

NOTICE OF VOLUNTARY DISMISSAL
OF SHAREHOLDER DERIVATIVE LAWSUIT
AGAINST iSTAR FINANCIAL INC.

In April and May 2010, three separate shareholder derivative complaints were filed, purportedly on behalf of iStar Financial Inc. (“iStar”), against iStar’s Board of Directors and certain current and former executive officers. These actions all alleged that iStar’s public disclosures during December 2007-March 2008 allegedly contained material misstatements and omissions relating to iStar’s continuing operations, including the value of iStar’s loan portfolio and certain debt securities held by iStar. The actions further alleged that, in connection with these alleged misstatements and certain subsequent personnel actions, the individual defendants breached their fiduciary duties to iStar and are liable to iStar for unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. One of these complaints, filed in Supreme Court of New York, County of New York, was voluntarily dismissed in June 2010. The second complaint, *Kautz v. Sugarman*, filed in the United States District Court for the Southern District of New York, was dismissed in its entirety on March 31, 2011; on November 21, 2011, the United States Court of Appeals for the Southern District of New York affirmed the dismissal.

On December 12, 2011, the parties in the remaining shareholder derivative action, *Vancil v. Sugarman, et al.*, No. 10 Civ. 4312 (RJS), pending in the United States District Court for the Southern District of New York, filed a Stipulation of Dismissal that read in relevant part as follows:

“WHEREAS plaintiff Addie Vancil filed this Verified Shareholder Derivative Complaint on behalf of iStar Financial Inc. (“iStar” or “the Company”) for Breach of Fiduciary Duty, Waste of Corporate Assets, and Unjust Enrichment on May 28, 2010;

“WHEREAS defendants contend that the demand underlying this action is identical to two other shareholders’ demands that were investigated by the Special Committee appointed by iStar’s Board of Directors to evaluate the merits of the claims asserted by Plaintiff on behalf of iStar, and that the Special Committee’s report recommending that no action be brought with respect to such claims reflected a proper exercise of business judgment;

“WHEREAS, due to her declining health, on November 14, 2011, Plaintiff submitted a pre-motion letter notifying the Court of her intention to bring a motion to appoint her companion and financial advisor, M. Lee Arnold, as *Guardian Ad Litem* in this action pursuant to Rule 17 of the Federal Rules of Civil Procedure;

...

“WHEREAS, in view of the concerns about Plaintiff’s declining health, her ability to provide reliable testimony and the burdens such testimony would impose on Plaintiff given her advancing mental and physical infirmities, Plaintiff seeks the Court’s

approval to voluntarily dismiss this action with prejudice as to Plaintiff only pursuant to Fed. R. Civ. P. 23.1(c);

...

“NOW THEREFORE the parties hereby STIPULATE and AGREE, and request that the Court enter an order approving the voluntary dismissal of this action Pursuant to Fed. R. Civ. P. 23.1(c), as follows:

“This Action is hereby dismissed with prejudice as to Plaintiff only. This dismissal is without prejudice as to the Company or any other shareholder.”

On January 3, 2012, the Court in *Vancil* issued an Order requiring that notice of the proposed voluntary dismissal without prejudice be posted on the websites of iStar Financial Inc. and plaintiff Vancil’s counsel, Robbins Umeda LLP, for 30 days, commencing no later than January 9, 2012. Pursuant to that notice, shareholders of iStar are hereby advised that:

1. The deadline for any shareholder to file with the Court an objection to the voluntary dismissal without prejudice is February 10, 2012;
2. The deadline for the parties to respond to any such objections is February 17, 2012.
3. A public hearing regarding the voluntary dismissal shall be held on February 24, 2012, at 4:00 p.m., in the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007-1312.

Questions about this notice can be directed to counsel for iStar or Ms. Vancil:

Counsel for Company:

Carl E. Volz
Katten Muchin Rosenman, LLP
525 W. Monroe Street
Chicago, IL 60661
Phone: (312) 902-5362
carl.volz@kattenlaw.com

Counsel for Addie Vancil:

Craig Smith
Robbins Umeda LLP
600 B Street, Suite 1900
San Diego, CA 92101
Phone: (619) 525-3990
CSmith@robbinsumeda.com