ISTAR INC.
Form 10-Q
August 04, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2017
OR

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

For the transition period from to
Commission File No. 1-15371

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iStar Inc.
(Exact name of registrant as specified in its charter)

Maryland	95-6881527
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1114 Avenue of the Americas, 39th Floor	
New York, NY	10036
(Address of principal executive offices)	(Zip code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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

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

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

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

As of August 3, 2017, there were 72,190,312 shares, $0.001 par value per share, of iStar Inc. common stock outstanding.

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PART I. CONSOLIDATED FINANCIAL INFORMATION
Item 1. Financial Statements
iStar Inc.
Consolidated Balance Sheets
(In thousands, except per share data)

	As of June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Real estate		
Real estate, at cost	$1,710,915	$1,740,893
Less: accumulated depreciation	(367,933)	(353,619)
Real estate, net	1,342,982	1,387,274
Real estate available and held for sale	68,045	237,531
Total real estate	1,411,027	1,624,805
Land and development, net	855,497	945,565
Loans receivable and other lending investments, net	1,170,565	1,450,439
Other investments	276,821	214,406
Cash and cash equivalents	954,279	328,744
Accrued interest and operating lease income receivable, net	10,501	11,254
Deferred operating lease income receivable, net	88,944	88,189
Deferred expenses and other assets, net	147,121	162,112
Total assets	$4,914,755	$4,825,514
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	$230,259	$211,570
Loan participations payable, net	107,442	159,321
Debt obligations, net	3,368,113	3,389,908
Total liabilities	3,705,814	3,760,799
Commitments and contingencies (refer to Note 11)	—	—
Redeemable noncontrolling interests (refer to Note 5)	3,585	5,031
Equity:		
iStar Inc. shareholders' equity:		
Preferred Stock Series D, E, F, G and I, liquidation preference $25.00 per share (refer to Note 13)	22	22
Convertible Preferred Stock Series J, liquidation preference $50.00 per share (refer to Note 13)	4	4
Common Stock, $0.001 par value, 200,000 shares authorized, 72,190 and 72,042 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	72	72
Additional paid-in capital	3,603,981	3,602,172
Retained earnings (deficit)	(2,431,123)	(2,581,488)
Accumulated other comprehensive income (loss) (refer to Note 13)	(3,678)	(4,218)
Total iStar Inc. shareholders' equity	1,169,278	1,016,564
Noncontrolling interests	36,078	43,120
Total equity	1,205,356	1,059,684
Total liabilities and equity	$4,914,755	$4,825,514

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Operating lease income	$47,002	$49,975	$94,349	$100,470
Interest income	28,645	34,400	57,703	67,620
Other income	139,510	10,096	151,374	21,636
Land development revenue	132,710	27,888	152,760	42,835
Total revenues	347,867	122,359	456,186	232,561
Costs and expenses:				
Interest expense	48,807	56,047	99,952	113,068
Real estate expense	34,684	35,328	70,274	69,572
Land development cost of sales	122,466	17,262	138,376	28,838
Depreciation and amortization	13,171	13,673	25,451	27,581
General and administrative	27,218	19,665	52,392	42,768
(Recovery of) provision for loan losses	(600)	700	(5,528)	2,206
Impairment of assets	10,284	3,012	14,696	3,012
Other expense	16,276	3,182	18,145	3,922
Total costs and expenses	272,306	148,869	413,758	290,967
Income (loss) before earnings from equity method investments and other items	75,561	(26,510)	42,428	(58,406)
Loss on early extinguishment of debt, net	(3,315)	(1,457)	(3,525)	(1,582)
Earnings from equity method investments	5,515	39,447	11,217	47,714
Income (loss) from continuing operations before income taxes	77,761	11,480	50,120	(12,274)
Income tax (expense) benefit	(1,644)	1,190	(2,251)	1,604
Income (loss) from continuing operations	76,117	12,670	47,869	(10,670)
Income from discontinued operations	173	3,633	4,939	7,214
Gain from discontinued operations	123,418	—	123,418	—
Income tax expense from discontinued operations	(4,545)	—	(4,545)	—
Income from sales of real estate[1]	844	43,484	8,954	53,943
Net income	196,007	59,787	180,635	50,487
Net (income) loss attributable to noncontrolling interests	(5,710)	(8,825)	(4,610)	(7,883)
Net income attributable to iStar Inc.	190,297	50,962	176,025	42,604
Preferred dividends	(12,830)	(12,830)	(25,660)	(25,660)
Net (income) loss allocable to Participating Security holders[2]	—	(20)	—	(11)
Net income allocable to common shareholders	$177,467	$38,112	$150,365	$16,933
Per common share data:				
Income attributable to iStar Inc. from continuing operations:				
Basic	$0.81	$0.47	$0.37	$0.13
Diluted	$0.69	$0.34	$0.35	$0.13
Net income attributable to iStar Inc.:				
Basic	$2.46	$0.52	$2.09	$0.22
Diluted	$2.04	$0.37	$1.76	$0.22
Weighted average number of common shares:				

Basic	72,142	73,984	72,104	75,522
Diluted	88,195	118,510	88,156	75,872

(1) Income from sales of real estate represents gains from sales of real estate that do not qualify as discontinued operations.

(2) Participating Security holders are non-employee directors who hold common stock equivalents ("CSEs") and restricted stock awards granted under the Company's Long Term Incentive Plans that are eligible to participate in dividends (refer to Note 14 and Note 15).

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

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iStar Inc.
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$196,007	$59,787	$180,635	$50,487
Other comprehensive income (loss):				
Reclassification of (gains)/losses on cash flow hedges into earnings upon realization[1]	(313)	118	(191)	375
Unrealized gains/(losses) on available-for-sale securities	583	446	566	465
Unrealized gains/(losses) on cash flow hedges	(146)	(357)	394	(1,319)
Unrealized gains/(losses) on cumulative translation adjustment	172	30	(229)	(10)
Other comprehensive income (loss)	296	237	540	(489)
Comprehensive income	196,303	60,024	181,175	49,998
Comprehensive (income) loss attributable to noncontrolling interests	(5,710)	(8,825)	(4,610)	(7,883)
Comprehensive income attributable to iStar Inc.	$190,593	$51,199	$176,565	$42,115

(1) Reclassified to "Interest expense" in the Company's consolidated statements of operations are $30 and $60 for the three and six months ended June 30, 2017, respectively, and $23 and $183 for the three and six months ended June 30, 2016, respectively. Reclassified to "Earnings from equity method investments" in the Company's consolidated statements of operations are $70 and $164 for the three and six months ended June 30, 2017, respectively, and $95 and $192 for the three and six months ended June 30, 2016, respectively.

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

iStar Inc.
Consolidated Statements of Changes in Equity
For the Six Months Ended June 30, 2017 and 2016
(In thousands)
(unaudited)

	iStar Inc. Shareholders' Equity							
	Preferred Stock[(1)]	Preferred Stock Series J[(1)]	Common Stock at Par	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance as of December 31, 2016	$22	$ 4	$ 72	$3,602,172	$(2,581,488)	$ (4,218)	$ 43,120	$1,059,684
Dividends declared—preferred	—	—	—	—	(25,660)	—	—	(25,660)
Issuance of stock/restricted stock unit amortization, net	—	—	—	1,699	—	—	—	1,699
Net income for the period[(2)]	—	—	—	—	176,025	—	5,946	181,971
Change in accumulated other comprehensive income (loss)	—	—	—	—	—	540	—	540
Change in additional paid in capital attributable to redeemable noncontrolling interest	—	—	—	110	—	—	—	110
Distributions to noncontrolling interest	—	—	—	—	—	—	(12,988)	(12,988)
Balance as of June 30, 2017	$22	$ 4	$ 72	$3,603,981	$(2,431,123)	$ (3,678)	$ 36,078	$1,205,356
Balance as of December 31, 2015	$22	$ 4	$ 81	$3,689,330	$(2,625,474)	$ (4,851)	$ 42,218	$1,101,330
Dividends declared—preferred	—	—	—	—	(25,660)	—	—	(25,660)
Issuance of stock/restricted stock unit amortization, net	—	—	—	1,371	—	—	—	1,371
Net income for the period[(2)]	—	—	—	—	42,604	—	10,520	53,124
Change in accumulated other comprehensive income (loss)	—	—	—	—	—	(489)	—	(489)
Repurchase of stock	—	—	(9)	(91,826)	—	—	—	(91,835)
Change in additional paid in capital attributable to redeemable noncontrolling interest	—	—	—	460	—	—	—	460
Contributions from noncontrolling interests	—	—	—	—	—	—	444	444
Change in noncontrolling interest[(3)]	—	—	—	—	—	—	(7,292)	(7,292)
Balance as of June 30, 2016	$22	$ 4	$ 72	$3,599,335	$(2,608,530)	$ (5,340)	$ 45,890	$1,031,453

(1) Refer to Note 13 for details on the Company's Preferred Stock.

(2) For the six months ended June 30, 2017 and 2016, net income (loss) shown above excludes $(1,336) and $(2,637) of net loss attributable to redeemable noncontrolling interests.

(3) Includes a payment to acquire a noncontrolling interest (refer to Note 5).

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

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

	For the Six Months Ended June 30, 2017	2016
Cash flows from operating activities:		
Net income	$180,635	$50,487
Adjustments to reconcile net income to cash flows from operating activities:		
(Recovery of) provision for loan losses	(5,528)	2,206
Impairment of assets	14,696	3,012
Depreciation and amortization	26,352	29,182
Non-cash expense for stock-based compensation	9,796	6,211
Amortization of discounts/premiums and deferred financing costs on debt obligations, net	6,615	8,901
Amortization of discounts/premiums on loans, net	(6,978)	(7,237)
Deferred interest on loans, net	(1,290)	4,631
Gain from discontinued operations	(123,418)	—
Earnings from equity method investments	(11,217)	(47,714)
Distributions from operations of other investments	35,502	31,479
Deferred operating lease income	(3,204)	(4,993)
Income from sales of real estate	(9,462)	(53,943)
Land development revenue in excess of cost of sales	(14,384)	(13,997)
Loss on early extinguishment of debt, net	775	1,582
Debt discount on repayments of debt obligations	(5,745)	(5,369)
Other operating activities, net	9,770	2,651
Changes in assets and liabilities:		
Changes in accrued interest and operating lease income receivable, net	2,881	4,436
Changes in deferred expenses and other assets, net	(6,821)	1,677
Changes in accounts payable, accrued expenses and other liabilities	3,941	(13,052)
Cash flows provided by operating activities	102,916	150
Cash flows from investing activities:		
Originations and fundings of loans receivable, net	(130,701)	(158,262)
Capital expenditures on real estate assets	(16,346)	(35,674)
Capital expenditures on land and development assets	(53,894)	(58,961)
Acquisitions of real estate assets	—	(3,915)
Repayments of and principal collections on loans receivable and other lending investments, net	367,028	202,014
Net proceeds from sales of real estate	154,291	247,956
Net proceeds from sales of land and development assets	146,713	33,660
Net proceeds from sales of other investments	—	39,810
Distributions from other investments	11,275	8,632
Contributions to other investments	(139,139)	(8,283)
Changes in restricted cash held in connection with investing activities	1,757	3,220
Other investing activities, net	5,317	(5,677)
Cash flows provided by investing activities	346,301	264,520
Cash flows from financing activities:		
Borrowings from debt obligations	854,637	646,401
Repayments and repurchases of debt obligations	(626,492)	(991,184)

Proceeds from loan participations payable	—	22,844
Preferred dividends paid	(25,660)	(25,660)
Repurchase of stock	—	(90,481)
Payments for deferred financing costs	(12,243)	(8,003)
Payments for withholding taxes upon vesting of stock-based compensation	(511)	(1,203)
Other financing activities, net	(13,420)	(7,144)
Cash flows provided by (used in) financing activities	176,311	(454,430)
Effect of exchange rate changes on cash	7	22
Changes in cash and cash equivalents	625,535	(189,738)
Cash and cash equivalents at beginning of period	328,744	711,101
Cash and cash equivalents at end of period	$954,279	$521,363
Supplemental disclosure of non-cash investing and financing activity:		
Fundings and repayments of loan receivables and loan participations, net	$(52,406)	$12,267
Accounts payable for capital expenditures on land and development assets	2,984	5,575
Accounts payable for capital expenditures on real estate assets	1,488	—
Receivable from sales of real estate and land parcels	3,139	1,741
Developer fee payable	—	6,438
Accruals for repurchase of stock	—	2,260

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

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Note 1—Business and Organization

Business—iStar Inc. (the "Company"), doing business as "iStar," finances, invests in and develops real estate and real estate related projects as part of its fully-integrated investment platform. The Company also provides management services for its ground lease and net lease equity method investments (refer to Note 7). The Company has invested more than $35 billion over the past two decades and is structured as a real estate investment trust ("REIT") with a diversified portfolio focused on larger assets located in major metropolitan markets. The Company's primary business segments are real estate finance, net lease, operating properties and land and development (refer to Note 17).

Organization—The Company began its business in 1993 through the management of private investment funds and became publicly traded in 1998. Since that time, the Company has grown through the origination of new investments, as well as through corporate acquisitions.

Note 2—Basis of Presentation and Principles of Consolidation

Basis of Presentation—The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States of America ("GAAP") for complete financial statements. These unaudited consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Annual Report").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. Such operating results may not be indicative of the expected results for any other interim periods or the entire year. Certain prior year amounts have been reclassified in the Company's consolidated financial statements and the related notes to conform to the current period presentation.

Principles of Consolidation—The consolidated financial statements include the financial statements of the Company, its wholly owned subsidiaries, controlled partnerships and variable interest entities ("VIEs") for which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation. The Company's involvement with VIEs affects its financial performance and cash flows primarily through amounts recorded in "Operating lease income," "Interest income," "Earnings from equity method investments," "Real estate expense" and "Interest expense" in the Company's consolidated statements of operations. The Company has not provided financial support to those VIEs that it was not previously contractually required to provide.

Consolidated VIEs—As of June 30, 2017, the Company consolidates VIEs for which it is considered the primary beneficiary. As of June 30, 2017, the total assets of these consolidated VIEs were $326.9 million and total liabilities were $68.9 million. The classifications of these assets are primarily within "Land and development, net" and "Real estate, net" on the Company's consolidated balance sheets. The classifications of liabilities are primarily within "Accounts payable, accrued expenses and other liabilities" and "debt obligations, net" on the Company's consolidated balance sheets. The liabilities of these VIEs are non-recourse to the Company and can only be satisfied from each VIE's respective assets. The Company did not have any unfunded commitments related to consolidated VIEs as of June 30, 2017.

Unconsolidated VIEs—As of June 30, 2017, the Company has investments in VIEs where it is not the primary beneficiary and accordingly the VIEs have not been consolidated in the Company's consolidated financial statements. As of June 30, 2017, the Company's maximum exposure to loss from these investments does not exceed the sum of the $56.6 million carrying value of the investments, which are classified in "Other investments" and "Loans receivable and other lending investments, net" on the Company's consolidated balance sheets, and $53.8 million of related unfunded commitments.

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iStar Inc.
Notes to Consolidated Financial Statements (Continued)
(unaudited)

Note 3—Summary of Significant Accounting Policies

On January 1, 2017, the Company adopted Accounting Standards Update ("ASU") 2016-09, Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09") which was issued to simplify several aspects of the accounting for share-based payment transactions, including income tax, classification of awards as either equity or liabilities and classification on the statement of cash flows. The adoption of ASU 2016-09 did not have a material impact on the Company's consolidated financial statements.

As of June 30, 2017, the remainder of the Company's significant accounting policies, which are detailed in the Company's 2016 Annual Report, have not changed materially.

New Accounting Pronouncements—In February 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets ("ASU 2017-05") to clarify the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, and to add guidance for partial sales of nonfinancial assets. The amendments in ASU 2017-05 simplify GAAP by eliminating several accounting differences between transactions involving assets and transactions involving businesses. The amendments in ASU 2017-05 require an entity to initially measure a retained noncontrolling interest in a nonfinancial asset at fair value consistent with how a retained noncontrolling interest in a business is measured. Also, if an entity transfers ownership interests in a consolidated subsidiary that is within the scope of ASC 610-20 and continues to have a controlling financial interest in that subsidiary, ASU 2017-05 requires the entity to account for the transaction as an equity transaction, which is consistent with how changes in ownership interests in a consolidated subsidiary that is a business are recorded when a parent retains a controlling financial interest in the business. ASU 2017-05 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted beginning January 1, 2017. Management is evaluating the impact of the guidance on the Company's consolidated financial statements and expects to adopt the retrospective approach, which would require the Company to recast revenue and expenses for all prior periods presented in the year of adoption of the new standard. The Company expects that transactions in assets and businesses in which the Company retains an ownership interest, such as the sale of a controlling interest in its GL business (refer to Note 4), will be impacted by this guidance. As a result, under the retrospective approach, in 2018, the Company expects to record an incremental gain of $55.5 million in its consolidated statements of operations for the three and six months ended June 30, 2017, bringing the Company's full gain on the sale of its GL business to approximately $178.9 million.

In January 2017, the FASB issued ASU 2017-01, Business Combinations: Clarifying the Definition of a Business ("ASU 2017-01") to provide a more robust framework to use in determining when a set of assets and activities is a business. The amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The Company's real estate acquisitions have historically been accounted for as a business combination or an asset acquisition. Under ASU 2017-01, certain transactions previously accounted for as business combinations under the existing guidance would be accounted for as asset acquisitions under the new guidance. As a result, the Company expects more transaction costs to be capitalized under real estate acquisitions and less transaction costs to be expensed under business combinations. ASU 2017-01 is effective for interim and annual reporting periods beginning after December 15, 2017. Early application is permitted under certain conditions. Management is evaluating the impact of the guidance on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows: Restricted Cash ("ASU 2016-18") which requires that restricted cash be included with cash and cash equivalents when reconciling beginning and ending cash and cash equivalents on the statement of cash flows. In addition, ASU 2016-18 requires disclosure of what is included in restricted cash. ASU 2016-18 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted. Management does not believe the guidance will have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15") which was issued to reduce diversity in practice in how certain cash receipts and cash payments, including debt prepayment or debt extinguishment costs, distributions from equity method investees, and other separately identifiable cash flows, are presented and classified in the statement of cash flows. ASU 2016-15 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted. Management does not believe the guidance will have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") which was issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments held by a reporting entity. This amendment replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company currently records a general reserve that covers performing loans and reserves for loan losses are recorded when (i) available information as of each balance sheet date indicates that it is probable a loss has occurred in the portfolio and (ii) the amount of the loss can be reasonably estimated. The formula-based general reserve is derived from estimated principal default probabilities and loss severities applied to groups of loans based upon risk ratings assigned to loans with similar risk characteristics during our quarterly loan portfolio assessment. The Company estimates loss rates based on historical realized losses experienced within its portfolio and take into account current economic conditions affecting the commercial real estate market when establishing appropriate time frames to evaluate loss experience. The Company believes this general reserve component of its total loan loss reserves should minimize the impact of ASU 2016-13. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Management does not believe the guidance will have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"), which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. For operating leases, a lessee will be required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position; (ii) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis and (iii) classify all cash payments within operating activities in the statement of cash flows. For operating lease arrangements for which the Company is the lessee, primarily the lease of office space, the Company expects the impact of ASU 2016-02 to be the recognition of a right-of-use asset and lease liability on its consolidated balance sheets. The accounting applied by the Company as a lessor will be largely unchanged from that applied under previous GAAP. However, in certain instances, a new long-term lease of land subsequent to adoption could be classified as a sales-type lease, which could result in the Company derecognizing the underlying asset from its books and recording a profit or loss on sale and the net investment in the lease. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is evaluating the impact of the guidance on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is not permitted. Management is evaluating the impact of the guidance on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09") which supersedes existing industry-specific guidance, including ASC 360-20, Real Estate Sales. The new standard is principles-based and requires more estimates and judgment than current guidance. Certain contracts with customers, including lease contracts and financial instruments and other contractual rights, are not within the scope of the new guidance. Although most of the Company's revenue is operating lease income generated from lease contracts and interest income generated from financial instruments, certain other of the Company's revenue streams will be impacted by the new guidance. The Company currently expects that income from the sale of residential condominiums, land development revenue and other income will be impacted by ASU 2014-09. The Company does not expect income from the sales of net lease or commercial operating properties to be impacted by ASU 2014-09. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date, to defer the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted beginning January 1, 2017. Management is evaluating the impact of the guidance on the Company's consolidated financial statements and expects to adopt the full retrospective approach, which would require the Company to recast revenue and expenses for all prior periods presented in the year of adoption of the new standard.

Note 4—Real Estate

The Company's real estate assets were comprised of the following ($ in thousands):

	Net Lease(1)	Operating Properties	Total
As of June 30, 2017			
Land, at cost	$227,231	$211,057	$438,288
Buildings and improvements, at cost	950,548	322,079	1,272,627
Less: accumulated depreciation	(314,373)	(53,560)	(367,933)
Real estate, net	863,406	479,576	1,342,982
Real estate available and held for sale (2)	924	67,121	68,045
Total real estate	$864,330	$546,697	$1,411,027
As of December 31, 2016			
Land, at cost	$231,506	$211,054	$442,560
Buildings and improvements, at cost	987,050	311,283	1,298,333
Less: accumulated depreciation	(307,444)	(46,175)	(353,619)
Real estate, net	911,112	476,162	1,387,274
Real estate available and held for sale (2)	155,051	82,480	237,531
Total real estate	$1,066,163	$558,642	$1,624,805

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(1) In 2014, the Company partnered with a sovereign wealth fund to form a venture to acquire and develop net lease assets (the "Net Lease Venture") and gave a right of first refusal to the Net Lease Venture on all new net lease investments (refer to Note 7 for more information on the Net Lease Venture). The Company is responsible for sourcing new opportunities and managing the Net Lease Venture and its assets in exchange for a promote and management fee.

(2) As of December 31, 2016, net lease includes the Company's ground lease ("GL") assets that were reclassified to "Real estate available and held for sale" (refer to "Dispositions" below). As of December 31, 2016, the carrying value of the Company's GL assets were previously classified as $104.5 million in "Real estate, net," $37.5 million in "Deferred expenses and other assets, net," $8.2 million in "Deferred operating lease income receivable, net" and $3.5 million in "Accrued interest and operating lease income receivable, net" on the Company's consolidated balance sheet. As of June 30, 2017 and December 31, 2016, the Company had $67.1 million and $82.5 million, respectively, of residential properties available for sale in its operating properties portfolio.

Real Estate Available and Held for Sale—During the six months ended June 30, 2017, the Company transferred one net lease asset with a carrying value of $0.9 million to held for sale due to an executed contract with a third party. During the six months ended June 30, 2016, the Company transferred one net lease asset with a carrying value of $0.7 million and one commercial operating property with a carrying value of $16.1 million to held for sale due to executed contracts with a third parties.

Acquisitions—During the six months ended June 30, 2016, the Company acquired land for $3.9 million and simultaneously entered into a 99 year ground lease with the seller.

Disposition of Ground Lease Business—In April 2017, institutional investors acquired a controlling interest in the Company's GL business through the merger of a Company subsidiary and related transactions (the "Acquisition Transactions"). The Company's GL business was a component of the Company's net lease segment and consisted of 12 properties subject to long-term net leases including seven GLs and one master lease (covering five properties). The acquiring entity was a newly formed unconsolidated entity named Safety, Income and Growth, Inc. ("SAFE"). The carrying value of the Company's GL assets was approximately $161.1 million. Shortly before the Acquisition Transactions, the Company completed the $227.0 million 2017 Secured Financing on its GL assets (refer to Note 10). The Company received all of the proceeds of the 2017 Secured Financing. The Company received an additional $113.0 million of proceeds in the Acquisition Transactions, including $55.5 million that the Company contributed to SAFE in its initial capitalization. As a result of the Acquisition Transactions, the Company deconsolidated the 12 properties and the associated 2017 Secured Financing. The Company accounts for its investment in SAFE as an equity method investment (refer to Note 7). The Company accounted for this transaction as an in substance sale of real estate and recognized a gain of $123.4 million, reflecting the aggregate gain less the fair value of the Company's retained interest in SAFE (refer to Note 2 - Summary of Significant Accounting Policies). The carrying value of the 12 properties is classified in "Real estate available and held for sale" on the Company's consolidated balance sheet as of December 31, 2016 and the gain was recorded in "Gain from discontinued operations" in the Company's consolidated statements of operations.

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Discontinued Operations—The transactions described above involving the Company's GL business qualified for discontinued operations and the following table summarizes income from discontinued operations for the three and six months ended June 30, 2017 and 2016 ($ in thousands)[1][2]:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues	$678	$4,543	$6,430	$8,986
Expenses	(505)	(910)	(1,491)	(1,772)
Income from discontinued operations	$173	$3,633	$4,939	$7,214

(1) The transactions closed on April 14, 2017 and revenues, expenses and income from discontinued operations excludes the period from April 14, 2017 to June 30, 2017. Revenues primarily consisted of operating lease income and expenses primarily consisted of depreciation and amortization and real estate expense.

(2) For the six months ended June 30, 2017, cash flows provided by operating activities and cash flows used in investing activities from discontinued operations was $5.7 million and $0.5 million, respectively. For the six months ended June 30, 2016, cash flows provided by operating activities and cash flows used in investing activities from discontinued operations was $9.4 million and $4.6 million, respectively.

Other Dispositions—During the six months ended June 30, 2017 and 2016, the Company sold residential condominiums for total net proceeds of $17.6 million and $59.2 million, respectively, and recorded income from sales of real estate totaling $2.7 million and $18.8 million, respectively. During the six months ended June 30, 2017 and 2016, the Company sold net lease assets for net proceeds of $19.5 million and $30.2 million, respectively, resulting in gains of $6.2 million and $9.2 million, respectively. During the six months ended June 30, 2016, the Company also sold three commercial operating properties for net proceeds of $158.9 million resulting in gains of $25.9 million. The gains are recorded in "Income from sales of real estate" in the Company's consolidated statements of operations.

Impairments—During the six months ended June 30, 2017, the Company recorded an impairment of $4.4 million on a real estate asset held for sale due to shifting demand in the local condominium market along with a change in the Company's exit strategy. During the six months ended June 30, 2016, the Company recorded an impairment of $3.0 million on a residential operating property resulting from a slowdown in the local condominium real estate market.

Tenant Reimbursements—The Company receives reimbursements from tenants for certain facility operating expenses including common area costs, insurance, utilities and real estate taxes. Tenant expense reimbursements were $5.2 million and $10.7 million for the three and six months ended June 30, 2017, respectively. Tenant expense reimbursements were $5.9 million and $12.1 million for the three and six months ended June 30, 2016, respectively. These amounts are included in "Operating lease income" in the Company's consolidated statements of operations.

Allowance for Doubtful Accounts—As of June 30, 2017 and December 31, 2016, the allowance for doubtful accounts related to real estate tenant receivables was $1.4 million and $1.3 million, respectively, and the allowance for doubtful accounts related to deferred operating lease income was $1.1 million and $1.3 million as of June 30, 2017 and December 31, 2016, respectively. These amounts are included in "Accrued interest and operating lease income receivable, net" and "Deferred operating lease income receivable, net," respectively, on the Company's consolidated balance sheets.

Note 5—Land and Development

The Company's land and development assets were comprised of the following ($ in thousands):

As of

	June 30, 2017	December 31, 2016
Land and land development, at cost	$862,774	$952,051
Less: accumulated depreciation	(7,277)	(6,486)
Total land and development, net	$855,497	$945,565

Dispositions—During the six months ended June 30, 2017, the Company sold one land parcel totaling 1,250 acres (see following paragraph) and residential lots and units and recognized land development revenue of $152.8 million from its land and development portfolio. During the six months ended June 30, 2016, the Company sold residential lots and units and recognized land development revenue of $42.8 million from its land and development portfolio. During the six months ended June 30, 2017 and 2016, the Company recognized land development cost of sales of $138.4 million and $28.8 million, respectively, from its land and development portfolio.

In connection with the resolution of litigation involving a dispute over the purchase and sale of approximately 1,250 acres of land in Prince George's County, Maryland ("Bevard"), during the three and six months ended June 30, 2017, the Company recognized $114.0 million of land development revenue and $106.3 million of land development cost of sales (refer to Note 11). In 2016, the Company acquired an additional 10.7% interest in Bevard for $10.8 million and owns 95.7% of Bevard as of June 30, 2017.

Impairments—During the six months ended June 30, 2017, the Company recorded an impairment of $10.1 million on a land and development asset due to a change in the Company's exit strategy.

Redeemable Noncontrolling Interest—The Company has a majority interest in a strategic venture that provides the third party minority partner an option to redeem its interest at fair value. The Company has reflected the partner's noncontrolling interest in this venture as a component of redeemable noncontrolling interest within its consolidated balance sheets. Changes in fair value are being accreted over the term from the date of issuance of the redemption option to the earliest redemption date using the interest method. As of June 30, 2017 and December 31, 2016, this interest had a carrying value of zero and $1.3 million, respectively. As of June 30, 2017 and December 31, 2016, this interest did not have a redemption value.

Note 6—Loans Receivable and Other Lending Investments, net

The following is a summary of the Company's loans receivable and other lending investments by class ($ in thousands):

Type of Investment	As of June 30, 2017	December 31, 2016
Senior mortgages	$597,335	$940,738
Corporate/Partnership loans	543,589	490,389
Subordinate mortgages	22,841	24,941
Total gross carrying value of loans	1,163,765	1,456,068
Reserves for loan losses	(78,789)	(85,545)
Total loans receivable, net	1,084,976	1,370,523
Other lending investments—securities	85,589	79,916
Total loans receivable and other lending investments, net	$1,170,565	$1,450,439

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Reserve for loan losses at beginning of period	$79,389	$109,671	$85,545	$108,165
(Recovery of) provision for loan losses	(600)	700	(5,528)	2,206

Charge-offs	—	—	(1,228)	—
Reserve for loan losses at end of period	$78,789	$110,371	$78,789	$110,371

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The Company's recorded investment in loans (comprised of a loan's carrying value plus accrued interest) and the associated reserve for loan losses were as follows ($ in thousands):

	Individually Evaluated for Impairment[1]	Collectively Evaluated for Impairment[2]	Total
As of June 30, 2017			
Loans	$ 249,659	$ 919,793	$ 1,169,452
Less: Reserve for loan losses	(60,989)	(17,800)	(78,789)
Total[3]	$ 188,670	$ 901,993	$ 1,090,663
As of December 31, 2016			
Loans	$ 253,941	$ 1,209,062	$ 1,463,003
Less: Reserve for loan losses	(62,245)	(23,300)	(85,545)
Total[3]	$ 191,696	$ 1,185,762	$ 1,377,458

(1) The carrying value of these loans include unamortized discounts, premiums, deferred fees and costs totaling net discounts of $0.7 million and $0.4 million as of June 30, 2017 and December 31, 2016, respectively. The Company's loans individually evaluated for impairment primarily represent loans on non-accrual status and therefore, the unamortized amounts associated with these loans are not currently being amortized into income.

(2) The carrying value of these loans include unamortized discounts, premiums, deferred fees and costs totaling net premiums of $4.5 million and $1.9 million as of June 30, 2017 and December 31, 2016, respectively.

(3) The Company's recorded investment in loans as of June 30, 2017 and December 31, 2016 includes accrued interest of $5.7 million and $6.9 million, respectively, which are included in "Accrued interest and operating lease income receivable, net" on the Company's consolidated balance sheets. As of June 30, 2017 and December 31, 2016, the total excludes $85.6 million and $79.9 million, respectively, of securities that are evaluated for impairment under ASC 320.

Credit Characteristics—As part of the Company's process for monitoring the credit quality of its loans, it performs a quarterly loan portfolio assessment and assigns risk ratings to each of its performing loans. Risk ratings, which range from 1 (lower risk) to 5 (higher risk), are based on judgments which are inherently uncertain and there can be no assurance that actual performance will be similar to current expectation. The Company designates loans as non-performing at such time as: (1) the loan becomes 90 days delinquent; (2) the loan has a maturity default; or (3) management determines it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan. All non-performing loans are placed on non-accrual status and income is only recognized in certain cases upon actual cash receipt.

The Company's recorded investment in performing loans, presented by class and by credit quality, as indicated by risk rating, was as follows ($ in thousands):

	As of June 30, 2017		As of December 31, 2016	
	Performing Loans	Weighted Average Risk Ratings	Performing Loans	Weighted Average Risk Ratings
Senior mortgages	$ 518,362	2.53	$ 859,250	3.12

Corporate/Partnership loans	389,550	3.03	335,677	3.09
Subordinate mortgages	11,881	2.55	14,135	3.00
Total	$919,793	2.74	$1,209,062	3.11

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The Company's recorded investment in loans, aged by payment status and presented by class, were as follows ($ in thousands):

	Current	Less Than and Equal to 90 Days	Greater Than 90 Days(1)	Total Past Due	Total
As of June 30, 2017					
Senior mortgages	$524,362	$ —	$76,282	$76,282	$600,644
Corporate/Partnership loans	389,550	—	156,375	156,375	545,925
Subordinate mortgages	22,883	—	—	—	22,883
Total	$936,795	$ —	$232,657	$232,657	$1,169,452
As of December 31, 2016					
Senior mortgages	$868,505	$ —	$76,677	$76,677	$945,182
Corporate/Partnership loans	335,677	—	157,146	157,146	492,823
Subordinate mortgages	24,998	—	—	—	24,998
Total	$1,229,180	$ —	$233,823	$233,823	$1,463,003

(1) As of June 30, 2017, the Company had four loans which were greater than 90 days delinquent and were in various stages of resolution, including legal proceedings, environmental concerns and foreclosure-related proceedings, and ranged from 1.0 to 8.0 years outstanding. As of December 31, 2016, the Company had four loans which were greater than 90 days delinquent and were in various stages of resolution, including legal proceedings, environmental concerns and foreclosure-related proceedings, and ranged from 1.0 to 8.0 years outstanding.

Impaired Loans—The Company's recorded investment in impaired loans, presented by class, were as follows ($ in thousands)(1):

	As of June 30, 2017			As of December 31, 2016		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Subordinate mortgages	$11,002	$10,985	$—	$10,862	$10,846	$—
Subtotal	11,002	10,985	—	10,862	10,846	—
With an allowance recorded:						
Senior mortgages	82,282	82,390	(48,518)	85,933	85,780	(49,774)
Corporate/Partnership loans	156,375	145,849	(12,471)	157,146	146,783	(12,471)
Subtotal	238,657	228,239	(60,989)	243,079	232,563	(62,245)
Total:						
Senior mortgages	82,282	82,390	(48,518)	85,933	85,780	(49,774)
Corporate/Partnership loans	156,375	145,849	(12,471)	157,146	146,783	(12,471)
Subordinate mortgages	11,002	10,985	—	10,862	10,846	—
Total	$249,659	$239,224	$(60,989)	$253,941	$243,409	$(62,245)

(1) All of the Company's non-accrual loans are considered impaired and included in the table above.

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The Company's average recorded investment in impaired loans and interest income recognized, presented by class, were as follows ($ in thousands):

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2017		2016		2017		2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:								
Senior mortgages	$—	$ —	$9,150	$ 111	$—	$ —	$6,100	$ 111
Subordinate mortgages	11,023	—	5,785	—	10,970	—	3,857	—
Subtotal	11,023	—	14,935	111	10,970	—	9,957	111
With an allowance recorded:								
Senior mortgages	82,368	—	126,978	—	83,556	—	126,903	—
Corporate/Partnership loans	156,839	—	5,224	—	156,941	—	5,396	—
Subtotal	239,207	—	132,202	—	240,497	—	132,299	—
Total:								
Senior mortgages	82,368	—	136,128	111	83,556	—	133,003	111
Corporate/Partnership loans	156,839	—	5,224	—	156,941	—	5,396	—
Subordinate mortgages	11,023	—	5,785	—	10,970	—	3,857	—
Total	$250,230	$ —	$147,137	$ 111	$251,467	$ —	$142,256	$ 111

Securities—Other lending investments—securities includes the following ($ in thousands):

	Face Value	Amortized Cost Basis	Net Unrealized Gain (Loss)	Estimated Fair Value	Net Carrying Value
As of June 30, 2017					
Available-for-Sale Securities					
Municipal debt securities	$21,230	$ 21,230	$ 992	$ 22,222	$ 22,222
Held-to-Maturity Securities					
Debt securities	63,418	63,367	1,544	64,911	63,367
Total	$84,648	$ 84,597	$ 2,536	$ 87,133	$ 85,589
As of December 31, 2016					
Available-for-Sale Securities					
Municipal debt securities	$21,240	$ 21,240	$ 426	$ 21,666	$ 21,666
Held-to-Maturity Securities					
Debt securities	58,454	58,250	2,753	61,003	58,250
Total	$79,694	$ 79,490	$ 3,179	$ 82,669	$ 79,916

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Note 7—Other Investments

The Company's other investments and its proportionate share of earnings from equity method investments were as follows ($ in thousands):

	Carrying Value as of		Equity in Earnings For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	June 30, 2017	December 31, 2016	2017	2016	2017	2016
Real estate equity investments						
iStar Net Lease I LLC ("Net Lease Venture")	$128,997	$ 92,669	$1,032	$944	$2,013	$1,890
Safety, Income and Growth, Inc. ("SAFE")(1)	50,287	—	48	—	48	—
Marina Palms, LLC ("Marina Palms")	7,191	35,185	1,183	5,180	4,300	13,401
Other real estate equity investments(2)	63,107	53,202	2,892	28,600	4,249	26,898
Subtotal	249,582	181,056	5,155	34,724	10,610	42,189
Other strategic investments(3)	27,239	33,350	360	4,723	607	5,525
Total	$276,821	$ 214,406	$5,515	$39,447	$11,217	$47,714

(1) Equity in earnings is for the period from April 14, 2017 to June 30, 2017.

(2) In June 2016, a majority-owned consolidated subsidiary of the Company sold its interest in a real estate equity method investment for net proceeds of $39.8 million and recognized a gain of $31.5 million, of which $10.1 million of the gain was attributable to the noncontrolling interest.

(3) In conjunction with the sale of the Company's interests in Oak Hill Advisors, L.P. in 2011, the Company retained a share of the carried interest related to various funds. During the three and six months ended June 30, 2016, the Company recognized $0.5 million and $3.7 million, respectively, of carried interest income.

Net Lease Venture—In February 2014, the Company partnered with a sovereign wealth fund to form an unconsolidated entity in which the Company has an equity interest of approximately 51.9%. The partners plan to contribute up to an aggregate $500 million of equity to acquire and develop net lease assets over time. The Company is responsible for sourcing new opportunities and managing the venture and its assets in exchange for a promote and management fee. Several of the Company's senior executives whose time is substantially devoted to the Net Lease Venture own a total of 0.6% equity ownership in the venture via co-investment. These senior executives are also entitled to an amount equal to 50% of any promote payment received based on the 47.5% partner's interest. During the six months ended June 30, 2017, the Net Lease Venture acquired industrial properties for $59.0 million. During the six months ended June 30, 2017, the Company sold a net lease asset for proceeds of $6.2 million, which approximated its carrying value, to the Net Lease Venture and derecognized the associated $18.9 million financing.

As of June 30, 2017 and December 31, 2016, the venture's carrying value of total assets was $626.5 million and $511.3 million, respectively. During the three and six months ended June 30, 2017, the Company recorded management fees of $0.5 million and $0.9 million, respectively, and $0.4 million and $0.8 million for the three and six months ended June 30, 2016, respectively, from the Net Lease Venture which are included in "Other income" in the Company's consolidated statements of operations. This entity is not a VIE and the Company does not have controlling interest due to the substantive participating rights of its partner.

Safety, Income and Growth, Inc.—The Company along with two institutional investors capitalized SIGI Acquisition, Inc. ("SIGI") on April 14, 2017. The Company contributed $55.5 million for an initial 49% noncontrolling interest in

SIGI and the two institutional investors contributed an aggregate $57.5 million for an initial 51% controlling interest in SIGI. A wholly-owned subsidiary of the Company that held the Company's GL business and assets merged with and into SIGI on April 14, 2017 with SIGI surviving the merger and being renamed Safety, Income and Growth, Inc. ("SAFE"). Through this merger and related transactions, the institutional investors acquired a controlling interest in the Company's GL business. The Company's carrying value of the GL assets was approximately $161.1 million. Shortly before the Acquisition Transactions, the Company completed the $227.0 million 2017 Secured Financing on its GL assets (refer to Note 10). The Company received all of the proceeds of the 2017 Secured Financing. The Company received an additional $113.0 million of proceeds in the Acquisition Transactions, including $55.5 million that the Company contributed to SAFE in its initial capitalization. As a result of the Acquisition Transactions, the

Company deconsolidated the 12 properties and the associated 2017 Secured Financing. The Company accounted for this transaction as an in substance sale of real estate and recognized a gain of $123.4 million, reflecting the aggregate gain less the fair value of the Company's retained interest in SAFE. The carrying value of the 12 properties are classified in "Real estate available and held for sale" on the Company's consolidated balance sheet as of December 31, 2016 and the gain was recorded in "Gain from discontinued operations" in the Company's consolidated statements of operations.
On June 27, 2017, SAFE completed its initial public offering (the "Offering") raising $205.0 million in gross proceeds and concurrently completed a $45.0 million private placement to the Company. In addition, the Company paid $16.6 million in organization and offering costs of the up to $25.0 million in organization and offering costs it has agreed to pay in connection with the Offering and concurrent private placement through June 30, 2017, including commissions payable to the underwriters and other offering expenses. The Company expensed the portion of offering costs that was attributable to other investors in "Other expense" in the Company's consolidated statements of operations and capitalized the portion of offering costs attributable to the Company's ownership interest in "Other investments" on the Company's consolidated balance sheets. As of June 30, 2017, the Company owned approximately 28% of SAFE's common stock outstanding.

A wholly-owned subsidiary of the Company is the external manager of SAFE and is entitled to a management fee, payable solely in shares of SAFE's common stock, equal to the sum of 1.0% of SAFE's total equity up to $2.5 billion and 0.75% of SAFE's total equity in excess of $2.5 billion. The Company is not entitled to receive any performance or incentive compensation. The Company is also entitled to receive expense reimbursements, payable solely in shares of SAFE's common stock, for its personnel that perform certain legal, accounting, due diligence tasks and other services that third-party professionals or outside consultants otherwise would perform. The Company has agreed to waive both the management fee and certain of the expense reimbursements through June 30, 2018.
Marina Palms—As of June 30, 2017, the Company owned a 47.5% equity interest in Marina Palms, a 468 unit, two tower residential condominium development in North Miami Beach, Florida. The 234 unit north tower has one unit remaining for sale as of June 30, 2017. The 234 unit south tower is 84% sold or pre-sold (based on unit count) as of June 30, 2017. This entity is not a VIE and the Company does not have controlling interest due to shared control of the entity with its partner. As of June 30, 2017 and December 31, 2016, the venture's carrying value of total assets was $52.7 million and $201.8 million, respectively.
Other real estate equity investments—As of June 30, 2017, the Company's other real estate equity investments included equity interests in real estate ventures ranging from 20% to 85%, comprised of investments of $7.9 million in operating properties and $55.2 million in land assets. As of December 31, 2016, the Company's other real estate equity investments included $3.6 million in operating properties and $49.6 million in land assets.
In December 2016, the Company sold a land and development asset to a newly formed unconsolidated entity in which the Company owns a 50.0% equity interest. This entity is a VIE and the Company does not have a controlling interest due to shared control of the entity with its partner. The Company and its partner both made $7.0 million contributions to the venture and the Company provided financing to the entity in the form of a $27.0 million senior loan commitment, which had a carrying value of $23.6 million and $22.7 million as of June 30, 2017 and December 31, 2016, respectively, and is included in "Loans receivable and other lending investments, net" on the Company's consolidated balance sheets. During the three and six months ended June 30, 2017, the Company recorded $0.5 million and $0.9 million of interest income, respectively, on the senior loan.

Other strategic investments—As of June 30, 2017, the Company also had smaller investments in real estate related funds and other strategic investments in several other entities that were accounted for under the equity method or cost method. As of June 30, 2017 and December 31, 2016, the carrying value of the Company's cost method investments was $0.9 million and $1.4 million, respectively.

Summarized investee financial information—The following table presents the investee level summarized financial information of the Company's equity method investments, which were significant subsidiaries for the six months ended June 30, 2017 and 2016 ($ in thousands):

	Revenues	Expenses	Net Income Attributable to Parent Entities
For the Six Months Ended June 30, 2017			
Marina Palms	$ 31,847	$ (19,771)	$ 12,076
For the Six Months Ended June 30, 2016			
Marina Palms	$ 87,494	$ (47,764)	$ 39,730

Note 8—Other Assets and Other Liabilities

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

	As of June 30, 2017	December 31, 2016
Intangible assets, net(1)	$ 20,452	$ 30,727
Other receivables(2)	56,851	52,820
Other assets	29,449	34,351
Restricted cash	23,380	25,883
Leasing costs, net(3)	11,367	11,802
Corporate furniture, fixtures and equipment, net(4)	5,133	5,691
Deferred financing fees, net	489	838
Deferred expenses and other assets, net	$ 147,121	$ 162,112

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(1) Intangible assets, net includes above market and in-place lease assets and lease incentives related to the acquisition of real estate assets. Accumulated amortization on intangible assets, net was $33.5 million and $31.9 million as of June 30, 2017 and December 31, 2016, respectively. The amortization of above market leases and lease incentive assets decreased operating lease income in the Company's consolidated statements of operations by $0.8 million and $1.6 million for the three and six months ended June 30, 2017, respectively, and $1.1 million and $2.2 million for the three and six months ended June 30, 2016, respectively. These intangible lease assets are amortized over the term of the lease. The amortization expense for in-place leases was $0.7 million and $1.2 million for the three and six months ended June 30, 2017, respectively, and $0.6 million and $1.1 million for the three and six months ended June 30, 2016, respectively. These amounts are included in "Depreciation and amortization" in the Company's consolidated statements of operations.

(2) As of June 30, 2017 and December 31, 2016, included $26.0 million of receivables related to the construction and development of an amphitheater.

(3) Accumulated amortization of leasing costs was $7.0 million and $6.7 million as of June 30, 2017 and December 31, 2016, respectively.

(4) Accumulated depreciation on corporate furniture, fixtures and equipment was $9.8 million and $9.0 million as of June 30, 2017 and December 31, 2016, respectively.

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

	As of June 30, 2017	December 31, 2016
Other liabilities[1]	$81,526	$ 75,993
Accrued expenses[2]	84,174	72,693
Accrued interest payable	56,716	54,033
Intangible liabilities, net[3]	7,843	8,851
Accounts payable, accrued expenses and other liabilities	$230,259	$ 211,570

(1) As of June 30, 2017 and December 31, 2016, other liabilities includes $24.0 million related to profit sharing arrangements with developers for certain properties sold. As of June 30, 2017 and December 31, 2016, includes $1.5 million and $1.2 million, respectively, associated with "Real estate available and held for sale" on the Company's consolidated balance sheets. As of June 30, 2017 and December 31, 2016, other liabilities also includes $7.3 million and $8.5 million, respectively, related to tax increment financing bonds which were issued by government entities to fund development within two of the Company's land projects. The amount represents tax assessments associated with each project, which will decrease as the Company sells units.

(2) As of June 30, 2017 and December 31, 2016, accrued expenses includes $2.5 million and $1.7 million, respectively, associated with "Real estate available and held for sale" on the Company's consolidated balance sheets.

(3) Intangible liabilities, net includes below market lease liabilities related to the acquisition of real estate assets. Accumulated amortization on below market lease liabilities was $7.5 million and $6.4 million as of June 30, 2017 and December 31, 2016, respectively. The amortization of below market leases increased operating lease income in the Company's consolidated statements of operations by $0.8 million and $1.0 million for the three and six months ended June 30, 2017, respectively, and $0.3 million and $0.6 million for the three and six months ended June 30, 2016, respectively.

Deferred tax assets and liabilities of the Company's taxable REIT subsidiaries were as follows ($ in thousands):

	As of June 30, 2017	December 31, 2016
Deferred tax assets (liabilities)	$82,219	$ 66,498
Valuation allowance	(82,219)	(66,498)
Net deferred tax assets (liabilities)	$—	$ —

Note 9—Loan Participations Payable, net

The Company's loan participations payable, net were as follows ($ in thousands):

	Carrying Value as of June 30, 2017	December 31, 2016
Loan participations payable[1]	$107,844	$ 160,251
Debt discounts and deferred financing costs, net	(402)	(930)
Total loan participations payable, net	$107,442	$ 159,321

(1) As of June 30, 2017, the Company had two loan participations payable with a weighted average interest rate of 6.2%. As of December 31, 2016, the Company had three loan participations payable with a weighted average interest rate of 4.8%.

Loan participations represent transfers of financial assets that did not meet the sales criteria established under ASC Topic 860 and are accounted for as loan participations payable, net. As of June 30, 2017 and December 31, 2016, the corresponding loan receivable balances were $107.1 million and $159.1 million, respectively, and are included in "Loans receivable and other lending investments, net" on the Company's consolidated balance sheets. The principal and interest due on these loan participations payable are paid from cash flows of the corresponding loans receivable, which serve as collateral for the participations.

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Note 10—Debt Obligations, net

The Company's debt obligations were as follows ($ in thousands):

	Carrying Value as of June 30, 2017	Carrying Value as of December 31, 2016	Stated Interest Rates			Scheduled Maturity Date
Secured credit facilities and mortgages:						
2015 $250 Million Secured Revolving Credit Facility	$—	$—	LIBOR + 2.75%		(1)	March 2018
2016 Senior Secured Credit Facility	498,750	498,648	LIBOR + 3.75%		(2)	July 2020
Mortgages collateralized by net lease assets	225,624	249,987	4.851% - 7.26%		(3)	Various through 2032
Total secured credit facilities and mortgages	724,374	748,635				
Unsecured notes:						
5.85% senior notes	—	99,722	5.85	%		March 2017
9.00% senior notes	—	275,000	9.00	%		June 2017
4.00% senior notes[4]	550,000	550,000	4.00	%		November 2017
7.125% senior notes	300,000	300,000	7.125	%		February 2018
4.875% senior notes[5]	300,000	300,000	4.875	%		July 2018
5.00% senior notes[6]	770,000	770,000	5.00	%		July 2019
6.50% senior notes[7]	275,000	275,000	6.50	%		July 2021
6.00% senior notes[8]	375,000	—	6.00	%		April 2022
Total unsecured notes	2,570,000	2,569,722				
Other debt obligations:						
Trust preferred securities	100,000	100,000	LIBOR + 1.50%			October 2035
Total debt obligations	3,394,374	3,418,357				
Debt discounts and deferred financing costs, net	(26,261)	(28,449)				
Total debt obligations, net[9]	$3,368,113	$3,389,908				

(1) The loan bears interest at the Company's election of either (i) a base rate, which is the greater of (a) prime, (b) federal funds plus 0.5% or (c) LIBOR plus 1.0% and subject to a margin ranging from 1.25% to 1.75%, or (ii) LIBOR subject to a margin ranging from 2.25% to 2.75%. At maturity, the Company may convert outstanding borrowings to a one year term loan which matures in quarterly installments through March 2019.
(2) The loan bears interest at the Company's election of either (i) a base rate, which is the greater of (a) prime, (b) federal funds plus 0.5% or (c) LIBOR plus 1.0% and subject to a margin of 2.75% or (ii) LIBOR subject to a margin of 3.75% with a minimum LIBOR rate of 1.0%.
(3) As of June 30, 2017 and December 31, 2016, includes a loan with a floating rate of LIBOR plus 2.0%. As of June 30, 2017, the weighted average interest rate of these loans is 5.2%.
(4) The Company can prepay these senior notes without penalty beginning August 1, 2017.
(5) The Company can prepay these senior notes without penalty beginning January 1, 2018.
(6) The Company can prepay these senior notes without penalty beginning July 1, 2018.
(7) The Company can prepay these senior notes without penalty beginning July 1, 2020.
(8) The Company can prepay these senior notes without penalty beginning April 1, 2021.
(9)

The Company capitalized interest relating to development activities of $2.0 million and $4.0 million during the three and six months ended June 30, 2017, respectively, and $1.4 million and $2.8 million during the three and six months ended June 30, 2016, respectively.

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Future Scheduled Maturities—As of June 30, 2017, future scheduled maturities of outstanding debt obligations are as follows ($ in thousands):

	Unsecured Debt	Secured Debt	Total
2017 (remaining six months)	$550,000	$—	$550,000
2018	600,000	10,091	610,091
2019	770,000	28,350	798,350
2020	—	498,750	498,750
2021	275,000	118,287	393,287
Thereafter	475,000	68,896	543,896
Total principal maturities	2,670,000	724,374	3,394,374
Unamortized discounts and deferred financing costs, net	(18,419)	(7,842)	(26,261)
Total debt obligations, net	$2,651,581	$716,532	$3,368,113

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(1) The Company has $550.0 million of debt obligations maturing during the remainder of 2017, and $610.0 million of other debt obligations maturing before the end of August 2018, as listed in the debt obligations table above. The Company's plans to satisfy these obligations primarily consist of using cash on hand and accessing the debt and/or equity markets to obtain capital to satisfy the maturing obligations. In addition, management intends to execute on its business strategy of disposing of assets as well as collecting loan repayments from borrowers to further generate available liquidity. Should these sources of capital not be sufficiently available, the Company will slow its pace of making new investments and will need to identify alternative sources of capital. As of August 2, 2017, the Company had approximately $1.2 billion of cash and available capacity under existing borrowing arrangements.

2017 Secured Financing—In March 2017, the Company (through wholly-owned subsidiaries conducting the Company's GL business) entered into a $227.0 million secured financing transaction (the "2017 Secured Financing") that accrued interest at 3.795% and matures in April 2027. The 2017 Secured Financing was collateralized by the 12 properties comprising the Company's GL business, including seven GLs and one master lease (covering the accounts of five properties). In connection with the 2017 Secured Financing, the Company incurred $7.3 million of lender and third-party fees, substantially all of which was capitalized in "Debt obligations, net" on the Company's consolidated balance sheets. In April 2017, the Company derecognized the 2017 Secured Financing when third parties acquired a controlling interest in the Company's GL business (refer to Note 4).

The Company is providing a limited recourse guaranty and environmental indemnity under the 2017 Secured Financing that will remain in effect until SAFE has achieved either an equity market capitalization of at least $500.0 million (inclusive of the initial portfolio that the Company contributed to SAFE) or a net worth of at least $250.0 million (exclusive of the initial portfolio that the Company contributed to SAFE), and SAFE or another replacement guarantor provides similar guaranties and indemnities to the lenders. The management agreement with SAFE provides that SAFE may not terminate the management agreement unless a successor guarantor reasonably acceptable to the Company has agreed to replace the Company as guarantor and indemnitor or has provided the Company with a reasonably acceptable indemnity for any losses suffered by the Company as guarantor and indemnitor. SAFE has generally agreed to indemnify the Company for any amounts the Company is required to pay, or other losses the Company may suffer, under the limited recourse guaranty and environmental indemnity.

2016 Secured Term Loan—In December 2016, the Company arranged a $170.0 million delayed draw secured term loan (the "2016 Secured Term Loan"). In March 2017, the Company allowed the 2016 Secured Term Loan to expire and replaced the 2016 Secured Term Loan with the 2017 Secured Financing. The 2016 Secured Term Loan was collateralized by the 12 properties that served as collateral for the 2017 Secured Financing.

2016 Senior Secured Credit Facility—In June 2016, the Company entered into a senior secured credit facility of $450.0 million (the "2016 Senior Secured Credit Facility"). In August 2016, the Company upsized the facility to $500.0 million. The initial $450.0 million of the 2016 Senior Secured Credit Facility was issued at 99% of par and the upsize was issued at par. The 2016 Senior Secured Credit Facility initially accrued interest at a floating rate of LIBOR plus 4.50% with a 1.00% LIBOR floor. In January 2017, the Company repriced the 2016 Senior Secured Credit Facility to LIBOR plus 3.75% with a 1.00% LIBOR floor. The 2016 Senior Secured Credit Facility is collateralized 1.25x by a first lien on a fixed pool of assets. Proceeds from principal repayments and sales of collateral are applied to amortize the 2016 Senior Secured Credit Facility. Proceeds received for interest, rent, lease payments and fee income are retained by the Company. The Company may also make optional prepayments, subject to prepayment fees, and is required to repay 0.25% of the principal amount on the first business day of each quarter. Proceeds from the 2016 Senior Secured Credit Facility, together with cash on hand, were primarily used to repay other secured debt.

In connection with the 2016 Senior Secured Credit Facility, the Company incurred $4.5 million of lender fees, substantially all of which was capitalized in "Debt obligations, net" on the Company's consolidated balance sheets. The Company also incurred $6.2 million in third party fees, of which $4.3 million was capitalized in “Debt obligations, net” on the Company's consolidated balance sheets, as it related to new lenders, and $1.9 million was recognized in “Other expense” in the Company's consolidated statements of operations as it related primarily to those lenders from the original facility that modified their debt under the new facility. In connection with the repricing of the 2016 Senior Secured Credit Facility in January 2017, the Company incurred an additional $0.8 million in fees, substantially all of which was recognized in "Other expense" in the Company's consolidated statements of operations.

2015 Secured Revolving Credit Facility—In March 2015, the Company entered into a secured revolving credit facility with a maximum capacity of $250.0 million (the "2015 Secured Revolving Credit Facility"). Borrowings under this credit facility bear interest at a floating rate indexed to one of several base rates plus a margin which adjusts upward or downward based upon the Company's corporate credit rating. An undrawn credit facility commitment fee ranges from 0.375% to 0.50%, based on average utilization each quarter. Commitments under the revolving facility mature in March 2018. At maturity, the Company may convert outstanding borrowings to a one year term loan which matures in quarterly installments through March 2019. As of June 30, 2017, based on the Company's borrowing base of assets, the Company had $234.6 million of borrowing capacity available under the 2015 Secured Revolving Credit Facility.
Unsecured Notes—In March 2017, the Company issued $375.0 million principal amount of 6.00% senior unsecured notes due April 2022. Proceeds from the offering were primarily used to repay in full the $99.7 million principal amount of 5.85% senior unsecured notes due March 2017 and repay in full the $275.0 million principal amount of 9.00% senior unsecured notes due June 2017 prior to maturity. In March 2016, the Company repaid its $261.4 million principal amount of 5.875% senior unsecured notes at maturity using available cash. In addition, the Company issued $275.0 million principal amount of 6.50% senior unsecured notes due July 2021. Proceeds from the offering were primarily used to repay in full the $265.0 million principal amount of senior unsecured notes due July 2016 and repay $5.0 million of the 2015 Secured Revolving Credit Facility. During the three and six months ended June 30, 2017, repayments of unsecured notes prior to maturity resulted in losses on early extinguishment of debt of $3.1 million. During the three and six months ended June 30, 2016, repayments of unsecured notes prior to maturity resulted in losses on early extinguishment of debt of $0.4 million. This amount is included in "Loss on early extinguishment of debt, net" in the Company's consolidated statements of operations.

In November 2016, in connection with the retirement of the Company's $200.0 million principal amount of 3.0% senior unsecured convertible notes due November 2016, the Company converted $9.6 million principal amount into 0.8 million shares of our common stock.

Encumbered/Unencumbered Assets—The carrying value of the Company's encumbered and unencumbered assets by asset type are as follows ($ in thousands):

	As of			
	June 30, 2017		December 31, 2016	
	Encumbered Assets	Unencumbered Assets	Encumbered Assets	Unencumbered Assets
Real estate, net	$871,613	$ 471,369	$881,212	$ 506,062
Real estate available and held for sale	—	68,045	—	237,531
Land and development, net	25,100	830,397	35,165	910,400
Loans receivable and other lending investments, net[(1)(2)]	137,722	943,592	172,581	1,142,050
Other investments	—	276,821	—	214,406

Cash and other assets	—	1,200,845	—	590,299
Total	$1,034,435	$ 3,791,069	$1,088,958	$ 3,600,748

(1) As of June 30, 2017 and December 31, 2016, the amounts presented exclude general reserves for loan losses of $17.8 million and $23.3 million, respectively.

(2) As of June 30, 2017 and December 31, 2016, the amounts presented exclude loan participations of $107.1 million and $159.1 million, respectively.

Debt Covenants

The Company's outstanding unsecured debt securities contain corporate level covenants that include a covenant to maintain a ratio of unencumbered assets to unsecured indebtedness of at least 1.2x and a covenant not to incur additional indebtedness (except for incurrences of permitted debt), if on a pro forma basis, the Company's consolidated fixed charge coverage ratio, determined in accordance with the indentures governing the Company's debt securities, is 1.5x or lower. If any of the Company's covenants are breached and not cured within applicable cure periods, the breach could result in acceleration of its debt securities unless a waiver or modification is agreed upon with the requisite percentage of the bondholders. If the Company's ability to incur additional indebtedness under the fixed charge coverage ratio is limited, the Company is permitted to incur indebtedness for the purpose of refinancing existing indebtedness and for other permitted purposes under the indentures.

The Company's 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility contain certain covenants, including covenants relating to collateral coverage, dividend payments, restrictions on fundamental changes, transactions with affiliates, matters relating to the liens granted to the lenders and the delivery of information to the lenders. In particular, the 2016 Senior Secured Credit Facility requires the Company to maintain collateral coverage of at least 1.25x outstanding borrowings on the facility. The 2015 Secured Revolving Credit Facility is secured by a borrowing base of assets and requires the Company to maintain both collateral coverage of at least 1.5x outstanding borrowings on the facility and a consolidated ratio of cash flow to fixed charges of at least 1.5x. The 2015 Secured Revolving Credit Facility does not require that proceeds from the borrowing base be used to pay down outstanding borrowings provided the collateral coverage remains at least 1.5x outstanding borrowings on the facility. To satisfy this covenant, the Company has the option to pay down outstanding borrowings or substitute assets in the borrowing base. In addition, for so long as the Company maintains its qualification as a REIT, the 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility permit the Company to distribute 100% of its REIT taxable income on an annual basis (prior to deducting certain cumulative net operating loss ("NOL") carryforwards). The Company may not pay common dividends if it ceases to qualify as a REIT.

The Company's 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility contain cross default provisions that would allow the lenders to declare an event of default and accelerate the Company's indebtedness to them if the Company fails to pay amounts due in respect of its other recourse indebtedness in excess of specified thresholds or if the lenders under such other indebtedness are otherwise permitted to accelerate such indebtedness for any reason. The indentures governing the Company's unsecured public debt securities permit the bondholders to declare an event of default and accelerate the Company's indebtedness to them if the Company's other recourse indebtedness in excess of specified thresholds is not paid at final maturity or if such indebtedness is accelerated.

Note 11—Commitments and Contingencies

Unfunded Commitments—The Company generally funds construction and development loans and build-outs of space in real estate assets over a period of time if and when the borrowers and tenants meet established milestones and other performance criteria. The Company refers to these arrangements as Performance-Based Commitments. In addition, the Company sometimes establishes a maximum amount of additional funding which it will make available to a borrower or tenant for an expansion or addition to a project if it approves of the expansion or addition in its sole discretion. The Company refers to these arrangements as Discretionary Fundings. Finally, the Company has committed to invest capital in several real estate funds and other ventures. These arrangements are referred to as Strategic Investments.

As of June 30, 2017, the maximum amount of fundings the Company may be required to make under each category, assuming all performance hurdles and milestones are met under the Performance-Based Commitments, that it approves all Discretionary Fundings and that 100% of its capital committed to Strategic Investments is drawn down, are as follows ($ in thousands):

	Loans and Other Lending Investments(1)	Real Estate	Other Investments	Total
Performance-Based Commitments	$ 313,615	$7,886	$ 21,420	$342,921
Strategic Investments	—	—	45,634	45,634
Total(2)	$ 313,615	$7,886	$ 67,054	$388,555

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(1) Excludes $130.3 million of commitments on loan participations sold that are not the obligation of the Company.
(2) The Company did not have any Discretionary Fundings as of June 30, 2017.

Legal Proceedings—The Company and/or one or more of its subsidiaries is party to various pending litigation matters that are considered ordinary routine litigation incidental to the Company's business as a finance and investment company focused on the commercial real estate industry, including loan foreclosure and foreclosure-related proceedings. In addition to such matters, the Company is a party to the following legal proceedings:

U.S. Home Corporation ("Lennar") v. Settlers Crossing, LLC, et al. (United States District Court for the District of Maryland, Civil Action No. DKC 08-1863)
This litigation involved a dispute over the purchase and sale of approximately 1,250 acres of land in Prince George’s County, Maryland. Following a trial, in January 2015, the United States District Court for the District of Maryland (the District Court) entered judgment in favor of the Company, finding that the Company was entitled to specific performance of the purchase and sale agreement and awarding the Company the aggregate amount of: (i) the remaining unpaid purchase price; plus (ii) simple interest on the unpaid amount at a rate of 12% annually from 2008; plus (iii) real estate taxes paid by the Company; plus (iv) actual and reasonable attorneys' fees and costs incurred by the Company in connection with the litigation. Lennar appealed the District Court's judgment. On April 12, 2017, the United States Court of Appeals for the Fourth Circuit affirmed the judgment of the District Court in its entirety. Lennar’s petition for rehearing en banc was summarily denied.

On April 21, 2017, the Company and Lennar completed the transfer of the land, pursuant to which the Company conveyed the land to Lennar and received net proceeds of $234.1 million after payment of $3.3 million in documentary transfer taxes, consisting of $114.0 million of sales proceeds, $121.8 million of interest and $1.6 million of real estate tax reimbursements. The interest and real estate tax reimbursements are recorded in "Other income" in the Company's consolidated statements of operations. The amount of attorneys’ fees and costs to be recovered by the Company will be determined through further proceedings before the District Court. The Company has applied for attorney’s fees in excess of $17.0 million. A portion of the net proceeds received by the Company has been paid to the third party which holds a 4.3% participation interest in all proceeds received by the Company.

On a quarterly basis, the Company evaluates developments in legal proceedings that could require a liability to be accrued and/or disclosed. Based on its current knowledge, and after consultation with legal counsel, the Company believes it is not a party to, nor are any of its properties the subject of, any pending legal proceeding that would have a material adverse effect on the Company's consolidated financial statements.

Note 12—Derivatives

The Company's use of derivative financial instruments is primarily limited to the utilization of interest rate swaps, interest rate caps and foreign exchange contracts. The principal objective of such financial instruments is to minimize the risks and/or costs associated with the Company's operating and financial structure and to manage its exposure to interest rates and foreign exchange rates. Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements, foreign exchange rate movements, and other identified risks, but may not meet the strict hedge accounting requirements.

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The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets ($ in thousands):

	Derivative Assets as of				Derivative Liabilities as of			
	June 30, 2017		December 31, 2016		June 30, 2017		December 31, 2016	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Designated in Hedging Relationships								
Foreign exchange contracts	N/A	$ —	N/A	$ —	Other Liabilities	$ 71	Other Liabilities	$ 8
Interest rate swaps	Other assets	45	N/A	—	N/A	—	Other Liabilities	39
Total		$ 45		$ —		$ 71		$ 47
Derivatives not Designated in Hedging Relationships								
Foreign exchange contracts	N/A	$ —	Other Assets	$ 702	Other Liabilities	$ 680	N/A	$ —
Interest rate cap	Other Assets	30	Other Assets	25	N/A	—	N/A	—
Total		$ 30		$ 727		$ 680		$ —

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The tables below present the effect of the Company's derivative financial instruments in the consolidated statements of operations and the consolidated statements of comprehensive income (loss) ($ in thousands):

Derivatives Designated in Hedging Relationships	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Earnings (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Earnings (Ineffective Portion)
For the Three Months Ended June 30, 2017				
Interest rate swaps	Interest Expense	(44)	384	N/A
Interest rate cap	Earnings from equity method investments	(9)	(9)	N/A
Interest rate swap	Earnings from equity method investments	(93)	(62)	N/A
Foreign exchange contracts	Earnings from equity method investments	(70)	—	N/A
For the Three Months Ended June 30, 2016				
Interest rate swaps	Interest Expense	(192)	(23)	N/A
Interest rate swap	Earnings from equity method investments	(165)	(95)	N/A
Foreign exchange contracts	Earnings from equity method investments	38	—	N/A
For the Six Months Ended June 30, 2017				
Interest rate swaps	Interest Expense	424	355	N/A
Interest rate cap	Earnings from equity method investments	(14)	(14)	N/A
Interest rate swap	Earnings from equity method investments	(15)	(150)	N/A
Foreign exchange contracts	Earnings from equity method investments	(369)	—	N/A
For the Six Months Ended June 30, 2016				
Interest rate cap	Interest Expense	—	(185)	N/A
Interest rate cap	Earnings from equity method investments	(1)	—	N/A
Interest rate swaps	Interest Expense	(694)	2	N/A
Interest rate swap	Earnings from equity method investments	(624)	(192)	N/A
		(49)	—	N/A

Foreign exchange contracts	Earnings from equity method investments

Derivatives not Designated in Hedging Relationships	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income For the Three Months Ended June 30, 2017	2016	For the Six Months Ended June 30, 2017	2016
Interest rate cap	Other Expense	$(41)	$(252)	$6	$(1,055)
Foreign exchange contracts	Other Expense	(645)	523	(769)	341

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Foreign Exchange Contracts—The Company is exposed to fluctuations in foreign exchange rates on investments it holds in foreign entities. The Company uses foreign exchange contracts to hedge its exposure to changes in foreign exchange rates on its foreign investments. Foreign exchange contracts involve fixing the U.S. dollar ("USD") to the respective foreign currency exchange rate for delivery of a specified amount of foreign currency on a specified date. The foreign exchange contracts are typically cash settled in USD for their fair value at or close to their settlement date. For derivatives designated as net investment hedges, the effective portion of changes in the fair value of the derivatives are reported in Accumulated Other Comprehensive Income as part of the cumulative translation adjustment. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. Amounts are reclassified out of Accumulated Other Comprehensive Income into earnings when the hedged foreign entity is either sold or substantially liquidated. As of June 30, 2017, the Company had the following outstanding foreign currency derivatives that were used to hedge its net investments in foreign operations that were designated ($ and Rs in thousands):

Derivative Type	Notional Amount	Notional (USD Equivalent)	Maturity
Sells Indian rupee ("INR")/Buys USD Forward	350,000	$ 5,344	July 2017

For derivatives not designated as net investment hedges, the changes in the fair value of the derivatives are reported in the Company's consolidated statements of operations within "Other Expense." As of June 30, 2017, the Company had the following outstanding foreign currency derivatives that were used to hedge its net investments in foreign operations that were not designated ($, €, and £ in thousands):

Derivative Type	Notional Amount	Notional (USD Equivalent)	Maturity
Sells euro ("EUR")/Buys USD Forward	€ 7,000	$ 7,496	July 2017
Sells pound sterling ("GBP")/Buys USD Forward	£ 3,200	$ 3,988	July 2017

The Company marks its foreign investments each quarter based on current exchange rates and records the gain or loss through "Other expense" in its consolidated statements of operations for loan investments or "Accumulated other comprehensive income (loss)," on its consolidated balance sheets for net investments in foreign subsidiaries. The Company recorded net gains (losses) related to foreign investments of $0.1 million and $0.1 million during the three and six months ended June 30, 2017, respectively, and $(0.1) million during the three months ended June 30, 2016 in its consolidated statements of operations.

Interest Rate Hedges—For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivatives are reported in Accumulated Other Comprehensive Income (Loss). The ineffective portion of the change in fair value of the derivatives is recognized directly in the Company's consolidated statements of operations. As of June 30, 2017, the Company had the following outstanding interest rate swap that was used to hedge its variable rate debt that was designated as a cash flow hedge ($ in thousands):

Derivative Type	Notional Amount	Variable Rate	Fixed Rate	Effective Date	Maturity
Interest rate swap	$ 26,116	LIBOR + 2.00%	3.47%	October 2012	November 2019

During the six months ended June 30, 2017, the Company entered into and settled a rate lock swap in connection with the 2017 Secured Financing and a simultaneous rate lock swap with SAFE. As a result of the settlements, the Company initially recorded a $0.4 million unrealized gain in “Accumulated other comprehensive income” on the Company’s consolidated balance sheets and subsequently derecognized the gain when third parties acquired a controlling interest in the Company's GL business (refer to Note 4).

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For derivatives not designated as cash flow hedges, the changes in the fair value of the derivatives are reported in the Company's consolidated statements of operations within "Other Expense." As of June 30, 2017, the Company had the following outstanding interest rate cap that was used to hedge its variable rate debt that was not designated as a cash flow hedge ($ in thousands):

Derivative Type	Notional Amount	Variable Rate	Fixed Rate	Effective Date	Maturity
Interest rate cap	$500,000	LIBOR	1.00%	July 2014	July 2017

Over the next 12 months, the Company expects that $0.1 million related to cash flow hedges will be reclassified from "Accumulated other comprehensive income (loss)" into earnings.

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

The Company reports derivative instruments on a gross basis in the consolidated financial statements. In connection with its foreign currency derivatives which were in a liability position as of June 30, 2017 and December 31, 2016, the Company has posted collateral of $4.5 million and $0.4 million, respectively, and is included in "Deferred expenses and other assets, net" on the Company's consolidated balance sheets. The Company's net exposure under these contracts was zero as of June 30, 2017.

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Note 13—Equity

Preferred Stock—The Company had the following series of Cumulative Redeemable and Convertible Perpetual Preferred Stock outstanding as of June 30, 2017 and December 31, 2016:

				Cumulative Preferential Cash Dividends[(1)(2)]	
Series	Shares Issued and Outstanding (in thousands)	Par Value	Liquidation Preference[(3)(4)]	Rate per Annum	Equivalent to Fixed Annual Rate (per share)
D	4,000	$0.001	$25.00	8.00 %	$ 2.00
E	5,600	0.001	25.00	7.875 %	1.97
F	4,000	0.001	25.00	7.80 %	1.95
G	3,200	0.001	25.00	7.65 %	1.91
I	5,000	0.001	25.00	7.50 %	1.88
J (convertible)	4,000	0.001	50.00	4.50 %	2.25
	25,800				

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(1) Holders of shares of the Series D, E, F, G, I and J preferred stock are entitled to receive dividends, when and as declared by the Company's Board of Directors, out of funds legally available for the payment of dividends. Dividends are cumulative from the date of original issue and are payable quarterly in arrears on or before the 15th day of each March, June, September and December or, if not a business day, the next succeeding business day. Any dividend payable on the preferred stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as of the close of business on the first day of the calendar month in which the applicable dividend payment date falls or on another date designated by the Company's Board of Directors for the payment of dividends that is not more than 30 nor less than 10 days prior to the dividend payment date.

(2) The Company declared and paid dividends of $4.0 million, $5.5 million, $3.9 million, $3.1 million and $4.7 million on its Series D, E, F, G and I Cumulative Redeemable Preferred Stock during the six months ended June 30, 2017 and 2016. The Company declared and paid dividends of $4.5 million on its Series J Convertible Perpetual Preferred Stock during the six months ended June 30, 2017 and 2016. The character of the 2016 dividends was as follows: 47.30% was a capital gain distribution, of which 76.15% represents unrecaptured section 1250 gain and 23.85% long term capital gain, and 52.70% was ordinary income. There are no dividend arrearages on any of the preferred shares currently outstanding.

(3) The Company may, at its option, redeem the Series E, F, G, and I Preferred Stock, in whole or in part, at any time and from time to time, for cash at a redemption price equal to 100% of the liquidation preference of $25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

(4) Each share of the Series J Preferred Stock is convertible at the holder's option at any time, initially into 3.9087 shares of the Company's common stock (equal to an initial conversion price of approximately $12.79 per share), subject to specified adjustments. The Company may not redeem the Series J Preferred Stock prior to March 15, 2018. On or after March 15, 2018, the Company may, at its option, redeem the Series J Preferred Stock, in whole or in part, at any time and from time to time, for cash at a redemption price equal to 100% of the liquidation

preference of $50.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

Dividends—To maintain its qualification as a REIT, the Company must annually distribute, at a minimum, an amount equal to 90% of its taxable income, excluding net capital gains, and must distribute 100% of its taxable income (including net capital gains) to eliminate corporate federal income taxes payable by the REIT. The Company has recorded NOLs and may record NOLs in the future, which may reduce its taxable income in future periods and lower or eliminate entirely the Company's obligation to pay dividends for such periods in order to maintain its REIT qualification. As of December 31, 2015, the Company had $902.9 million of NOL carryforwards at the corporate REIT level that can generally be used to offset both ordinary taxable income and capital gain net income in future years. The NOL carryforwards will expire beginning in 2029 and through 2035 if unused. The amount of NOL carryforwards as of December 31, 2016 will be determined upon finalizing the Company's 2016 tax return. Because taxable income differs from cash flow from operations due to non-cash revenues and expenses (such as depreciation and certain asset impairments), in certain circumstances, the Company may generate operating cash flow in excess of its dividends, or alternatively, may need to make dividend payments in excess of operating cash flows. The 2016 Senior Secured Credit Facility and 2015 Secured Revolving Credit Facility permit the Company to distribute 100% of its REIT taxable income on an annual basis (prior to deducting certain cumulative NOL carryforwards), as long as the Company maintains its REIT qualification. The 2016 Senior Secured Credit Facility and 2015 Secured Revolving Credit Facility restrict the Company from paying any common dividends if it ceases to qualify as a REIT. The Company did not declare or pay any common stock dividends for the six months ended June 30, 2017 and 2016.

Stock Repurchase Program—In February 2016, after having substantially utilized the remaining availability previously authorized, the Company's Board of Directors authorized a new $50.0 million stock repurchase program. After having substantially utilized the availability authorized in February 2016, the Company's Board of Directors authorized an increase to the stock repurchase program to $50.0 million, effective August 4, 2016. The program authorizes the repurchase of common stock from time to time in open market and privately negotiated purchases, including pursuant to one or more trading plans. During the six months ended June 30, 2017, the Company did not repurchase any shares of common stock. During the six months ended June 30, 2016, the Company repurchased 9.5 million shares of its outstanding common stock for $91.8 million, at an average cost of $9.71 per share. As of June 30, 2017, the Company had remaining authorization to repurchase up to $50.0 million of common stock available to repurchase under its stock repurchase program.

Accumulated Other Comprehensive Income (Loss)—"Accumulated other comprehensive income (loss)" reflected in the Company's shareholders' equity is comprised of the following ($ in thousands):

	As of June 30, 2017	December 31, 2016
Unrealized gains on available-for-sale securities	$715	$ 149
Unrealized gains on cash flow hedges	230	27
Unrealized losses on cumulative translation adjustment	(4,623)	(4,394)
Accumulated other comprehensive income (loss)	$(3,678)	$ (4,218)

Note 14—Stock-Based Compensation Plans and Employee Benefits

Stock-Based Compensation—The Company recorded stock-based compensation expense, including the effect of performance incentive plans (see below), of $3.9 million and $9.8 million for the three and six months ended June 30, 2017, respectively, and $1.6 million and $6.2 million for the three and six months ended June 30, 2016, respectively, in "General and administrative" in the Company's consolidated statements of operations. As of June 30, 2017, there was $2.5 million of total unrecognized compensation cost related to all unvested restricted stock units ("Units") that are expected to be recognized over a weighted average remaining vesting/service period of 1.8 years.

Performance Incentive Plans—The Company's Performance Incentive Plan ("iPIP") is designed to provide, primarily to senior executives and select professionals engaged in the Company's investment activities, long-term compensation which has a direct relationship to the realized returns on investments included in the plan. The fair value of points is determined using a model that forecasts the Company's projected investment performance. iPIP is a liability-classified award which will be remeasured each reporting period at fair value until the awards are settled. The following is a summary of granted iPIP points.

- In May 2014, the Company granted 73 iPIP points in the initial 2013-2014 investment pool.
- In January 2015, the Company granted an additional 10 iPIP points in the 2013-2014 investment pool and 34 iPIP points in the 2015-2016 investment pool.
- In January 2016, the Company granted an additional 10 iPIP points in the 2013-2014 investment pool and an additional 40 iPIP points in the 2015-2016 investment pool.
- In June 2016, the Company granted an additional 2.5 iPIP points in the 2015-2016 investment pool.
- In February 2017, the Company granted an additional 5 iPIP points in the 2013-2014 investment pool, an additional 18 iPIP points in the 2015-2016 investment pool, and 44 iPIP points in the 2017-2018 investment pool.

As of June 30, 2017, 7.0 iPIP points from the 2013-2014 investment pool, 7.9 iPIP points from the 2015-2016 investment pool and 3.8 iPIP points from the 2017-2018 investment pool were forfeited.

As of June 30, 2017 and December 31, 2016, the Company had accrued compensation costs relating to iPIP of $31.2 million and $22.4 million, respectively, which are included in "Accounts payable, accrued expenses and other liabilities" on the Company's consolidated balance sheets.

Long-Term Incentive Plan—The Company's 2009 Long-Term Incentive Plan (the "2009 LTIP") is designed to provide incentive compensation for officers, key employees, directors and advisors of the Company. The 2009 LTIP provides for awards of stock options, shares of restricted stock, phantom shares, restricted stock units, dividend equivalent rights and other share-based performance awards. All awards under the 2009 LTIP are made at the discretion of the Company's Board of Directors or a committee of the Board of Directors. The Company's shareholders approved the 2009 LTIP in 2009 and approved the performance-based provisions of the 2009 LTIP, as amended, in 2014.

As of June 30, 2017, an aggregate of 3.3 million shares remain available for issuance pursuant to future awards under the Company's 2009 LTIP.

Restricted Share Issuances—During the six months ended June 30, 2017, the Company granted 97,967 shares of common stock to certain employees under the 2009 LTIP as part of annual incentive awards that included a mix of cash and equity awards. The shares are fully-vested and 62,704 shares were issued net of statutory minimum required tax withholdings. The employees are restricted from selling these shares for up to 18 months from the date of grant.

2017 Restricted Stock Unit Activity—During the six months ended June 30, 2017, the Company granted new stock-based compensation awards to certain employees in the form of long-term incentive awards, comprised of the following:

- 115,571 service-based Units granted on February 22, 2017, representing the right to receive an equivalent number of shares of the Company's common stock (after deducting shares for minimum required statutory withholdings) if and when the Units vest. The Units will cliff vest in one installment on December 31, 2019, if the employee remains employed by the Company on the vesting date, subject to certain accelerated vesting rights. Dividends will accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the Units vest and are settled. As of June 30, 2017, 111,642 of such service-based Units were outstanding.

As of June 30, 2017, the Company had the following additional stock-based compensation awards outstanding:

- 60,000 service-based Units granted on June 15, 2016, representing the right to receive an equivalent number of shares of the Company's common stock (after deducting shares for minimum required statutory withholdings) if and when the Units vest. The Units will vest in equal annual installments over four years on each anniversary of the grant date, if the employee remains employed by the Company on the vesting date, subject to certain accelerated vesting rights. Upon vesting of these Units, the holder will receive shares of the Company's common stock in the amount of the vested Units, net of statutory minimum required tax withholdings. Dividends will accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the Units vest and are settled.
- 104,026 service-based Units granted on January 29, 2016, representing the right to receive an equivalent number of shares of the Company's common stock (after deducting shares for minimum required statutory withholdings) if and when the Units vest. The Units will cliff vest in one installment on December 31, 2018, if the employee remains employed by the Company on the vesting date, subject to certain accelerated vesting rights. Dividends will accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the Units vest and are settled.
- 37,514 target amount of performance-based Units granted on January 30, 2015, representing the right to receive an equivalent number of shares of the Company's common stock (after deducting shares for minimum required statutory withholdings) if and when the Units vest. The performance is based on the Company's TSR, measured over a performance period ending on December 31, 2017, which is the date the awards cliff vest. Vesting will range from 0% to 200% of the target amount of the awards, depending on the Company's TSR performance relative to the NAREIT All REITs Index (one-half of the target amount of the award) and the Russell 2000 Index (one-half of the target amount of the award) during the performance period. The Company, as well as any companies not included in each index at the beginning and end of the performance period, are excluded from calculation of the performance of such index. To the extent Units vest based on the Company's TSR performance, holders will receive an equivalent number of shares of common stock (after deducting shares for minimum required statutory withholdings), if the employee remains employed by the Company on the vesting date, subject to certain accelerated vesting rights. Dividends will

accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the Units vest and are settled. The fair values of the performance-based Units were determined by utilizing a Monte Carlo model to simulate a range of possible future stock prices for the Company's common stock. The assumptions used to estimate the fair value of these performance-based awards were 0.75% for risk-free interest rate and 28.14% for expected stock price volatility.

- 54,201 service-based Units granted on January 30, 2015, representing the right to receive an equivalent number of shares of the Company's common stock (after deducting shares for minimum required statutory withholdings) if and when the

Units vest. The Units will cliff vest in one installment on December 31, 2017, if the employee remains employed by the Company on the vesting date, subject to certain accelerated vesting rights. Dividends will accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the Units vest and are settled.

- 4,751 service-based Units granted on various dates, representing the right to receive an equivalent number of shares of the Company's common stock (after deducting shares for minimum required statutory withholdings) if and when the Units vest. The Units have an original vesting term of three years. Upon vesting of these Units, holders will receive shares of the Company's common stock in the amount of the vested Units, net of statutory minimum required tax withholdings. Dividends will accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the Units vest and are settled.

Directors' Awards—During the six months ended June 30, 2017, the Company awarded to non-employee Directors 56,817 restricted shares of common stock at a fair value per share of $11.86 at the time of grant. The restricted shares have a vesting term of one year. As of June 30, 2017, a combined total of 317,664 CSEs and restricted shares of common stock granted to members of the Company's Board of Directors remained outstanding under the Company's Non-Employee Directors Deferral Plan, with an aggregate intrinsic value of $3.8 million.

401(k) Plan—The Company made gross contributions of $0.1 million and $0.8 million for the three and six months ended June 30, 2017, respectively, and $0.2 million and $0.8 million for the three and six months ended June 30, 2016, respectively.

Note 15—Earnings Per Share

Earnings per share ("EPS") is calculated using the two-class method, which allocates earnings among common stock and participating securities to calculate EPS when an entity's capital structure includes either two or more classes of common stock or common stock and participating securities.

The following table presents a reconciliation of income (loss) from continuing operations used in the basic and diluted EPS calculations ($ in thousands, except for per share data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Income (loss) from continuing operations	$76,117	$12,670	$47,869	$(10,670)
Income from sales of real estate	844	43,484	8,954	53,943
Net (income) loss attributable to noncontrolling interests	(5,710)	(8,825)	(4,610)	(7,883)
Preferred dividends	(12,830)	(12,830)	(25,660)	(25,660)
Income from continuing operations attributable to iStar Inc. and allocable to common shareholders and Participating Security Holders for basic earnings per common share(1)	$58,421	$34,499	$26,553	$9,730
Add: Effect of joint venture shares	5	3	9	2
Add: Effect of 1.50% senior convertible unsecured notes	—	1,140	—	—
Add: Effect of 3.00% senior convertible unsecured notes	—	1,782	—	—
Add: Effect of Series J convertible perpetual preferred stock	2,250	2,250	4,500	—
Income from continuing operations attributable to iStar Inc. and allocable to common shareholders and Participating Security Holders for diluted earnings per common share(1)	$60,676	$39,674	$31,062	$9,732

(1) For the three months ended June 30, 2016, includes income from continuing operations allocable to Participating Security Holders of $20 and $14 on a basic and dilutive basis. For the six months ended June 30, 2016, includes income from continuing operations allocable to Participating Security Holders of $11 on a basic and dilutive basis.

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Earnings allocable to common shares:				
Numerator for basic earnings per share:				
Income from continuing operations attributable to iStar Inc. and allocable to common shareholders	$58,421	$34,481	$26,553	$9,724
Income from discontinued operations	173	3,631	4,939	7,209
Gain from discontinued operations	123,418	—	123,418	—
Income tax expense from discontinued operations	(4,545)	—	(4,545)	—
Net income attributable to iStar Inc. and allocable to common shareholders	$177,467	$38,112	$150,365	$16,933
Numerator for diluted earnings per share:				
Income from continuing operations attributable to iStar Inc. and allocable to common shareholders	$60,676	$39,661	$31,062	$9,726
Income from discontinued operations	173	3,632	4,939	7,209
Gain from discontinued operations	123,418	—	123,418	—
Income tax expense from discontinued operations	(4,545)	—	(4,545)	—
Net income attributable to iStar Inc. and allocable to common shareholders	$179,722	$43,293	$154,874	$16,935
Denominator for basic and diluted earnings per share:				
Weighted average common shares outstanding for basic earnings per common share	72,142	73,984	72,104	75,522
Add: Effect of assumed shares issued under treasury stock method for restricted stock units	120	34	119	52
Add: Effect of joint venture shares	298	298	298	298
Add: Effect of 1.50% senior convertible unsecured notes	—	11,567	—	—
Add: Effect of 3.00% senior convertible unsecured notes	—	16,992	—	—
Add: Effect of series J convertible perpetual preferred stock	15,635	15,635	15,635	—
Weighted average common shares outstanding for diluted earnings per common share	88,195	118,510	88,156	75,872
Basic earnings per common share:				
Income from continuing operations attributable to iStar Inc. and allocable to common shareholders	$0.81	$0.47	$0.37	$0.13
Income from discontinued operations	—	0.05	0.07	0.09
Gain from discontinued operations	1.71	—	1.71	—
Income tax expense from discontinued operations	(0.06)	—	(0.06)	—
Net income attributable to iStar Inc. and allocable to common shareholders	$2.46	$0.52	$2.09	$0.22

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Diluted earnings per common share:				
Income from continuing operations attributable to iStar Inc. and allocable to common shareholders	$0.69	$0.34	$0.35	$0.13
Income from discontinued operations	—	0.03	0.06	0.09
Gain from discontinued operations	1.40	—	1.40	—
Income tax expense from discontinued operations	(0.05)	—	(0.05)	—
Net income attributable to iStar Inc. and allocable to common shareholders	$2.04	$0.37	$1.76	$0.22

The following shares were not included in the diluted EPS calculation because they were anti-dilutive (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
3.00% convertible senior unsecured notes	—	—	—	16,992
Series J convertible perpetual preferred stock	—	—	—	15,635
1.50% convertible senior unsecured notes	—	—	—	11,567
Joint venture shares	—	—	—	—

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(1) For the three and six months ended June 30, 2017, the effect of 5 and 20 unvested time and performance-based Units were anti-dilutive, respectively.

(2) For the three and six months ended June 30, 2016, the effect of 54 and 103 unvested time and performance-based Units were anti-dilutive, respectively.

Note 16—Fair Values

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes the inputs to be used in valuation techniques to measure fair value:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Certain of the Company's assets and liabilities are recorded at fair value either on a recurring or non-recurring basis. Assets required to be marked-to-market and reported at fair value every reporting period are classified as being valued on a recurring basis. Assets not required to be recorded at fair value every period may be recorded at fair value if a specific provision or other impairment is recorded within the period to mark the carrying value of the asset to market as of the reporting date. Such assets are classified as being valued on a non-recurring basis.

The following fair value hierarchy table summarizes the Company's assets and liabilities recorded at fair value on a recurring and non-recurring basis by the above categories ($ in thousands):

	Total	Fair Value Using Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of June 30, 2017				
Recurring basis:				
Derivative assets[1]	$ 75	$ —	$ 75	$ —
Derivative liabilities[1]	751	—	751	—
Available-for-sale securities[1]	22,222	—	—	22,222
Non-recurring basis:				
Impaired land and development[2]	7,400	—	—	7,400
As of December 31, 2016				
Recurring basis:				
Derivative assets[1]	$ 727	$ —	$ 727	$ —
Derivative liabilities[1]	47	—	47	—
Available-for-sale securities[1]	21,666	—	—	21,666
Non-recurring basis:				
Impaired loans[3]	7,200	—	—	7,200
Impaired real estate[4]	3,063	—	—	3,063

(1) The fair value of the Company's derivatives are based upon widely accepted valuation techniques utilized by a third-party specialist using observable inputs such as interest rates and contractual cash flow and are classified as Level 2. The fair value of the Company's available-for-sale securities are based upon unadjusted third-party broker quotes and are classified as Level 3.

(2) The Company recorded an impairment on one land and development asset with a fair value of $7.4 million based on a discount rate of 15% using discounted cash flows over a two year sellout period.

(3) The Company recorded a provision for loan losses on one loan with a fair value of $5.2 million using an appraisal based on market comparable sales. In addition, the Company recorded a recovery of loan losses on one loan with a fair value of $2.0 million based on proceeds to be received.

(4) The Company recorded an impairment on one real estate asset with a fair value of $3.1 million based on a discount rate of 11% using discounted cash flows over a two year sellout period.

The following table summarizes changes in Level 3 available-for-sale securities reported at fair value on the Company's consolidated balance sheets for the six months ended June 30, 2017 and 2016 ($ in thousands):

	2017	2016
Beginning balance	$21,666	$1,161
Purchases	—	4,366
Repayments	(10)	(10)

Unrealized gains recorded in other comprehensive income	566	464
Ending balance	$22,222	$5,981

Fair values of financial instruments—The Company's estimated fair values of its loans receivable and other lending investments and outstanding debt was $1.2 billion and $3.6 billion, respectively, as of June 30, 2017 and $1.5 billion and $3.6 billion, respectively, as of December 31, 2016. The Company determined that the significant inputs used to value its loans receivable and other lending investments and debt obligations fall within Level 3 of the fair value hierarchy. The carrying value of other financial instruments including cash and cash equivalents, restricted cash, accrued interest receivable and accounts payable, approximate the fair values of the instruments. Cash and cash equivalents and restricted cash values are considered Level 1 on the fair value hierarchy. The fair value of other financial instruments, including derivative assets and liabilities, are included in the fair value hierarchy table above.

Note 17—Segment Reporting

The Company has determined that it has four reportable segments based on how management reviews and manages its business. These reportable segments include: Real Estate Finance, Net Lease, Operating Properties and Land and Development. The Real Estate Finance segment includes all of the Company's activities related to senior and mezzanine real estate loans and real estate related securities. The Net Lease segment includes the Company's activities and operations related to the ownership of properties generally leased to single corporate tenants. The Operating Properties segment includes the Company's activities and operations related to its commercial and residential properties. The Land and Development segment includes the Company's activities related to its developable land portfolio.

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The Company evaluates performance based on the following financial measures for each segment. The Company's segment information is as follows ($ in thousands):

	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Corporate/Other[1]	Company Total
Three Months Ended June 30, 2017:						
Operating lease income	$—	$30,852	$15,940	$210	$—	$47,002
Interest income	28,645	—	—	—	—	28,645
Other income	479	550	13,333	123,871	1,277	139,510
Land development revenue	—	—	—	132,710	—	132,710
Earnings from equity method investments	—	1,080	469	3,606	360	5,515
Income from discontinued operations	—	173	—	—	—	173
Gain from discontinued operations	—	123,418	—	—	—	123,418
Income from sales of real estate	—	—	844	—	—	844
Total revenue and other earnings	29,124	156,073	30,586	260,397	1,637	477,817
Real estate expense	—	(4,064)	(22,653)	(7,967)	—	(34,684)
Land development cost of sales	—	—	—	(122,466)	—	(122,466)
Other expense	(399)	—	—	—	(15,877)	(16,276)
Allocated interest expense	(10,508)	(13,669)	(5,006)	(7,122)	(12,502)	(48,807)
Allocated general and administrative[2]	(4,691)	(5,921)	(2,364)	(5,004)	(5,323)	(23,303)
Segment profit (loss)[3]	$13,526	$132,419	$563	$117,838	$(32,065)	$232,281
Other significant items:						
Recovery of loan losses	$(600)	$—	$—	$—	$—	$(600)
Impairment of assets	—	219	—	10,065	—	10,284
Depreciation and amortization	—	7,400	4,923	521	327	13,171
Capitalized expenditures	—	917	8,355	30,286	—	39,558
Three Months Ended June 30, 2016:						
Operating lease income	$—	$32,042	$17,828	$105	$—	$49,975
Interest income	34,400	—	—	—	—	34,400
Other income	323	432	7,213	1,167	961	10,096
Land development revenue	—	—	—	27,888	—	27,888
Earnings from equity method investments	—	944	31,076	2,688	4,739	39,447
Income from discontinued operations	—	3,633	—	—	—	3,633
Income from sales of real estate	—	4,338	39,146	—	—	43,484
Total revenue and other earnings	34,723	41,389	95,263	31,848	5,700	208,923
Real estate expense	—	(4,618)	(20,796)	(9,914)	—	(35,328)
Land development cost of sales	—	—	—	(17,262)	—	(17,262)
Other expense	(925)	—	—	—	(2,257)	(3,182)
Allocated interest expense	(14,631)	(16,464)	(5,849)	(8,668)	(10,435)	(56,047)
Allocated general and administrative[2]	(3,786)	(4,313)	(1,638)	(3,327)	(4,968)	(18,032)
Segment profit (loss)[3]	$15,381	$15,994	$66,980	$(7,323)	$(11,960)	$79,072
Other significant items:						

Provision for loan losses	$700	$—	$—	$—	$ —	$700
Impairment of assets	—	—	3,012	—	—	3,012
Depreciation and amortization	—	7,977	5,022	400	274	13,673
Capitalized expenditures	—	1,625	12,446	32,006	—	46,077

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iStar Inc.
Notes to Consolidated Financial Statements (Continued)
(unaudited)

	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Corporate/Other[1]	Company Total
Six Months Ended June 30, 2017:						
Operating lease income	$—	$62,104	$31,929	$316	$—	$94,349
Interest income	57,703	—	—	—	—	57,703
Other income	556	1,056	23,688	124,256	1,818	151,374
Land development revenue	—	—	—	152,760	—	152,760
Earnings from equity method investments	—	2,062	1,101	7,448	606	11,217
Income from discontinued operations	—	4,939	—	—	—	4,939
Gain from discontinued operations	—	123,418	—	—	—	123,418
Income from sales of real estate	—	6,212	2,742	—	—	8,954
Total revenue and other earnings	58,259	199,791	59,460	284,780	2,424	604,714
Real estate expense	—	(8,640)	(44,171)	(17,463)	—	(70,274)
Land development cost of sales	—	—	—	(138,376)	—	(138,376)
Other expense	(1,004)	—	—	—	(17,141)	(18,145)
Allocated interest expense	(22,396)	(29,404)	(10,612)	(15,240)	(22,300)	(99,952)
Allocated general and administrative[2]	(8,287)	(10,563)	(4,119)	(8,930)	(10,697)	(42,596)
Segment profit (loss)[3]	$26,572	$151,184	$558	$104,771	$(47,714)	$235,371
Other significant non-cash items:						
Recovery of loan losses	$(5,528)	$—	$—	$—	$—	$(5,528)
Impairment of assets	—	219	4,413	10,064	—	14,696
Depreciation and amortization	—	15,039	8,962	791	659	25,451
Capitalized expenditures	—	1,687	16,566	56,879	—	75,132
Six Months Ended June 30, 2016:						
Operating lease income	$—	$63,350	$36,909	$211	$—	$100,470
Interest income	67,620	—	—	—	—	67,620
Other income	1,620	512	14,557	2,232	2,715	21,636
Land development revenue	—	—	—	42,835	—	42,835
Earnings from equity method investments	—	1,890	30,934	9,348	5,542	47,714
Income from discontinued operations	—	7,214	—	—	—	7,214
Income from sales of real estate	—	9,267	44,676	—	—	53,943
Total revenue and other earnings	69,240	82,233	127,076	54,626	8,257	341,432
Real estate expense	—	(9,065)	(41,916)	(18,591)	—	(69,572)
Land development cost of sales	—	—	—	(28,838)	—	(28,838)
Other expense	(839)	—	—	—	(3,083)	(3,922)
Allocated interest expense	(29,333)	(32,700)	(12,469)	(17,027)	(21,539)	(113,068)
Allocated general and administrative[2]	(7,617)	(8,609)	(3,508)	(6,597)	(10,226)	(36,557)
Segment profit (loss)[3]	$31,451	$31,859	$69,183	$(16,427)	$(26,591)	$89,475
Other significant non-cash items:						
Provision for loan losses	$2,206	$—	$—	$—	$—	$2,206
Impairment of assets	—	—	3,012	—	—	3,012

Depreciation and amortization	—	16,028	10,305	699	549	27,581
Capitalized expenditures	—	2,476	28,243	66,274	—	96,993

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iStar Inc.
Notes to Consolidated Financial Statements (Continued)
(unaudited)

	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Corporate/Other[1]	Company Total
As of June 30, 2017						
Real estate						
Real estate, net	$—	$863,406	$479,576	$—	$ —	$1,342,982
Real estate available and held for sale	—	924	67,121	—	—	68,045
Total real estate	—	864,330	546,697	—	—	1,411,027
Land and development, net	—	—	—	855,497	—	855,497
Loans receivable and other lending investments, net	1,170,565	—	—	—	—	1,170,565
Other investments	—	179,284	7,882	62,417	27,238	276,821
Total portfolio assets	$1,170,565	$1,043,614	$554,579	$917,914	$ 27,238	3,713,910
Cash and other assets						1,200,845
Total assets						$4,914,755
As of December 31, 2016						
Real estate						
Real estate, net	$—	$911,112	$476,162	$—	$ —	$1,387,274
Real estate available and held for sale	—	155,051	82,480	—	—	237,531
Total real estate	—	1,066,163	558,642	—	—	1,624,805
Land and development, net	—	—	—	945,565	—	945,565
Loans receivable and other lending investments, net	1,450,439	—	—	—	—	1,450,439
Other investments	—	92,669	3,583	84,804	33,350	214,406
Total portfolio assets	$1,450,439	$1,158,832	$562,225	$ 1,030,369	$ 33,350	4,235,215
Cash and other assets						590,299
Total assets						$4,825,514

(1) Corporate/Other represents all corporate level and unallocated items including any intercompany eliminations necessary to reconcile to consolidated Company totals. This caption also includes the Company's joint venture investments and strategic investments that are not included in the other reportable segments above.

(2) General and administrative excludes stock-based compensation expense of $3.9 million and $9.8 million for the three and six months ended June 30, 2017 respectively, and $1.6 million and $6.2 million for the three and six months ended June 30, 2016, respectively.

(3) The following is a reconciliation of segment profit to net income (loss) ($ in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Segment profit	$232,281	$79,072	$235,371	$89,475
Less: Recovery of (provision for) loan losses	600	(700)	5,528	(2,206)
Less: Impairment of assets	(10,284)	(3,012)	(14,696)	(3,012)
Less: Stock-based compensation expense	(3,915)	(1,633)	(9,796)	(6,211)

Less: Depreciation and amortization	(13,171)	(13,673)	(25,451)	(27,581)
Less: Income tax (expense) benefit	(1,644)	1,190	(2,251)	1,604
Less: Income tax expense from discontinued operations	(4,545)	—	(4,545)	—
Less: Loss on early extinguishment of debt, net	(3,315)	(1,457)	(3,525)	(1,582)
Net income	$196,007	$59,787	$180,635	$50,487

Note 18—Subsequent Events

Subsequent to June 30, 2017, the Company, trusts established by Jay Sugarman, the Company's Chairman and Chief Executive Officer, and Geoffrey Jervis, the Company's Chief Operating Officer and Chief Financial Officer, purchased an aggregate $5.1 million in shares of SAFE's common stock pursuant to a 10b5-1 plan (the “10b5-1 Plan") in accordance with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended, under which they may buy in the open market up to $25.0 million in the aggregate of SAFE's common stock. Shares will be purchased under the 10b5-1 Plan when the market price per share is below $20.00 and will accelerate with declines in the market price. Purchases will be allocated 98% to the Company, 1% to the trusts established by Mr. Sugarman and 1% to Mr. Jervis.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are included with respect to, among other things, iStar Inc.'s (the "Company's") current business plan, business strategy, portfolio management, prospects and liquidity. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results or outcomes to differ materially from those contained in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In assessing all forward-looking statements, readers are urged to read carefully all cautionary statements contained in this Form 10-Q and the uncertainties and risks described in Item 1A—"Risk Factors" in our 2016 Annual Report, all of which could affect our future results of operations, financial condition and liquidity. For purposes of Management's Discussion and Analysis of Financial Condition and Results of Operations, the terms "we," "our" and "us" refer to iStar Inc. and its consolidated subsidiaries, unless the context indicates otherwise.

The discussion below should be read in conjunction with our consolidated financial statements and related notes in this quarterly report on Form 10-Q and our 2016 Annual Report. These historical financial statements may not be indicative of our future performance. We have reclassified certain items in our consolidated financial statements of prior periods to conform to our current financial statements presentation.

Introduction

iStar Inc., doing business as "iStar," finances, invests in and develops real estate and real estate related projects as part of its fully-integrated investment platform. We also provide management services for our ground lease and net lease equity method investments. We have invested more than $35 billion over the past two decades and are structured as a real estate investment trust ("REIT") with a diversified portfolio focused on larger assets located in major metropolitan markets. Our primary business segments are real estate finance, net lease, operating properties and land and development.

Executive Overview

We continue to focus on our net lease and real estate finance businesses to find selective investment opportunities in these core businesses. We also continue to make significant additional progress in monetizing our commercial and residential operating properties as well as our land portfolio. In our continuing effort to find untapped investment opportunities in real estate, we recently conceived and ultimately launched a new, publicly traded REIT focused exclusively on the ground lease ("GL") asset class.

In April 2017, institutional investors acquired a controlling interest in our GL business through the merger of one of our subsidiaries and related transactions (the "Acquisition Transactions"). Our GL business was a component of our net lease segment and consisted of 12 properties subject to long-term net leases including seven GLs and one master lease (covering five properties). The acquiring entity was a newly formed unconsolidated entity named Safety, Income and Growth, Inc. ("SAFE"). The carrying value of our GL assets was approximately $161.1 million. Shortly before the Acquisition Transactions, we completed the $227.0 million 2017 Secured Financing on our GL assets (refer to Note 10). We received all of the proceeds of the 2017 Secured Financing. We received an additional $113.0 million of proceeds in the Acquisition Transactions, including $55.5 million that we contributed to SAFE in its initial capitalization. As a result of the Acquisition Transactions, we deconsolidated the 12 properties and the associated 2017 Secured Financing. We account for our investment in SAFE as an equity method investment (refer to Note 7). We accounted for this transaction as an in substance sale of real estate and recognized a gain of $123.4 million, reflecting the aggregate gain less the fair value of our retained interest in SAFE.

On June 27, 2017, SAFE completed its initial public offering raising $205.0 million in gross proceeds and concurrently completed a $45.0 million private placement to us, its largest shareholder. We paid organization and offering costs in connection with these transactions, including commissions payable to the underwriters and other offering expenses. As of June 30, 2017, we owned 28% of SAFE and our investment had a market value of $96.2 million. In addition, one of our wholly-owned subsidiaries is the external manager of SAFE, our Chief Executive Officer is a director and the Chairman of SAFE's board of directors and our executive officers hold similarly titled positions with SAFE.

In April 2017, we received a favorable judgment from the U.S. Court of Appeals for the Fourth Circuit, affirming a prior district court judgment relating to a dispute with Lennar over the purchase and sale of Bevard, a master planned community located in Maryland. On April 21, we conveyed the property to Lennar and received $234.3 million of net proceeds after payment of $3.3

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million in documentary transfer taxes, comprised of the remaining purchase price of $114.0 million and $123.4 million of interest and real estate taxes, net of costs.

We continue to strengthen our balance sheet through our financing activities. Access to the capital markets has allowed us to extend our debt maturity profile and remain primarily an unsecured borrower. In March 2017, we issued $375.0 million principal amount of 6.00% senior unsecured notes due April 2022. Proceeds from the offering were primarily used to repay in full the $99.7 million principal amount of 5.85% senior unsecured notes due March 2017 and repay in full the $275.0 million principal amount of 9.00% senior unsecured notes due June 2017 prior to maturity. In addition, also in March 2017, through wholly-owned subsidiaries conducting our GL business, we entered into the $227.0 million 2017 Secured Financing that accrued interest at 3.795% and matures in April 2027. The 2017 Secured Financing was collateralized by the 12 properties comprising our GL business, including seven ground net leases and one master lease covering the accounts of five related properties. In April 2017, we derecognized the 2017 Secured Financing when third parties acquired a controlling interest in our GL business. As of June 30, 2017, we had $954.3 million of cash, which we expect to use primarily to repay debt and fund future investment activities. In addition, we have additional borrowing capacity of $234.6 million at June 30, 2017.

During the three months ended June 30, 2017, all of our business segments contributed positively to our earnings. We continue to work on repositioning or redeveloping our transitional operating properties and progressing on the entitlement and development of our land and development assets in order to maximize their value. We intend to continue these efforts, with the objective of increasing the contribution of these assets to our earnings in the future.

For the three months ended June 30, 2017, we recorded net income allocable to common shareholders of $177.5 million, compared to net income of $38.1 million during the same period in the prior year. Adjusted income allocable to common shareholders for the three months ended June 30, 2017 was $198.4 million, compared to $61.1 million during the same period in the prior year (see "Adjusted Income" for a reconciliation of adjusted income to net income).

Portfolio Overview

As of June 30, 2017, based on carrying values gross of accumulated depreciation and general loan loss reserves, our $4.2 billion investment portfolio has the following characteristics:

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(1)Represents the market value of our equity method investment in SAFE.

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As of June 30, 2017, based on carrying values gross of accumulated depreciation and general loan loss reserves, our total investment portfolio has the following property/collateral type and geographic characteristics ($ in thousands):

Property/Collateral Types	Real Estate Finance	Net Lease	Operating Properties	Land & Development	Total	% of Total
Office / Industrial	$36,964	$760,965	$122,658	$ —	$920,587	22.2 %
Land and Development	—	—	—	925,191	925,191	22.3 %
Hotel	338,422	—	102,815	—	441,237	10.6 %
Entertainment / Leisure	—	489,387	—	—	489,387	11.8 %
Mixed Use / Mixed Collateral	297,024	—	180,153	—	477,177	11.5 %
Condominium	258,010	—	66,490	—	324,500	7.7 %
Other Property Types	228,527	—	7	—	228,534	5.5 %
Retail	29,418	57,348	136,016	—	222,782	5.4 %
Ground Leases(1)	—	96,229	—	—	96,229	2.3 %
Strategic Investments	—	—	—	—	27,238	0.7 %
Total	$1,188,365	$1,403,929	$608,139	$ 925,191	$4,152,862	100.0%

Geographic Region	Real Estate Finance	Net Lease	Operating Properties	Land & Development	Total	% of Total
Northeast	$569,385	$399,468	$47,212	$ 258,381	$1,274,446	30.7 %
West	98,197	312,383	42,616	364,834	818,030	19.6 %
Southeast	174,602	249,574	146,511	123,714	694,401	16.7 %
Mid-Atlantic	—	153,835	47,014	124,298	325,147	7.8 %
Southwest	59,984	160,019	243,055	22,464	485,522	11.7 %
Central	187,775	97,988	71,590	31,500	388,853	9.4 %
Various(2)	98,422	30,662	10,141	—	139,225	3.4 %
Strategic Investments(2)	—	—	—	—	27,238	0.7 %
Total	$1,188,365	$1,403,929	$608,139	$ 925,191	$4,152,862	100.0%

(1) Represents the market value of our equity method investment in SAFE.
(2) Combined, strategic investments and the various category include $20.2 million of international assets.

Real Estate Finance

Our real estate finance business targets sophisticated and innovative owner/operators of real estate and real estate related projects by providing one-stop capabilities that encompass financing alternatives ranging from full envelope senior loans to mezzanine and preferred equity capital positions. As of June 30, 2017, our real estate finance portfolio, including securities, totaled $1.2 billion, gross of general loan loss reserves. The portfolio included $914.1 million of performing loans with a weighted average maturity of 1.5 years.

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The tables below summarize our loans and the reserves for loan losses associated with our loans ($ in thousands):

	June 30, 2017					
	Number of Loans	Gross Carrying Value	Reserve for Loan Losses	Carrying Value	% of Total	Reserve for Loan Losses as a % of Gross Carrying Value
Performing loans	36	$914,106	$(17,800)	$896,306	82.6%	1.9%
Non-performing loans	5	249,659	(60,989)	188,670	17.4%	24.4%
Total	41	$1,163,765	$(78,789)	$1,084,976	100.0%	6.8%

	December 31, 2016					
	Number of Loans	Gross Carrying Value	Reserve for Loan Losses	Carrying Value	% of Total	Reserve for Loan Losses as a % of Gross Carrying Value
Performing loans	35	$1,202,127	$(23,300)	$1,178,827	86.0%	1.9%
Non-performing loans	6	253,941	(62,245)	191,696	14.0%	24.5%
Total	41	$1,456,068	$(85,545)	$1,370,523	100.0%	5.9%

Performing Loans—The table below summarizes our performing loans gross of reserves ($ in thousands):

	June 30, 2017	December 31, 2016
Senior mortgages	$515,053	$854,805
Corporate/Partnership loans	387,214	333,244
Subordinate mortgages	11,839	14,078
Total	$914,106	$1,202,127
Weighted average LTV	62 %	64 %
Yield	9.7 %	8.9 %

Non-Performing Loans—We designate loans as non-performing at such time as: (1) the loan becomes 90 days delinquent; (2) the loan has a maturity default; or (3) management determines it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan. All non-performing loans are placed on non-accrual status and income is only recognized in certain cases upon actual cash receipt. As of June 30, 2017, we had non-performing loans with an aggregate carrying value of $188.7 million compared to non-performing loans with an aggregate carrying value of $191.7 million as of December 31, 2016. We expect that our level of non-performing loans will fluctuate from period to period.

Reserve for Loan Losses—The reserve for loan losses was $78.8 million as of June 30, 2017, or 6.8% of total loans, compared to $85.5 million or 5.9% as of December 31, 2016. For the six months ended June 30, 2017, the recovery of loan losses included a reduction in the general reserve of $5.5 million due to an overall improvement in the risk ratings and a decrease in size of our loan portfolio. We expect that our level of reserve for loan losses will fluctuate from period to period. Due to the volatility of the commercial real estate market, the process of estimating collateral values and reserves requires the use of significant judgment. We currently believe there is adequate collateral and reserves to support the carrying values of the loans.

The reserve for loan losses includes an asset-specific component and a formula-based component. An asset-specific reserve is established for an impaired loan when the estimated fair value of the loan's collateral less costs to sell is lower than the carrying value of the loan. As of June 30, 2017, asset-specific reserves decreased to $61.0 million compared to $62.2 million as of December 31, 2016.

The formula-based general reserve is derived from estimated principal default probabilities and loss severities applied to groups of performing loans based upon risk ratings assigned to loans with similar risk characteristics during our quarterly loan portfolio assessment. During this assessment, we perform a comprehensive analysis of our loan portfolio and assign risk ratings to loans that incorporate management's current judgments and future expectations about their credit quality based on all known and relevant factors that may affect collectability. We consider, among other things, payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographical location as well as national and regional

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economic factors. This methodology results in loans being segmented by risk classification into risk rating categories that are associated with estimated probabilities of default and principal loss. We estimate loss rates based on historical realized losses experienced within our portfolio and take into account current economic conditions affecting the commercial real estate market when establishing appropriate time frames to evaluate loss experience.

The general reserve decreased to $17.8 million or 1.9% of performing loans as of June 30, 2017, compared to $23.3 million or 1.9% of performing loans as of December 31, 2016. The decrease was primarily attributable to an overall improvement in the risk ratings and a decrease in size of our loan portfolio.

Net Lease

Our net lease business seeks to create stable cash flows through long-term net leases primarily to single tenants on our properties. We target mission-critical facilities leased on a long-term basis to tenants, offering structured solutions that combine our capabilities in underwriting, lease structuring, asset management and build-to-suit construction. We invest in new net lease investments primarily through our Net Lease Venture, in which we hold a 51.9% interest. The Net Lease Venture has a right of first offer on any new net lease investments that we source. In February 2017, the Net Lease Venture's investment period was extended through February 1, 2018. The term of the Net Lease Venture extends through February 13, 2022, subject to two, one-year extension options at the discretion of the Company and its partner.

In April 2017, institutional investors acquired a controlling interest in our GL business through the merger of one of our subsidiaries and related transactions. Our GL business was a component of our net lease segment and consisted of 12 properties subject to long-term net leases including seven GLs and one master lease (covering five properties). As a result, we deconsolidated the 12 properties and associated liabilities and we began to record our investment in SAFE as an equity method investment.
On June 27, 2017, SAFE completed its initial public offering raising $205.0 million in gross proceeds and concurrently completed a $45.0 million private placement to us. As of June 30, 2017, we owned approximately 28% of SAFE's common stock outstanding which had an estimated market value of $96.2 million. In addition, a wholly-owned subsidiary of ours is the external manager of SAFE and our Chief Executive Officer is the Chairman of SAFE's board of directors.

As of June 30, 2017, our net lease portfolio, including our equity method investments in SAFE and the Net Lease Venture, totaled $1.36 billion, gross of $314.4 million of accumulated depreciation. The table below provides certain statistics for our net lease portfolio.
Net Lease Statistics[(1)]

	June 30, 2017		December 31, 2016	
Square feet (mm)[(2)]	15,959		17,214	
Leased %	99	%	98	%
Weighted average lease term (years)[(3)]	11.5		14.7	
Yield	8.1	%	8.4	%

(1) Statistics exclude our equity method investment in SAFE.
(2) As of June 30, 2017 and December 31, 2016, includes 4,005 and 3,081 square feet, respectively, at our equity method investment of which we own 51.9%.
(3) Weighted average lease term as of June 30, 2017 includes a lease extension that was effective July 3, 2017.

Operating Properties

As of June 30, 2017, our operating property portfolio, including equity method investments, totaled $608.1 million, gross of $53.6 million of accumulated depreciation, and was comprised of $541.0 million of commercial and $67.1 million of residential real estate properties.

Commercial Operating Properties

Our commercial operating properties represent a diverse pool of assets across a broad range of geographies and collateral types including office, retail and hotel properties. We generally seek to reposition our transitional properties with the objective of maximizing their values through the infusion of capital and/or intensive asset management efforts resulting in value realization upon sale.

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The table below provides certain statistics for our commercial operating property portfolio.
Commercial Operating Property Statistics
($ in millions)

	Stabilized Operating[1]		Transitional Operating[1]		Total	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Gross book value ($mm)[2]	$343	$ 337	$198	$ 189	$541	$ 526
Occupancy[3]	87 %	86 %	59 %	54 %	77 %	74 %
Yield	8.5 %	8.5 %	3.8 %	1.5 %	6.9 %	5.5 %

(1) Stabilized commercial properties generally have occupancy levels above 80% and/or generate yields resulting in a sufficient return based upon the properties' risk profiles. Transitional commercial properties are generally those properties that do not meet these criteria.
(2) Gross carrying value represents carrying value gross of accumulated depreciation.
(3) Occupancy is as of June 30, 2017 and December 31, 2016.

Residential Operating Properties

As of June 30, 2017, our residential operating portfolio was comprised of 36 condominium units generally located within luxury projects in major U.S. cities. The table below provides certain statistics for our residential operating property portfolio (excluding fractional units).
Residential Operating Property Statistics
($ in millions)

	Six Months Ended	
	June 30, 2017	June 30, 2016
Condominium units sold	12	69
Proceeds	$17.6	$ 58.7
Income from sales of real estate	$2.7	$ 18.8

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Land and Development

As of June 30, 2017, our land and development portfolio, gross of accumulated depreciation and including equity method investments, totaled $925.2 million, with seven projects in production, nine in development and 13 in the pre-development phase. These projects are collectively entitled for approximately 13,000 lots and units. The following tables presents certain statistics for our land and development portfolio.

Land and Development Portfolio
Rollforward
(in millions)

	Six Months Ended	
	June 30, 2017	June 30, 2016
Beginning balance[(1)]	$945.6	$1,002.0
Asset sales[(2)]	(133.8)	(22.4)
Capital expenditures	56.9	66.3
Other	(13.2)	0.1
Ending balance[(1)]	$855.5	$1,046.0

(1)As of June 30, 2017 and December 31, 2016, excludes $62.4 million and $84.8 million, respectively, of equity method investments.
(2)Represents gross book value of the assets sold, rather than proceeds received.

Land and Development Statistics
(in millions)

	Six Months Ended	
	June 30, 2017	June 30, 2016
Land development revenue	$152.8	$ 42.8
Land development cost of sales	138.4	28.8
Gross margin	$14.4	$ 14.0
Earnings from land development equity method investments	7.4	9.3
Total	$21.8	$ 23.3

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Results of Operations for the Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

	For the Three Months Ended June 30,			
	2017	2016	$ Change	% Change
	(in thousands)			
Operating lease income	$47,002	$49,975	$(2,973)	(6)%
Interest income	28,645	34,400	(5,755)	(17)%
Other income	139,510	10,096	129,414	>100%
Land development revenue	132,710	27,888	104,822	>100%
Total revenue	347,867	122,359	225,508	>100%
Interest expense	48,807	56,047	(7,240)	(13)%
Real estate expense	34,684	35,328	(644)	(2)%
Land development cost of sales	122,466	17,262	105,204	>100%
Depreciation and amortization	13,171	13,673	(502)	(4)%
General and administrative	27,218	19,665	7,553	38 %
(Recovery of) provision for loan losses	(600)	700	(1,300)	>100%
Impairment of assets	10,284	3,012	7,272	>100%
Other expense	16,276	3,182	13,094	>100%
Total costs and expenses	272,306	148,869	123,437	83 %
Loss on early extinguishment of debt, net	(3,315)	(1,457)	(1,858)	>100%
Earnings from equity method investments	5,515	39,447	(33,932)	(86)%
Income tax (expense) benefit	(1,644)	1,190	(2,834)	>(100%)
Income from discontinued operations	173	3,633	(3,460)	(95)%
Gain from discontinued operations	123,418	—	123,418	100 %
Income tax expense from discontinued operations	(4,545)	—	(4,545)	100 %
Income from sales of real estate	844	43,484	(42,640)	(98)%
Net income	$196,007	$59,787	$136,220	>100%

Revenue—Operating lease income, which primarily includes income from net lease assets and commercial operating properties, decreased to $47.0 million during the three months ended June 30, 2017 from $50.0 million for the same period in 2016.

Operating lease income from net lease assets decreased to $30.9 million during the three months ended June 30, 2017 from $32.0 million for the same period in 2016. The decrease was due to the sale of net lease assets since July 1, 2016. Operating lease income from same store net lease assets, defined as net lease assets we owned on or prior to April 1, 2016 and were in service through June 30, 2017, was $30.2 million during the three months ended June 30, 2017 and 2016. An increase in rent per occupied square foot, which was $10.30 for the three months ended June 30, 2017 and $10.24 for the same period in 2016, was offset by a decrease in the occupancy rate, which was 98.0% as of June 30, 2017 and 98.8% as of June 30, 2016.

Operating lease income from operating properties decreased to $15.9 million during the three months ended June 30, 2017 from $17.8 million for the same period in 2016. The decrease was primarily due to commercial operating property sales since July 1, 2016, partially offset by the execution of new leases. Operating lease income from same store commercial operating properties, defined as commercial operating properties, excluding hotels and marinas, which we owned on or prior to April 1, 2016 and were in service through June 30, 2017, increased to $11.7 million during the three months ended June 30, 2017 as compared to $10.8 million for the same period in 2016. Rent per occupied square foot for same store commercial operating properties was $25.24 for the three months ended June 30, 2017 and $24.30 for the same period in 2016. Occupancy rates for same store commercial operating properties were 73.5% as of June 30, 2017 and 70.7% as of June 30, 2016. Ancillary operating lease income from land and development assets was $0.2 million and $0.1 million during the three months ended June 30, 2017 and 2016, respectively.

Interest income decreased to $28.6 million during the three months ended June 30, 2017 from $34.4 million for the same period in 2016. The decrease was due primarily to a decrease in the average balance of our performing loans, which decreased to

$1.18 billion in 2017 from $1.62 billion in 2016. The weighted average yield on our performing loans increased to 9.7% for the three months ended June 30, 2017 from 8.4% for the same period in 2016.

Other income increased to $139.5 million during the three months ended June 30, 2017 from $10.1 million for the same period in 2016. Other income during the three months ended June 30, 2017 consisted primarily of interest income and real estate tax reimbursements resulting from the settlement of litigation involving a dispute over the purchase and sale of land (refer to Note 11) and also included income from our hotel properties and other ancillary income from our operating properties. Other income during the three months ended June 30, 2016 consisted of income from our hotel properties and other ancillary income from our operating properties.

Land development revenue and cost of sales—During the three months ended June 30, 2017, we sold residential lots and units and one land parcel totaling 1,250 acres and recognized land development revenue of $132.7 million which had associated cost of sales of $122.5 million. During the three months ended June 30, 2016, we sold residential lots and units and recognized land development revenue of $27.9 million which had associated cost of sales of $17.3 million. The increase in 2017 from 2016 was primarily due to the resolution of litigation involving a dispute over the purchase and sale of the approximately 1,250 acres of land in Prince George's County, Maryland, which resulted in us recognizing $114.0 million of land development revenue and $106.3 million of land development cost of sales (refer to Note 11).

Costs and expenses—Interest expense decreased to $48.8 million during the three months ended June 30, 2017 from $56.0 million for the same period in 2016 due to a decrease in the balance of our average outstanding debt, which decreased to $3.70 billion for the three months ended June 30, 2017 from $4.08 billion for the same period in 2016. Our weighted average cost of debt for the three months ended June 30, 2017 and 2016 was 5.5% and 5.6%, respectively.

Real estate expenses decreased to $34.7 million during the three months ended June 30, 2017 from $35.3 million for the same period in 2016. The decrease was due primarily to a decrease in carry costs and other expenses on our land assets, which decreased to $8.0 million during the three months ended June 30, 2017 from $9.9 million for the same period in 2016. Expenses for net lease assets decreased to $4.1 million during the three months ended June 30, 2017 from $4.6 million for the same period in 2016. Expenses from same store net lease assets was $4.0 million and $3.7 million, respectively, for the three months ended June 30, 2017 and 2016. These decreases were offset by expenses for commercial operating properties, which increased to $20.9 million during the three months ended June 30, 2017 from $18.6 million for the same period in 2016. This increase was primarily due to an increase in expenses at certain of our hotel properties. Expenses from same store commercial operating properties, excluding hotels and marinas, was $7.6 million for the three months ended June 30, 2017 and 2016. Expenses associated with residential operating properties decreased to $1.7 million during the three months ended June 30, 2017 from $2.2 million for the same period in 2016 due to the sale of residential units since June 30, 2016.

Depreciation and amortization decreased to $13.2 million during the three months ended June 30, 2017 from $13.7 million for the same period in 2016, primarily due to the sale of net lease and commercial operating properties in since July 1, 2016.

General and administrative expenses increased to $27.2 million during the three months ended June 30, 2017 from $19.7 million for the same period in 2016, primarily due to a an increase in compensation expense related to performance incentive plans.

The net recovery of loan losses was $0.6 million during the three months ended June 30, 2017 as compared to a net provision for loan losses of $0.7 million for the same period in 2016. The recovery of loan losses for the three months ended June 30, 2017 included a $0.6 million reduction in the general reserve due to an overall improvement in the risk ratings of our loan portfolio. Included in the net provision for the three months ended June 30, 2016 were provisions of $0.3 million in the specific reserve due to one non-performing loan and $0.4 million in the general reserve primarily due to new investment originations and additional fundings and a weakening of risk ratings on certain performing loans, which were offset by payoffs and loans being classified to non-performing status to evaluate for asset-specific reserves.

Impairment of assets was $10.3 million during the three months ended June 30, 2017 and resulted primarily from an impairment on a land and development asset due to a change in our exit strategy. During the three months ended

June 30, 2016, we recorded an impairment of $3.0 million on a residential operating property resulting from a slowdown in the local condominium real estate market.

Other expense increased to $16.3 million during the three months ended June 30, 2017 from $3.2 million for the same period in 2016. The increase was primarily the result of paying organization and offering costs associated with the initial public offering of SAFE (refer to Note 7) during the three months ended June 30, 2017.

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Loss on early extinguishment of debt, net—During the three months ended June 30, 2017, we incurred losses on early extinguishment of debt resulting from repayments of unsecured notes prior to maturity. During the three months ended June 30, 2016, we incurred losses on the early extinguishment of debt related to repayments of secured facilities and unsecured notes prior to maturity.

Earnings from equity method investments—Earnings from equity method investments decreased to $5.5 million during the three months ended June 30, 2017 from $39.4 million for the same period in 2016. During the three months ended June 30, 2017, we recognized $2.4 million from profit participations on a land development venture, $1.2 million related to sales activity on a land development venture, $1.0 million related to operations at our Net Lease Venture and $0.9 million was aggregate income from our remaining equity method investments. During the three months ended June 30, 2016, we recognized $31.9 million primarily from the sale of an equity method investment in a commercial operating property, $5.2 million related to sales activity on a land development venture, $0.9 million related to leasing operations at our Net Lease Venture and $1.4 million was aggregate income from our remaining equity method investments.

Income tax (expense) benefit—An income tax expense of $1.6 million was recorded during the three months ended June 30, 2017 as compared to an income tax benefit of $1.2 million for the same period in 2016. The income tax expense for the three months ended June 30, 2017 primarily related to federal alternative minimum taxes on REIT taxable income generated by the settlement of litigation on the sale of a land parcel. The income tax benefit for the three months ended June 30, 2016 primarily related to taxable losses generated by sales of certain taxable REIT subsidiary ("TRS") properties.

Discontinued Operations—During the three months ended June 30, 2017, institutional investors acquired a controlling interest in our GL business through the merger of one of our subsidiaries and related transactions. We received total consideration of $340.0 million, including $113.0 million in cash, including $55.5 million that we contributed to SAFE in its initial capitalization, and the proceeds from the $227.0 million 2017 Secured Financing (refer to Note 10). We had a total carrying value of approximately $161.1 million in our GL assets and recognized a gain from discontinued operations of $123.4 million, reflecting the aggregate gain less the fair value of our retained interest in SAFE. Income from discontinued operations represents the operating results from the 12 properties comprising our GL business.

Income from sales of real estate—During the three months ended June 30, 2017, we sold residential condominiums and recognized $0.8 million in income from sales of real estate. During the three months ended June 30, 2016, we sold properties and recognized $43.5 million in income from sales of real estate. During the three months ended June 30, 2016, we sold commercial operating properties resulting in income of $25.1 million, residential condominiums resulting in income of $14.0 million and net lease assets resulting in income of $4.4 million.

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Results of Operations for the Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

	For the Six Months Ended June 30,			
	2017	2016	$ Change	% Change
	(in thousands)			
Operating lease income	$94,349	$100,470	$(6,121)	(6)%
Interest income	57,703	67,620	(9,917)	(15)%
Other income	151,374	21,636	129,738	>100%
Land development revenue	152,760	42,835	109,925	>100%
Total revenue	456,186	232,561	223,625	96 %
Interest expense	99,952	113,068	(13,116)	(12)%
Real estate expense	70,274	69,572	702	1 %
Land development cost of sales	138,376	28,838	109,538	>100%
Depreciation and amortization	25,451	27,581	(2,130)	(8)%
General and administrative	52,392	42,768	9,624	23 %
(Recovery of) provision for loan losses	(5,528)	2,206	(7,734)	>(100%)
Impairment of assets	14,696	3,012	11,684	>100%
Other expense	18,145	3,922	14,223	>100%
Total costs and expenses	413,758	290,967	122,791	42 %
Loss on early extinguishment of debt, net	(3,525)	(1,582)	(1,943)	>100%
Earnings from equity method investments	11,217	47,714	(36,497)	(76)%
Income tax (expense) benefit	(2,251)	1,604	(3,855)	>(100%)
Income from discontinued operations	4,939	7,214	(2,275)	(32)%
Gain from discontinued operations	123,418	—	123,418	100 %
Income tax expense from discontinued operations	(4,545)	—	(4,545)	100 %
Income from sales of real estate	8,954	53,943	(44,989)	(83)%
Net income	$180,635	$50,487	$130,148	>100%

Revenue—Operating lease income, which primarily includes income from net lease assets and commercial operating properties, decreased to $94.3 million during the six months ended June 30, 2017 from $100.5 million for the same period in 2016.

Operating lease income from net lease assets decreased to $62.1 million during the six months ended June 30, 2017 from $63.4 million for the same period in 2016. The decrease was primarily due to the sale of net lease assets since July 1, 2016. Operating lease income from same store net lease assets, defined as net lease assets we owned on or prior to January 1, 2016 and were in service through June 30, 2017, increased slightly to $60.2 million during the six months ended June 30, 2017 from $59.9 million for the same period in 2016. This increase was primarily due to an increase in rent per occupied square foot to $10.29 for the six months ended June 30, 2017 from $10.13 for the same period in 2016, partially offset by a decrease in the occupancy rate, which was 98.0% as of June 30, 2017 and 98.8% as of June 30, 2016.

Operating lease income from operating properties decreased to $31.9 million during the six months ended June 30, 2017 from $36.9 million for the same period in 2016. The decrease was primarily due to commercial operating property sales since July 1, 2016, partially offset by the execution of new leases. Operating lease income from same store commercial operating properties, defined as commercial operating properties, excluding hotels and marinas, which we owned on or prior to January 1, 2016 and were in service through June 30, 2017, increased to $23.4 million during the six months ended June 30, 2017 as compared to $22.6 million for the same period in 2016. Rent per occupied square foot for same store commercial operating properties was $25.25 for the six months ended June 30, 2017 and $25.35 for the same period in 2016. Occupancy rates for same store commercial operating properties were

73.5% as of June 30, 2017 and 70.7% as of June 30, 2016. Ancillary operating lease income from land and development assets was $0.3 million and $0.2 million during the six months ended June 30, 2017 and 2016, respectively.

Interest income decreased to $57.7 million during the six months ended June 30, 2017 from $67.6 million for the same period in 2016. The decrease was due primarily to a decrease in the average balance of our performing loans, which decreased to $1.23

billion in 2017 from $1.59 billion in 2016. The weighted average yield on our performing loans increased to 9.5% for the six months ended June 30, 2017 from 8.4% for the same period in 2016.

Other income increased to $151.4 million during the six months ended June 30, 2017 from $21.6 million for the same period in 2016. Other income during the six months ended June 30, 2017 primarily consisted of interest income and real estate tax reimbursements resulting from the settlement of litigation involving a dispute over the purchase and sale of land (refer to Note11), income from our hotel properties and other ancillary income from our operating properties. Other income during the six months ended June 30, 2016 consisted of income from our hotel properties, loan prepayment fees and property tax refunds.

Land development revenue and cost of sales—During the six months ended June 30, 2017, we sold residential lots and units and one land parcel totaling 1,250 acres and recognized land development revenue of $152.8 million which had associated cost of sales of $138.4 million. During the six months ended June 30, 2016, we sold residential lots and units and recognized land development revenue of $42.8 million which had associated cost of sales of $28.8 million. The increase in 2017 from 2016 was primarily due to the resolution of litigation involving a dispute over the purchase and sale of the approximately 1,250 acres of land in Prince George's County, Maryland, which resulted in us recognizing $114.0 million of land development revenue and $106.3 million of land development cost of sales (refer to Note 11).

Costs and expenses—Interest expense decreased to $100.0 million during the six months ended June 30, 2017 from $113.1 million for the same period in 2016 due to a decrease in the balance of our average outstanding debt, which decreased to $3.64 billion for the six months ended June 30, 2017 from $4.16 billion for the same period in 2016. Our weighted average cost of debt for the six months ended June 30, 2017 and 2016 was 5.7% and 5.5%, respectively.

Real estate expenses increased to $70.3 million during the six months ended June 30, 2017 from $69.6 million for the same period in 2016. The increase was due to expenses for commercial operating properties, which increased to $40.7 million during the six months ended June 30, 2017 from $37.1 million for the same period in 2016. This increase was primarily due to an increase in expenses at certain of our hotel properties, partially offset by property sales since July 1, 2016. This increase was partially offset by a decrease in carry costs and other expenses on our land assets, which decreased to $17.5 million during the six months ended June 30, 2017 from $18.6 million for the same period in 2016. Expenses from same store commercial operating properties, excluding hotels and marinas, decreased to $14.9 million from $15.0 million for the same period in 2016. Expenses associated with residential operating properties decreased to $3.5 million during the six months ended June 30, 2017 from $4.8 million for the same period in 2016 due to the sale of residential units since June 30, 2016. Expenses for net lease assets decreased to $8.6 million during the six months ended June 30, 2017 from $9.1 million for the same period in 2016. Expenses from same store net lease assets was $8.3 million and $7.4 million, respectively, for the six months ended June 30, 2017 and 2016.

Depreciation and amortization decreased to $25.5 million during the six months ended June 30, 2017 from $27.6 million for the same period in 2016, primarily due to the sale of net lease and commercial operating properties in since July 1, 2016.

General and administrative expenses increased to $52.4 million during the six months ended June 30, 2017 from $42.8 million for the same period in 2016, primarily due to a an increase in compensation expense related to performance incentive plans.

The net recovery of loan losses was $5.5 million during the six months ended June 30, 2017 as compared to a net provision for loan losses of $2.2 million for the same period in 2016. The recovery of loan losses included a $5.5 million reduction in the general reserve due to an overall improvement in the risk ratings of our loan portfolio. Included in the net provision for the six months ended June 30, 2016 were provisions of $1.2 million in the specific reserve due to one non-performing loan and $1.0 million in the general reserve primarily due to new investment originations and additional fundings and a weakening of risk ratings on certain performing loans, which were offset by payoffs and loans being classified to non-performing status to evaluate for asset-specific reserves.

Impairment of assets was $14.7 million during the six months ended June 30, 2017 and resulted primarily from an impairment on a land and development asset due to a change in our exit strategy and an impairment on a real estate asset held for sale due to shifting demand in the local condominium market along with a change in our exit strategy. During the six months ended June 30, 2016, we recorded an impairment of $3.0 million on a residential property resulting from a slowdown in the local condominium real estate market.

Other expense increased to $18.1 million during the six months ended June 30, 2017 from $3.9 million for the same period in 2016. The increase was primarily the result of paying organization and offering costs associated with the initial public offering of SAFE (refer to Note 7) recorded during the six months ended June 30, 2017.

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Loss on early extinguishment of debt, net—During the six months ended June 30, 2017, we incurred losses on early extinguishment of debt resulting from repayments of unsecured notes prior to maturity and the repricing of our 2016 Senior Secured Credit Facility. During the six months ended June 30, 2016, we incurred losses on the early extinguishment of debt related to repayments of secured facilities and unsecured notes prior to maturity.
Earnings from equity method investments—Earnings from equity method investments decreased to $11.2 million during the six months ended June 30, 2017 from $47.7 million for the same period in 2016. During the six months ended June 30, 2017, we recognized $2.9 million primarily from profit participations on a land development venture, $4.3 million related to sales activity on a land development venture, $2.0 million related to operations at our Net Lease Venture and $2.0 million was aggregate income from our remaining equity method investments. During the six months ended June 30, 2016, we recognized $32.3 million primarily from the sale of an equity method investment in a commercial operating property, $13.4 million related to sales activity on a land development venture, $1.9 million related to leasing operations at our Net Lease Venture and $0.1 million was aggregate income from our remaining equity method investments.
Income tax (expense) benefit—An income tax expense of $2.3 million was recorded during the six months ended June 30, 2017 as compared to an income tax benefit of $1.6 million for the same period in 2016. The income tax expense for the six months ended June 30, 2017 primarily related to federal alternative minimum taxes on REIT taxable income generated by the settlement of litigation on the sale of a land parcel. The income tax benefit for the six months ended June 30, 2016 primarily related to taxable losses generated by sales of certain TRS properties.

Discontinued Operations—During the six months ended June 30, 2017, institutional investors acquired a controlling interest in our GL business through the merger of one of our subsidiaries and related transactions. We received total consideration of $340.0 million, including $113.0 million in cash, including $55.5 million that we contributed to SAFE in its initial capitalization, and the proceeds from the $227.0 million 2017 Secured Financing (refer to Note 10). We had a carrying value of approximately $161.1 million in our GL assets and recognized a gain from discontinued operations of $123.4 million, reflecting the aggregate gain less the fair value of our retained interest in SAFE. Income from discontinued operations represents the operating results from the 12 properties comprising our GL business.

Income from sales of real estate—During the six months ended June 30, 2017, we sold net lease and operating properties and recognized $9.0 million in income from sales of real estate. During the six months ended June 30, 2016, we sold commercial operating properties resulting in income of $25.9 million, residential condominiums resulting in income of $18.8 million and net lease assets resulting in income of $9.2 million.

Adjusted Income

In addition to net income (loss) prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"), we use adjusted income, a non-GAAP financial measure, to measure our operating performance. Adjusted income is used internally as a supplemental performance measure adjusting for certain non-cash GAAP measures to give management a view of income more directly derived from current period activity. Until the second quarter 2016, adjusted income was calculated as net income (loss) allocable to common shareholders, prior to the effect of depreciation and amortization, provision for (recovery of) loan losses, impairment of assets, stock-based compensation expense, and the non-cash portion of gain (loss) on early extinguishment of debt. Effective in the second quarter 2016, we modified our presentation of adjusted income to reflect the effect of gains or losses on charge-offs and dispositions on carrying value gross of loan loss reserves and impairments ("Adjusted Income").

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Adjusted Income should be examined in conjunction with net income (loss) as shown in our consolidated statements of operations. Adjusted Income should not be considered as an alternative to net income (loss) (determined in accordance with GAAP), or to cash flows from operating activities (determined in accordance with GAAP), as a measure of our liquidity, nor is Adjusted Income indicative of funds available to fund our cash needs or available for distribution to shareholders. Rather, Adjusted Income is an additional measure we use to analyze our business performance because it excludes the effects of certain non-cash charges that we believe are not necessarily indicative of our operating performance while including the effect of gains or losses on investments when realized. It should be noted that our manner of calculating Adjusted Income may differ from the calculations of similarly-titled measures by other companies.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Adjusted Income				
Net income allocable to common shareholders	$177,467	$38,112	$150,365	$16,933
Add: Depreciation and amortization[1]	15,620	17,335	30,672	34,508
Add: (Recovery of) provision for loan losses	(600)	700	(5,528)	2,206
Add: Impairment of assets[2]	10,284	3,012	14,696	3,927
Add: Stock-based compensation expense	3,915	1,633	9,796	6,211
Add: Loss on early extinguishment of debt, net	565	1,457	775	1,582
Less: Losses on charge-offs and dispositions[3]	(8,811)	(1,148)	(14,127)	(4,563)
Less: Participating Security allocation	—	(12)	—	(28)
Adjusted income allocable to common shareholders	$198,440	$61,089	$186,649	$60,776

(1) Depreciation and amortization also includes our proportionate share of depreciation and amortization expense for equity method investments and excludes the portion of depreciation and amortization expense allocable to noncontrolling interests.

(2) For the six months ended June 30, 2016, impairment of assets includes impairments on cost and equity method investments recorded in "Other income" and "Earnings from equity method investments," respectively, in our consolidated statements of operations.

(3) Represents the impact of charge-offs and dispositions realized during the period. These charge-offs and dispositions were on assets that were previously impaired for GAAP and reflected in net income but not Adjusted Income.

Liquidity and Capital Resources

As of June 30, 2017, we had unrestricted cash of $954.3 million. During the three months ended June 30, 2017, we invested $200.6 million associated with new investments, prior financing commitments as well as ongoing development during the quarter. Total investments included $82.1 million in lending and other investments, $29.2 million to develop our land and development assets and $89.3 million of capital to reposition or redevelop our operating properties and invest in net lease assets. Also during the three months ended June 30, 2017, we generated $440.6 million of proceeds from loan repayments and asset sales within our portfolio, comprised of $219.1 million from real estate finance, $9.3 million from operating properties, $66.7 million from net lease assets, $139.2 million from land and development assets and $6.3 million from other investments. These amounts are inclusive of fundings and proceeds from both consolidated investments and our pro rata share from equity method investments.

The following table outlines our capital expenditures on real estate and land and development assets as reflected in our consolidated statements of cash flows, by segment ($ in thousands):

For the Six
Months Ended

	June 30,	
	2017	2016
Operating Properties	$14,957	$33,367
Net Lease	1,389	2,307
Total capital expenditures on real estate assets	$16,346	$35,674
Land and Development	$53,894	$58,961
Total capital expenditures on land and development assets	$53,894	$58,961

Our primary cash uses over the next 12 months are expected to be repayments of debt, funding of investments, capital expenditures and funding ongoing business operations. Over the next 12 months, we currently expect to fund in the range of

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approximately $175.0 million to $225.0 million of capital expenditures within our portfolio. The majority of these amounts relate to our land and development and operating properties business segments and include multifamily and residential development activities which are expected to include approximately $50.0 million in vertical construction. The amount spent will depend on the pace of our development activities as well as the extent to which we strategically partner with others to complete these projects. As of June 30, 2017, we also had approximately $388.6 million of maximum unfunded commitments associated with our investments of which we expect to fund the majority of over the next two years, assuming borrowers and tenants meet all milestones, performance hurdles and all other conditions to fundings (see "Unfunded Commitments" below). Our capital sources to meet cash uses through the next 12 months and beyond will primarily be expected to include capital raised through debt and/or equity capital raising transactions, cash on hand, income from our portfolio, loan repayments from borrowers and proceeds from asset sales.

We cannot predict with certainty the specific transactions we will undertake to generate sufficient liquidity to meet our obligations as they come due. We will adjust our plans as appropriate in response to changes in our expectations and changes in market conditions. While economic trends have stabilized, it is not possible for us to predict whether these trends will continue or to quantify the impact of these or other trends on our financial results.

Contractual Obligations—The following table outlines the contractual obligations related to our long-term debt obligations, loan participations payable and operating lease obligations as of June 30, 2017 (refer to Note 10 to the consolidated financial statements).

	Amounts Due By Period					
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	5 - 10 Years	After 10 Years
	(in thousands)					
Long-Term Debt Obligations:						
Unsecured notes	$2,570,000	$550,000	$1,370,000	$650,000	$—	$—
Secured credit facilities	498,750	5,000	10,000	483,750	—	—
Mortgages	225,624	17,916	39,703	118,190	49,815	—
Trust preferred securities	100,000	—	—	—	—	100,000
Total principal maturities	3,394,374	572,916	1,419,703	1,251,940	49,815	100,000
Interest Payable[1]	522,435	172,191	221,258	89,214	15,634	24,138
Loan Participations Payable[2]	107,842	102,461	5,381	—	—	—
Operating Lease Obligations	20,414	5,766	7,973	3,761	2,914	—
Total	$4,045,065	$853,334	$1,654,315	$1,344,915	$68,363	$124,138

(1) Variable-rate debt assumes 1-month LIBOR of 1.22% and 3-month LIBOR of 1.30% that were in effect as of June 30, 2017.

(2) Refer to Note 9 to the consolidated financial statements.

2017 Secured Financing—In March 2017, we (through wholly-owned subsidiaries conducting our GL business) entered into a $227.0 million secured financing transaction (the "2017 Secured Financing") that accrued interest at 3.795% and matures in April 2027. The 2017 Secured Financing was collateralized by the 12 properties comprising our GL business, including seven GLs and one master lease (covering the accounts of five properties). In connection with the 2017 Secured Financing, we incurred $7.3 million of lender and third-party fees, substantially all of which was capitalized in "Debt obligations, net" on our consolidated balance sheets. In April 2017, we derecognized the 2017 Secured Financing when third parties acquired a controlling interest in the Company's GL business (refer to Note 4).

2016 Secured Term Loan—In December 2016, we arranged a $170.0 million delayed draw secured term loan (the "2016 Secured Term Loan"). We allowed the 2016 Secured Term Loan to expire and replaced the 2016 Secured Term Loan with the 2017 Secured Financing. The 2016 Secured Term Loan was collateralized by the 12 properties that served as collateral for the 2017 Secured Financing.

2016 Senior Secured Credit Facility—In June 2016, we entered into a senior secured credit facility of $450.0 million (the "2016 Senior Secured Credit Facility"). In August 2016, we upsized the facility to $500.0 million. The initial $450.0 million of the 2016 Senior Secured Credit Facility was issued at 99% of par and the upsize was issued at par. The 2016 Senior Secured Credit Facility initially accrued interest at a floating rate of LIBOR plus 4.50% with a 1.00% LIBOR floor. In January 2017, we repriced the 2016 Senior Secured Credit Facility to LIBOR plus 3.75% with a 1.00% LIBOR floor. The 2016 Senior Secured Credit Facility is collateralized 1.25x by a first lien on a fixed pool of assets. Proceeds from principal repayments and sales of collateral are applied to amortize the 2016 Senior Secured Credit Facility. Proceeds received for interest, rent, lease payments and fee income are retained by us. We may also make optional prepayments, subject to prepayment fees, and are required to repay 0.25% of the

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principal amount on the first business day of each quarter beginning on October 3, 2016. Proceeds from the 2016 Senior Secured Credit Facility, together with cash on hand, were primarily used to repay other secured debt.
2015 Secured Revolving Credit Facility—In March 2015, we entered into a secured revolving credit facility with a maximum capacity of $250.0 million (the "2015 Secured Revolving Credit Facility"). Borrowings under this credit facility bear interest at a floating rate indexed to one of several base rates plus a margin which adjusts upward or downward based upon our corporate credit rating. An undrawn credit facility commitment fee ranges from 0.375% to 0.50%, based on average utilization each quarter. Commitments under the revolving facility mature in March 2018. At maturity, we may convert outstanding borrowings to a one-year term loan which matures in quarterly installments through March 2019. As of June 30, 2017, based on our borrowing base of assets, we had $234.6 million of borrowing capacity available under the 2015 Secured Revolving Credit Facility.
Unsecured Notes—In March 2017, we issued $375.0 million principal amount of 6.00% senior unsecured notes due April 2022. Proceeds from the offering were primarily used to repay in full the $99.7 million principal amount of 5.85% senior unsecured notes due March 2017 and repay in full the $275.0 million principal amount of 9.00% senior unsecured notes due June 2017. In March 2016, we repaid our $261.4 million principal amount of 5.875% senior unsecured notes at maturity using available cash. In addition, we issued $275.0 million principal amount of 6.50% senior unsecured notes due July 2021. Proceeds from the offering were primarily used to repay $5.0 million of the 2015 Secured Revolving Credit Facility, pay related financing costs, and repay in full the $265.0 million principal amount of senior unsecured notes due July 2016.

Encumbered/Unencumbered Assets—The carrying value of our encumbered and unencumbered assets by asset type are as follows ($ in thousands):

	As of June 30, 2017		December 31, 2016	
	Encumbered Assets	Unencumbered Assets	Encumbered Assets	Unencumbered Assets
Real estate, net	$871,613	$ 471,369	$881,212	$ 506,062
Real estate available and held for sale	—	68,045	—	237,531
Land and development, net	25,100	830,397	35,165	910,400
Loans receivable and other lending investments, net[1][2]	137,722	943,592	172,581	1,142,050
Other investments	—	276,821	—	214,406
Cash and other assets	—	1,200,845	—	590,299
Total	$1,034,435	$ 3,791,069	$1,088,958	$ 3,600,748

(1) As of June 30, 2017 and December 31, 2016, the amounts presented exclude general reserves for loan losses of $17.8 million and $23.3 million, respectively.
(2) As of June 30, 2017 and December 31, 2016, the amounts presented exclude loan participations of $107.1 million and $159.1 million, respectively.

Debt Covenants—Our outstanding unsecured debt securities contain corporate level covenants that include a covenant to maintain a ratio of unencumbered assets to unsecured indebtedness of at least 1.2x and a covenant not to incur additional indebtedness (except for incurrences of permitted debt), if on a pro forma basis, our consolidated fixed charge coverage ratio, determined in accordance with the indentures governing our debt securities, is 1.5x or lower. If any of our covenants are breached and not cured within applicable cure periods, the breach could result in acceleration of our debt securities unless a waiver or modification is agreed upon with the requisite percentage of the bondholders. If our ability to incur additional indebtedness under the fixed charge coverage ratio is limited, we are permitted to incur indebtedness for the purpose of refinancing existing indebtedness and for other permitted purposes under the indentures.

The 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility contain certain covenants, including covenants relating to collateral coverage, dividend payments, restrictions on fundamental changes, transactions with affiliates, matters relating to the liens granted to the lenders and the delivery of information to the lenders. In particular, the 2016 Senior Secured Credit Facility requires us to maintain collateral coverage of at least 1.25x outstanding borrowings on the facility. The 2015 Secured Revolving Credit Facility is secured by a borrowing base of assets and requires us to maintain both collateral coverage of at least 1.5x outstanding borrowings on the facility and a consolidated ratio of cash flow to fixed charges of at least 1.5x. The 2015 Secured Revolving Credit Facility does not require that proceeds from the borrowing base be used to pay down outstanding borrowings provided the collateral coverage remains at least 1.5x outstanding borrowings on the facility. To satisfy this covenant, we have the option to pay down outstanding borrowings or substitute assets in the borrowing base. In addition, for so long as we maintain our qualification as a REIT, the 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility permit us to distribute 100% of our REIT taxable income on an annual basis (prior to deducting certain cumulative NOL carryforwards).

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Derivatives—Our use of derivative financial instruments is primarily limited to the utilization of interest rate swaps, interest rate caps or other instruments to manage interest rate risk exposure and foreign exchange contracts to manage our risk to changes in foreign currencies. Refer to Note 12 to the consolidated financial statements.

Off-Balance Sheet Arrangements—We are not dependent on the use of any off-balance sheet financing arrangements for liquidity. We have made investments in various unconsolidated ventures. Refer to Note 7 to the consolidated financial statements for further details of our unconsolidated investments. Our maximum exposure to loss from these investments is limited to the carrying value of our investments and any unfunded commitments (see below).

Unfunded Commitments—We generally fund construction and development loans and build-outs of space in net lease assets over a period of time if and when the borrowers and tenants meet established milestones and other performance criteria. We refer to these arrangements as Performance-Based Commitments. In addition, we sometimes establish a maximum amount of additional funding which we will make available to a borrower or tenant for an expansion or addition to a project if we approve of the expansion or addition in our sole discretion. We refer to these arrangements as Discretionary Fundings. Finally, we have committed to invest capital in several real estate funds and other ventures. These arrangements are referred to as Strategic Investments. As of June 30, 2017, the maximum amounts of the fundings we may make under each category, assuming all performance hurdles and milestones are met under the Performance-Based Commitments, that we approve all Discretionary Fundings and that 100% of our capital committed to Strategic Investments is drawn down, are as follows (in thousands):

	Loans and Other Lending Investments(1)	Real Estate	Other Investments	Total
Performance-Based Commitments	$ 313,615	$7,886	$ 21,420	$342,921
Strategic Investments	—	—	45,634	45,634
Total(2)	$ 313,615	$7,886	$ 67,054	$388,555

(1) Excludes $130.3 million of commitments on loan participations sold that are not our obligation.
(2) We did not have any Discretionary Fundings as of June 30, 2017.

Stock Repurchase Program—In February 2016, after having substantially utilized the remaining availability previously authorized, our Board of Directors authorized a new $50.0 million stock repurchase program. After having substantially utilized the availability authorized in February 2016, our Board of Directors authorized an increase to the stock repurchase program to $50.0 million, effective August 4, 2016. The program authorizes the repurchase of common stock from time to time in open market and privately negotiated purchases, including pursuant to one or more trading plans. We did not repurchase any shares of common stock during the six months ended June 30, 2017. During the six months ended June 30, 2016, we repurchased 9.5 million shares of our common stock for $91.8 million, at an average cost of $9.71 per share. As of June 30, 2017, we had remaining authorization to repurchase up to $50.0 million of common stock under our stock repurchase program.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments in certain circumstances that affect amounts reported as assets, liabilities, revenues and expenses. We have established detailed policies and control procedures intended to ensure that valuation methods, including any judgments made as part of such methods, are well controlled, reviewed and applied consistently from period to period. We base our estimates on historical corporate and industry experience and various other assumptions that we believe to be appropriate under the circumstances. For all of these estimates, we caution that future events rarely develop exactly as forecasted, and, therefore, routinely require adjustment.

On January 1, 2017, we adopted Accounting Standards Update ("ASU") 2016-09, Compensation - Stock Compensation, Improvements to Employee Share-Based Payment Accounting, which simplified several aspects of the accounting for share-based payment transactions, including income tax, classification of awards as either equity or liabilities and classification on the statement of cash flows. The adoption did not have a material impact on our consolidated financial statements.

As of June 30, 2017, the remainder of our significant accounting policies, which are detailed in our 2016 Annual Report, have not changed materially.

New Accounting Pronouncements—For a discussion of the impact of new accounting pronouncements on our financial condition or results of operations, refer to Note 3 to the consolidated financial statements.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risks

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. In pursuing our business plan, the primary market risk to which we are exposed is interest rate risk. Our operating results will depend in part on the difference between the interest and related income earned on our assets and the interest expense incurred in connection with our interest-bearing liabilities. Changes in the general level of interest rates prevailing in the financial markets will affect the spread between our floating rate assets and liabilities subject to the net amount of floating rate assets/liabilities and the impact of interest rate floors and caps. Any significant compression of the spreads between interest-earning assets and interest-bearing liabilities could have a material adverse effect on us.

In the event of a significant rising interest rate environment or economic downturn, defaults could increase and cause us to incur additional credit losses which would adversely affect our liquidity and operating results. Such delinquencies or defaults would likely have a material adverse effect on the spreads between interest-earning assets and interest-bearing liabilities. In addition, an increase in interest rates could, among other things, reduce the value of our fixed-rate interest-bearing assets and our ability to realize gains from the sale of such assets.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political conditions, and other factors beyond our control. We monitor the spreads between our interest-earning assets and interest-bearing liabilities and may implement hedging strategies to limit the effects of changes in interest rates on our operations, including engaging in interest rate swaps, interest rate caps and other interest rate-related derivative contracts. Such strategies are designed to reduce our exposure, on specific transactions or on a portfolio basis, to changes in cash flows as a result of interest rate movements in the market. We do not enter into derivative contracts for speculative purposes or as a hedge against changes in our credit risk or the credit risk of our borrowers.

While a REIT may utilize derivative instruments to hedge interest rate risk on its liabilities incurred to acquire or carry real estate assets without generating non-qualifying income, use of derivatives for other purposes will generate non-qualified income for REIT income test purposes. This includes hedging asset related risks such as credit and interest rate exposure on our loan assets. As a result our ability to hedge these types of risks is limited. There can be no assurance that our profitability will not be materially adversely affected during any period as a result of changing interest rates.

The following table quantifies the potential changes in annual net income, assuming no change in our interest earning assets or interest bearing liabilities, should interest rates increase by 10, 50 or 100 basis points or decrease by 10 basis points, assuming no change in the shape of the yield curve (i.e., relative interest rates). The base interest rate scenario assumes the one-month LIBOR rate of 1.22% as of June 30, 2017. Actual results could differ significantly from those estimated in the table.

Estimated Change In Net Income
($ in thousands)

Change in Interest Rates	Net Income[1]
-10 Basis Points	$ (1,003)
Base Interest Rate	—
+10 Basis Points	1,003
+50 Basis Points	5,015
+100 Basis Points	10,030

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(1) We have an overall net variable-rate asset position, which results in an increase in net income when rates increase and a decrease in net income when rates decrease. As of June 30, 2017, $459.9 million of our floating rate loans have a cumulative weighted average interest rate floor of 0.3% and $606.6 million of our floating rate debt has a cumulative weighted average interest rate floor of 0.9%.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company has formed a disclosure committee that is responsible for considering the materiality of information and determining the disclosure obligations of the Company on a timely basis. The disclosure committee reports directly to the Company's Chief Executive Officer and Chief Financial Officer.

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As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the disclosure committee and other members of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) or Rule 15d-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

There have been no changes during the last fiscal quarter in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company and/or one or more of its subsidiaries is party to various pending litigation matters that are considered ordinary routine litigation incidental to its real estate and real estate related business activities, including loan foreclosure and foreclosure-related proceedings. In addition to such matters, the Company is a party to the following legal proceedings:

U.S. Home Corporation ("Lennar") v. Settlers Crossing, LLC, et al. (United States District Court for the District of Maryland, Civil Action No. DKC 08-1863)

This litigation involved a dispute over the purchase and sale of approximately 1,250 acres of land in Prince George's County, Maryland. Following a trial, in January 2015, the United States District Court for the District of Maryland (the District Court) entered judgment in favor of the Company, finding that the Company was entitled to specific performance of the purchase and sale agreement and awarding the Company the aggregate amount of: (i) the remaining unpaid purchase price; plus (ii) simple interest on the unpaid amount at a rate of 12% annually from 2008; plus (iii) real estate taxes paid by the Company; plus (iv) actual and reasonable attorneys' fees and costs incurred by the Company in connection with the litigation. Lennar appealed the District Court's judgment. On April 12, 2017, the United States Court of Appeals for the Fourth Circuit affirmed the judgment of the District Court in its entirety. Lennar's petition for rehearing en banc was summarily denied.

On April 21, 2017, we and Lennar completed the transfer of the land, pursuant to which we conveyed the land to Lennar and received net proceeds of $234.1 million after payment of $3.3 million in documentary transfer taxes, consisting of $114.0 million of sales proceeds, $121.8 million of interest and $1.6 million of real estate tax reimbursements. The amount of attorneys' fees and costs to be recovered by us will be determined through further proceedings before the District Court. We have applied for attorney's fees in excess of $17.0 million. A portion of the net proceeds received by us has been paid to the third party which holds a 4.3% participation interest in all proceeds received by us.

Item 1a. Risk Factors

There were no material changes from the risk factors previously disclosed in the Company's 2016 Annual Report.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth the information with respect to purchases made by or on behalf of the Company of its common stock during the three months ended June 30, 2017.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plans[1]
April 1 to April 30	—	$	—	$50,000,000
May 1 to May 31	—	$	—	$50,000,000
June 1 to June 30	—	$	—	$50,000,000

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(1) In August 2016, the Company's Board of Directors authorized an increase to $50.0 million in the stock repurchase program. The program authorizes the repurchase of common stock from time to time in open market and privately negotiated purchases, including pursuant to one or more trading plans. There is no fixed expiration date to this stock repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

INDEX TO EXHIBITS

Exhibit Number	Document Description
10.1**	Management Agreement, dated as of June 27, 2017, among SFTY Manager LLC, Safety, Income and Growth, Inc. and Safety Income and Growth Operating Partnership LP.
10.2**	Exclusivity and Expense Reimbursement Agreement, dated as of June 27, 2017, among iStar Inc. and Safety, Income and Growth, Inc.
10.3**	Registration Rights Agreement, dated as of June 27, 2017, between iStar Inc. and Safety, Income and Growth, Inc.
10.4**	Option Purchase Agreement, dated as of June 27, 2017, between iStar Inc. and Safety Income and Growth Operating Partnership LP.
31.0	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act.
32.0	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act.
101*	The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2017 is formatted in XBRL ("eXtensible Business Reporting Language"): (i) the Consolidated Balance Sheets as of June 30, 2017 (unaudited) and December 31, 2016, (ii) the Consolidated Statements of Operations (unaudited) for the three and six months ended June 30, 2017 and 2016, (iii) the Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three and six months ended June 30, 2017 and 2016, (iv) the Consolidated Statements of Changes in Equity (unaudited) for the six months ended June 30, 2017 and 2016, (v) the Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2017 and 2016 and (vi) the Notes to the Consolidated Financial Statements (unaudited).

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* In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Exchange Act of 1934 and otherwise is not subject to liability under these sections.

** Incorporated by reference t the Current Report on Form 8-K filed by Safety, Income and Growth, Inc. on July 3, 2017 with the Securities and Exchange Commission. (File No. 001-38122)

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		iStar Inc.
		Registrant
Date:	August 4, 2017	/s/ JAY SUGARMAN
		Jay Sugarman
		Chairman of the Board of Directors and Chief Executive Officer (principal executive officer)

		iStar Inc.
		Registrant
Date:	August 4, 2017	/s/ GEOFFREY G. JERVIS
		Geoffrey G. Jervis
		Chief Operating Officer and Chief Financial Officer (principal financial and accounting officer)