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<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Okay, we can get started. Good morning everyone. Very pleased to have Jay Sugarman, Chairman and CEO of iSTAR. Some of you are probably familiar with the company, but before diving into questions want to give Jay a chance to introduce the iSTAR story, also touch on recent highlights, but more importantly counting on where he want to take the company in the coming years.

<<Jay Sugarman, Chairman & Chief Executive Officer>>

Thanks, Jade. Thanks for joining us this morning. So iSTAR just celebrated its 20th anniversary as a public company and I think the last two years have been a little bit of getting back to our roots, what made the company special for many years. We are in the process of really refining the portfolio and focusing on three key areas, the finance business, which historically we have focused on trying to be a provider of capital in a slightly differentiated way. We don't say here is what we do, does this fit your needs, we ask what do you need and so we play up and down the capital structure, but we're really in the business of trying to solve customers' capital needs and problems and charge a premium for doing that. So one piece of our story is try to be a premium provider of capital in some form of debt structure.

Now the second business is one we started about fifteen years ago, the net lease business. It's a business that we have formed a joint venture with the sovereign wealth fund. Again, we try to take a little bit of a differentiated strategy there. We're looking to find those places where again we can provide solutions to needs and for doing that we can charge premiums to – the more commodity like business we see out there. And then we've got a third piece which has been our legacy asset portfolio, primarily operating properties and land development. We've been working to extract pretty sizable gains out of that portfolio and we've seen a pretty big reduction in the time and effort we've had to spend on it as those assets reach maturity. And you've seen us extract pretty sizable gains in the last year and in the first quarter from the work we've done over the many years. So those three pieces of the puzzle have kind of driven our thinking as we go into 2018.

I think the earning story has been strong. I think the refinement of the story is starting to take place. We've added a new business, which I can talk about in the ground lease world that we think is pretty exciting and revolutionary, trying to change a lot of conventional thinking around that business. And if we pull that off, I think you're going to see this combination of a solutions oriented capital provider – thoughtful long-term provider of capital through net lease and ground lease, really start to have a real synergy together and give us a chance to do things in a truly proprietary way.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Many of us, some I see in the audience have followed the iSTAR story for several years and have been waiting for this kind of inflection point. I guess from your seats, do you view 2018 as this inflection point an iSTAR has reached in history and I guess what gives you confidence in that and are there certain key risks that that potentially make you cautious?

<<Jay Sugarman, Chairman & Chief Executive Officer>>

Yeah, I think coming out of the downturn, we really had to take a step back and figure out where we were going to play in this new real estate world where there's lots of competitors who have a finance arm, who have a net lease arm, how do we differentiate ourselves, how do we make ourselves special, how do we make our capital different and I do feel like the last two or three years have become this inflection point where we're not only going back to what we did really well in those two businesses, but we also said we're going to find the next big thing.

We thought the finance business in the early 90s was not thought about properly and we were able to make a big impact there. We thought the net lease business nearly 2000 was misunderstood. We had a big impact there. I think as we go into this decade, we were looking for something similar that would give us a long run of something that was misunderstood and frankly mispriced. We think the ground lease business is going to be that business for us.

So the historical core plus this new next big thing idea is really where the business is going and we think 2017 was the beginning of that. We took the ground lease business public. We own 40%. We're the outside manager of it, but it is core to our thinking going forward. So we begin to pare down the legacy portfolio, add in the new big idea. We think we have sharpened the focus on our historically strong businesses of finance and net lease and we've actually added some talent as well. So, yeah, it feels like the ship is turning and now it's pointed and now it's starting to pick up speed.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

And do you want to give a little more color insight into why you see the ground lease opportunity is still transformational historically in places like Hawaii and New York? It's been an active market, but elsewhere in the country not as prevalent. What is it about that business that you feel now is the right time, but also there is transformational opportunities there?

<<Jay Sugarman, Chairman & Chief Executive Officer>>

Okay, I won't give you my hour long lecture on why the entire real estate industry is actually misunderstood ground leases forever, but think of it really simply like this, every building, every property owner has two assets, they have a piece of land and they have a building. The skill set that creates the value in the building is buying at the right price, managing it properly, leasing it properly, designing it properly, constructing it properly, and then selling it properly. And if you talk to almost any private owner, private opportunity fund owner and ask them what do you try to make on your equity? They'd say, I try to make mid-teens. I'd like to make 15% ROEs.

What's interesting to us is embedded in that statement is the fact that while a portion of their capital is in the things they do well buying, selling, leasing, managing, marketing, designing, constructing and selling. A big chunk of the equity they raise is in what is in effect of 99 year bond, in a 99 year AAA bond in many cases, which will return them something on the order of treasury plus the 104%. So think about a capital stack of an asset that's worth $100 million private opportunity fund borrows two thirds of that, puts in $33 million of equity, $67 million of debt.

What we like to say to them is you really just bought two things. You bought a building for $67 million and land was $33 million. The building, the $67 million, you financed two to one, so you have $44 million of debt, $22 equity, and you're going to earn a 22% return on that based on your pro forma. But the real estate market is requiring you to also buy a 99 year 4% bond. And so instead of saying I make 15 on my skill set, you really should say I make 22% on my skill set. And somebody else should own a 99 year 4% bond, that's not your business, it's not – has nothing to do with the skill sets we just talked about.

So think about all the other businesses we've ever looked at. At iSTAR, which we go back 20 years, 25 years to the finance business, people looked at mortgages and said it's a mortgage and we said no it's a AAA bond and a double AA bond and a single A bond and a BBB bond and a BB bond and a B bond and unrated. And if I sell each of those strips to the person who most – who appropriately owns that risks reward then I can add all those sales up and they're worth more than the whole. Well we want to do that in the real state world written large. So we want to go to people and say you have an asset, but if you sell the ground to us, the most natural buyer, the most efficient buyer and we'll earn 4% out of the box with some bumps over time. You can earn 500 basis points, 600 basis points, 700 basis points more IRR on the skill set that you do well.

Why would you ever put those together? Why are those two owners the same? One owns a 99 year bond and one owns a seven year, ten year life cycle of value-added positioning opportunity – value-added. So that's the philosophical reason. We think this is a big industry because we've seen it in every other part of the capital markets. We've gotten really good at finding strips of risk reward and things and selling them to the most efficient owners domestically, internationally, senior, junior, high risk high return, low risk low return. We figured out how to do that everywhere else. Why is real estate the last bastion of every time you make an equity investment, I'm going to require you buy a bond take 50% more capital and go buy a bond, as it makes sense. So we're having a lot interesting conversations with people own real estate going, yeah why is that and here's the punch line.

The reason nobody has done this before is we're trying to create value for these owners. We're trying to say one plus one is going to equal more than two. Our entire business is predicated on sitting in front of somebody and saying how can we make you more money. The traditional ground lease business grew up from families, universities, hospitals, monarchies, who have no interest in you making more money. They own a piece of land, here is the terms, do you want them or not, if you don't I will go to somebody else. So that is the old fashioned ground lease business. It is a value destroyer.

The way those ground leases were written was very one sided. And so everybody has this story in their mind of ground leases, they're value destroyers. I know a friend, who lost the building. I know this. They had a fight, right. Why hasn't anybody come out of the way we came out finance in 1990, net lease in 2000, which is no, no, no. How can we make one plus one equal more than two? And if we do this right, how big is this business. Well, its $17 trillion commercial real estate market, top 25 markets is about $7 trillion. Right now, we think ground leases are about $100 billion and nobody really executes with this dale credibility history of an iSTAR. Nobody comes out as we do to say we're going to make it lender friendly, cap rate friendly.

So we're not going to create provisions that make a lender go, I'm not doing a lead hold though. We're not going to create provisions that make people go, I wouldn't pay a decent cap rate for that. We're going to do everything in our power to make one plus one equal to 2.2 and you're going to get some extra and we're going to get some extra. That's the business that exploded for us in the finance world and 1990 exploded for us in net lease in 2000 is just taking these core thoughts and turning on and saying look at it this way doesn't this make more sense than the way it's done now.

And we think ground leases that opportunity to really – for a large portion of the marketplace say we examine what you do. If you think you're making a 15 ROE on the building, what you really did is made a 22 or 21. And 21 ROE if you walk into calipers and say on this building I can make a 21 and all your peers walk in saying I can make a 15, you're going to walk out with the money. So there's an enormous part of the marketplace that I think will start to understand that we're not doing. This is no sort of black magic. This is financial theory just brought to the real state world again in a way it hasn't really used.

And it's been brought by somebody who – we want to be in this business for 99 years, so we don't want to take advantage of people we want to make sure everything we do as a win-win. And the best news I can tell you about this business is the first five customers, who have done a deal with us, have all come back to do another one. That tells me run that something big because normally a lot of people to try it and a few of them say yeah it made sense. This is a bizarre business. We're having trouble getting people to do it because of their historical knowledge of bad ground leases. But the ones who do go all the way to the finish line with us come back and say let's do this again.

So that that's an exciting piece not just of the company we spun off safety income and growth story, it's a big piece of iSTAR story because what does that allow us to do that means I'm now sitting in front of some of our best customers and saying I'm not sitting here to tell you let's do alone, together and you have three other choices. I'm not telling you we're trying to do a net leasing of eight other choices. I'm telling you we're going to do something nobody else does. And we at iSTAR can provide you the leasehold blown, the ground lease. We can structure it and help you place every piece of this cap stack, have you want to do it because we're in the same business, we're a lender, we're a ground lease owner, we're a seller of real estate, we know what works and what doesn't works. Last the years we've now spent on this business benefit you. And that in my career for the last 25 years, there's always been the most interesting part to play in this dialogue between capital and creative owners.

And we get a chance now to play that again with the full strength of iSTAR and the very focused business plan of safety income and growth. So that's what is really, really rev the engine that's why we've needed to bring in some additional talents, that's why we're really starting to accelerate the sale of legacy assets which some of them are definitely ready for sale, but some of them are just pulling the plug on down and saying look we need those resources back in the businesses we're going to go forward with. And it's time to reallocate those resources, do whatever we need to do to do that. And so I think we're at the, you call it an inflection point I feel like it's this acceleration point.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

And right now we have about 1.6 billion or as of 1Q of legacy assets, about 35% of the total, how much visibility do you have in your ability to monetize that 700 to 1 billion that you've targeted over the next 12 months to 24 months?

<<Jay Sugarman, Chairman & Chief Executive Officer>>

Yeah, so we came out – we think that's a realistic number we want to generate proceeds of on average about $100 million a quarter out of that book. We feel like the first quarter was really a good quarter that we sold north of $200 million. We feel like the second and third quarter we can have some visibility on. The rest of it is just going to be a question of how fast some of these things can actually close. There's a lot of assets in that book that are on the market. So we should see good activity.

And then as we move into 2019 some of the assets that aren't quite ready yet will probably get to that point and we'll have a chance to take all those proceeds. And we do think it's somewhere between $700 and $1 billion and redeploy them into these more sharply focused, customer-centric businesses that we're taking our best people are now saying, you don't have to work on legacy assets, you don't have to create value opportunities in things we own. It's a very time-intensive business running the landlords super time-intensive.

Running a property we always say is 30 decisions every day, running a ground lease business, net lease business, land business it's one decision every 30 days. So once you put that asset on the books, you can go do five more deals. We haven't had the luxury of that in the last five to six years, we've had our best people fighting in the trenches to go how do I turn a building that somebody didn't do a good job on into something really valuable?

We think we're going to get back resources not kind of one for one, you're off of that one asset so I can put you, you can go do a new deal. It's like one for 20. Take you off of this and you can work on 20 things. And so you should start to see some of that exponential impact that can happened overnight, but one of the reasons we're getting excited is we're starting draw back our super-highly trained people who've been in the trenches, who have really got a fingertip feel for real estate, now they can go back to doing what we have always done best to sit in front of customers and say let me help you solve your problem.

You need senior debt, you need junior debt, you need preferred, you need some sort of flexibility. So we're really good at it. And I think that is the differentiator of some of the other more volume-oriented finance shops, net lease shops which they are not actually interested in solving problems they’re interested in putting out capital which can be a great business if your cost of funds is cheap enough, but that’s never been our business. Our business has always been about being a little bit special, little more premium. How can we help one plus one equal more than two.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

And in terms of these monetizations is it going to be clearly redeploying that capital to be accretive to earnings and drive toward recurring earnings, which would push the stock up because it's – you can put a multiple on it? But is it accretive to book value or net asset value in your mind or is it just a matter of redeploying capital at this point? You've generated sizable gains already.

<<Jay Sugarman, Chairman & Chief Executive Officer>>

Yeah we think we have substantial latent gains in the book. I’ll just tamper that a little bit to say we are going to pull the plug on some longer term assets and take whatever hit we got to take to move on.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Okay.

<<Jay Sugarman, Chairman & Chief Executive Officer>>

So there will be good, and there will be probably some not as good. But we're looking strategically at the much bigger picture and saying when is the right moment to make these turns, to take gains off the table, you’ll see us continue to do that. But also at the same time say how are you going to get these resources back, where we just over committing time and effort and management attention, pull the plug. If there's a loss in that so be it, let’s move on. All that capital flowing back is generically going to create more predictable earnings, more consistent earnings, more visible earnings, we think that trades at a better multiple.

We had said three years ago like we're going to make $5, $6 a share over the next three years because we could see it in the book. It just all sort of came out in the last 24 months. That period is ending, we're now going towards this more sharply focused business that has more predictable earnings.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

And are there any synthetic opportunities to create ground leases within what's remaining in the operating lease further still?

<<Jay Sugarman, Chairman & Chief Executive Officer>>

We're going to go out and tell the world you should all do this. Wouldn’t really make sense if we're not doing it ourselves. So we have got out and tested in our own portfolio. Let's sell it two ways. Let’s go sell it as a CDO and let’s sell it with a ground lease attached and see which one is better. And more often than not we're getting more proceeds by splitting it into two, letting somebody who does the design, managing, building, leasing, constructing and selling really well buy it. Their pro-forma show they’re making more money, we own the ground lease that we know is worth a lot of money, one plus one equals more than two.

And now we have a database that we can sit with people and we want to say well I don't really understand what's going to happen when I go to sell leasehold versus a fee position. Or saying it's exactly the same thing we just talked about, which is you're selling to somebody who's really good at this and should not have to buy a 4% bond. That can't be the way that real estate business thinks about its capital. It just makes no sense. You don’t go at private equity deal and say you’re buying that company, you're putting in $500 million of equity. By the way you have to take $250 million more equity and buy a 4% treasury bond. Nobody would ever let you to be successful if you were that inefficient with their capital. Real estate is that inefficient with its capital right now. And it’s built that inefficiency in because nobody has taken the scale and resources we have. We've done crazy things right out of the box, it takes for all our IPO costs. We're not charging fees because we want people to see the basic premise here first.

And once they start to see it and once we start this thing rolling, then I think iStar benefits in unique ways. I think we build a company that is going to have a unique advantage in the world. It's really going to be prosecuting a business that really does create more money for everybody. We make more money, our customers make more money, the owners of real estate make more money, the people who provide capital to some of those private owners make more money. So that's the exciting part for us, is can we get this snowball rolling. And it's going to start picking up speed, but we have to go educate market there for at least the 30 years of my career I’ve looked at it very much one way and we're saying no, no, no turn it 90 degrees, look at it this way why isn't this better for you.

And I've had so many interesting conversations with people where they say you're right financially this makes sense, you're right intellectually that makes sense, I just philosophically can't do it. When I founded my career is when the intellectual financial arguments are sound, the philosophy thing will fall off. It'll just take time for people to go. I got to convince not, you need not convince me anymore, but now I got to convince my partner, I got to convince my lawyer, I got to convince my mortgage broker, I got to convince my trusted advisor because they're all going, yes I know about ground leases they don’t work. Because everybody has a bad ground lease experience. I have plenty too. But this is a modern, different thing. We’ve actually trade marketed it, it's called the safe ground lease. It is fundamentally different, it is fundamentally better, it is fundamentally focused on creating value for everybody and nobody has ever done that before. So that’s just interesting.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Have you looked at bifurcating commercial real estate price depreciation in terms of land? I've always assumed that land is the driver of commercial real estate price depreciation, but there's also the building generating the cash flows. You have to put in enough CapEx, but ultimately grow the rents, grow the net rents. Have you bifurcated that at all and is that one of the investor concerns that they're giving up some of their appreciation potential?

<<Jay Sugarman, Chairman & Chief Executive Officer>>

So I promised you all I wouldn’t do the hour speech. So we have to do have some other time, but there is a lot of thought and actually science behind exactly what you're talking about. So the more we dig into who is the right owner for the different strata of risk and reward? It's not – yeah we start with – if you're trying to make 15s, really trying to make 20s get rid of thing that's a four. That's pretty straightforward everybody gets right away.

Within the return profile of that four is not just the starting cap rate of 4%, but there's bond structures, there is sometimes CPI look-backs, there is long-term residuals way out in the future. We're doing a lot of work around those components and saying, okay now we own something that has a bunch of layers in it. How do we get those layers valued and owned by people who value them at the very highest, the most efficient owner? And it's unlikely that it's just going to be us owning all the fund, all the elements of the ground lease. We think there's ways to create value at each piece if the rent stream, if the long-term potential, residuals, the bond structures the CPI components.

And if you come from a broad investment background like most of the people in a firm do, when you think about fixed income and you think commodities, and you think about derivatives, and think about real state, you can pluck from each of those businesses some of the lessons, some of the things other businesses are already doing and we can apply them over here where nobody is doing them. I mean it is still eerie to me, this is exactly like 1991 for me because I came from outside the real estate world, and I looked at the finance part of it, and I said this doesn't make any sense. How come you guys do it this way, but every other business we invest in does it way better, way more efficiently. And we brought to real estate it turned out to be a multi-billion dollar business.

I think we're seeing the same thing here with equity ownership of real estate. In needs that turn and it needs somebody, some big firm to go. I will be there with you every step of the way. I'm not a broker, we're not trying to pull off one deal. I want to do 50 deals with you. So we're going to figure it out together, you're going to see why it is better for you, it's less risk, more return. You're going to be able to raise more capital, better capital because of the return profile you're showing. And we're going to do a lot of business together. And if you can capture that repeat customer business, that's a proprietary business in real estate.

There's so few things, particular in the finance world, net lease world that I can sit here and say nobody else does it, we're the only ones to do it. This is a business right now that we don't see any real competition. But it is going to take us time to educate people to believe what we now fundamentally believe, which is we're going to take this business and we're going to make people look at it 90 degrees differently and they're going to go, wow if that's true, let me do a lot of business with you guys. And the first five who've done that, they also, let me do a lot of businesses with you guys. So we feel pretty good about the start, we just wanted to go faster.

Now we've got a lot of work to do at iStar to trim down everything we're doing at iStar, so we can really deploy the full strength of the business against the suite of capabilities we can bring to that customer. We're not there yet. But I can't tell you, it's not a quarter away, it's going to take awhile. But you should see the breadcrumbs, you will see the footsteps leading towards this opportunity. And if it goes, it's unlike anything else I imagine in the REIT world. For sure it has growth prospects that will be unparallel. And that's what – it's taken years to grind away to kind of go where is this next big thing? Why are we going to be great at it? Is there a competitive mode around it that we can build so that we are the ones who get the excess value for finding it, figuring it out, studying it, creating the science, explaining it.

There's a real cost to being a pioneer. We are pioneering. But I think the essence of the idea is so good, it fits so naturally what iStar has done for 25 years. That we're hoping, iStar shareholders start to get it, SAFE's share holders start to get it, our customers start to get it all at once. And everybody at the LIFO goes off and finally we start to see the value reflected in each of those companies.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

I'm going to pause, see if there are any questions in the audience. We have about 10 minutes left.

Q&A

<Q>: Yes hi, thanks. I know these are somewhat unrelated, but people have been talking about you guys rationalizing your cost bases for awhile. And I know that some of the legacy assets or lot of the legacy assets go away and that happens. But there is also additional cost savings or rationalization opportunities besides just getting legacy assets cost associated with that?

<A – Jay Sugarman>: We haven't debated internally a lot. We think the cost structure of the company for what it was is much higher than we'd like it to be for what it will be. But we're in a point of time where it's difficult to make enough cuts to see us cutting our way to success. So what we're doing is taking the chance when we can to shrink things but it's not really an opportunity that's predicated on we're going to cut our way to success, we don't see that opportunity. We need this business to grow to get a multiple on the stock, we need to be growing not shrinking. And I think we feel like we've now got enough interesting differentiated ways to provide capital that we should be able to start growing.

The only thing holding us back, candidly at this point is we don't want to raise equity at the stock price. So we need to get some of these things to start to click together. And you will see us rationalize the P&L and some of the cost structures but we're bringing in talent, we're not just expunging pieces of the portfolio and then saying, okay, we want to do anything status quo is great, or saying how do we attack this market and win. And how do we get out of this market and get the resources back.

And in some cases getting the resources back means eliminating lots of costs, in other cases, it just means I get those people back. I'm not cutting them, I'm saying now that you're brilliantly trained, you've got a PhD and what can go right and wrong, come over here and help these customers do it. And we're going to charge a premium for the expertise you bring, because none of our people are originators they are down and dirty having run real estate, having made loans, having done that lease, having done ground leases, they should be really capable thought leaders to sit in front of somebody and say, oh, you're trying to buy that building and connect it to that building and you've got to get the road to be moved.

I've been there, I know how to do that with you, here's what you're going to need your lender to do for you to make sure we don't hold you up. Now as long as nobody who has that kind of expertise sitting across the table on a $100 million loan, we have that expertise we just needed to take it away from where it's deployed today and put it back into our core businesses.

So I think you'll see some compression of costs around legacy assets but more importantly you'll see redeployment of those same assets that were making us a little bit of money. And I'm happy like last year we made hundreds of millions of dollars more than it cost us to run our business. But as we move out of some of the legacy assets we're going to have to rationalize that overhead structure.

<Q – Jade J. Rahmani>: In terms of the capitalization of the business, leaving the stock price aside, is it your aim to grow the equity base, you've generated huge proceeds from gains. So I don't think that's been an issue and from monetization the last few years but if you had the equity today, is there enough opportunity to deploy it?

<A – Jay Sugarman>: So we've been pretty cautious, I mean as you said we have plenty of money rolling in so equity hasn't even really been an issue, we still have $0.5 billion to $1 billion sort of sloshing through the system between cash on the balance sheet and liquidity. So we haven't really had to face – geez, do we want to raise more equity, I don't think necessarily given our stock prices and our liquidity is that something a near-term decision we'll have to make.

I think we have done things on the balance sheet to get ready. So we got upgraded by all three agencies last year, we did some pretty interesting capital markets things to move out maturities to cut our costs. I think the equity will be the last piece of the puzzle, we have about $1.5 billion of face equity on the balance sheet between preferred and common. We have some latent games that are not even reflected in those numbers. So we think we have a sufficiently large equity base to prosecute the business. What I think is going to happen is when we hit this moment where all the good things come together the virtuous circle, we want to add fuel to that fire and that's what equity will become part of the conversation. I don't see there for quite a while.

<Q – Jade J. Rahmani>: Okay. And do you want to touch on recent key executive hires, that you've made, Andy coming on to take care of legacy land and be the Interim CFO and also Marcos on the CIO side?

<A – Jay Sugarman>: Yes, one of the things that happen to us, and I'll be very honest is in the downturn some of our very best people in that sort of 35 to 40 year old cohort, went and start their own funds, and they're running $10 billion practices. I'm super happy for them but it left us with a bit of a hole in that cohort. So we got great senior leadership, we got great junior talent, we didn't really have that next layer. And so it's been a focus of the board and myself over the last two years to really think about okay, we need to put that next layer in. And we look for three years so this is not, it's not an easy hire because you're looking for someone who's got a combination of experience, hunger, ambition, want to be the best but also skill set that will fit within iStar's culture.

Andy have worked for us, had gone on to a very successful career at Howard Hughes, he kind of – we just ran into each other and said, I'm ready for the next act. I got the next act for you. Same was kind of true with Marcos, he had gone off from Starwood into the private VC world to do a Fintech deal that was exactly what I was working for this, again somebody who works at something and takes it 90 degrees and says, I see how it's done but I think there's a better way to do it.

And both of them bring a great network, both of them bring an ambition to be, hey, we want to be first not third, seventh, twelfth, we want to be first. And it's really helped me free up to go do what I think I can do to help this company be first, to have that energy, that enthusiasm and also the network of 35 to 45 year olds that they have a lot of credibility in. Most of my relationships are now 10 years older than that and a lot of our junior people still are coming up. So that piece was critical, it took us three years, just fortuitously we got two guys at one moment where I think are really going to be core to this company for a long time.

<Q – Jade J. Rahmani>: What's been the brokerage communities’ acceptance of the ground lease story that you are telling?

<A – Jay Sugarman>: Not good, I mean again everybody has a story of oh, Lever House, oh, Lipstick Building, so what LTV in the ground lease, 90% and so we do ground leases of 30%. What provision in there kill that deal, oh, it’s a fair market value reset. We never do fair market value reset. So it's literally this old fashioned lease, outdated lease that they're thinking about when we say ground lease. And we have to make them think proprietary safe ground lease, modern ground lease, wildly different than what they're thinking.

So, the nomenclature of ground lease has a lot of baggage, we're trying to figure out how do we get people to go. Whatever you think you know about ground leases, just put aside for a second and listen to what we're trying to do. It is a fundamentally different thing. Now the top brokers are starting to go, yeah, it seems like something I should be doing for my clients. But I will tell you there's a lot of resistance, so we're knocking them down slowly not as quickly as we'd like but we feel like we're making progress.

<Q – Jade J. Rahmani>: With the investment sales market seeming to having peaked in 2015 and yet people are holding on to assets longer because that markets are pretty good right now. And also partial sale interest structured the product, I would think that this is a great strategy for right now and some – are you getting more traction with the more senior brokers or with the 35 year olds?

<A – Jay Sugarman>: Here is the issue, no broker is going to change the entire theory of real estate, that's not their business. So it's really up to us to educate the marketplace, it's not the brokers job. All we want them to do is to introduce it as a choice, as I said we think our targeted market is $7 trillion, we don't need to earn 50% of the market share, there's nobody else really doing what we're doing so even if a small percentage of opportunities, we can say to them just introduce us to your client, then introduce us and if one plus one doesn't equal more than two, they won't do it. But if it does, don't you look smarter, isn't this the job you do every day which is I’m going to get you the most money at the best price.

I'm going to help you do that. I'm not asking you to go to proselytise and figure the enormous number of man hours the PhD, we've built. I'm not going to ask you to re-replicate that and that's not a good use of your time. It's really good use of our time just get us in the door, just let us tell the story, just make sure that you're giving your customer very best opportunity to get the best price and the best capital.

And we're going to argue to you, if you don't invite us in, if you don't think this way, you're not serving your customer in the very best way you can. It doesn't mean every deal is going to have a ground lease. If you're going to build a condo, you're not putting a ground lease over your condo but almost every other product type, we have found one plus one equals more than two.

Let us in the door, let us tell the story, let us help you make more money for your client, everybody wins. That's what I love about this business is it's not zero sum, I'm not saying, oh, L+350, you want L+330 who wins who loses, this is we both win, because nobody else is doing it, nobody else is creating this value for you, nobody else is experience that as we are, let us help you. You're going to hear ground leases from other places. When you hear a safe ground lease, think about it as being very different.

<Q – Jade J. Rahmani>: Any other questions from the audience? Go ahead.

<Q>: Two quick questions, on the NOL, could you just frame, it's obviously an asset, how you think about it overlaid with accelerating asset dispositions, how does that kind of play in. And then second, on the last call, I think you mentioned the word dividend. Just when's earliest you could have a discussion with the board on that and when could we see that is it a 3Q, kind of 4Q event or are we talking about 2019?

<A – Jay Sugarman>: The NOLs are little bit over $500 million at this point, we continue to use – it's a shelter game, I don't think frankly we get a lot of credit for it. But if we start to pay a dividend, I think people will pay a little more attention to it. The dividend question is one we're tackling right now, what's an appropriate thought process on that. Obviously once the NOL was gone, we will be required to pay dividend, we would like to be ahead of that date.

Whether that's end of this year or early next year or are there some other factors going into our thinking, we want to set the capital structure up, make sure the agencies understand that we're very well capitalized. That paying a dividend is in no way going to impair our progress in terms of trying to get higher ratings. So we have a little more work to do across the right side of the balance sheet and then making sure that all fits together. But we think that we're certainly entering a period where dividend makes sense. And so I think you'll see at the next couple of board meetings, the strategy laid out then will announce it to the marketplace.

<Q – Jade J. Rahmani>: I think we have time to one more question.

<Q>: [Question Inaudible]

<A – Jay Sugarman>: So that's a 12.79 conversion price relative to the doing a new equity offering, it's like 13.50 and there's no cost attached to that conversion. Our stock still in the 10 so we've got some work to do but if that converted it what is effectively the equivalent of a 13.50 raise, so be it. We think there's a lot of upside in the stock, so we're

not rushing to do anything that dilutes what we have all worked so hard to be the beneficiaries of. But at some point we're going to need to grow.

And so that piece will kind of be if the market still doesn't understand what we're doing, we have the right to call it. If the market starts to understand what we're doing and give us a premium valuation that will likely get converted. So we're letting the work speak for itself and that will tell us what to do with those preferreds but the fact that we have our call right, is a good thing and the fact is the equivalent conversion is really around 13.50, there’s another 20%, 25% the stock have to run before that becomes dilutive.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Well, thanks so much. Thanks Jay.

<<Jay Sugarman, Chairman & Chief Executive Officer>>

Thank you all.