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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to iStar Financial's fourth quarter and fiscal year and fourth quarter 2012 earnings conference call.

(Operator Instructions)

As a reminder, today's conference is being recorded. At this time, for opening remarks and introductions, I would like to turn the conference over to Mr. Jason Fooks, Vice President of Investor Relations and Marketing. Please go ahead, sir.

Jason Fooks *- iStar Financial Inc. - VP of IR and Marketing*

Thank you, John, and good morning, everyone. Thank you for joining us today to review iStar Financial's fourth quarter and fiscal year 2012 earnings report. With me today are Jay Sugarman, Chairman and Chief Executive Officer, and David DiStaso, our Chief Financial Officer. This morning's call is being webcast on our website at istarfinancial.com in the investor relations section. There will be a replay of the call beginning at 12.30 PM Eastern time today. The dial-in for the replay is 1-800-475-6701, with a confirmation code of 282728.

Before I turn the call over to Jay, I'd like to remind everyone that statements in this earnings call which are not historical fact will be forward-looking. iStar Financial's actual results may differ materially from these forward-looking statements, and the risk factors that could cause these differences are detailed in our SEC reports. In addition, as stated more fully in our SEC reports, iStar disclaims any intent or obligation to update these forward-looking statements, except as expressly required by law. Now I'd like to turn the call over to iStar's Chairman and CEO, Jay Sugarman. Jay?

Jay Sugarman *- iStar Financial Inc. - Chairman and CEO*

Thanks, Jason, and thank you for joining us this morning. As we laid out on our last call, our business is now comprised of several distinct segments. Real Estate Finance, Net Leasing, Commercial and Condominium Operating Properties, and Land Development currently make up the main focus of our activity and our goal in 2013 is to continue pushing each segment to contribute to the overall iStar story with improving metrics and forward momentum.

In the fourth quarter, we continued to work on the existing portfolio and returned to the capital market several times to position the Company for increased investment activity. By successfully lowering our cost of funds, extending debt maturities, and accessing multiple sources of capital, we have achieved our key capital market goals for 2012. The previously announced agreement to sell LNR will also free up significant additional capital and senior management resources and, together with increased market capital access, should enable us to begin targeting larger investments where we have traditionally found better value. We are currently focused on several opportunities to put capital to work and we hope to be begin closing on some of those opportunities in the second quarter.

Let me go through a quick review of the business lines. Our Real Estate Finance book is currently under just $1.9 billion. It includes $1.36 billion in performing loans, yielding 7.5% and $500 million-plus in non-performing loans. We expect progress throughout the year in reducing the size of the NPL book and are targeting turning a minimum of 40% of NPL assets into cash or into performing assets by the end of this year. Unlocking the earnings potential of the NPL book will again be an important focus this year.

The Net Lease book has a gross book value just over $1.65 billion and is generating a 7.9% yield on gross book. We carry that portfolio at a net book value of $1.34 billion. Given current market conditions and yields, we believe significant value exists in the portfolio above net book value. You will also notice we have reclassified some assets previously held in our Net Lease book into other asset segments where the nature of the asset's operations suggest a more appropriate fit.

The operating portfolio is approximately $1.3 billion in gross book and $1.2 billion in net book value. We had a very good year repositioning and improving our residential condominium portfolio and generated significant income above our basis throughout the year. This culminated in a strong fourth quarter, with over $90 million in sales proceeds and $32 million in income recognized. With continued sales, the residential portfolio now makes up about one-third of the operating portfolio. The commercial portfolio, including office, retail, hotel, industrial, and multi-family properties makes up the other two-thirds, and includes both a stabilized component and a transitional component. With the stabilized portion representing 20% of the commercial book, generating approximately a 7% yield at close to 90% occupancy, most of the future lift will come from the transitional portion where lease-up has reached 55%. Current yield on the transitional book is just north of 2%. An additional lease-up is necessary to unlock the potential earnings in the $700 million plus gross book value component.

Our Land portfolio was just under $1 billion and is comprised of a mix of master-planned communities, infill, and waterfront land parcels. With master-planned communities in key sunbelt markets including Southern California, Phoenix, and Naples, Florida, we've been focused on getting some of these assets into production in 2013 and '14 and to begin to see positive earnings out of a portion of this book. As we broke out in this morning's press release, land is still a material weight on earnings, generating an $80 million loss after interest in G&A allocations for all of 2012. However, we are clearly in a recovering housing market and our decision to build an in-house development team and heavily invest in repositioning this portfolio should prove to be a sound strategy as well-located lots become more scarce.

Overall, we think the path to profitability is pretty clear. We need to unlock earnings trapped in the NPL book and in the traditional operating properties, put new capital to work profitably as it becomes available, and to identify value embedded in the Land portfolio as it progresses along the development spectrum. Our goal for 2013 is to see real progress on each of these fronts. With that background, let me turn it over to Dave to review the numbers for the quarter and for the year. Dave?

David DiStaso - *iStar Financial Inc. - CFO*

Thanks, Jay, and good morning everyone. Let me begin by discussing our financial results for the fourth quarter and full year 2012, as well as recent capital markets activities before moving on to discuss our real estate and loan portfolios. For the quarter, we reported a net loss of $87 million or a loss of $1.04 per diluted common share, compared to a net loss of $35 million or $0.43 per diluted common share for the fourth quarter of 2011. Adjusted income for the quarter was a loss of $23 million, compared to earnings of $19 million for the same quarter last year.

Results in the quarter included $35 million of expenses, of which $12 million was non-cash, associated with the $2.3 billion of capital markets transactions we executed during the quarter. In addition, results in the prior period included a $30 million gain associated with the sale of our investment in Oak Hill Advisors. Excluding the impact of these items, our net loss for the quarter was $53 million versus a loss of $65 million in the fourth quarter of the prior year. For adjusted income, we would have been approximately break-even versus a $10 million loss in the fourth quarter of 2011. Excluding those items, the year-over-year improvement was due to increased income from residential condominium sales, increased earnings from equity-method investments, as well as a reduction in G&A costs, partially offset by decreasing interest income from an overall smaller Real Estate Finance portfolio.

For the full year 2012, we reported a net loss of $273 million or $3.26 per diluted common share, compared to a net loss of $62.4 million or $0.70 per diluted common share in 2011. Adjusted income for the year was a loss of $54 million, compared to a $3 million loss in the prior year. In addition to the specific items I mentioned previously, net income for the prior year also included $109 million gain associated with the early extinguishment of our 10% secured notes, which were redeemed in the first quarter of 2011. Excluding these items, our net loss would have been $239 million in 2012 compared to $197 million in 2011. Adjusted income for the year would have been a loss of $32 million versus a loss of $33 million last year. The year-over-year change is due to lower interest income from a smaller Real Estate Finance portfolio, partially offset by income from the sales of residential condominiums, increased earnings from equity-method investments, and a reduction in G&A expenses. Net income was also impacted by increased loan-loss provisions this year compared to 2011.

The fourth quarter was an important quarter for the Company form a capital markets perspective, as we refinanced $2.3 billion of debt, enabling us to extend certain maturities and tighten rates while at the same time unencumbering certain liquid assets. Let me walk through you through the individual transactions and how the proceeds were utilized. First, we entered into a new $1.8 billion senior secured credit facility due October 2017, the proceeds of which were used to refinance our 2011 secured credit facility. The LIBOR +4.50% pricing on this facility was 125 basis point reduction from the LIBOR + 5.75% rate on the A-2 tranche of the 2011 facility it primarily refinanced. In addition, we issued $300 million of 7.125% senior secured notes due 2018 and $200 million of 3% senior unsecured convertible notes due 2016. Proceeds of these two issuances were used to call the $67 million remaining balance of our 6.5% unsecured notes due December 2013, and to redeem $405 million, a rate of 8.625% unsecured notes due June 2013. Separately, we repaid $93 million on the A-1 tranche of our 2012 secured credit facility. Our weighted-average cost of debt for the fourth quarter was 6.5%.

Overall, in 2012, we executed five capital markets transactions totaling $3.5 billion. That allowed us to extend the maturities for a meaningful portion of our debt and, consistent with our strategy, reduced overall debt levels we brought our total debt outstanding down by $1.1 billion. At the end of the year, our leverage was 2.5x, down from 2.7x at the end of 2011 and down from 4.4x at the end of 2009. This progress, coupled with the overall strengthening of iStar's credit profile, contributed to an upgrade in the Company's corporate credit ratings during the year.

Subsequent to year-end, we entered into a $1.7 billion senior secured credit facility that amended and restated our $1.8 billion facility. This repricing reduces the annual interest rate to LIBOR + 3.50% which represents an additional 100 basis point reduction in the spread and a 25 basis point reduction in the LIBOR floor from the prior facility. In connection with the repricing, we paid the existing lenders a $17 million prepayment fee and expect to save approximately $60 million of interest costs over the life of the facility.

Let me now turn to the investment activity in our real estate and loan portfolios. As you will see in our press release and in our 10-K, which we will file later this week, we have revised our financial statement presentation and the business lines discussed in our portfolio overview in order to reflect the way we view our evolving business lines. Our new business lines are Real Estate Finance, Net Leasing, Operating Properties, and Land. I will discuss each of these in more detail shortly. The new presentation has not resulted in changes to any of the historically applied accounting policies, nor to the aggregate amount of previously reported total assets, liabilities, equity, net income, or classification of cash flows.

During the fourth quarter, we received $388 million of proceeds from the overall portfolio bringing the total for the year to $1.5 billion. Subsequent to quarter end, we announced that we agreed to sell our 24% interest in LNR and expect to receive $220 million of unencumbered proceeds when the transaction closes, currently anticipated within the second quarter. We invested $60 million during the fourth quarter, which brought our total investments for the year to $151 million. As Jay mentioned, as we shift from defense to offense, we'll look to begin ramping up our investment activity this year.

I'll now walk through each of our business lines and discuss the key metrics that we follow. At the end of the quarter, our total portfolio had a carrying value of $5.7 billion, net of $428 million of depreciation, and gross of $33 million of general reserves. Our Real Estate Finance portfolio totaled $1.9 billion at the end of the quarter. This includes $1.4 billion of performing loans that had a weighted average LTV of 75% and a weighted average maturity of just over three years. They were comprised of $900 million of first mortgages or senior loans and $460 million of mezzanine or subordinated debt. 47% were floating-rate loans, and 53% were fixed and they generated a weighted-average effective yield for the quarter of 7.5%. The weighted-average risk rating on the loans improved to 3.01 from 3.08 in the third quarter and included in the portfolio were $44 million of watch list loans.

At the end of the quarter, we had $503 million of non-performing loans or NPLs, which are carried net of $476 million of specific reserves. This is a reduction from the $640 million of NPLs we had at the end of the third quarter. There were no new NPLs added this quarter and our remaining NPLs were mainly comprised of 40% land, 15% hotel, 15% entertainment, and 10% retail. For the quarter, we recorded a $21 million provision for loan losses bringing our total reserves for loan losses to $524 million, consisting of $491 million of asset specific reserves and $33 million of general reserves. Our reserves represent 22% of the total gross carrying value of loans versus 20% at the end of the third quarter.

Next, I will discuss our Net Leasing portfolio. At the end of the quarter, we had $1.3 billion of net lease assets, which are carried net of $316 million of accumulated depreciation. The portfolio is 95% leased with a weighted average remaining lease term of 12.3 years. The portfolio had a weighted average risk rating of 2.46, slightly improved from 2.47 in the prior quarter. For the quarter, our occupied net lease assets generated a weighted average effective yield of 10.3% while our total net lease portfolio generated a weighted average effective yield of 9.6%.

Let me now turn to our Operating Properties portfolio. Our Operating Properties totaled $1.2 billion, net of $110 million of accumulated depreciation. This portfolio is comprised of commercial operating properties and residential operating properties. For the quarter, the portfolio generated $58 million of revenues and income, offset by $24 million of property level expenses. The commercial properties totaled $787 million and represented a diverse pool of real estate assets across a broad range of geographies and collateral types such as office, retail, and hotel properties. They generated $26 million of revenue, offset by $19 million of expenses during the quarter. Our strategy within this portfolio is to re-position or re-develop these assets with the objective of maximizing their values through the infusion of capital or intensive asset management efforts.

At the end of the quarter, we had $154 million of stabilized commercial operating properties. The stabilized properties were 90% leased, resulting in a 7.3% weighted average effective yield for the quarter. The remaining $633 million of commercial operating properties are transitional real estate properties that were 55% leased and generated a 2.5% weighted average effective yield for the quarter. These transitional properties represent one of several opportunities for future revenue growth in our overall portfolio. The residential operating properties totaled $385 million at the end of the quarter. These represent our condominium projects characterized by luxury buildings in major cities throughout the United States. We have worked hard to reposition these assets and are now benefiting from that value creation. During the quarter, we sold 170 condominiums for $93 million in proceeds and a $28 million gain. This brought our total condos sales in 2012 to 771 condos for $376 million in proceeds and $89 million of gain. At the end of the quarter, we had 974 units remaining in inventory, much of which we would expect to be sold over the next two years or so.

This brings me to our Land portfolio. At the end of the quarter, our Land portfolio totaled $971 million and included 11 master-planned communities, 7 infill land parcels, and 6 waterfront land parcels. At the end of the quarter, 4 of these projects were in production where sales activity has begun, 9 were in development where we were actively working on entitlements and engineering, and 11 were in the pre-development phase. The projects in the portfolio were well diversified with our largest exposures in California, the New York Metro area, and several markets in the mid-Atlantic and Southwest regions. Master-planned communities generally represent large-scale residential projects that we plan to entitle, plan, and develop. We currently have entitlements at these projects for more than 25,000 lots.

Our infill and waterfront parcels are currently entitled for 6,000 residential units and select projects include commercial, retail, and office space. We begin 2013 with $256 million of cash and expect additional proceeds from the sale of our interest in LNR, loan repayments, proceeds from asset sales, and debt and/or equity capital markets transactions. With a meaningful amount of our debt maturities pushed out to 2017, we think we are well-positioned to begin increasing investing activity this year while at the same time, continuing to reposition our operating and land portfolios to maximize their values. With that, let me turn it back to Jay. Jay?

Jay Sugarman - *iStar Financial Inc. - Chairman and CEO*

Thanks, Dave. I expect with the new reporting segments there might be quite a few questions. Operator, why don't we go ahead and open it up.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Michael Kim, CRT Capital Group.

Michael Kim - *CRT Capital Group - Analyst*

Congratulations on the quarter and the recent capital market transactions. Also, really appreciate the added disclosure in the press release and in your prepared remarks. To start off, Jay, for the commercial operating property portfolio, could you remind us what level of occupancy is required to be considered a stabilized asset? Looking at the $633 million of transitional commercial properties, what sort of weighted average effective yield do you envision once you achieve a stabilized profile? How long do you think that will take to get there? What level investment might be required?

Jay Sugarman - *iStar Financial Inc. - Chairman and CEO*

Hey, Mike. Yes, I guess the thing I would say about the transitional stuff is that it's across a wide range of assets and geographic markets. You've got multi-office, you've got industrial, and you've got hospitality. I think stabilization might mean something a little bit different in different geographies and different submarkets, but we think when we've reach a stabilized level it means typically there's not a lot of upside left. There's some sort of embedded systemic vacancy that is probably not going to go away.

So high 80%s for most markets and most product types, you are tapped out. We think that yield is somewhere in the 6% to 7% to 8% range again depending on the market and depending on the product type. The stuff we have stabilized is in the 90% range. You know, kind of 7%-ish, sometimes a little bit higher. That seems to be a place where we can start looking at alternatives for either selling those assets or financing them on a longer-term basis. In our minds that is stabilization.

Michael Kim - *CRT Capital Group - Analyst*

All right. I appreciate that. Thank you. My second question, thank you very much for that disclosure on the land portfolio. What is the buyer profile look like for the current entitlements that you have in place for your master-planned communities? Just thinking about between entry level and move up, second move up, or even active adult. I know the press release says there are about 25,000 left that are currently entitled, but just curious to know if you're repositioning efforts are looking to also modify the entitlements? For example, could we see some sort of shift in mix where the entitled lot figure might come down, but you are going to be focused on a move up or a second move up profile?

Jay Sugarman - *iStar Financial Inc. - Chairman and CEO*

Again, tough to generalize across lots of different properties and markets, but I would say there will be an active adult component. We think demographically that's going to be a piece of the puzzle that we have some very good land for. Certainly move up. Always going to be part of the story.

And we've got entry-level momentum on a couple of projects that, frankly, we think in 2013, we should be able to tell and give you some more story lines around at least a few of these assets that are now in production and beginning to sell. We haven't gone deep dive on individual assets, because we are still in the entitlement process on a number of those. Politically, it is just going to take some time. We are still working through a big chunk of the assets that we took back and are repositioning. You will hear us talk in more detail about individual projects as the year goes on.

Michael Kim - *CRT Capital Group - Analyst*

I appreciate that. My last question, I was actually pleasantly surprised to hear that 40% of your NPLs would be put into performing or either monetized or wreaking some sort of event. Is that being moved by just a handful of assets? Is a pretty concentrated in larger size loans or seeing some sort of resolution late this year where you have that visibility or? I am just kind of curious how we should think about that.

Jay Sugarman - *iStar Financial Inc. - Chairman and CEO*

You know, I think time is probably the biggest factor. We have been working on those for quite a while. We do see resolutions in sight. It is hard to peg them down quarter-by-quarter, but we do see by the end of the year as reasonably realistic our goals. It will be dependent on a couple of transactions that need to get to the finish line and we certainly think that is going to happen and are making a focus of that. You can just feel, over time, these things are coming to resolution.

Michael Kim - *CRT Capital Group - Analyst*

Right.

Jay Sugarman - *iStar Financial Inc. - Chairman and CEO*

We've got our shoulder against them for a couple of years, so unless something unexpected happens, we would expect to get that done by year end.

Michael Kim - *CRT Capital Group - Analyst*

That's great. Thank you very much.

Operator

Joshua Barber, Stifel Nicolaus.

Joshua Barber - *Stifel Nicolaus - Analyst*

I'm wondering if you could talk about the loss reserves and impairments, especially being that they are up fairly big year-over-year. Can you discuss, number one, what is driving that, especially as the markets are starting to stabilize? Second of all, how many of those are on mezzanine and junior loans and what are those carried at today, cents on the dollar?

Jay Sugarman - *iStar Financial Inc. - Chairman and CEO*

Let me talk about it more generically just to start. I think the reserves now have become fairly idiosyncratic. They're individual asset situations. We've talked a little bit about Europe. We've talked a little bit about some of the things in the land portfolio we've decided to invest in. There are other things where we've decided it is probably not the wisest decision to continue to commit capital. In those, we've changed business plans and are likely just to monetize or move out of those.

We appropriately reserved those assets that we think have specific issues around them. Overall, I feel like the book is working through its issues on a reasonable timeframe. And certainly would expect the impairment loss numbers to bounce around a little bit, but certainly the trend should be towards pushing out most of the problems in the portfolio. So, I do think specific assets still have some issues, and some of the business plans around those may change. I wouldn't read too much into any single quarter's event.

Joshua Barber - *Stifel Nicolaus - Analyst*

Okay. You had made some comments before about looking for opportunities to put capital out in the second quarter. Can you talk broadly about where that capital might be placed today? Is it back in the core commercial real estate business, or would it be elsewhere?

Jay Sugarman - *iStar Financial Inc. - Chairman and CEO*

Again, I think the history of iStar's $35-plus billion in transactions leads us into a lot of places where we have historical knowledge or historical relationships. We focus on the top 20 metro markets. It is likely to be in those markets. We are working with borrowers who we think have proven through the tough times that they are the right kind of players to be in business with. I think the biggest issue for us right now is really spooling up the investment side from small deals to larger deals. As you guys know, it takes just as long to do a $10 million deal as it does a $50 million deal.

What we have right now is activity but spooling it up into larger deals takes time. We wanted the capital market transactions to get done so we had the confidence to do the larger deals. I think you will see us transition more into that part of the market where historically we have seen a better value and a more fertile place for us to use our skill set. That right now is a big focus, transitioning from asset management and capital structure really to figuring out where the veins of opportunity are on the investing side. While we are finding some interesting places that have typically been in smaller size, we need to now spool that up into larger size transactions.

Joshua Barber - *Stifel Nicolaus - Analyst*

Okay. When we are looking at the condo portfolio, I guess your average sale per unit in 2012 was about $485,000 per unit. How comparable do you think that will be given the current inventory that you have with the sales in 2013 and 2014?

Jay Sugarman - *iStar Financial Inc. - Chairman and CEO*

That is a good question. We have high-end and some low-end stuff. The mix can change. I would say we have got, in many cases, we are selling up the building. Typically, prices are going up in individual projects. How that relates overall is really dependent on selling season.

We've still got high-end product in some key markets around the country. We would expect that number to stay reasonably high, but if some of the higher priced units sell off in certain markets, you could see it bounce around. What I would say is, again, we are tending to move up the buildings as we go, so we have seen very good profitability as we have done that. Markets have been strong. Certain projects are selling out and the velocity and volume of sales will probably trail off as the size of the portfolios shrink.

Joshua Barber - *Stifel Nicolaus - Analyst*

Got it. Very helpful. Thank you.

Operator

(Operator Instructions)

Jonathan Feldman, Nomura Securities.

Jonathan Feldman - *Nomura Securities Intl - Analyst*

Good morning. I was wondering if you have an estimate at present for the CapEx and other investments that you are planning to make in 2013?

David DiStaso - *iStar Financial Inc. - CFO*

Yes. Hi, Jonathan. How are you doing?

Jonathan Feldman - *Nomura Securities Intl - Analyst*

Pretty good. Thanks.

David DiStaso - *iStar Financial Inc. - CFO*

From that perspective, as Jay indicated, we are looking to ramp up investment activity. We do see ourselves continuing to create value within the portfolio, and we would look to spend significant amounts in combination of that. Much larger than what we have spent during the current year. The CapEx side, we would look at that at being approximately in the $200 million range for the entire year.

Jonathan Feldman - *Nomura Securities Intl - Analyst*

Is the bulk of the increase going to be around continuing investment in the land portfolio and other transitional assets?

David DiStaso - *iStar Financial Inc. - CFO*

That is correct. It will be a combination of looking at additional CapEx for the operating portfolio and then more so in the land side as we continue to ramp up that activity.

Jonathan Feldman - *Nomura Securities Intl - Analyst*

Got it. And then also just in terms of other sort of carrying costs associated with the land portfolio. Do you have any estimate in terms of what your litigation expenses were in 2012 and where you would see that number trending going into this year?

David DiStaso - *iStar Financial Inc. - CFO*

On the land side, I think as we have made progress on getting title to those assets, we would expect legal expenses to decrease throughout 2013.

Jonathan Feldman - *Nomura Securities Intl - Analyst*

Can you remind us, do you have an estimate of what that number was in 2012?

David DiStaso - *iStar Financial Inc. - CFO*

We are waiting for the bills but it is a number that's going down. I think it is $2 million on the east coast and $2 million on the west coast.

Jonathan Feldman - *Nomura Securities Intl - Analyst*

It's not that sizable. Is that a fair statement?

David DiStaso - *iStar Financial Inc. - CFO*

Not in any individual year.

Jonathan Feldman - *Nomura Securities Intl - Analyst*

Got it. You talked about the path to profitability and your prepared remarks. I think those of us who are long-term followers see that. I just was wondering if you could speak to that may maybe in a little bit more detail? Do you think, without asking for formal guidance, do you see 2014 as a reasonable expectation in terms of when that might occur? Do you have any more sort of specific thoughts on that path?

David DiStaso - *iStar Financial Inc. - CFO*

I think the two near term variables are the impairment / provision line. We are working very hard this year to start really turning some of the situations around. That will be a big piece of it. I think you heard us give our expectation and target for turning some of the NPLs around. Those are the things I think can happen near term. Certainly as we look at the real estate finance, net leasing, and operating property segments, those are places where we would like to see real progress in the kind of the '13, '14 timeframe.

Land is a little bit of a different animal, the big battleship. We have made a lot of progress but it is much slower moving. As you can see from the segment, allocations are a big negative weight on that earnings number. Part of our thinking is really to focus near term on the real estate finance, net lease operating piece. Do the things we can do there, and then really focus on the embedded value of the land, not focus so much on the earnings piece of it.

We have very significant owned real estate now. I think we've got almost $400-plus million of depreciation on the books. It's almost $5 a share. We want to make those properties perform so that gross book value is fair market value or better. There is a lot of upside there. That is not going to turn the overall earnings story until land really turns around. We are going to have to think about, in terms of our land book, when and how and how much longer we want to continue to kind of lump all of those pieces together versus looking at the value of the land and then looking at the earnings power of the rest of the business.

Jonathan Feldman - *Nomura Securities Intl - Analyst*

And just on that subject, do you see yourselves as likely the long-term owners of these land assets? Or do you think we should think, with the improving housing market, that you are likely to partner or otherwise sell these assets as the recovery takes hold?

Jay Sugarman - *iStar Financial Inc. - Chairman and CEO*

What I like to say is we want to be the long-term extractors of value from the land book. It doesn't mean, necessarily, that it needs to sit on our balance sheet or that we need to be the operating control. Certainly, we have looked at JV for the number of builders around the country. Those conversations are freshening as the lot scarcity shows up in key markets. We are very open-minded, Jonathan. We just know how hard it has been, and how much work we put in, and how much capital we expended. We would certainly look to extract full and fair value for the home team.

Jonathan Feldman - *Nomura Securities Intl - Analyst*

It makes a lot of sense. And then just finally, I wanted to go back to your comment in terms of new investment activity and having more significant capital to invest to that end. In terms of investment opportunities, or you guys thinking that that is likely to be on the debt side? Or the equity side? Historically, I believe you have been more of a debt investor/lender, but just wondered if that was likely to change prospectively in terms of your assessment of the risk/reward in different parts of the capital structure?

Jay Sugarman - *iStar Financial Inc. - Chairman and CEO*

It is an interesting question. Right now the pipeline is definitely debt focused. We see opportunities, again, in some of the historic places we play. We are seeing some decent net lease activity. But these are things we are just spooling up now, so I would say it could change over time. The only reason to look deeper into the equity side is if the debt capital markets get off the rails again and become too borrower friendly. But right now we are seeing opportunities on the debt side, and that is mostly where our eyes are focused.

Jonathan Feldman - *Nomura Securities Intl - Analyst*

Great. Thank you so much.

Operator

And Mr. Fooks, no further questions in queue.

Jason Fooks - *iStar Financial Inc. - VP of IR and Marketing*

Thanks, John, and thanks to everyone for joining us this morning. If you have any other questions on today's earnings release, please feel free to contact me directly. John, would you please give the conference call replay instructions once again? Thank you.

Operator

Ladies and gentlemen, the replay starts today at 12.30 PM Eastern time and will last until March 13 at midnight. You can access it again by dialing 800-475-6701 and entering the access code 282728. That number again, 1-800-475-6701, and the access code 282728. That does conclude your conference for today. Thank you for your participation. You may now disconnect.
