareholders or all unsold shares are immediately saleable without restriction (including without volume limitations) and without registration under the Securities Act.

The selling shareholders are not restricted as to the price or prices at which they may sell their shares. Sales of such shares may have an adverse effect on the market price of the securities, including the market price of the class A common stock. Moreover, the selling shareholders are not restricted as to the number of shares that may be sold at any time, and it is possible that a significant number of shares could be sold at the same time, which may have an adverse effect on the market price of the class A common stock.

We will bear all costs, expenses and fees in connection with the registration of the shares. We have agreed to indemnify and hold the selling shareholders harmless against certain liabilities under the Securities Act that could arise in connection with the sale by the selling shareholders of the shares. The selling shareholders will bear all commissions and discounts, if any, attributable to the sales of the shares. The selling shareholders may agree to indemnify any broker-dealer or agent that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act.

17

DESCRIPTION OF OUR STOCK

The following description of our common and preferred stock, provisions of our charter and bylaws and specific provisions of the Maryland General Corporation Law are only summaries, and are qualified in their entirety by reference to the Maryland General Corporation Law and to our charter and bylaws which are filed as exhibits to our registration statement on Form S-3 of which this prospectus is a part.

General

Under our charter, we may issue up to 200,000,000 shares of stock comprised of the following:

- o 100,000,000 shares of class A common stock, par value \$.01 per share; and
- o 100,000,000 shares of preferred stock, par value \$.01 per share.

As of the date hereof, 6,500,734 shares of class A common stock were issued and outstanding and no shares of preferred stock were designated as a particular class or series or are outstanding. Under Maryland law, our shareholders generally are not liable for our debts or obligations. The class A common stock is listed on the New York Stock Exchange under the symbol "CT".

Common Stock

All shares of class A common stock covered by this prospectus are, or upon their issuance will be, duly authorized, fully paid and nonassessable. Holders of our common stock are entitled to receive dividends when authorized by our board of directors out of assets legally available for the payment of dividends.

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They are also 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 of our known debts and liabilities. These rights are subject to the preferential rights of any other class or series of our stock. All shares of class A common stock have equal dividend and liquidation rights.

Subject to our charter restrictions on ownership and transfer of our stock, each outstanding share of class A common stock is entitled to one vote on all matters to be submitted to a vote of the shareholders. There is no cumulative voting in the election of our directors and our directors are elected by a plurality of the votes cast, so the holders of a simple majority of the outstanding class A common stock, voting at a shareholders meeting at which a quorum is present, can elect all of the directors nominated for election at the meeting. Holders of our common stock have no exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Because holders of common stock do not have preemptive rights, we may issue additional shares of stock that may reduce each shareholder's proportionate voting and financial interest in our company. Rights to receive dividends on our class A common stock may be restricted by the terms of any future classified and issued shares of our preferred stock.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter provides for approval of these matters by a majority of all votes entitled to be cast on the matter.

Power to Reclassify Shares of Our Stock and to Increase the Number of Shares of Our Stock

Our charter authorizes our board of directors, without shareholder approval, to:

- o classify and reclassify any unissued shares of our common stock and preferred stock into other classes or series of stock, and

18

- o increase or decrease the aggregate number of shares of stock of any class or series that may be issued.

Prior to the issuance of shares of each class or series, the board is required by Maryland law and by our charter to set, subject to our charter restrictions on transfers of stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interest.

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Power to Issue Additional Shares of Common Stock and Preferred Stock

We believe that the power to issue additional shares of our common stock or preferred stock, increase the aggregate number of shares of stock of any class or series that we have the authority to issue and to classify or reclassify unissued shares of our common or preferred stock and thereafter to issue the classified or reclassified shares provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. These actions can be taken without shareholder approval, unless shareholder 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 we have no present intention of doing so, we could issue a class or series of stock that could delay, defer or prevent a transaction or a change in control of our company that might involve a premium price for holders of common stock or otherwise be in their best interest.

Transfer Agent and Registrar

The transfer agent and registrar for all of the securities covered by this prospectus is American Stock Transfer & Trust Company located in Brooklyn, New York.

Certain Provisions of Maryland Law and Our Charter and Bylaws

REIT Qualification Restrictions on Ownership and Transfer

Our charter contains restrictions on the number of shares of our stock that a person may own. No individual may acquire or hold, directly or indirectly, in excess of 2.5% in value or number of our stock unless they receive an exemption from our board of directors.

Our charter further prohibits (a) any person from owning shares of our stock that would result in our being "closely held" under Section 856(h) of the Internal Revenue Code or otherwise cause us to fail to qualify as a REIT and (b) any person from transferring shares of our stock if the transfer would result in our stock being owned by fewer than 100 persons. Any person who acquires or intends to acquire shares of our stock that may violate any of these restrictions, or who is the intended transferee of shares of our stock which are transferred to the Trust, as defined below, is required to give us immediate written notice and provide us with such information as we may request in order to determine the effect of the transfer on our status as a REIT. The above restrictions will not apply if our board of directors determines that it is no longer in our best interests to continue to qualify as a REIT.

Our board of directors, in its sole discretion, may exempt a person from, or modify, these limits, subject to such terms, conditions, representations and undertakings as it may determine. Our board of directors has granted limited exemptions to certain persons who directly or indirectly own our stock, including officers and directors and shareholders controlled by them or trusts for the benefit of their families.

Any attempted transfer of our stock which, if effective, would result in violation of the above limitations, will cause the number of shares causing the violation (rounded to the nearest whole share) to be automatically transferred to a trust, which we refer to as the Trust, for the exclusive benefit of one or more charitable beneficiaries, which we refer to as the Charitable Beneficiary, and the proposed transferee will not acquire any rights in the shares. The automatic transfer will be deemed to be effective as of the close of business on the business day (as defined in

our charter) prior to the date of the transfer. The shares transferred to the Trust will generally be selected so as to minimize the aggregate value of shares transferred to the Trust. Shares of our stock held in the Trust will be issued and outstanding shares. The proposed transferee will not benefit economically from ownership of any shares of stock held in the Trust, will have no rights to dividends and no rights to vote or other rights attributable to the shares of stock held in the Trust. The trustee of the Trust will have all voting rights and rights to dividends or other distributions with respect to shares held in the Trust. These rights will be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to our discovery that shares of stock have been transferred to the Trust will be paid by the recipient to the Trustee upon demand. Any dividend or other distribution authorized but unpaid will be paid when due to the Trustee. Any dividend or distribution paid to the Trustee will be held in trust for the Charitable Beneficiary. Subject to Maryland law, the Trustee will have the authority (i) to rescind as void any vote cast by the proposed transferee prior to our discovery that the shares have been transferred to the Trust and (ii) to recast the vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary. However, if we have already taken irreversible corporate action, then the Trustee will not have the authority to rescind and recast the vote. If necessary to protect our status as a REIT, we may establish additional Trusts with distinct Trustees and Charitable Beneficiaries to which shares may be transferred.

Within 20 days of receiving notice from us that shares of our stock have been transferred to the Trust, the Trustee will sell the shares to a person designated by the Trustee, whose ownership of the shares will not violate the above ownership limitations. Upon the sale, the interest of the Charitable Beneficiary in the shares sold will terminate and the Trustee will distribute the net proceeds of the sale to the proposed transferee and to the Charitable Beneficiary as follows. The proposed transferee will receive the lesser of (i) the price paid by the proposed transferee for the shares or, if the proposed transferee did not give value for the shares in connection with the event causing the shares to be held in the Trust (e.g., a gift, devise or other similar transaction), the Market Price (as defined in our charter) of the shares on the day of the event causing the shares to be held in the Trust and (ii) the price received by the Trustee from the sale or other disposition of the shares. Any net sale proceeds in excess of the amount payable to the proposed transferee will be paid immediately to the Charitable Beneficiary. If, prior to our discovery that shares of our stock have been transferred to the Trust, the shares are sold by the proposed transferee, then (i) the shares shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the proposed transferee received an amount for the shares that exceeds the amount he was entitled to receive, the excess shall be paid to the Trustee upon demand.

In addition, shares of our stock held in the Trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer to the Trust (or, in the case of a devise or gift, the Market Price at the time of the devise or gift) and (ii) the Market Price on the date we, or our designee, accept the offer. We will have the right to accept the offer until the Trustee has sold the shares. Upon a sale to us, the interest of the Charitable Beneficiary in the shares sold will terminate and the Trustee will distribute the net proceeds of the sale to the proposed transferee.

All certificates representing shares of our stock issued in the future

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will bear a legend referring to the restrictions described above.

Every owner of more than such percentage as may from time to time be established by our board of directors (or such lower percentage as required by the Internal Revenue Code or the regulations promulgated thereunder) of our stock, within 30 days after the end of each taxable year, is required to give us written notice, stating his name and address, the number of shares of each class and series of our stock which he beneficially owns and a description of the manner in which the shares are held. Each such owner shall provide us with such additional information as we may request in order to determine the effect, if any, of his beneficial ownership on our status as a REIT and to ensure compliance with the ownership limits. In addition, each shareholder shall upon demand be required to provide us with such information as we may request in good faith in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

These ownership limits could delay, defer or prevent a transaction or a change in control that might involve a premium price for the common stock or otherwise be in the best interest of the stockholders.

20

Business Combinations

Under Maryland law, "business combinations" between a Maryland corporation and an interested shareholder or an affiliate of an interested shareholder are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested shareholder is defined as:

- o any person who beneficially owns 10% or more of the voting power of the corporation's shares; or
- o an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested shareholder under the statute if the board of directors approved in advance the transaction by which he or she otherwise would have become an interested shareholder. However, in approving a transaction, our board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the Maryland corporation and an interested shareholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- o 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

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- o two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested shareholder with whom or with whose affiliate the business combination is to be effected or the shares held by any affiliate or associate of the interested shareholder.

These super-majority vote requirements do not apply if the corporation's common shareholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time that the interested shareholder became an interested shareholder.

Our board of directors has adopted resolutions which exempt Vektor Finance Company, L.L.C., JRK Investment Partnership LP and CMH Investment Partnership LP from the five-year prohibition and the super-majority vote requirement. The business combination statute may discourage others from trying to acquire control of us and may increase the difficulty of consummating any offer relating to the same.

Control Share Acquisitions

Maryland law provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. A control share acquisition means the acquisition of control shares, subject to certain exceptions. Shares owned by the acquiror, by officers of the target corporation or by directors of the target corporation who are also employees are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- o one-tenth or more but less than one-third;

21

- o one-third or more but less than a majority; or
- o a majority or more of all voting power.

Control shares do not include shares the acquiror is entitled to vote as a result of having previously obtained shareholder approval.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any shareholders meeting.

If voting rights are not approved at the meeting or if the acquiring

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person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of shareholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a shareholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Maryland Unsolicited Takeovers Act

The Maryland Unsolicited Takeovers Act applies to any Maryland corporation that has a class of securities registered under the Securities Exchange Act of 1934 and at least three independent directors. Pursuant to such act, the board of directors of any Maryland corporation fitting such description, without obtaining shareholder approval and notwithstanding a contrary provision in its charter or bylaws, may elect to:

- o classify the board;
- o increase the required shareholder vote to remove a director to two-thirds of all the votes entitled to be cast by the shareholders generally in the election of directors; and
- o require that a shareholder requested special meeting need be called only upon the written request of the shareholders entitled to cast a majority of all the votes entitled to be cast at the meeting.

Additionally, the board could provide that:

- o the number of directors may be fixed only by a vote of the board of directors,
- o each vacancy on the board of directors (including a vacancy resulting from the removal of a director by the shareholders) may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum; and
- o any director elected to fill a vacancy will hold office for the full remainder of the term, rather than until the next election of directors.

The Maryland Unsolicited Takeovers Act does not limit the power of a corporation to confer on the holders of any class or series of preferred stock the right to elect one or more directors. We currently have more than three

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independent directors and therefore our board of directors could elect to provide for any of the foregoing provisions. As of the date of this prospectus, our board of directors has not made any such election.

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 the board of directors and the proposal of business to be considered by shareholders may be made only:

- o pursuant to our notice of the meeting;
- o by or at the direction of the board of directors; or
- o by a shareholder who was a shareholder of record both at the time of giving of notice and at the time of the annual meeting, who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws.

With respect to special meetings of shareholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may only be made:

- o pursuant to our notice of the meeting;
- o by or at the direction of the board of directors; or
- o provided that the board of directors has determined that directors will be elected at the meeting, by a shareholder who is a shareholder of record both at the time of giving of notice and at the time of the special meeting and who is entitled to vote at the meeting and has complied with the advance notice provisions of the bylaws.

23

LEGAL MATTERS

Venable, Baetjer and Howard, LLP, Baltimore, Maryland, will give its opinion as to the legality of the shares offered hereby.

EXPERTS

The consolidated financial statements of Capital Trust Inc. and subsidiaries appearing in Capital Trust Inc. and subsidiaries' Annual Report on Form 10-K for the year ended December 31, 2002, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any materials we have filed with the SEC at the SEC's public reference rooms. The SEC also maintains a web site (<http://www.sec.gov>) that contains reports, proxy statements and other information concerning us. Please call the SEC at 1-800-SEC-0330 for information concerning the operations of the public reference rooms or visit the SEC at the following locations:

Public Reference Room	Midwest Regional Office
450 Fifth Street	Citicorp Center
Room 1024	500 West Madison Street
Washington, D.C. 20549	Suite 1400
	Chicago, Illinois
	60661-2511

We have filed with the SEC a registration statement on Form S-3 under the Securities Act to register the securities to be sold in this offering. This prospectus, which is part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules to the registration statement. For further information regarding Capital Trust and our securities, please refer to the registration statement and the documents filed as exhibits to the registration statement.

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring you to those filed documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information.

The following documents, which have been filed with the SEC, are hereby incorporated by reference:

- o Our current report on Form 8-K filed on May 19, 2003 (File No. 001-14788);
- o Our quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2003 filed on May 15, 2003 (File No. 001-14788);
- o Our definitive proxy statement on Schedule 14A filed on April 30, 2003 (File No. 001-14788);
- o Our current report on Form 8-K filed on April 2, 2003 (File No. 001-14788);

- o Our annual report on Form 10-K for the year ended December 31, 2002 filed on March 28, 2003 (File No. 001-14788);
- o Our definitive proxy statement on Schedule 14A filed on March 3, 2003

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(File No. 001-14788);

- o Our preliminary proxy statement on Schedule 14A filed on February 14, 2003 (File No. 001-14788); and
- o The description of our class A common stock contained in our current report on Form 8-K filed on July 10, 2003 (File No. 001-14788), including any amendment or report filed for the purpose of updating that description.

All other reports and documents subsequently filed by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act after the date of this prospectus and prior to the termination of the offering are deemed incorporated by reference into this prospectus and a part hereof from the date of filing of those documents. Any statement contained in any document incorporated by reference shall be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained in a later document modifies or supersedes such statement. Any statements so modified or superseded shall not be deemed to constitute a part of this prospectus, except as modified or superseded.

We will provide without charge to each person to whom this prospectus is delivered, upon written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference into this prospectus (other than the exhibits to such documents). Requests for such documents should be directed to Capital Trust, Inc., 410 Park Avenue, 14th Floor, New York, New York 10022, Attention: Investor Relations (telephone: (212) 655-0220).

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You should rely only on the information incorporated or contained in this prospectus or any supplement. We have not authorized anyone else to provide you with different or additional information. This prospectus is not an offer to sell to - nor is it seeking an offer to buy these securities from - any person in any jurisdiction in which it is illegal or impermissible to make an offer or solicitation. You should not assume that the information in this prospectus or any supplement is accurate as of any date other than the date on the front of those documents.

8,276,019 Shares of Class A Common
Stock

CAPITAL TRUST, INC.

PROSPECTUS

_____, 2003

TABLE OF CONTENTS

Page

Note Regarding Forward-Looking
 Statements.....i
 Prospectus Summary.....1
 Risk Factors.....2
 Use of Proceeds.....10
 Selected Financial Data.....11
 Selling Shareholders.....12
 Plan of Distribution.....15
 Description of Our Stock.....18
 Legal Matters.....24
 Experts.....24
 Where You Can Find More Information..24

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PART II
 INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution

The expenses payable by us in connection with the registration of the securities being registered (other than underwriting discounts and commissions) are estimated as set forth below:

Registration statement filing fee.....	\$1,802.84
Transfer agent's fees and expenses*.....	\$500.00
Accounting fees and expenses*.....	\$8,000.00
Legal fees and expenses*.....	\$25,000.00
Blue sky fees and expenses*.....	\$ -
New York Stock Exchange fees.....	\$ -
Printing and engraving costs*.....	\$500.00
Miscellaneous*.....	\$1,000.00
TOTAL.....	\$36,802.84

* Estimated pursuant to instruction to Rule 511 of Regulation S-K.

Item 15. Indemnification of Directors and Officers

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its shareholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money,

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property or services, or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our charter contains such a provision eliminating such liability to the maximum extent permitted under Maryland law.

Our charter authorizes Capital Trust, to the maximum extent permitted under Maryland law, to indemnify any present or former director or officer or any individual who, while a director of Capital Trust and at the request of Capital Trust, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer of Capital Trust and to pay or reimburse such person's reasonable expenses in advance of final disposition of a proceeding. Our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify any present or former director or officer or any individual who, while a director of Capital Trust and at the request of Capital Trust, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made a party to the proceeding by reason of his service in that capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer of Capital Trust and to pay or reimburse such person's reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit Capital Trust to indemnify and advance expenses to any person who served a predecessor of Capital Trust in any of the capacities described above and any employee or agent of Capital Trust or a predecessor of Capital Trust.

Maryland law requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. Maryland law 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 a party by reason of their service in those or other capacities unless it is established that (a) 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, (b) the director or officer actually received an improper personal benefit in money, property or services, or (c) 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 Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a Maryland corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) 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 (b) a written undertaking by such director or officer or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that

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the standard of conduct was not met.

The Company has a "claims-made" directors and officers liability insurance policy that insures the directors and officers of the Company against loss from claimed insured wrongful acts. The policy limit of liability is \$10,000,000 each policy year and is subject to retentions for each loss of \$100,000, or \$500,000 with respect to securities laws related losses, for the Company.

Item 16. Exhibits

The following documents are filed as exhibits to this registration statement:

Exhibit No.

3.1	Charter of Capital Trust, Inc.	Filed as Exhibit 3.1 to Registration Statement on Form S-3 (File No. 333-103662) filed on March 7, 2003 and incorporated herein by reference
3.2	Amended and Restated Bylaws of Capital Trust, Inc., as amended	Filed as Exhibit 3.2 to Current Report on Form 8-K (File No. 001-14788) filed on January 29, 1999 and incorporated herein by reference
5.1	Opinion of Venable, Baetjer and Howard, LLP as to legality of the shares being registered	Filed herewith
23.1	Consent of Ernst & Young LLP	Filed herewith
23.2	Consent of Venable, Baetjer and Howard, LLP (included in the opinion filed as Exhibit 5.1).	Filed herewith
24.1	Power of Attorney (included under the caption "Signatures").	Filed herewith

Item 17. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933, as amended.

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(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b), if, in the aggregate, the changes in volume and price represent not more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3, Form S-8, or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of this offering.

- (b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against such public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful

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defense if any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

II-3

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on July 11, 2003.

CAPITAL TRUST, INC.

By:/s/ John R. Klopp

John R. Klopp, Vice Chairman,
Chief Executive Office, and President

POWER OF ATTORNEY

Each person signing below also hereby appoints John R. Klopp and Brian H. Oswald, and each of them singly, with full power of substitution, his lawful attorney-in-fact, with full power to execute and file any amendments to the registration statement, including post-effective amendments, and generally to do all such things, as such attorney-in-fact may deem appropriate to comply with the provisions of the Securities Act of 1933 and all requirements of the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Samuel Zell ----- Samuel Zell	Chairman of the Board	July 11, 2003
/s/ John R. Klopp ----- John R. Klopp	Chief Executive Officer, President and Director	July 11, 2003
/s/ Brian H. Oswald ----- Brian H. Oswald	Chief Financial Officer	July 11, 2003
/s/ Jeffrey A. Altman	Director	July 11, 2003

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Jeffrey A. Altman

/s/ Thomas E. Dobrowski Director July 11, 2003

Thomas E. Dobrowski

/s/ Martin L. Edelman Director July 11, 2003

Martin L. Edelman

/s/ Gary R. Garrabrant Director July 11, 2003

Gary R. Garrabrant

/s/ Craig M. Hatkoff Director July 11, 2003

Craig M. Hatkoff

II-4

/s/ Henry N. Nassau Director July 11, 2003

Henry N. Nassau

/s/ Sheli Z. Rosenberg Director July 11, 2003

Sheli Z. Rosenberg

/s/ Steven Roth Director July 11, 2003

Steven Roth

/s/ Lynne B. Sagalyn Director July 11, 2003

Lynne B. Sagalyn

II-5

EXHIBIT INDEX

Exhibit No.

3.1 Charter of Capital Trust, Inc.

Filed as Exhibit 3.1 to
Registration Statement
on Form S-3 (File No.

width:1.7pt;">

R.J. Tower Corp.

1,880,000

DIP Revolving Loan, 8.25%, Maturing February 2, 2007

1,904,088

Tenneco Automotive, Inc.

1,861,375

Term Loan, 7.19%, Maturing December 12, 2009

1,875,568

817,670

Term Loan, 7.11%, Maturing December 12, 2010

823,905

TI Automotive, Ltd.

1,368,768

Term Loan, 8.87%, Maturing June 30, 2011

1,353,369

Trimas Corp.

4,164,879

Term Loan, 9.25%, Maturing December 31, 2009

4,207,832

TRW Automotive, Inc.

1,970,000

Term Loan, 6.75%, Maturing October 31, 2010

1,967,045

2,290,851

Term Loan, 7.19%, Maturing June 30, 2012

2,289,738

2

	United Components, Inc.	
\$ 2,237,689	Term Loan, 7.41%, Maturing June 30, 2010	\$ 2,248,878
		\$ 55,180,860
Beverage and Tobacco 1.1%	Alliance One International, Inc.	
952,938	Term Loan, 8.49%, Maturing May 13, 2010	960,085
	Constellation Brands, Inc.	
7,697,222	Term Loan, 6.82%, Maturing June 5, 2013	7,730,297
	Culligan International Co.	
1,042,884	Term Loan, 7.37%, Maturing September 30, 2011	1,043,210
	MafCo Worldwide Corp.	
1,288,636	Term Loan, 7.42%, Maturing December 8, 2011	1,290,650
	National Dairy Holdings, L.P.	
2,295,913	Term Loan, 7.40%, Maturing March 15, 2012	2,304,522
	National Distribution Co.	
836,000	Term Loan, 11.90%, Maturing June 22, 2010	838,090
	Reynolds American, Inc.	
3,875,000	Term Loan, 7.26%, Maturing May 31, 2012	3,898,312
	Southern Wine & Spirits of America, Inc.	
4,286,734	Term Loan, 7.00%, Maturing June 1, 2012	4,297,450
	Sunny Delight Beverages Co.	
435,244	Term Loan, 11.39%, Maturing August 20, 2010	431,164
		\$ 22,793,780
Building and Development 3.5%	AP-Newkirk Holdings, LLC	
2,281,638	Term Loan, 7.90%, Maturing December 21, 2007	2,288,769
	Biomed Realty, L.P.	
3,690,000	Term Loan, 7.60%, Maturing May 31, 2010	3,699,225
	Capital Automotive REIT	
3,833,885	Term Loan, 7.10%, Maturing December 16, 2010	3,838,144
	DMB / CH II, LLC	
272,000	Term Loan, 7.84%, Maturing December 22, 2008	272,680
	EpcO / Fantome, LLC	
1,975,000	Term Loan, 8.50%, Maturing November 23, 2010	1,979,938
	Formica Corp.	
1,346,625	Term Loan, 8.48%, Maturing March 15, 2013	1,350,833
	FT-FIN Acquisition, LLC	
987,745	Term Loan, 7.13%, Maturing November 17, 2007	990,214
	Gables GP, Inc.	
881,254	Term Loan, 7.10%, Maturing September 30, 2006	882,447
	General Growth Properties, Inc.	
2,000,000	Term Loan, 6.65%, Maturing February 24, 2011	1,977,386
	Hovstone Holdings, LLC	
1,485,000	Term Loan, 7.68%, Maturing February 28, 2009	1,488,713

	Kyle Acquisition Group, LLC	
\$ 802,819	Term Loan, 7.38%, Maturing July 20, 2010	\$ 802,819
	Landsource Communities, LLC	
1,002,000	Term Loan, 7.88%, Maturing March 31, 2010	1,003,879
	Lanoga Corp.	
1,650,000	Term Loan, 7.25%, Maturing June 29, 2013	1,650,516
	LNR Property Corp.	
3,700,000	Term Loan, 8.11%, Maturing July 3, 2011	3,722,355
	MAAX Corp.	
805,093	Term Loan, 8.40%, Maturing June 4, 2011	801,068
	Mueller Group, Inc.	
2,974,573	Term Loan, 7.65%, Maturing October 3, 2012	2,993,164
	NCI Building Systems, Inc.	
1,832,630	Term Loan, 6.71%, Maturing June 18, 2010	1,836,067
	Newkirk Master, L.P.	
4,404,555	Term Loan, 7.10%, Maturing August 11, 2008	4,418,320
	Nortek, Inc.	
4,003,998	Term Loan, 7.40%, Maturing August 27, 2011	3,998,369
	Panolam Industries Holdings, Inc.	
1,578,084	Term Loan, 8.25%, Maturing September 30, 2012	1,589,919
	Ply Gem Industries, Inc.	
127,805	Term Loan, 7.21%, Maturing August 15, 2011	127,645
1,917,070	Term Loan, 7.21%, Maturing August 15, 2011	1,914,674
	South Edge, LLC	
287,500	Term Loan, 7.44%, Maturing October 31, 2009	288,578
	St. Mary's Cement, Inc.	
1,954,900	Term Loan, 7.50%, Maturing December 4, 2010	1,959,787
	Standard Pacific Corp.	
1,400,000	Term Loan, 6.67%, Maturing May 5, 2013	1,373,750
	Stile Acquisition Corp.	
969,393	Term Loan, 7.49%, Maturing April 6, 2013	952,169
	Stile U.S. Acquisition Corp.	
971,044	Term Loan, 7.49%, Maturing April 6, 2013	953,791
	TE / Tousa Senior, LLC	
1,750,000	Term Loan, 7.75%, Maturing August 1, 2008	1,743,438
	The Woodlands Community Property Co.	
1,164,429	Term Loan, 7.76%, Maturing November 30, 2007	1,173,163
353,238	Term Loan, 9.76%, Maturing November 30, 2007	358,536
	Tousa / Kolter, LLC	
2,330,000	Term Loan, 6.72%, Maturing January 7, 2008 (2)	2,341,650
	TRU 2005 RE Holding Co.	
7,325,000	Term Loan, 8.35%, Maturing December 9, 2008	7,292,953
	Trustreet Properties, Inc.	
1,800,000	Term Loan, 7.35%, Maturing April 8, 2010	1,810,125
	United Subcontractors, Inc.	
1,000,000	Term Loan, 12.86%, Maturing May 27, 2013	1,000,000

	WCI Communities, Inc.	
\$ 5,000,000	Term Loan, 7.44%, Maturing December 23, 2010	\$ 4,975,000
		\$ 69,850,084
Business Equipment and Services 3.1%		
	Acco Brands Corp.	
1,928,575	Term Loan, 7.12%, Maturing August 17, 2012	1,929,780
	Activant Solutions, Inc.	
997,500	Term Loan, 7.19%, Maturing May 1, 2013	978,797
	Affiliated Computer Services	
1,069,625	Term Loan, 7.40%, Maturing March 20, 2013	1,071,822
	Affinion Group, Inc.	
3,440,726	Term Loan, 7.93%, Maturing October 17, 2012	3,461,157
	Allied Security Holdings, LLC	
1,700,000	Term Loan, 10.25%, Maturing June 30, 2010	1,710,625
	Aspect Software, Inc.	
2,650,000	Term Loan, 8.50%, Maturing July 11, 2011	2,652,486
2,350,000	Term Loan, 12.56%, Maturing July 11, 2013	2,352,938
	DynCorp International, LLC	
1,343,000	Term Loan, 8.06%, Maturing February 11, 2011	1,349,155
	Info USA, Inc.	
746,250	Term Loan, 7.25%, Maturing February 14, 2012	747,183
	IPayment, Inc.	
1,221,938	Term Loan, 7.72%, Maturing May 10, 2013	1,221,938
	Iron Mountain, Inc.	
2,635,753	Term Loan, 7.00%, Maturing April 2, 2011	2,642,343
6,957,342	Term Loan, 7.13%, Maturing April 2, 2011	6,977,636
	Language Line, Inc.	
2,734,151	Term Loan, 9.74%, Maturing June 11, 2011	2,756,366
	Mitchell International, Inc.	
806,037	Term Loan, 7.50%, Maturing August 15, 2011	809,312
	Protection One, Inc.	
2,081,649	Term Loan, 7.84%, Maturing April 18, 2011	2,086,853
	RGIS Holdings, LLC	
3,138,869	Term Loan, 8.00%, Maturing February 15, 2013	3,134,945
	SGS International, Inc.	
920,375	Term Loan, 8.02%, Maturing December 30, 2011	923,826
	SS&C Technologies, Inc.	
194,873	Term Loan, 8.00%, Maturing November 23, 2012	196,010
2,292,627	Term Loan, 8.00%, Maturing November 23, 2012	2,306,000
	Sungard Data Systems, Inc.	
14,983,650	Term Loan, 7.66%, Maturing February 11, 2013	15,067,933
	Transaction Network Services, Inc.	
948,834	Term Loan, 7.39%, Maturing May 4, 2012	948,834
	U.S. Security Holdings Inc.	
997,500	Term Loan, 7.77%, Maturing May 8, 2013	1,001,241

	US Investigations Services, Inc.	
\$ 3,259,484	Term Loan, 7.92%, Maturing October 14, 2012	\$ 3,267,632
692,350	Term Loan, 7.92%, Maturing October 14, 2012	694,513
	Williams Scotsman, Inc.	
2,750,000	Term Loan, 7.00%, Maturing June 28, 2010	2,757,447
		\$ 63,046,772
Cable and Satellite Television	2.6%	
	Atlantic Broadband Finance, LLC	
1,930,162	Term Loan, 7.99%, Maturing September 1, 2011	1,947,051
	Bragg Communications, Inc.	
2,149,225	Term Loan, 7.23%, Maturing August 31, 2011	2,154,598
	Bresnan Broadband Holdings, LLC	
1,550,000	Term Loan, 9.81%, Maturing March 29, 2014	1,586,813
	Canadian Cable Acquisition Co., Inc.	
490,000	Term Loan, 8.50%, Maturing July 31, 2011	492,450
	Charter Communications Operating, LLC	
16,023,954	Term Loan, 8.13%, Maturing April 28, 2013	16,066,962
	CSC Holdings, Inc.	
3,915,188	Term Loan, 7.03%, Maturing March 29, 2013	3,896,457
	Insight Midwest Holdings, LLC	
9,232,804	Term Loan, 7.44%, Maturing December 31, 2009	9,253,006
	MCC Iowa, LLC	
3,270,000	Term Loan, 6.57%, Maturing March 31, 2010	3,234,236
	Mediacom Broadband Group	
2,451,512	Term Loan, 7.10%, Maturing January 31, 2015	2,441,361
	Mediacom Illinois, LLC	
4,838,750	Term Loan, 7.09%, Maturing March 31, 2013	4,824,495
	UGS Corp.	
4,470,827	Term Loan, 7.48%, Maturing March 31, 2012	4,475,486
	UPC Broadband Holding B.V.	
1,280,000	Term Loan, 7.64%, Maturing March 31, 2013	1,278,811
1,280,000	Term Loan, 7.64%, Maturing December 31, 2013	1,278,811
		\$ 52,930,537
Chemicals and Plastics	2.9%	
	Brenntag Holding GmbH and Co. KG	
490,909	Term Loan, 8.08%, Maturing January 18, 2014	497,045
2,009,091	Term Loan, 8.08%, Maturing January 18, 2014	2,021,145
1,300,000	Term Loan, 12.08%, Maturing December 23, 2015	1,328,438
	Celanese Holdings, LLC	
4,485,751	Term Loan, 7.50%, Maturing June 4, 2011	4,499,302
	Gentek, Inc.	
1,597,081	Term Loan, 7.56%, Maturing February 28, 2011	1,608,310
732,407	Term Loan, 9.76%, Maturing February 28, 2012	740,189
	Hercules, Inc.	
1,813,486	Term Loan, 7.01%, Maturing October 8, 2010	1,818,473

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		Huntsman, LLC	
\$	8,246,105	Term Loan, 7.15%, Maturing August 16, 2012	\$ 8,217,755
		Innophos, Inc.	
472,250		Term Loan, 7.70%, Maturing August 13, 2010	473,431
		Invista B.V.	
3,252,782		Term Loan, 7.00%, Maturing April 29, 2011	3,258,205
1,653,494		Term Loan, 7.00%, Maturing April 29, 2011	1,656,251
		ISP Chemo, Inc.	
4,937,625		Term Loan, 7.08%, Maturing February 16, 2013	4,942,913
		Kranton Polymers, LLC	
2,649,674		Term Loan, 7.44%, Maturing May 12, 2013	2,649,674
		Mosaic Co.	
1,540,500		Term Loan, 6.99%, Maturing February 21, 2012	1,540,982
		Nalco Co.	
6,993,009		Term Loan, 7.21%, Maturing November 4, 2010	6,995,198
		PQ Corp.	
1,904,287		Term Loan, 7.50%, Maturing February 11, 2012	1,908,253
		Professional Paint, Inc.	
975,000		Term Loan, 7.76%, Maturing May 31, 2012	979,875
		Rockwood Specialties Group, Inc.	
3,757,775		Term Loan, 7.49%, Maturing December 10, 2012	3,770,300
		Solo Cup Co.	
3,884,362		Term Loan, 7.84%, Maturing February 27, 2011	3,903,380
725,000		Term Loan, 9.66%, Maturing March 31, 2012	732,250
		Solutia, Inc.	
4,000,000		DIP Loan, 8.72%, Maturing March 31, 2007	4,027,500
		Wellman, Inc.	
1,250,000		Term Loan, 9.15%, Maturing February 10, 2009	1,254,883
			\$ 58,823,752
Clothing/Textiles 0.3%			
		Propex Fabrics, Inc.	
1,887,644		Term Loan, 7.76%, Maturing July 31, 2012	1,890,004
		St. John Knits International, Inc.	
1,621,337		Term Loan, 7.75%, Maturing March 23, 2012	1,621,337
		The William Carter Co.	
1,343,419		Term Loan, 6.85%, Maturing July 14, 2012	1,341,740
		Warnaco, Inc.	
997,500		Term Loan, 6.88%, Maturing January 31, 2013	992,513
			\$ 5,845,594
Conglomerates 1.7%			
		Amsted Industries, Inc.	
2,260,476		Term Loan, 7.46%, Maturing October 15, 2010	2,273,898
		Blount, Inc.	
515,838		Term Loan, 7.18%, Maturing August 9, 2010	521,211

		Bushnell Performance Optics	
\$	992,677	Term Loan, 8.45%, Maturing August 19, 2011	\$ 999,708
		Dundee Holding, Inc.	
2,761,950		Term Loan, 8.65%, Maturing February 17, 2015	2,775,760
		Education Management, LLC	
2,050,000		Term Loan, 8.06%, Maturing June 1, 2013	2,063,132
		Euramax International, Inc.	
731,363		Term Loan, 8.06%, Maturing June 28, 2012	735,568
501,316		Term Loan, 12.49%, Maturing June 28, 2013	504,136
248,684		Term Loan, 12.49%, Maturing June 28, 2013	250,083
		Goodman Global Holdings, Inc.	
1,194,268		Term Loan, 6.94%, Maturing December 23, 2011	1,192,961
		Jarden Corp.	
1,225,862		Term Loan, 7.25%, Maturing January 24, 2012	1,222,159
4,012,077		Term Loan, 7.50%, Maturing January 24, 2012	4,014,585
		Johnson Diversey, Inc.	
3,403,004		Term Loan, 7.63%, Maturing November 3, 2009	3,429,058
		Polymer Group, Inc.	
4,328,250		Term Loan, 7.74%, Maturing November 22, 2012	4,340,876
		PP Acquisition Corp.	
4,318,041		Term Loan, 8.40%, Maturing November 12, 2011	4,361,221
		Sensata Technologies Finance Co.	
3,825,000		Term Loan, 7.24%, Maturing April 27, 2013	3,808,950
		Terex Corp.	
950,000		Term Loan, 7.11%, Maturing July 13, 2013	953,563
			\$ 33,446,869
Containers and Glass Products 1.9%			
		Berry Plastics Corp.	
4,115,739		Term Loan, 7.15%, Maturing December 2, 2011	4,116,595
		Bluegrass Container Company	
500,909		Term Loan, 0.00%, Maturing June 30, 2013 (2)	503,569
1,674,091		Term Loan, 7.65%, Maturing June 30, 2013	1,682,982
224,242		Term Loan, 0.00%, Maturing December 30, 2013 (2)	227,326
700,758		Term Loan, 10.40%, Maturing December 30, 2013	710,393
		Consolidated Container Holding, LLC	
1,225,000		Term Loan, 8.38%, Maturing December 15, 2008	1,231,636
		Crown Americas, Inc.	
700,000		Term Loan, 6.95%, Maturing November 15, 2012	700,875
		Graham Packaging Holdings Co.	
4,432,500		Term Loan, 7.75%, Maturing October 7, 2011	4,450,044
473,797		Term Loan, 7.81%, Maturing October 7, 2011	475,673
2,142,857		Term Loan, 9.75%, Maturing April 7, 2012	2,175,000
		Graphic Packaging International, Inc.	
10,792,061		Term Loan, 7.92%, Maturing August 8, 2010	10,891,304
		IPG (US), Inc.	
1,737,719		Term Loan, 7.58%, Maturing July 28, 2011	1,750,028

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		Owens-Brockway Glass Container	
\$	2,125,000	Term Loan, 7.11%, Maturing June 14, 2013	\$ 2,128,098
		Smurfit-Stone Container Corp.	
840,428		Term Loan, 4.73%, Maturing November 1, 2010	845,272
4,351,927		Term Loan, 7.59%, Maturing November 1, 2010	4,377,011
2,084,550		Term Loan, 7.54%, Maturing November 1, 2011	2,096,565
			\$ 38,362,371
Cosmetics/Toiletries 0.2%			
		Prestige Brands, Inc.	
3,227,429		Term Loan, 7.23%, Maturing April 7, 2011	3,238,186
		Revlon Consumer Products Corp.	
1,461,250		Term Loan, 11.49%, Maturing July 9, 2009	1,500,217
			\$ 4,738,403
Drugs 0.3%			
		Warner Chilcott Corp.	
11,013		Term Loan, 7.63%, Maturing January 12, 2012	11,038
55,067		Term Loan, 7.80%, Maturing January 12, 2012	55,188
1,393,720		Term Loan, 7.61%, Maturing January 18, 2012	1,397,059
643,859		Term Loan, 7.61%, Maturing January 18, 2012	645,402
3,458,780		Term Loan, 7.62%, Maturing January 18, 2012	3,467,068
			\$ 5,575,755
Ecological Services and Equipment 0.8%			
		Alderwoods Group, Inc.	
530,628		Term Loan, 7.39%, Maturing August 19, 2010	531,401
		Allied Waste Industries, Inc.	
1,598,250		Term Loan, 4.88%, Maturing January 15, 2012	1,592,423
4,116,311		Term Loan, 7.15%, Maturing January 15, 2012	4,101,731
		Duratek, Inc.	
784,906		Term Loan, 7.76%, Maturing June 7, 2013	791,774
		Energysolutions, LLC	
81,761		Term Loan, 7.62%, Maturing June 7, 2013	82,476
1,733,333		Term Loan, 7.76%, Maturing June 7, 2013	1,748,500
		Environmental Systems, Inc.	
976,773		Term Loan, 8.86%, Maturing December 12, 2008	984,099
1,000,000		Term Loan, 15.37%, Maturing December 12, 2010	1,015,000
		IESI Corp.	
3,464,706		Term Loan, 7.19%, Maturing January 20, 2012	3,471,202
		Sensus Metering Systems, Inc.	
106,709		Term Loan, 7.20%, Maturing December 17, 2010	106,976
803,355		Term Loan, 7.24%, Maturing December 17, 2010	805,363
			\$ 15,230,945
Electronics/Electrical 1.1%			
		AMI Semiconductor, Inc.	
2,402,183		Term Loan, 6.90%, Maturing April 1, 2012	2,408,188

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		Communications & Power, Inc.	
\$	1,465,201	Term Loan, 7.61%, Maturing July 23, 2010	\$ 1,471,611
		Enersys Capital, Inc.	
1,543,500		Term Loan, 7.29%, Maturing March 17, 2011	1,547,359
		Epicor Software Corp.	
498,750		Term Loan, 7.77%, Maturing March 30, 2012	502,802
		Network Solutions, LLC	
1,169,125		Term Loan, 10.50%, Maturing January 9, 2012	1,183,739
		Open Solutions, Inc.	
972,414		Term Loan, 7.78%, Maturing September 3, 2011	977,884
1,350,000		Term Loan, 11.78%, Maturing March 3, 2012	1,385,438
		Rayovac Corp.	
3,878,280		Term Loan, 8.33%, Maturing February 7, 2012	3,883,127
		Security Co., Inc.	
980,022		Term Loan, 8.75%, Maturing June 30, 2010	982,472
1,500,000		Term Loan, 12.63%, Maturing June 30, 2011	1,518,750
		Serena Software, Inc.	
750,000		Term Loan, 7.41%, Maturing March 10, 2013	750,000
		Telcordia Technologies, Inc.	
4,542,376		Term Loan, 7.73%, Maturing September 15, 2012	4,389,071
		Vertafore, Inc.	
975,000		Term Loan, 11.13%, Maturing January 31, 2013	990,437
			\$ 21,990,878
Equipment Leasing 0.5%			
		Ashtead Group, PLC	
990,000		Term Loan, 6.94%, Maturing November 12, 2009	990,619
		The Hertz Corp.	
688,889		Term Loan, 5.42%, Maturing December 21, 2012	693,095
5,487,037		Term Loan, 7.54%, Maturing December 21, 2012	5,520,541
		United Rentals, Inc.	
565,000		Term Loan, 6.00%, Maturing February 14, 2011	566,614
2,761,438		Term Loan, 7.40%, Maturing February 14, 2011	2,769,327
			\$ 10,540,196
Farming/Agriculture 0.1%			
		Central Garden & Pet Co.	
2,543,625		Term Loan, 6.85%, Maturing February 28, 2014	2,545,215
			\$ 2,545,215
Financial Intermediaries 1.4%			
		AIMCO Properties, L.P.	
7,050,000		Term Loan, 7.01%, Maturing November 2, 2009	7,067,625
		Ameritrade Holding Corp.	
6,109,688		Term Loan, 6.90%, Maturing December 31, 2012	6,102,050
		Coinstar, Inc.	
597,421		Term Loan, 7.51%, Maturing July 7, 2011	601,155

	Fidelity National Information Solutions, Inc.	
\$ 8,102,085	Term Loan, 7.10%, Maturing March 9, 2013	\$ 8,112,512
	LPL Holdings, Inc.	
4,676,500	Term Loan, 8.67%, Maturing June 30, 2013	4,732,033
	The Macerich Partnership, L.P.	
1,465,000	Term Loan, 6.88%, Maturing April 26, 2010	1,462,558
		\$ 28,077,933
Food Products 1.4%		
	Advantage Sales & Marketing, Inc.	
3,640,875	Term Loan, 7.22%, Maturing March 29, 2013	3,609,017
	American Seafoods Group, LLC	
1,407,559	Term Loan, 7.25%, Maturing September 30, 2011	1,407,559
	BF Bolthouse HoldCo, LLC	
2,985,000	Term Loan, 7.81%, Maturing December 16, 2012	3,009,253
1,475,000	Term Loan, 11.00%, Maturing December 16, 2013	1,503,271
	Chiquita Brands, LLC	
3,795,453	Term Loan, 7.65%, Maturing June 28, 2012	3,805,731
	Del Monte Corp.	
1,800,837	Term Loan, 7.04%, Maturing February 8, 2012	1,808,903
	Michael Foods, Inc.	
1,771,673	Term Loan, 7.51%, Maturing November 21, 2010	1,777,209
	Nutro Products, Inc.	
648,375	Term Loan, 7.27%, Maturing April 26, 2013	649,185
	Pinnacle Foods Holdings Corp.	
5,201,827	Term Loan, 7.48%, Maturing November 25, 2010	5,206,706
	QCE Finance, LLC	
1,225,000	Term Loan, 11.25%, Maturing November 5, 2013	1,244,141
	Reddy Ice Group, Inc.	
3,130,000	Term Loan, 7.25%, Maturing August 9, 2012	3,128,044
		\$ 27,149,019
Food Service 1.2%		
	AFC Enterprises, Inc.	
893,496	Term Loan, 7.75%, Maturing May 11, 2011	900,197
	Buffets, Inc.	
418,182	Term Loan, 4.88%, Maturing June 28, 2009	419,750
1,906,293	Term Loan, 9.00%, Maturing June 28, 2009	1,913,441
	Burger King Corp.	
3,006,698	Term Loan, 7.00%, Maturing June 30, 2012	2,999,416
	Carrols Corp.	
550,284	Term Loan, 8.00%, Maturing December 31, 2010	554,153
	CBRL Group, Inc.	
2,617,759	Term Loan, 6.63%, Maturing April 27, 2013	2,605,651
	CKE Restaurants, Inc.	
999,802	Term Loan, 7.38%, Maturing May 1, 2010	1,006,676
11		

	Denny s, Inc.	
\$ 526,982	Term Loan, 8.59%, Maturing September 21, 2009	\$ 529,397
	Domino s, Inc.	
9,355,966	Term Loan, 6.98%, Maturing June 25, 2010	9,371,562
	Jack in the Box, Inc.	
1,462,500	Term Loan, 6.84%, Maturing January 8, 2011	1,469,508
	Maine Beverage Co., LLC	
881,250	Term Loan, 7.25%, Maturing June 30, 2010	879,047
	NPC International, Inc.	
572,917	Term Loan, 6.93%, Maturing May 3, 2013	569,515
	Sagittarius Restaurants, LLC	
498,750	Term Loan, 7.75%, Maturing March 29, 2013	498,127
	The Restaurant	
1,000,000	Term Loan, 8.01%, Maturing May 3, 2013	1,005,000
		\$ 24,721,440
Food/Drug Retailers 0.9%		
	Cumberland Farms, Inc.	
1,280,650	Term Loan, 8.50%, Maturing September 8, 2008	1,283,852
3,787,957	Term Loan, 8.50%, Maturing September 8, 2008	3,806,897
	General Nutrition Centers, Inc.	
2,250,114	Term Loan, 8.06%, Maturing December 7, 2009	2,266,288
	Giant Eagle, Inc.	
2,064,625	Term Loan, 6.92%, Maturing November 7, 2012	2,069,787
	Roundy s Supermarkets, Inc.	
3,781,000	Term Loan, 8.23%, Maturing November 3, 2011	3,820,387
	Supervalu, Inc.	
1,970,063	Term Loan, 7.06%, Maturing June 1, 2012	1,965,685
	The Jean Coutu Group (PJC), Inc.	
2,705,680	Term Loan, 8.00%, Maturing July 30, 2011	2,713,521
	The Pantry, Inc.	
970,125	Term Loan, 7.15%, Maturing January 2, 2012	972,248
		\$ 18,898,665
Forest Products 1.6%		
	Appleton Papers, Inc.	
2,083,244	Term Loan, 7.56%, Maturing June 11, 2010	2,092,358
	Boise Cascade Holdings, LLC	
6,335,694	Term Loan, 7.20%, Maturing October 29, 2011	6,352,972
	Buckeye Technologies, Inc.	
599,235	Term Loan, 7.16%, Maturing April 15, 2010	599,235
	Georgia-Pacific Corp.	
10,721,125	Term Loan, 7.35%, Maturing December 20, 2012	10,721,522
3,250,000	Term Loan, 8.30%, Maturing December 23, 2013	3,282,065
	NewPage Corp.	
2,399,758	Term Loan, 8.50%, Maturing May 2, 2011	2,417,756
12		

	RLC Industries Co.	
\$ 2,021,193	Term Loan, 7.00%, Maturing February 24, 2010	\$ 2,024,983
	Xerium Technologies, Inc.	
4,237,100	Term Loan, 7.75%, Maturing November 19, 2011	4,223,859
		\$ 31,714,750
Healthcare 4.6%		
	Accellent, Inc.	
1,442,750	Term Loan, 7.23%, Maturing November 22, 2012	1,441,247
	Alliance Imaging, Inc.	
2,258,594	Term Loan, 7.95%, Maturing December 29, 2011	2,265,652
	Ameripath, Inc.	
1,745,625	Term Loan, 7.39%, Maturing October 31, 2012	1,745,407
	AMN Healthcare, Inc.	
535,213	Term Loan, 7.50%, Maturing November 2, 2011	537,554
	AMR HoldCo, Inc.	
1,209,679	Term Loan, 7.26%, Maturing February 10, 2012	1,211,570
	Angiotech Pharmaceuticals, Inc.	
1,573,125	Term Loan, 6.97%, Maturing March 23, 2013	1,554,444
	Caremore Holdings, Inc.	
1,122,188	Term Loan, 8.75%, Maturing February 28, 2013	1,128,150
	Community Health Systems, Inc.	
11,645,588	Term Loan, 6.97%, Maturing August 19, 2011	11,661,962
	Concentra Operating Corp.	
4,874,212	Term Loan, 7.62%, Maturing September 30, 2011	4,887,924
	Conmed Corp.	
1,421,438	Term Loan, 7.14%, Maturing April 13, 2013	1,426,768
	CRC Health Corp.	
598,500	Term Loan, 7.75%, Maturing February 6, 2013	597,752
	Davita, Inc.	
9,743,501	Term Loan, 7.44%, Maturing October 5, 2012	9,774,817
	DJ Orthopedics, LLC	
473,813	Term Loan, 7.04%, Maturing April 7, 2013	472,036
	Encore Medical IHC, Inc.	
1,451,713	Term Loan, 8.31%, Maturing October 4, 2010	1,457,157
	FGX International, Inc.	
334,000	Term Loan, 13.15%, Maturing December 9, 2013	329,825
	FHC Health Systems, Inc.	
1,857,143	Term Loan, 11.23%, Maturing December 18, 2009	1,922,143
1,300,000	Term Loan, 13.23%, Maturing December 18, 2009	1,345,500
	Fresenius Medical Care Holdings	
4,912,688	Term Loan, 6.85%, Maturing March 31, 2013	4,875,503
	Gentiva Health Services, Inc.	
959,459	Term Loan, 7.66%, Maturing February 28, 2014	961,109
	Hanger Orthopedic Group, Inc.	
950,000	Term Loan, 8.00%, Maturing May 30, 2013	954,156
13		

	Healthcare Partners, LLC	
\$ 419,802	Term Loan, 7.86%, Maturing March 2, 2011	\$ 421,901
	HealthSouth Corp.	
2,800,000	Term Loan, 8.52%, Maturing March 10, 2013	2,798,443
	Iasis Healthcare, LLC	
1,989,848	Term Loan, 7.73%, Maturing June 22, 2011	2,002,284
	Kinetic Concepts, Inc.	
2,636,442	Term Loan, 7.25%, Maturing August 11, 2010	2,652,920
	Leiner Health Products, Inc.	
1,102,500	Term Loan, 8.61%, Maturing May 27, 2011	1,106,634
	Lifecare Holdings, Inc.	
967,688	Term Loan, 7.65%, Maturing August 11, 2012	924,142
	Lifepoint Hospitals, Inc.	
5,647,698	Term Loan, 7.13%, Maturing April 15, 2012	5,631,619
	Magellan Health Services, Inc.	
277,778	Term Loan, 5.21%, Maturing August 15, 2008	278,472
277,778	Term Loan, 7.16%, Maturing August 15, 2008	278,472
	Matria Healthcare, Inc.	
117,949	Term Loan, 7.44%, Maturing January 19, 2007	117,064
600,000	Term Loan, 11.94%, Maturing January 19, 2007	609,750
1,514,186	Term Loan, 7.63%, Maturing January 19, 2012	1,509,454
	Medcath Holdings Corp.	
200,738	Term Loan, 7.90%, Maturing July 2, 2011	200,863
	Multiplan Merger Corp.	
1,631,401	Term Loan, 7.50%, Maturing April 12, 2013	1,625,283
	National Mentor Holdings, Inc.	
81,200	Term Loan, 7.84%, Maturing June 29, 2013	81,454
1,368,800	Term Loan, 7.90%, Maturing June 29, 2013	1,373,078
	National Rental Institutes, Inc.	
2,150,000	Term Loan, 7.50%, Maturing March 31, 2013	2,150,000
	PER-SE Technologies, Inc.	
1,239,080	Term Loan, 7.75%, Maturing January 6, 2013	1,242,178
	Quintiles Transnational Corp.	
1,246,875	Term Loan, 7.50%, Maturing March 31, 2013	1,246,875
2,225,000	Term Loan, 9.50%, Maturing March 31, 2014	2,256,984
	Renal Advantage, Inc.	
397,000	Term Loan, 7.84%, Maturing October 6, 2012	400,474
	Select Medical Holding Corp.	
2,049,062	Term Loan, 6.94%, Maturing February 24, 2012	2,023,705
	Sunrise Medical Holdings, Inc.	
2,999,773	Term Loan, 8.44%, Maturing May 13, 2010	3,003,523
	Talecris Biotherapeutics, Inc.	
1,180,063	Term Loan, 8.44%, Maturing March 31, 2010	1,185,963
468,750	Term Loan, 9.75%, Maturing May 31, 2010	468,750
	Vanguard Health Holding Co., LLC	
2,248,489	Term Loan, 7.87%, Maturing September 23, 2011	2,260,199

	Ventiv Health, Inc.	
\$ 992,500	Term Loan, 7.00%, Maturing October 5, 2011	\$ 995,602
	VWR International, Inc.	
2,619,988	Term Loan, 7.77%, Maturing April 7, 2011	2,629,813
		\$ 92,026,575
Home Furnishings 0.9%		
	Interline Brands, Inc.	
1,314,130	Term Loan, 7.26%, Maturing June 23, 2013	1,319,058
1,010,870	Term Loan, 7.26%, Maturing June 23, 2013	1,014,660
	Knoll, Inc.	
1,683,925	Term Loan, 7.25%, Maturing October 3, 2012	1,693,397
	National Bedding Co., LLC	
1,050,000	Term Loan, 10.49%, Maturing August 31, 2012	1,069,031
	Oreck Corp.	
1,830,270	Term Loan, 8.25%, Maturing February 2, 2012	1,833,702
	Sealy Mattress Co.	
6,523,412	Term Loan, 7.10%, Maturing April 6, 2012	6,534,626
	Simmons Co.	
3,795,769	Term Loan, 7.49%, Maturing December 19, 2011	3,812,376
		\$ 17,276,850
Industrial Equipment 0.6%		
	Aeero Technologies, Inc.	
500,000	Term Loan, 11.96%, Maturing September 24, 2013	509,063
	Alliance Laundry Holdings, LLC	
511,875	Term Loan, 7.60%, Maturing January 27, 2012	513,955
	Colfax Corp.	
2,273,089	Term Loan, 7.50%, Maturing December 19, 2011	2,285,875
	Douglas Dynamics Holdings, Inc.	
1,742,836	Term Loan, 7.25%, Maturing December 16, 2010	1,747,193
	Flowserve Corp.	
2,340,688	Term Loan, 7.23%, Maturing August 10, 2012	2,345,809
	Mainline, L.P.	
749,111	Term Loan, 7.81%, Maturing December 16, 2011	754,729
	Maxim Crane Works, L.P.	
1,274,578	Term Loan, 7.44%, Maturing January 28, 2010	1,278,561
	MTD Products, Inc.	
980,000	Term Loan, 6.88%, Maturing June 1, 2010	987,350
	Nacco Materials Handling Group, Inc.	
1,000,000	Term Loan, 7.22%, Maturing March 22, 2013	997,500
		\$ 11,420,035
Insurance 0.7%		
	ARG Holding, Inc.	
1,243,750	Term Loan, 8.50%, Maturing November 30, 2011	1,247,637
2,625,000	Term Loan, 12.75%, Maturing November 30, 2012	2,664,375

	CCC Information Services Group	
\$ 1,350,000	Term Loan, 8.00%, Maturing February 10, 2013	\$ 1,357,031
	Conseco, Inc.	
3,116,056	Term Loan, 7.12%, Maturing June 22, 2010	3,123,198
	Hilb, Rogal & Hobbs Co.	
798,000	Term Loan, 7.00%, Maturing April 26, 2013	798,665
	U.S.I. Holdings Corp.	
5,533,983	Term Loan, 7.75%, Maturing March 24, 2011	5,575,488
		\$ 14,766,394
Leisure Goods/Activities/Movies 3.1%		
	24 Hour Fitness Worldwide, Inc.	
2,014,950	Term Loan, 8.05%, Maturing June 8, 2012	2,027,543
	Alliance Atlantis Communications, Inc.	
709,025	Term Loan, 7.00%, Maturing December 20, 2011	708,582
	AMC Entertainment, Inc.	
2,263,625	Term Loan, 7.53%, Maturing January 26, 2013	2,273,399
	AMF Bowling Worldwide, Inc.	
1,581,005	Term Loan, 8.30%, Maturing August 27, 2009	1,594,346
	Carmike Cinemas, Inc.	
2,984,925	Term Loan, 8.94%, Maturing May 19, 2012	3,003,207
	Century California Subsidiary	
1,953,977	Term Loan, 7.11%, Maturing March 1, 2013	1,958,129
	Cinemark, Inc.	
1,955,000	Term Loan, 7.26%, Maturing March 31, 2011	1,958,056
	Dave & Buster's, Inc.	
1,000,000	Term Loan, 0.50%, Maturing March 8, 2013 (2)	995,000
997,500	Term Loan, 8.00%, Maturing March 8, 2013	992,513
	Deluxe Entertainment Services	
1,100,000	Term Loan, 4.88%, Maturing January 28, 2011	1,083,500
	Easton-Bell Sports, Inc.	
1,496,250	Term Loan, 6.81%, Maturing March 16, 2013	1,498,744
	Fender Musical Instruments Co.	
1,330,000	Term Loan, 11.12%, Maturing March 30, 2012	1,339,975
	HEI Acquisition, LLC	
725,000	Term Loan, 8.00%, Maturing December 31, 2011	727,719
	Metro-Goldwyn-Mayer Holdings, Inc.	
10,847,813	Term Loan, 7.75%, Maturing April 8, 2012	10,878,892
	Regal Cinemas Corp.	
10,714,900	Term Loan, 7.24%, Maturing November 10, 2010	10,670,454
	Six Flags Theme Parks, Inc.	
8,171,337	Term Loan, 8.36%, Maturing June 30, 2009	8,249,406
	Southwest Sports Group, LLC	
1,450,000	Term Loan, 8.00%, Maturing December 22, 2010	1,450,906
	Universal City Development Partners, Ltd.	
3,084,606	Term Loan, 7.38%, Maturing June 9, 2011	3,089,427

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WMG Acquisition Corp.		
\$ 900,000	Revolving Loan, 0.00%, Maturing February 28, 2010 (2)	\$ 874,800
7,073,164	Term Loan, 7.31%, Maturing February 28, 2011	7,097,658
		\$ 62,472,256
Lodging and Casinos 2.0%		
Alliance Gaming Corp.		
5,827,922	Term Loan, 9.33%, Maturing September 5, 2009	5,849,777
Ameristar Casinos, Inc.		
1,194,000	Term Loan, 6.73%, Maturing November 10, 2012	1,198,105
Boyd Gaming Corp.		
2,895,452	Term Loan, 6.80%, Maturing June 30, 2011	2,898,107
CCM Merger, Inc.		
2,612,379	Term Loan, 7.42%, Maturing April 25, 2012	2,606,828
Columbia Entertainment		
1,701,429	Term Loan, 8.00%, Maturing October 24, 2011	1,710,999
Globalcash Access, LLC		
745,332	Term Loan, 7.15%, Maturing March 10, 2010	749,292
Isle of Capri Casinos, Inc.		
4,472,099	Term Loan, 7.17%, Maturing February 4, 2011	4,476,012
Penn National Gaming, Inc.		
7,865,563	Term Loan, 7.13%, Maturing October 3, 2012	7,894,075
Pinnacle Entertainment, Inc.		
925,000	Term Loan, 0.00%, Maturing December 14, 2011 (2)	924,133
2,800,000	Term Loan, 7.40%, Maturing December 14, 2011	2,809,187
Resorts International Holdings, LLC		
1,749,296	Term Loan, 9.50%, Maturing April 26, 2012	1,763,071
814,530	Term Loan, 16.50%, Maturing April 26, 2013	848,299
Venetian Casino Resort, LLC		
4,104,268	Term Loan, 7.25%, Maturing June 15, 2011	4,104,588
846,241	Term Loan, 7.25%, Maturing June 15, 2011	846,307
Wynn Las Vegas, LLC		
1,410,000	Term Loan, 7.55%, Maturing December 14, 2011	1,412,644
		\$ 40,091,424
Nonferrous Metals/Minerals 1.1%		
Alpha Natural Resources, LLC		
2,935,250	Term Loan, 7.25%, Maturing October 26, 2012	2,936,169
Carmeuse Lime, Inc.		
697,163	Term Loan, 7.25%, Maturing May 2, 2011	698,905
CII Carbon, LLC		
497,487	Term Loan, 7.50%, Maturing August 23, 2012	499,975
Compass Minerals Group, Inc.		
1,876,143	Term Loan, 6.99%, Maturing December 22, 2012	1,877,608
International Mill Service, Inc.		
2,000,000	Term Loan, 11.50%, Maturing October 26, 2011	2,007,500

	Magnequench International, Inc.	
\$ 1,782,125	Term Loan, 9.00%, Maturing August 31, 2009	\$ 1,785,466
	Magnum Coal Co.	
245,455	Term Loan, 8.65%, Maturing March 15, 2013	246,528
2,448,409	Term Loan, 8.75%, Maturing March 15, 2013	2,459,121
	Murray Energy Corp.	
967,750	Term Loan, 8.40%, Maturing January 28, 2010	977,428
	Novelis, Inc.	
1,464,056	Term Loan, 7.38%, Maturing January 7, 2012	1,474,122
2,544,612	Term Loan, 7.38%, Maturing January 7, 2012	2,562,106
	Stillwater Mining Co.	
4,879,880	Term Loan, 7.69%, Maturing July 30, 2010	4,885,979
		\$ 22,410,907
Oil and Gas 1.7%		
	Citgo Petroleum Corp.	
2,139,250	Term Loan, 6.70%, Maturing November 15, 2012	2,141,389
	Coffeyville Resources, LLC	
400,601	Term Loan, 5.40%, Maturing June 24, 2011	402,980
594,915	Term Loan, 7.94%, Maturing June 24, 2012	598,447
850,000	Term Loan, 12.19%, Maturing June 24, 2013	874,172
	Concho Resources, Inc.	
2,850,000	Term Loan, 9.50%, Maturing July 6, 2011 (3)	2,836,605
	Dresser Rand Group, Inc.	
1,490,084	Term Loan, 7.27%, Maturing October 29, 2011	1,502,563
	Dresser, Inc.	
407,813	Term Loan, 7.90%, Maturing March 31, 2007	413,505
	Dynergy Holdings Inc.	
1,000,000	Term Loan, 6.96%, Maturing January 31, 2012	1,000,000
	Epco Holdings, Inc.	
1,037,214	Term Loan, 7.15%, Maturing August 18, 2008	1,039,807
3,796,650	Term Loan, 7.40%, Maturing August 18, 2010	3,817,710
	Key Energy Services, Inc.	
1,000,000	Term Loan, 5.48%, Maturing June 30, 2012	1,005,625
1,373,100	Term Loan, 8.90%, Maturing June 30, 2012	1,379,680
	LB Pacific, L.P.	
1,577,544	Term Loan, 7.95%, Maturing March 3, 2012	1,585,431
	Lyondell-Citgo Refining, L.P.	
2,932,656	Term Loan, 7.50%, Maturing May 21, 2007	2,939,988
	Primary Natural Resources, Inc.	
2,000,000	Term Loan, 9.50%, Maturing July 28, 2010 (3)	1,996,200
	Targa Resources, Inc.	
1,885,000	Term Loan, 7.48%, Maturing October 31, 2007	1,887,748
3,314,006	Term Loan, 7.39%, Maturing October 31, 2012	3,323,769
1,602,972	Term Loan, 7.75%, Maturing October 31, 2012	1,607,694

	Universal Compression, Inc.	
\$ 2,137,950	Term Loan, 7.00%, Maturing February 15, 2012	\$ 2,145,076
	W&T Offshore, Inc.	
1,275,000	Term Loan, 0.00%, Maturing May 26, 2010 (2)	1,278,984
		\$ 33,777,373
Publishing 1.8%		
	American Media Operations, Inc.	
3,825,000	Term Loan, 8.12%, Maturing January 31, 2013	3,859,903
	Caribe Information Investments	
1,022,438	Term Loan, 7.45%, Maturing March 31, 2013	1,023,716
	CBD Media, LLC	
1,364,137	Term Loan, 7.87%, Maturing December 31, 2009	1,374,368
	Dex Media East, LLC	
4,165,161	Term Loan, 6.77%, Maturing May 8, 2009	4,146,651
	Dex Media West, LLC	
7,016,932	Term Loan, 6.80%, Maturing March 9, 2010	6,985,433
	Gatehouse Media Operating, Inc.	
2,225,000	Term Loan, 7.59%, Maturing June 6, 2013	2,222,915
	Hanley-Wood, LLC	
165,144	Term Loan, 7.46%, Maturing August 1, 2012	165,316
1,386,532	Term Loan, 7.52%, Maturing August 1, 2012	1,387,976
	Merrill Communications, LLC	
1,474,194	Term Loan, 7.69%, Maturing May 5, 2011	1,481,794
	Nebraska Book Co., Inc.	
938,400	Term Loan, 7.61%, Maturing March 4, 2011	943,092
	Philadelphia Newspapers, LLC	
1,100,000	Term Loan, 8.09%, Maturing June 29, 2013	1,104,125
	R.H. Donnelley Corp.	
575,621	Term Loan, 6.73%, Maturing December 31, 2009	570,584
4,894,049	Term Loan, 6.88%, Maturing June 30, 2011	4,862,698
	Source Media, Inc.	
2,669,307	Term Loan, 7.68%, Maturing November 8, 2011	2,674,312
	SP Newsprint Co.	
1,305,204	Term Loan, 5.40%, Maturing January 9, 2010	1,310,098
283,544	Term Loan, 7.83%, Maturing January 9, 2010	284,608
	Sun Media Corp.	
2,533,436	Term Loan, 7.24%, Maturing February 7, 2009	2,532,379
		\$ 36,929,968
Radio and Television 2.3%		
	Adams Outdoor Advertising, L.P.	
2,337,318	Term Loan, 7.27%, Maturing October 18, 2012	2,342,676
	ALM Media Holdings, Inc.	
1,146,574	Term Loan, 8.00%, Maturing March 5, 2010	1,146,096
	Block Communications, Inc.	
2,089,500	Term Loan, 7.50%, Maturing December 22, 2011	2,094,724

		Cequel Communications, LLC	
\$	1,000,000	Term Loan, 7.74%, Maturing November 5, 2013	\$ 994,732
2,175,000		Term Loan, 9.85%, Maturing May 5, 2014	2,109,750
3,850,000		Term Loan, 11.35%, Maturing May 5, 2014	3,702,418
		CMP KC, LLC	
1,000,000		Term Loan, 9.31%, Maturing May 3, 2011	1,001,250
		CMP Susquehanna Corp.	
1,823,571		Term Loan, 7.31%, Maturing May 5, 2013	1,824,427
		Cumulus Media, Inc.	
1,900,000		Term Loan, 7.45%, Maturing June 7, 2013	1,904,157
		DirectTV Holdings, LLC	
4,199,395		Term Loan, 6.90%, Maturing April 13, 2013	4,200,853
		Emmis Operating Co.	
1,604,877		Term Loan, 7.14%, Maturing November 10, 2011	1,609,767
		Entravision Communications Corp.	
1,836,125		Term Loan, 7.01%, Maturing September 29, 2013	1,837,464
		Gray Television, Inc.	
1,666,625		Term Loan, 7.01%, Maturing November 22, 2015	1,668,013
		HIT Entertainment, Inc.	
1,980,000		Term Loan, 7.70%, Maturing March 20, 2012	1,989,900
		NEP Supershooters, L.P.	
1,916,927		Term Loan, 13.50%, Maturing August 3, 2011	1,945,681
		Nexstar Broadcasting, Inc.	
2,151,009		Term Loan, 7.25%, Maturing October 1, 2012	2,148,768
2,089,226		Term Loan, 7.25%, Maturing October 1, 2012	2,087,049
		NextMedia Operating, Inc.	
137,423		Term Loan, 7.33%, Maturing November 15, 2012	137,187
309,202		Term Loan, 7.37%, Maturing November 15, 2012	308,670
		Patriot Media and Communications CNJ, LLC	
600,000		Term Loan, 10.35%, Maturing October 4, 2013	613,500
		Paxson Communications Corp.	
3,250,000		Term Loan, 8.76%, Maturing December 30, 2011	3,319,063
		Raycom TV Broadcasting, LLC	
3,432,087		Term Loan, 7.00%, Maturing August 28, 2013	3,423,506
		SFX Entertainment	
1,815,875		Term Loan, 7.75%, Maturing June 21, 2013	1,817,767
		Young Broadcasting, Inc.	
2,369,822		Term Loan, 7.73%, Maturing November 3, 2012	2,362,786
			\$ 46,590,204
Rail Industries	0.4%		
		Kansas City Southern Railway Co.	
3,400,000		Term Loan, 7.14%, Maturing February 28, 2013	3,408,500
		Railamerica, Inc.	
4,098,862		Term Loan, 7.25%, Maturing September 29, 2011	4,130,886
484,530		Term Loan, 7.25%, Maturing September 29, 2011	488,316
			\$ 8,027,702

Retailers (Except Food and Drug) 1.2%		
	American Achievement Corp.	
\$ 1,766,294	Term Loan, 7.95%, Maturing March 25, 2011	\$ 1,779,541
	Amscan Holdings, Inc.	
1,845,375	Term Loan, 8.28%, Maturing December 23, 2012	1,851,526
	Coinmach Laundry Corp.	
4,540,820	Term Loan, 7.78%, Maturing December 19, 2012	4,578,659
	Harbor Freight Tools USA, Inc.	
2,694,752	Term Loan, 6.92%, Maturing July 15, 2010	2,696,016
	Home Interiors & Gifts, Inc.	
1,050,291	Term Loan, 10.36%, Maturing March 31, 2011	928,195
	Josten's Corp.	
2,244,210	Term Loan, 7.07%, Maturing October 4, 2010	2,257,769
	Mapco Express, Inc.	
2,443,710	Term Loan, 8.20%, Maturing April 28, 2011	2,457,456
	Movie Gallery, Inc.	
1,186,173	Term Loan, 10.75%, Maturing April 27, 2011	1,158,465
	Neiman Marcus Group, Inc.	
1,780,063	Term Loan, 7.77%, Maturing April 5, 2013	1,796,604
	Savers, Inc.	
656,008	Term Loan, 8.60%, Maturing August 4, 2009	657,648
1,000,000	Term Loan, 13.35%, Maturing August 4, 2010	1,015,000
	Travelcenters of America, Inc.	
3,691,450	Term Loan, 7.02%, Maturing November 30, 2008	3,694,680
		\$ 24,871,559
Steel 0.1%		
	Gibraltar Industries, Inc.	
611,413	Term Loan, 7.19%, Maturing December 8, 2010	611,413
	John Maneely Co.	
650,037	Term Loan, 8.51%, Maturing March 25, 2013	655,724
		\$ 1,267,137
Surface Transport 0.3%		
	Gainey Corp.	
1,025,000	Term Loan, 8.12%, Maturing April 20, 2012	1,033,328
	Horizon Lines, LLC	
965,300	Term Loan, 7.75%, Maturing July 7, 2011	971,936
	Sirva Worldwide, Inc.	
1,759,718	Term Loan, 9.97%, Maturing December 1, 2010	1,704,727
	Vanguard Car Rental USA	
2,100,000	Term Loan, 8.32%, Maturing June 14, 2013	2,109,188
		\$ 5,819,179

Telecommunications 2.2%		
	Alaska Communications Systems Holdings, Inc.	
\$ 2,100,000	Term Loan, 7.25%, Maturing February 1, 2011	\$ 2,100,000
	Cellular South, Inc.	
2,232,911	Term Loan, 7.25%, Maturing May 4, 2011	2,238,494
	Centennial Cellular Operating Co., LLC	
3,533,773	Term Loan, 7.68%, Maturing February 9, 2011	3,550,495
	Cincinnati Bell, Inc.	
744,375	Term Loan, 6.75%, Maturing August 31, 2012	742,514
	Consolidated Communications, Inc.	
3,648,439	Term Loan, 7.44%, Maturing October 14, 2011	3,637,038
	Crown Castle Operating Co.	
1,250,000	Term Loan, 7.65%, Maturing June 1, 2014	1,257,031
	Fairpoint Communications, Inc.	
3,200,000	Term Loan, 7.25%, Maturing February 8, 2012	3,186,000
	Hawaiian Telcom Communications, Inc.	
1,102,544	Term Loan, 7.75%, Maturing October 31, 2012	1,108,844
	Iowa Telecommunications Services	
3,208,000	Term Loan, 7.24%, Maturing November 23, 2011	3,213,681
	IPC Acquisition Corp.	
1,475,349	Term Loan, 8.03%, Maturing August 5, 2011	1,484,754
	Madison River Capital, LLC	
1,310,310	Term Loan, 7.73%, Maturing July 31, 2012	1,312,767
	NTelos, Inc.	
1,792,721	Term Loan, 7.65%, Maturing August 24, 2011	1,792,271
	Qwest Corp.	
5,000,000	Term Loan, 11.00%, Maturing June 4, 2007	5,089,375
	Stratos Global Corp.	
1,275,000	Term Loan, 8.25%, Maturing February 13, 2012	1,279,250
	Triton PCS, Inc.	
4,529,797	Term Loan, 8.65%, Maturing November 18, 2009	4,568,300
	Westcom Corp.	
830,399	Term Loan, 8.30%, Maturing December 17, 2010	834,032
1,000,000	Term Loan, 12.54%, Maturing June 17, 2011	1,008,750
	Windstream Corp.	
5,525,000	Term Loan, 7.26%, Maturing July 17, 2013	5,549,664
		\$ 43,953,260
Utilities 1.6%		
	Astoria Generating Co.	
222,081	Term Loan, 7.45%, Maturing February 23, 2012	222,617
1,104,441	Term Loan, 7.45%, Maturing February 23, 2013	1,107,104
1,250,000	Term Loan, 9.20%, Maturing August 23, 2013	1,268,281
	Cellnet Technology, Inc.	
677,757	Term Loan, 8.50%, Maturing April 26, 2012	684,111
	Cogentrix Delaware Holdings, Inc.	
783,857	Term Loan, 7.00%, Maturing April 14, 2012	785,653
22		

		Covanta Energy Corp.	
\$	1,188,943	Term Loan, 5.46%, Maturing May 27, 2013	\$ 1,195,631
851,998		Term Loan, 7.70%, Maturing May 27, 2013	856,791
568,750		Term Loan, 10.96%, Maturing June 24, 2013	581,547
		KGen, LLC	
957,875		Term Loan, 8.12%, Maturing August 5, 2011	948,296
		La Paloma Generating Co., LLC	
189,321		Term Loan, 7.15%, Maturing August 16, 2012	187,665
1,112,060		Term Loan, 7.25%, Maturing August 16, 2012	1,102,329
87,658		Term Loan, 7.25%, Maturing August 16, 2012	86,891
		LSP General Finance Co., LLC	
140,404		Term Loan, 0.00%, Maturing April 14, 2013 (2)	140,053
3,334,596		Term Loan, 7.25%, Maturing April 14, 2013	3,326,259
		Mirant North America, LLC	
1,393,000		Term Loan, 7.15%, Maturing January 3, 2013	1,386,035
		NRG Energy, Inc.	
9,600,938		Term Loan, 7.23%, Maturing February 1, 2013	9,639,437
2,225,000		Term Loan, 7.50%, Maturing February 1, 2013	2,231,815
		Pike Electric, Inc.	
816,891		Term Loan, 6.88%, Maturing July 1, 2012	817,147
615,438		Term Loan, 6.88%, Maturing July 2, 2012	615,631
		Plains Resources, Inc.	
2,002,711		Term Loan, 6.69%, Maturing August 12, 2011	2,005,215
		Reliant Energy, Inc.	
323,649		Term Loan, 7.78%, Maturing December 22, 2010	324,054
		Wolf Hollow I L.P.	
200,000		Term Loan, 7.65%, Maturing June 22, 2012	202,188
1,325,000		Term Loan, 7.65%, Maturing June 22, 2012	1,324,447
1,481,092		Term Loan, 7.75%, Maturing June 22, 2012	1,480,474
			\$ 32,519,671
Total Senior, Floating Rate Interests			
(identified cost \$1,113,395,541)			\$ 1,114,383,713

Mortgage Pass-Throughs 46.2%

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Principal Amount (000 s omitted)	Security	Value
	Federal Home Loan Mortgage Corp.:	
\$ 1,364	4.597%, with maturity at 2025 (4)	\$ 1,377,085
1,292	6.00%, with maturity at 2026	1,302,854
21,177	6.50%, with various maturities to 2025	21,710,847
126,807	7.00%, with various maturities to 2031 (5)	129,821,373
1,010	7.13%, with maturity at 2023	1,055,523
58,163	7.50%, with various maturities to 2029	61,203,655
1,435	7.65%, with maturity at 2022	1,520,475
238	7.70%, with maturity at 2022	252,595
23		

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\$ 26,121	8.00%, with various maturities to 2030	\$ 27,984,649
1,186	8.25%, with maturity at 2020	1,272,156
24,686	8.50%, with various maturities to 2031	26,707,739
153	8.75%, with maturity at 2010	157,181
9,512	9.00%, with various maturities to 2031	10,365,222
7,154	9.50%, with various maturities to 2025	7,918,964
1,188	10.00%, with maturity at 2020	1,315,084
1,188	10.50%, with maturity at 2020	1,325,488
1,772	12.00%, with maturity at 2020	1,987,533
81	13.00%, with maturity at 2015	94,035
		\$ 297,372,458
	Federal National Mortgage Assn.:	
9,344	4.958%, with maturity at 2036 (4)	9,371,241
19,208	5.50%, with maturity at 2014 (5)	19,091,760
1,002	6.00%, with maturity at 2023	1,007,071
26,468	6.321%, with maturity at 2032 (4)	27,253,702
6,699	6.382%, with maturity at 2022 (4)	6,929,075
88,123	6.50%, with various maturities to 2029	89,891,361
984	6.75%, with maturity at 2023	1,013,450
97,222	7.00%, with various maturities to 2028	100,209,523
19,765	7.50%, with various maturities to 2031	20,785,458
18,783	8.00%, with various maturities to 2029	19,991,675
98	8.25%, with maturity at 2018	104,631
4,560	8.422%, with maturity at 2027	4,950,391
20,064	8.50%, with various maturities to 2028	21,718,980
2,306	8.651%, with maturity at 2028	2,501,151
1,393	8.779%, with maturity at 2029	1,524,821
2,074	8.801%, with maturity at 2027	2,256,556
19,997	9.00%, with various maturities to 2027	21,881,583
939	9.336%, with maturity at 2024	1,014,002
13,453	9.50%, with various maturities to 2030	14,901,826
1,554	9.557%, with maturity at 2018	1,722,468
2,444	10.00%, with various maturities to 2020	2,719,915
2,570	10.251%, with maturity at 2025	2,856,803
2,899	10.325%, with maturity at 2019	3,182,436
2,335	10.50%, with maturity at 2021	2,601,374
1,027	11.50%, with maturity at 2016	1,152,287
58	12.50%, with maturity at 2011	64,443
		\$ 380,697,983
	Government National Mortgage Assn.:	
6,459	6.00%, with maturity at 2024	6,520,486
11,365	7.00%, with various maturities to 2024	11,834,400
11,309	7.50%, with various maturities to 2028	11,986,954
39,746	8.00%, with various maturities to 2027 (5)	42,535,393
1,391	8.30%, with maturity at 2020	1,498,178
2,789	8.50%, with various maturities to 2022	3,032,867

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\$ 12,846	9.00%, with various maturities to 2026	\$ 14,125,496
18,384	9.50%, with various maturities to 2026	20,482,343
1,236	10.00%, with maturity at 2019	1,382,074
		\$ 113,398,191
Collateralized Mortgage Obligations:		
3,946	Federal Home Loan Mortgage Corp., Series 1497, Class K, 7.00%, 4/15/23	4,049,645
6,424	Federal Home Loan Mortgage Corp., Series 1529, Class Z, 7.00%, 6/15/23	6,584,954
5,360	Federal Home Loan Mortgage Corp., Series 1620, Class Z, 6.00%, 11/15/23	5,422,255
824	Federal Home Loan Mortgage Corp., Series 1720, Class PJ, 7.25%, 1/15/24	835,389
875	Federal Home Loan Mortgage Corp., Series 2167, Class BZ, 7.00%, 6/15/29	905,054
7,027	Federal Home Loan Mortgage Corp., Series 2182, Class ZB, 8.00%, 9/15/29	7,394,009
3,412	Federal Home Loan Mortgage Corp., Series 2198, Class ZA, 8.50%, 11/15/29	3,724,251
22,613	Federal Home Loan Mortgage Corp., Series 2245, Class A, 8.00%, 8/15/27 (5)	23,809,433
3,254	Federal Home Loan Mortgage Corp., Series 24, Class J, 6.25%, 11/25/23	3,291,526
718	Federal National Mortgage Assn., Series 1988-14, Class I, 9.20%, 6/25/18	775,475
691	Federal National Mortgage Assn., Series 1989-1, Class D, 10.30%, 1/25/19	759,192
1,468	Federal National Mortgage Assn., Series 1989-34, Class Y, 9.85%, 7/25/19	1,627,852
902	Federal National Mortgage Assn., Series 1990-17, Class G, 9.00%, 2/25/20	979,280
381	Federal National Mortgage Assn., Series 1990-27, Class Z, 9.00%, 3/25/20	405,444
363	Federal National Mortgage Assn., Series 1990-29, Class J, 9.00%, 3/25/20	397,305
1,689	Federal National Mortgage Assn., Series 1990-43, Class Z, 9.50%, 4/25/20	1,871,285
580	Federal National Mortgage Assn., Series 1991-98, Class J, 8.00%, 8/25/21	617,185
352	Federal National Mortgage Assn., Series 1992-103, Class Z, 7.50%, 6/25/22	370,194
640	Federal National Mortgage Assn., Series 1992-113, Class Z, 7.50%, 7/25/22	669,619
1,226	Federal National Mortgage Assn., Series 1992-185, Class ZB, 7.00%, 10/25/22	1,271,619
4,728	Federal National Mortgage Assn., Series 1992-77, Class ZA, 8.00%, 5/25/22	5,010,243
25		

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\$	2,546	Federal National Mortgage Assn., Series 1993-16, Class Z, 7.50%, 2/25/23	\$ 2,678,714
2,386		Federal National Mortgage Assn., Series 1993-22, Class PM, 7.40%, 2/25/23	2,498,668
3,659		Federal National Mortgage Assn., Series 1993-25, Class J, 7.50%, 3/25/23	3,843,217
7,283		Federal National Mortgage Assn., Series 1993-30, Class PZ, 7.50%, 3/25/23	7,656,881
1,118		Federal National Mortgage Assn., Series 1993-56, Class PZ, 7.00%, 5/25/23	1,149,954
10,719		Federal National Mortgage Assn., Series 1994-45, Class Z, 6.50%, 2/25/24	10,996,530
5,412		Federal National Mortgage Assn., Series 1994-89, Class ZQ, 8.00%, 7/25/24	5,741,282
5,578		Federal National Mortgage Assn., Series 1996-57, Class Z, 7.00%, 12/25/26	5,796,871
3,133		Federal National Mortgage Assn., Series 1997-77, Class Z, 7.00%, 11/18/27	3,256,990
3,243		Federal National Mortgage Assn., Series 2001-37, Class GA, 8.00%, 7/25/16	3,372,557
2,080		Federal National Mortgage Assn., Series 2002-1, Class G, 7.00%, 7/25/23	2,154,384
1,071		Federal National Mortgage Assn., Series G92-44, Class Z, 8.00%, 7/25/22	1,136,687
1,743		Federal National Mortgage Assn., Series G92-44, Class ZQ, 8.00%, 7/25/22	1,848,146
4,364		Federal National Mortgage Assn., Series G92-60, Class Z, 7.00%, 10/25/22	4,499,561
9,000		Government National Mortgage Assn., Series 2002-45, Class PG, 6.00%, 3/17/32	9,038,020
1,134		Government National Mortgage Assn., Series 2005-72, Class E, 12.00%, 11/16/15	1,308,494
			\$ 137,748,165
Total Mortgage Pass-Throughs (identified cost \$947,131,033)			\$ 929,216,797

Corporate Bonds & Notes 47.9%

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Principal Amount (000 s omitted)		Security	Value
Aerospace and Defense	0.3%		
		Argo Tech Corp., Sr. Notes	
\$ 2,230		9.25%, 6/1/11	\$ 2,313,625
		Armor Holdings, Inc., Sr. Sub. Notes	
1,895		8.25%, 8/15/13	1,989,750

26

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	DRS Technologies, Inc., Sr. Sub. Notes	
\$ 875	7.625%, 2/1/18	\$ 877,187
		\$ 5,180,562
Air Transport 0.2%	American Airlines	
3,615	7.80%, 10/1/06	3,621,778
		\$ 3,621,778
Automotive 3.5%	Altra Industrial Motion, Inc.	
2,460	9.00%, 12/1/11	2,484,600
	Commercial Vehicle Group, Inc., Sr. Notes	
1,100	8.00%, 7/1/13	1,049,125
	Ford Motor Credit Co.	
2,120	6.625%, 6/16/08	2,043,089
9,165	7.375%, 10/28/09	8,651,155
4,355	7.875%, 6/15/10	4,100,685
	Ford Motor Credit Co., Variable Rate	
10,995	8.149%, 11/2/07	11,012,889
	General Motors Acceptance Corp.	
2,770	6.125%, 9/15/06	2,768,939
2,160	5.125%, 5/9/08	2,082,212
1,075	5.85%, 1/14/09	1,033,626
435	7.00%, 2/1/12	421,526
9,665	8.00%, 11/1/31	9,503,788
	Tenneco Automotive, Global Shares, Series B	
11,805	10.25%, 7/15/13	12,926,475
	Tenneco Automotive, Inc., Sr. Sub. Notes	
2,680	8.625%, 11/15/14	2,673,300
	TRW Automotive, Inc., Sr. Notes	
2,230	9.375%, 2/15/13	2,380,525
	TRW Automotive, Inc., Sr. Sub. Notes	
3,900	11.00%, 2/15/13	4,280,250
	United Components, Inc., Sr. Sub. Notes	
990	9.375%, 6/15/13	978,862
	Visteon Corp., Sr. Notes	
2,025	8.25%, 8/1/10	1,873,125
830	7.00%, 3/10/14	680,600
		\$ 70,944,771
Brokers/Dealers/Investment Houses 0.3%	E*Trade Financial Corp., Sr. Notes	
785	8.00%, 6/15/11	810,512
	Residential Capital Corp., Sub. Notes, Variable Rate	
5,390	7.337%, 4/17/09 (6)	5,387,936
		\$ 6,198,448

Building and Development 1.6%		
	Dayton Superior Corp., Sr. Notes	
\$ 2,975	10.75%, 9/15/08	\$ 3,086,562
	General Cable Corp., Sr. Notes	
2,520	9.50%, 11/15/10	2,696,400
	Interline Brands, Inc., Sr. Sub. Notes	
1,475	8.125%, 6/15/14	1,493,437
	Mueller Group, Inc., Sr. Sub. Notes	
1,707	10.00%, 5/1/12	1,852,095
	Mueller Holdings, Inc., Disc. Notes	
936	14.75%, 4/15/14	800,280
	Nortek, Inc., Sr. Sub. Notes	
7,905	8.50%, 9/1/14	7,430,700
	NTK Holdings, Inc., Sr. Disc. Notes, (0.00% until 2009)	
2,575	10.75%, 3/1/14	1,815,375
	Panolam Industries International, Sr. Sub. Notes	
3,215	10.75%, 10/1/13 (6)	3,134,625
	RMCC Acquisition Co., Sr. Sub. Notes	
8,170	9.50%, 11/1/12 (6)	8,537,650
	Stanley-Martin Co.	
870	9.75%, 8/15/15	687,300
		\$ 31,534,424
Business Equipment and Services 1.9%		
	Activant Solutions, Inc., Sr. Sub. Notes	
1,070	9.50%, 5/1/16 (6)	1,016,500
	Affinion Group, Inc.	
1,065	10.125%, 10/15/13 (6)	1,096,950
	Affinion Group, Inc., Sr. Sub. Notes	
1,490	11.50%, 10/15/15 (6)	1,501,175
	Hydrochem Industrial Services, Inc., Sr. Sub Notes	
2,620	9.25%, 2/15/13 (6)	2,574,150
	Knowledge Learning Center, Sr. Sub. Notes	
2,200	7.75%, 2/1/15 (6)	2,035,000
	Muzak, LLC / Muzak Finance, Sr. Notes	
5,250	10.00%, 2/15/09	4,541,250
	Norcross Safety Products, LLC / Norcross Capital Corp., Sr. Sub. Notes, Series B	
5,100	9.875%, 8/15/11	5,329,500
	Safety Products Holdings, Inc., Sr. Notes (PIK)	
6,500	11.75%, 1/1/12 PIK (3)	6,663,379
	Sungard Data Systems, Inc.	
4,590	9.125%, 8/15/13	4,710,487
3,368	10.25%, 8/15/15	3,431,150
	Sungard Data Systems, Inc., Variable Rate	
1,100	9.431%, 8/15/13	1,149,500
28		

	Xerox Corp., Sr. Notes	
\$ 1,855	7.125%, 6/15/10	\$ 1,892,100
1,485	7.625%, 6/15/13	1,507,275
		\$ 37,448,416
Cable and Satellite Television	2.4%	
	Adelphia Communications Corp.	
2,500	10.25%, 6/15/11 (7)	1,550,000
	Cablevision Systems Corp., Sr. Notes, Series B, Variable Rate	
2,315	9.62%, 4/1/09	2,477,050
	CCO Holdings, LLC / CCO Capital Corp., Sr. Notes	
10,295	8.75%, 11/15/13	10,269,262
	CSC Holdings, Inc., Series B	
1,040	8.125%, 8/15/09	1,069,900
	CSC Holdings, Inc., Sr. Notes	
2,970	7.875%, 12/15/07	3,025,687
5,000	8.125%, 7/15/09	5,143,750
	CSC Holdings, Inc., Sr. Notes, Series B	
380	7.625%, 4/1/11	384,275
	Insight Communications, Sr. Disc. Notes	
16,450	12.25%, 2/15/11	17,498,687
	Kabel Deutschland GMBH	
1,955	10.625%, 7/1/14 (6)	2,082,075
	NTL Cable PLC, Sr. Notes	
1,480	9.125%, 8/15/16	1,505,900
	UGS Corp.	
3,130	10.00%, 6/1/12	3,384,312
		\$ 48,390,898
Chemicals and Plastics	3.3%	
	BCP Crystal Holdings Corp., Sr. Sub. Notes	
3,172	9.625%, 6/15/14	3,421,795
	Crystal US Holdings / US Holdings 3, LLC, Sr. Disc. Notes, Series B, (0.00% until 2009)	
3,357	10.50%, 10/1/14	2,635,245
	Equistar Chemical, Sr. Notes	
8,235	10.625%, 5/1/11	8,893,800
	Hexion U.S. Finance/Nova Scotia Finance	
1,765	9.00%, 7/15/14	1,813,537
	Huntsman International	
5,167	9.875%, 3/1/09	5,405,974
	Huntsman, LLC	
4,426	11.625%, 10/15/10	4,896,262
	IMC Global, Inc.	
6,775	11.25%, 6/1/11	7,206,906
	Ineos Group Holdings PLC	
8,115	8.50%, 2/15/16 (6)	7,648,387
29		

		Koppers, Inc.	
\$	1,252	9.875%, 10/15/13	\$ 1,361,550
		Lyondell Chemical Co.	
995		11.125%, 7/15/12	1,088,281
		Lyondell Chemical Co., Sr. Notes	
1,892		10.50%, 6/1/13	2,085,930
		Nova Chemicals Corp., Senior Notes, Variable Rate	
2,145		8.405%, 11/15/13	2,177,175
		OM Group, Inc.	
11,180		9.25%, 12/15/11	11,627,200
		Polyone Corp., Sr. Notes	
3,185		10.625%, 5/15/10	3,439,800
685		8.875%, 5/1/12	687,569
		PQ Corp.	
1,125		7.50%, 2/15/13	1,085,625
		Rockwood Specialties Group, Sr. Sub. Notes	
991		10.625%, 5/15/11	1,070,280
			\$ 66,545,316
Clothing/Textiles	2.2%		
		Levi Strauss & Co., Sr. Notes	
8,860		12.25%, 12/15/12	9,967,500
1,055		9.75%, 1/15/15	1,086,650
2,115		8.875%, 4/1/16	2,062,125
		Levi Strauss & Co., Sr. Notes, Variable Rate	
4,735		10.258%, 4/1/12	4,877,050
		Oxford Industries, Inc., Sr. Notes	
12,565		8.875%, 6/1/11	12,690,650
		Perry Ellis International, Inc., Sr. Sub. Notes	
5,865		8.875%, 9/15/13	5,777,025
		Phillips Van-Heusen, Sr. Notes	
1,700		7.25%, 2/15/11	1,695,750
2,500		8.125%, 5/1/13	2,575,000
		Quiksilver, Inc.	
435		6.875%, 4/15/15	404,550
		Russell Corp.	
2,425		9.25%, 5/1/10	2,546,250
			\$ 43,682,550
Conglomerates	0.9%		
		Amsted Industries, Inc., Sr. Notes	
7,150		10.25%, 10/15/11 (6)	7,722,000
		Education Management, LLC, Sr. Notes	
3,045		8.75%, 6/1/14 (6)	3,067,837
		Education Management, LLC, Sr. Sub. Notes	
4,240		10.25%, 6/1/16 (6)	4,303,600

	Goodman Global Holdings, Inc., Sr. Notes, Variable Rate	
\$ 3,398	8.329%, 6/15/12	\$ 3,414,990
		\$ 18,508,427
Containers and Glass Products 0.5%	Anchor Glass Container Corp.	
5,000	11.00%, 2/15/13 (7)	4,375,000
	Intertape Polymer US, Inc., Sr. Sub. Notes	
2,810	8.50%, 8/1/14	2,613,300
	Pliant Corp. (PIK)	
2,644	11.625%, 6/15/09 (3)	2,885,640
		\$ 9,873,940
Cosmetics/Toiletries 0.0%	Samsonite Corp., Sr. Sub. Notes	
1,075	8.875%, 6/1/11	1,120,687
		\$ 1,120,687
Ecological Services and Equipment 0.5%	Aleris International, Inc.	
2,635	10.375%, 10/15/10	2,891,912
2,568	9.00%, 11/15/14	2,901,840
	Waste Services, Inc., Sr. Sub. Notes	
4,085	9.50%, 4/15/14 (6)	4,187,125
		\$ 9,980,877
Electronics/Electrical 0.1%	Avago Technologies Finance, Sr. Notes	
1,485	10.125%, 12/1/13 (6)	1,566,675
	CPI Holdco, Inc., Sr. Notes, Variable Rate	
1,320	10.561%, 2/1/15	1,372,800
		\$ 2,939,475
Equipment Leasing 0.9%	The Hertz Corp., Sr. Notes	
10,515	8.875%, 1/1/14 (6)	11,014,462
	The Hertz Corp., Sr. Sub. Notes	
815	10.50%, 1/1/16 (6)	890,387
	United Rentals North America, Inc.	
320	6.50%, 2/15/12	304,000
	United Rentals North America, Inc., Sr. Sub. Notes	
5,590	7.00%, 2/15/14	5,142,800
		\$ 17,351,649
Financial Intermediaries 0.4%	Alzette, Variable Rate	
750	8.636%, 12/15/20 (6)	767,344
	Avalon Capital Ltd. 3, Series 1A, Class D, Variable Rate	
760	7.158%, 2/24/19 (6)	763,488
31		

	Babson Ltd., Series 2005-1A, Class C1, Variable Rate	
\$ 1,000	7.457%, 4/15/19 (6)	\$ 1,011,040
	Bryant Park CDO Ltd., Series 2005-1A, Class C, Variable Rate	
1,000	7.557%, 1/15/19 (6)	1,010,920
	Carlyle High Yield Partners, Series 2004-6A, Class C, Variable Rate	
974	7.612%, 8/11/16 (6)	988,762
	Centurion CDO 8 Ltd., Series 2005 8A, Class D, Variable Rate	
1,000	10.77%, 3/8/17	1,045,500
	Centurion CDO 9 Ltd., Series 2005-9A	
500	9.35%, 7/17/19	515,095
	Dryden Leveraged Loan, Series 2004-6A, Class C1, Variable Rate	
1,500	8.035%, 7/30/16 (6)	1,537,215
	Stanfield Vantage Ltd., Series 2005-1A, Class D, Variable Rate	
1,000	7.474%, 3/21/17 (6)	1,004,000
		\$ 8,643,364
Food Products 0.7%		
	ASG Consolidated, LLC / ASG Finance, Inc., Sr. Disc. Notes, (0.00% until 2008)	
5,315	11.50%, 11/1/11	4,517,750
	Nutro Products, Inc., Sr. Notes, Variable Rate	
865	9.23%, 10/15/13 (6)	890,950
	Nutro Products, Inc., Sr. Sub. Notes	
1,295	10.75%, 4/15/14 (6)	1,356,512
	Pierre Foods, Inc., Sr. Sub. Notes	
3,225	9.875%, 7/15/12	3,273,375
	Pinnacle Foods Holdings Corp., Sr. Sub. Notes	
4,705	8.25%, 12/1/13	4,634,425
		\$ 14,673,012
Food Service 0.3%		
	EPL Finance Corp., Sr. Notes	
2,835	11.75%, 11/15/13 (6)	3,246,075
	NPC International, Inc., Sr. Sub. Notes	
2,340	9.50%, 5/1/14 (6)	2,258,100
		\$ 5,504,175
Food/Drug Retailers 0.8%		
	General Nutrition Centers, Inc.	
1,085	8.625%, 1/15/11	1,087,712
	Jean Coufu Group (PJC), Inc., Sr. Sub. Notes	
860	8.50%, 8/1/14	807,325
	Rite Aid Corp.	
3,775	7.125%, 1/15/07	3,793,875
8,452	6.125%, 12/15/08 (6)	8,261,830
2,170	8.125%, 5/1/10	2,216,112
		\$ 16,166,854

Forest Products 2.2%		
	Abitibi-Consolidated, Inc.	
\$ 1,890	6.95%, 4/1/08	\$ 1,875,825
	Georgia-Pacific Corp.	
15,225	9.50%, 12/1/11	16,062,375
	JSG Funding PLC, Sr. Notes	
17,860	9.625%, 10/1/12	18,574,400
	NewPage Corp.	
3,790	10.00%, 5/1/12 (6)	3,951,075
	NewPage Corp., Variable Rate	
1,545	11.399%, 5/1/12	1,676,325
	Stone Container Corp.	
2,570	7.375%, 7/15/14	2,300,150
		\$ 44,440,150
Healthcare 2.8%		
	Accellent, Inc.	
4,795	10.50%, 12/1/13	4,962,825
	AMR HoldCo, Inc./EmCare HoldCo, Inc., Sr. Sub. Notes	
3,955	10.00%, 2/15/15	4,113,200
	CDRV Investors, Inc., Sr. Disc. Notes, (0.00% until 2010)	
3,690	9.625%, 1/1/15	2,629,125
	Concentra Operating Corp., Sr. Notes	
7,000	9.50%, 8/15/10	7,297,500
	Encore Medical IHC, Inc.	
3,030	9.75%, 10/1/12	3,333,000
	Inverness Medical Innovations, Inc., Sr. Sub. Notes	
3,175	8.75%, 2/15/12	3,095,625
	Multiplan, Inc., Sr. Sub. Notes	
2,710	10.375%, 4/15/16 (6)	2,750,650
	National Mentor, Inc., Sr. Sub. Notes	
2,130	11.25%, 7/1/14 (6)	2,177,925
	Res-Care, Inc., Sr. Notes	
2,160	7.75%, 10/15/13	2,143,800
	Service Corp. International, Sr. Notes	
1,110	8.00%, 6/15/17 (6)	1,042,012
	Tenet Healthcare Corp., Sr. Notes	
1,085	6.50%, 6/1/12	922,250
1,550	9.25%, 2/1/15 (6)	1,433,750
	Triad Hospitals, Inc., Sr. Notes	
2,120	7.00%, 5/15/12	2,117,350
	Triad Hospitals, Inc., Sr. Sub. Notes	
2,530	7.00%, 11/15/13	2,428,800
	US Oncology, Inc.	
2,205	9.00%, 8/15/12	2,304,225
5,350	10.75%, 8/15/14	5,831,500

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	Ventas Realty L.P. / Capital Corp., Sr. Notes	
\$ 1,600	7.125%, 6/1/15	\$ 1,612,000
	VWR International, Inc., Sr. Sub. Notes	
5,540	8.00%, 4/15/14	5,470,750
		\$ 55,666,287
Home Furnishings 0.2%		
	Fedders North America, Inc.	
2,350	9.875%, 3/1/14	1,880,000
	Steinway Musical Instruments, Sr. Notes	
1,745	7.00%, 3/1/14 (6)	1,679,562
		\$ 3,559,562
Industrial Equipment 1.0%		
	Case New Holland, Inc., Sr. Notes	
9,430	9.25%, 8/1/11	9,984,012
6,485	7.125%, 3/1/14	6,339,087
	Chart Industries, Inc., Sr. Sub. Notes	
2,170	9.125%, 10/15/15 (6)	2,248,662
	Manitowoc Co., Inc. (The)	
975	10.50%, 8/1/12	1,057,875
	Thermadyne Holdings Corp., Sr. Sub. Notes	
1,770	9.25%, 2/1/14	1,500,075
		\$ 21,129,711
Leisure Goods/Activities/Movies 2.2%		
	AMC Entertainment, Inc., Sr. Sub. Notes	
4,450	9.875%, 2/1/12	4,511,187
	AMC Entertainment, Inc., Variable Rate	
650	9.42%, 8/15/10	673,562
	HRP Myrtle Beach Operations, LLC/HRP Myrtle Beach Capital Corp.	
2,170	12.50%, 4/1/13 (6)	2,180,850
	HRP Myrtle Beach Operations, LLC/HRP Myrtle Beach Capital Corp., Variable Rate	
3,975	9.818%, 4/1/12 (6)	3,965,062
	Marquee Holdings, Inc., Sr. Disc. Notes, (0.00% until 2009)	
5,965	12.00%, 8/15/14 (6)	4,429,013
	Six Flags Theme Parks, Inc., Sr. Notes	
3,080	9.625%, 6/1/14	2,810,500
	Universal City Development Partners, Sr. Notes	
16,215	11.75%, 4/1/10	17,633,813
	Universal City Florida Holding, Sr. Notes, Variable Rate	
7,060	9.899%, 5/1/10	7,289,450
		\$ 43,493,437
34		

Lodging and Casinos 2.8%		
	CCM Merger, Inc.	
\$ 1,715	8.00%, 8/1/13 (6)	\$ 1,650,688
	Chukchansi EDA, Sr. Notes, Variable Rate	
3,080	8.78%, 11/15/12 (6)	3,149,300
	Galaxy Entertainment Finance	
1,600	9.875%, 12/15/12 (6)	1,680,000
	Greektown Holdings, LLC, Sr. Notes	
2,215	10.75%, 12/1/13 (6)	2,353,438
	Inn of the Mountain Gods, Sr. Notes	
4,655	12.00%, 11/15/10	4,893,569
	Kerzner International Ltd., Sr. Sub. Notes	
540	6.75%, 10/1/15	571,050
	Majestic HoldCo, LLC, (0.00% until 2008)	
1,540	12.50%, 10/15/11 (6)	1,155,000
	Majestic Star Casino, LLC	
2,325	9.50%, 10/15/10	2,418,000
2,825	9.75%, 1/15/11 (6)	2,796,750
	Mohegan Tribal Gaming Authority, Sr. Sub. Notes	
1,335	8.00%, 4/1/12	1,368,375
	OED Corp./Diamond Jo, LLC	
5,115	8.75%, 4/15/12	5,146,969
	San Pasqual Casino	
3,405	8.00%, 9/15/13 (6)	3,439,050
	Station Casinos, Inc., Sr. Notes	
1,050	6.00%, 4/1/12	990,938
	Trump Entertainment Resorts, Inc.	
12,820	8.50%, 6/1/15	12,371,300
	Tunica-Biloxi Gaming Authority, Sr. Notes	
2,670	9.00%, 11/15/15 (6)	2,736,750
	Waterford Gaming, LLC, Sr. Notes	
8,790	8.625%, 9/15/12 (6)	9,339,375
	Wynn Las Vegas, LLC	
1,210	6.625%, 12/1/14	1,146,475
		\$ 57,207,027
Nonferrous Metals/Minerals 0.3%		
	Alpha Natural Resources, Sr. Notes	
1,370	10.00%, 6/1/12	1,462,475
	Novelis, Inc., Sr. Notes	
4,445	8.00%, 2/15/15 (6)	4,322,763
		\$ 5,785,238
Oil and Gas 4.0%		
	Allis-Chalmers Energy, Inc., Sr. Notes	
3,010	9.00%, 1/15/14 (6)	3,040,100
35		

	Clayton Williams Energy, Inc.	
\$ 1,325	7.75%, 8/1/13 (6)	\$ 1,238,875
	Copano Energy, LLC, Sr. Notes	
760	8.125%, 3/1/16	767,600
	Dresser, Inc.	
13,145	9.375%, 4/15/11	13,407,900
	Dynegy Holdings, Inc.	
2,165	8.375%, 5/1/16 (6)	2,137,938
	Dynegy Holdings, Inc., Debs.	
4,395	7.625%, 10/15/26	3,867,600
	El Paso Corp.	
345	7.50%, 8/15/06 (6)	345,863
2,305	9.625%, 5/15/12 (6)	2,535,500
	El Paso Production Holding Co.	
500	7.75%, 6/1/13	510,625
	Encore Acquisition Co., Sr. Sub. Notes	
1,730	7.25%, 12/1/17	1,686,750
	Giant Industries	
850	8.00%, 5/15/14	850,000
	Inergy L.P. / Finance, Sr. Notes	
3,980	6.875%, 12/15/14 (6)	3,771,050
	Kinder Morgan Finance Co.	
3,135	5.35%, 1/5/11	2,932,827
	Ocean Rig Norway AS, Sr. Notes	
1,120	8.375%, 7/1/13 (6)	1,159,200
	Parker Drilling Co., Sr. Notes	
1,930	9.625%, 10/1/13	2,103,700
	Petrohawk Energy Corp., Sr. Notes	
8,800	9.125%, 7/15/13 (6)	9,042,000
	Quicksilver Resources, Inc.	
2,295	7.125%, 4/1/16	2,180,250
	Semgroup L.P., Sr. Notes	
2,890	8.75%, 11/15/15 (6)	2,918,900
	Sesi, LLC, Sr. Notes	
660	6.875%, 6/1/14 (6)	643,500
	Sonat, Inc.	
5,000	7.625%, 7/15/11	5,087,500
	Stewart & Stevenson, LLC, Sr. Notes	
2,115	10.00%, 7/15/14 (6)	2,157,300
	Transmontaigne, Inc., Sr. Sub. Notes	
6,115	9.125%, 6/1/10	6,527,763
	United Refining Co., Sr. Notes	
6,530	10.50%, 8/15/12	6,921,800
	VeraSun Energy Corp.	
3,360	9.875%, 12/15/12 (6)	3,595,200

	Williams Cos., Inc. (The)	
\$ 1,085	8.75%, 3/15/32	\$ 1,177,225
		\$ 80,606,966
Publishing 1.4%	American Media Operations, Inc., Series B	
6,220	10.25%, 5/1/09	5,839,025
	CBD Media, Inc., Sr. Sub. Notes	
1,335	8.625%, 6/1/11	1,318,313
	Dex Media West, LLC, Sr. Sub. Notes	
4,565	9.875%, 8/15/13	4,941,613
	Houghton Mifflin Co., Sr. Disc. Notes, (0.00% until 2008)	
500	11.50%, 10/15/13	416,250
	Houghton Mifflin Co., Sr. Sub. Notes	
5,970	9.875%, 2/1/13	6,216,263
	MediaNews Group, Inc., Sr. Sub. Notes	
1,070	6.875%, 10/1/13	985,738
	R.H. Donnelley Corp., Sr. Disc. Notes	
2,315	6.875%, 1/15/13	2,112,438
4,175	6.875%, 1/15/13	3,809,688
	R.H. Donnelley Corp., Sr. Notes	
2,655	8.875%, 1/15/16	2,658,319
		\$ 28,297,647
Radio and Television 1.9%	Advanstar Communications, Inc.	
8,250	10.75%, 8/15/10	8,889,458
	CanWest Media, Inc.	
2,156	8.00%, 9/15/12	2,113,049
	Echostar DBS Corp., Sr. Notes, Variable Rate	
10,000	8.758%, 10/1/08	10,162,500
	LBI Media, Inc.	
1,820	10.125%, 7/15/12	1,938,300
	Rainbow National Services, LLC, Sr. Notes	
1,805	8.75%, 9/1/12 (6)	1,917,813
	Rainbow National Services, LLC, Sr. Sub. Debs.	
6,490	10.375%, 9/1/14 (6)	7,285,025
	Sirius Satellite Radio, Sr. Notes	
5,650	9.625%, 8/1/13	5,311,000
		\$ 37,617,145
Rail Industries 0.0%	Kansas City Southern Railway Co.	
1,035	9.50%, 10/1/08	1,089,338
		\$ 1,089,338

Retailers (Except Food and Drug) 1.6%		
	Autonation, Inc., Variable Rate	
\$ 1,500	7.507%, 4/15/13 (6)	\$ 1,522,500
	GameStop Corp.	
13,885	8.00%, 10/1/12	14,162,700
	GameStop Corp., Variable Rate	
4,105	9.383%, 10/1/11	4,299,988
	Neiman Marcus Group, Inc.	
5,375	9.00%, 10/15/15	5,690,781
3,430	10.375%, 10/15/15	3,657,238
	Penny (JC) Co., Inc.	
1,875	8.00%, 3/1/10	2,006,844
		\$ 31,340,051
Steel 0.5%		
	AK Steel Corp.	
2,000	7.75%, 6/15/12	1,980,000
	Ispat Inland ULC, Sr. Notes	
2,102	9.75%, 4/1/14	2,336,419
	RathGibson, Inc., Sr. Notes	
4,720	11.25%, 2/15/14 (6)	4,908,800
		\$ 9,225,219
Surface Transport 0.3%		
	H-Lines Finance Holding, Sr. Disc. Notes, (0.00% until 2008)	
1,531	11.00%, 4/1/13 (6)	1,335,798
	Horizon Lines, LLC	
3,967	9.00%, 11/1/12 (6)	4,056,258
		\$ 5,392,056
Telecommunications 4.0%		
	AirGate PCS, Inc., Variable Rate	
1,080	9.257%, 10/15/11	1,109,700
	Alamosa Delaware, Inc., Sr. Notes	
6,230	11.00%, 7/31/10	6,837,425
	Centennial Cellular Operating Co. / Centennial Communication Corp., Sr. Notes	
2,820	10.125%, 6/15/13	2,989,200
	Digicel Ltd., Sr. Notes	
2,400	9.25%, 9/1/12 (6)	2,514,000
	Intelsat Bermuda Ltd.	
3,560	9.25%, 6/15/16 (6)	3,657,900
	Intelsat Bermuda Ltd., Sr. Notes	
15,690	5.25%, 11/1/08	14,787,825
4,185	11.25%, 6/15/16 (6)	4,247,775
	Intelsat Bermuda Ltd., Sr. Notes, Variable Rate	
6,455	10.484%, 1/15/12	6,584,100

	IWO Escrow Co., Variable Rate	
\$ 575	9.257%, 1/15/12 (6)	\$ 596,563
	LCI International, Inc., Sr. Notes	
65	7.25%, 6/15/07	65,488
	New Skies Satellites NV, Sr. Notes, Variable Rate	
700	10.414%, 11/1/11	726,250
	New Skies Satellites NV, Sr. Sub. Notes	
2,450	9.125%, 11/1/12	2,621,500
	Qwest Capital Funding, Inc.	
1,855	7.00%, 8/3/09	1,850,363
	Qwest Communications International, Inc.	
6,540	7.50%, 2/15/14	6,441,900
	Qwest Communications International, Inc., Sr. Notes	
670	7.50%, 11/1/08	671,675
	Qwest Corp.	
2,000	8.875%, 3/15/12	2,165,000
	Qwest Corp., Sr. Notes	
1,615	7.875%, 9/1/11	1,679,600
1,940	7.625%, 6/15/15	1,981,225
	Qwest Corp., Sr. Notes, Variable Rate	
1,645	8.579%, 6/15/13	1,768,375
	Rogers Wireless, Inc., Variable Rate	
1,314	8.454%, 12/15/10	1,353,420
	Telemig Celular SA/Amazonia Celular SA	
1,755	8.75%, 1/20/09 (6)	1,829,588
	UbiquiTel Operating Co., Sr. Notes	
3,995	9.875%, 3/1/11	4,364,538
	Windstream Corp., Sr. Notes	
3,140	8.125%, 8/1/13 (6)	3,281,300
6,280	8.625%, 8/1/16 (6)	6,562,600
		\$ 80,687,310
Utilities 1.9%		
	AES Corp., Sr. Notes	
6,000	9.50%, 6/1/09	6,360,000
4,005	8.75%, 5/15/13 (6)	4,305,375
5,445	9.00%, 5/15/15 (6)	5,880,600
	Mission Energy Holding Co.	
3,290	13.50%, 7/15/08	3,693,025
	NRG Energy, Inc.	
1,465	7.25%, 2/1/14	1,437,531
	NRG Energy, Inc., Sr. Notes	
2,015	7.375%, 2/1/16	1,974,700
39		

Orion Power Holdings, Inc., Sr. Notes			
\$	12,415	12.00%, 5/1/10	\$ 14,246,213
			\$ 37,897,444
Total Corporate Bonds & Notes (identified cost \$947,067,036)			\$ 961,744,211

Convertible Bonds 0.3%

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Principal Amount	Security	Value
\$ 3,540,000	L-3 Communications Corp. (6)	\$ 3,478,050
1,065,000	XM Satellite Radio Holdings, Inc.	826,706
2,100,000	XM Satellite Radio, Inc. (6)	1,630,125
Total Convertible Bonds (identified cost, \$6,685,290)		\$ 5,934,881

Common Stocks 0.3%

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Shares	Security	Value
331,790	Trump Entertainment Resorts, Inc. (8)	\$ 6,048,532
Total Common Stocks (identified cost, \$4,094,330)		\$ 6,048,532

Convertible Preferred Stocks 0.1%

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Shares	Security	Value
11,070	Chesapeake Energy Corp., 4.50%	\$ 1,081,539
10,058	Crown Castle International Corp., (PIK)	564,505
Total Convertible Preferred Stocks (identified cost, \$1,554,502)		\$ 1,646,044

Short-Term Investments 1.5%

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Principal Amount	Maturity Date	Borrower	Rate	Amount
\$ 26,346,000	08/01/06	General Electric Capital Corp., Commercial Paper	5.30	% \$ 26,346,000
4,135,000	08/01/06	Investors Bank and Trust Company, Time Deposit	5.31	% 4,135,000
Total Short-Term Investments (at amortized cost)				\$ 30,481,000
Gross Investments 151.7% (identified cost \$3,050,408,732)				\$ 3,049,455,178

40

Less Unfunded Loan Commitments (0.3)%	
(identified cost \$5,447,417)	\$(5,447,417)
Net Investments 151.4%	
(identified cost \$3,044,961,315)	\$3,044,007,761
Other Assets, Less Liabilities (11.6)%	\$(233,478,639)
Auction Preferred Shares Plus Cumulative Unpaid Dividends (39.8)%	\$(800,391,641)
Net Assets Applicable to Common Shares 100.0%	\$2,010,137,481

PIK Payment In Kind.

- (1) Senior floating-rate interests often require prepayments from excess cash flows or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturities shown. However, it is anticipated that the senior floating-rate interests will have an expected average life of approximately two to three years. The stated interest rate represents the weighted average interest rate of all contracts within the senior loan facility. Senior Loans typically have rates of interest which are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate, plus a premium. These base lending rates are primarily the London-Interbank Offered Rate (LIBOR), and secondarily the prime rate offered by one or more major United States banks (the Prime Rate) and the certificate of deposit (CD) rate or other base lending rates used by commercial lenders.
- (2) Unfunded loan commitments. The Fund may enter into certain credit agreements all or a portion of which may be unfunded. The Fund is obligated to fund these commitments at the Borrower s discretion.
- (3) Security valued at fair value using methods determined in good faith by or at the direction of the Trustees.
- (4) Adjustable rate mortgage.
- (5) All or a portion of these securities were on loan at July 31, 2006.
- (6) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At July 31, 2006, the aggregate value of the securities is \$242,755,316 or 12.1% of the Fund s net assets.
- (7) Defaulted security. Currently the issuer is in default with respect to interest payments.
- (8) Non-income producing security.

A summary of financial instruments at July 31, 2006 is as follows:

Credit Default Swaps

Notional Amount	Expiration Date	Description	Net Unrealized Appreciation
\$ 2,000,000	3/20/2010	Agreement with Lehman Brothers dated 5/18/05 to sell a credit default swap. The Fund will receive 2.4% per year, paid quarterly, times the notional amount. The Fund makes a payment of the notional amount only upon a default event on the reference entity, a Revolving Credit Agreement issued by Inergy, L.P.	\$ 1,185

At July 31, 2006, the Fund had sufficient cash and/or securities segregated to cover potential obligations arising from open swap contracts.

The cost and unrealized appreciation (depreciation) in value of the investments owned at July 31, 2006, as computed on a federal income tax basis, were as follows:

Aggregate cost	\$ 3,055,249,309
Gross unrealized appreciation	\$ 27,675,901
Gross unrealized depreciation	(38,917,449)
Net unrealized depreciation	\$ (11,241,548)

Item 2. Controls and Procedures

(a) It is the conclusion of the registrant's principal executive officer and principal financial officer that the effectiveness of the registrant's current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the registrant on this Form N-Q has been recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms and that the information required to be disclosed by the registrant on this Form N-Q has been accumulated and communicated to the registrant's principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.

(b) There have been no changes in the registrant's internal controls over financial reporting during the fiscal quarter for which the report is being filed that have materially affected, or are reasonably likely to materially affect the registrant's internal control over financial reporting.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Eaton Vance Limited Duration Income Fund

By: /s/ Thomas E. Faust Jr
Thomas E. Faust Jr.
President and Principal Executive Officer
Date: September 25, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Thomas E. Faust Jr.
Thomas E. Faust Jr.
President and Principal Executive Officer
Date: September 25, 2006
By: /s/ Barbara E. Campbell
Barbara E. Campbell
Treasurer and Principal Financial Officer
Date: September 25, 2006
