

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended
September 30, 2021
OR
 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

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 | Accelerated Filer | Non-accelerated Filer | Smaller Reporting Company | Emerging Growth Company |
|-------------------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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.

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

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|---|--------------------------|--|
| Common Stock, \$0.001 par value | STAR | New York Stock Exchange |
| 8.00% Series D Cumulative Redeemable Preferred Stock, \$0.001 par value | STAR-PD | New York Stock Exchange |
| 7.65% Series G Cumulative Redeemable Preferred Stock, \$0.001 par value | STAR-PG | New York Stock Exchange |
| 7.50% Series I Cumulative Redeemable Preferred Stock, \$0.001 par value | STAR-PI | New York Stock Exchange |

As of November 1, 2021, there were 69,475,927 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)⁽¹⁾
(unaudited)

| | As of | |
|--|-----------------------|----------------------|
| | September 30, 2021 | December 31, 2020 |
| ASSETS | | |
| Real estate | | |
| Real estate, at cost | \$ 1,657,866 | \$ 1,752,053 |
| Less: accumulated depreciation | (300,942) | (267,772) |
| Real estate, net | 1,356,924 | 1,484,281 |
| Real estate available and held for sale | 1,983 | 5,212 |
| Total real estate | 1,358,907 | 1,489,493 |
| Net investment in leases (\$9,136 and \$10,871 of allowances as of September 30, 2021 and December 31, 2020, respectively) | 477,360 | 429,101 |
| Land and development, net | 302,845 | 430,663 |
| Loans receivable and other lending investments, net (\$6,370 and \$13,170 of allowances as of September 30, 2021 and December 31, 2020, respectively) | 405,509 | 732,330 |
| Loans receivable held for sale | 42,683 | — |
| Other investments | 1,419,766 | 1,176,560 |
| Cash and cash equivalents | 298,886 | 98,633 |
| Finance lease right of use assets | 142,615 | 143,727 |
| Accrued interest and operating lease income receivable, net | 5,046 | 10,061 |
| Deferred operating lease income receivable, net | 66,002 | 58,128 |
| Deferred expenses and other assets, net | 282,546 | 293,112 |
| Total assets | <u>\$ 4,802,165</u> | <u>\$ 4,861,808</u> |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Accounts payable, accrued expenses and other liabilities | \$ 300,461 | \$ 317,402 |
| Finance lease liabilities | 152,629 | 150,520 |
| Liabilities associated with properties held for sale | 252 | 27 |
| Loan participations payable, net | — | 42,501 |
| Debt obligations, net | 3,282,598 | 3,286,975 |
| Total liabilities | <u>3,735,940</u> | <u>3,797,425</u> |
| Commitments and contingencies (refer to Note 12) | | |
| Equity: | | |
| iStar Inc. shareholders' equity: | | |
| Preferred Stock Series D, G and I, liquidation preference \$25.00 per share (refer to Note 14) | 12 | 12 |
| Common Stock, \$0.001 par value, 200,000 shares authorized, 70,031 and 73,967 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively | 70 | 74 |
| Additional paid-in capital | 3,127,401 | 3,240,535 |
| Accumulated deficit | (2,225,552) | (2,316,972) |
| Accumulated other comprehensive loss (refer to Note 14) | (34,350) | (52,680) |
| Total iStar Inc. shareholders' equity | 867,581 | 870,969 |
| Noncontrolling interests | 198,644 | 193,414 |
| Total equity | <u>1,066,225</u> | <u>1,064,383</u> |
| Total liabilities and equity | <u>\$ 4,802,165</u> | <u>\$ 4,861,808</u> |

(1) Refer to Note 2 for details on the Company's consolidated variable interest entities ("VIEs").

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

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

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|--|------------|---|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | |
| Operating lease income | \$ 44,392 | \$ 46,370 | \$ 137,381 | \$ 140,529 |
| Interest income | 7,951 | 14,270 | 27,574 | 46,925 |
| Interest income from sales-type leases | 9,578 | 8,360 | 26,895 | 25,010 |
| Other income | 40,195 | 25,552 | 64,549 | 56,212 |
| Land development revenue | 93,369 | 20,502 | 157,936 | 116,254 |
| Total revenues | 195,485 | 115,054 | 414,335 | 384,930 |
| Costs and expenses: | | | | |
| Interest expense | 39,471 | 42,407 | 118,451 | 127,748 |
| Real estate expense | 18,724 | 16,935 | 53,907 | 53,708 |
| Land development cost of sales | 87,380 | 21,358 | 147,507 | 114,704 |
| Depreciation and amortization | 14,856 | 14,621 | 44,971 | 43,407 |
| General and administrative | 17,121 | 19,868 | 68,954 | 73,138 |
| (Recovery of) provision for loan losses | (1,556) | (1,976) | (7,613) | 4,093 |
| Provision for (recovery of) losses on net investment in leases | 131 | 175 | (1,735) | 2,001 |
| Impairment of assets | 1,179 | — | 2,965 | 6,491 |
| Other expense | 2,011 | 73 | 2,475 | 351 |
| Total costs and expenses | 179,317 | 113,461 | 429,882 | 425,641 |
| Income from sales of real estate | 25,611 | 6,055 | 28,433 | 6,118 |
| Income (loss) from operations before earnings from equity method investments and other items | 41,779 | 7,648 | 12,886 | (34,593) |
| Loss on early extinguishment of debt, net | — | (7,924) | — | (12,038) |
| Earnings from equity method investments | 89,209 | 6,805 | 114,675 | 26,003 |
| Net income (loss) before income taxes | 130,988 | 6,529 | 127,561 | (20,628) |
| Income tax benefit (expense) | 6 | (78) | 6 | (165) |
| Net income (loss) | 130,994 | 6,451 | 127,567 | (20,793) |
| Net (income) attributable to noncontrolling interests | (3,264) | (2,646) | (8,037) | (8,435) |
| Net income (loss) attributable to iStar Inc. | 127,730 | 3,805 | 119,530 | (29,228) |
| Preferred dividends | (5,874) | (5,874) | (17,622) | (17,622) |
| Net income (loss) allocable to common shareholders | \$ 121,856 | \$ (2,069) | \$ 101,908 | \$ (46,850) |
| Per common share data: | | | | |
| Net income (loss) allocable to common shareholders: | | | | |
| Basic | \$ 1.71 | \$ (0.03) | \$ 1.40 | \$ (0.61) |
| Diluted | \$ 1.51 | \$ (0.03) | \$ 1.30 | \$ (0.61) |
| Weighted average number of common shares: | | | | |
| Basic | 71,299 | 75,033 | 72,675 | 76,232 |
| Diluted | 80,487 | 75,033 | 78,402 | 76,232 |

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

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

| | <u>For the Three Months Ended September 30,</u> | | <u>For the Nine Months Ended September 30,</u> | |
|--|---|-----------------|--|--------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Net income (loss) | \$ 130,994 | \$ 6,451 | \$ 127,567 | \$ (20,793) |
| Other comprehensive income (loss): | | | | |
| Reclassification of losses on cash flow hedges into earnings upon realization ⁽¹⁾ | 2,683 | 2,371 | 7,507 | 5,792 |
| Unrealized gains (losses) on available-for-sale securities | (539) | 19 | (913) | 1,195 |
| Unrealized gains (losses) on cash flow hedges | 273 | 197 | 11,483 | (30,930) |
| Other comprehensive income (loss) | 2,417 | 2,587 | 18,077 | (23,943) |
| Comprehensive income (loss) | 133,411 | 9,038 | 145,644 | (44,736) |
| Comprehensive (income) attributable to noncontrolling interests | (4,207) | (3,299) | (11,951) | (2,894) |
| Comprehensive income (loss) attributable to iStar Inc. | <u>\$ 129,204</u> | <u>\$ 5,739</u> | <u>\$ 133,693</u> | <u>\$ (47,630)</u> |

(1) Amounts reclassified to "Interest expense" in the Company's consolidated statements of operations for the three months ended September 30, 2021 and 2020 are \$2,050 and \$2,038, respectively, and amounts reclassified to "Interest expense" in the Company's consolidated statements of operations for the nine months ended September 30, 2021 and 2020 are \$6,183 and \$4,926, respectively. Amounts reclassified to "Earnings from equity method investments" in the Company's consolidated statements of operations for the three months ended September 30, 2021 and 2020 are \$633 and \$333, respectively, and amounts reclassified to "Earnings from equity method investments" in the Company's consolidated statements of operations for the nine months ended September 30, 2021 and 2020 are \$1,324 and \$866, respectively.

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

iStar Inc.
Consolidated Statements of Changes in Equity
(In thousands)
(unaudited)

| | iStar Inc. Shareholders' Equity | | | | | | |
|---|--|------------------------------------|---|--|--|-------------------------------------|-------------------------|
| | Preferred Stock⁽¹⁾ | Common Stock at Par | Additional Paid-In Capital | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interests | Total Equity |
| Balance as of June 30, 2021 | \$ 12 | \$ 72 | \$ 3,185,748 | \$ (2,338,454) | \$ (35,824) | \$ 197,152 | \$ 1,008,706 |
| Dividends declared—preferred | — | — | — | (5,874) | — | — | (5,874) |
| Dividends declared—common (\$0.125 per share) | — | — | — | (8,954) | — | — | (8,954) |
| Issuance of stock/restricted stock unit amortization, net ⁽²⁾ | — | — | 1,158 | — | — | 1,107 | 2,265 |
| Net income | — | — | — | 127,730 | — | 3,264 | 130,994 |
| Change in accumulated other comprehensive income (loss) | — | — | — | — | 1,474 | 943 | 2,417 |
| Repurchase of stock | — | (2) | (59,505) | — | — | — | (59,507) |
| Contributions from noncontrolling interests | — | — | — | — | — | 169 | 169 |
| Distributions to noncontrolling interests | — | — | — | — | — | (3,917) | (3,917) |
| Change to noncontrolling interest | — | — | — | — | — | (74) | (74) |
| Balance as of September 30, 2021 | <u>\$ 12</u> | <u>\$ 70</u> | <u>\$ 3,127,401</u> | <u>\$ (2,225,552)</u> | <u>\$ (34,350)</u> | <u>\$ 198,644</u> | <u>\$ 1,066,225</u> |
| Balance as of June 30, 2020 | \$ 12 | \$ 76 | \$ 3,260,173 | \$ (2,279,284) | \$ (59,045) | \$ 191,853 | \$ 1,113,785 |
| Dividends declared—preferred | — | — | — | (5,874) | — | — | (5,874) |
| Dividends declared—common (\$0.11 per share) | — | — | — | (8,315) | — | — | (8,315) |
| Issuance of stock/restricted stock unit amortization, net ⁽²⁾ | — | — | 903 | — | — | 894 | 1,797 |
| Net income | — | — | — | 3,805 | — | 2,646 | 6,451 |
| Change in accumulated other comprehensive income (loss) | — | — | — | — | 1,934 | 653 | 2,587 |
| Repurchase of stock | — | (2) | (13,623) | — | — | — | (13,625) |
| Contributions from noncontrolling interests | — | — | — | — | — | 444 | 444 |
| Distributions to noncontrolling interests | — | — | — | — | — | (3,802) | (3,802) |
| Balance as of September 30, 2020 | <u>\$ 12</u> | <u>\$ 74</u> | <u>\$ 3,247,453</u> | <u>\$ (2,289,668)</u> | <u>\$ (57,111)</u> | <u>\$ 192,688</u> | <u>\$ 1,093,448</u> |

| iStar Inc. Shareholders' Equity | | | | | | | |
|--|--|------------------------------------|---|--|--|-------------------------------------|-------------------------|
| | Preferred Stock⁽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, 2020 | \$ 12 | \$ 74 | \$ 3,240,535 | \$ (2,316,972) | \$ (52,680) | \$ 193,414 | \$ 1,064,383 |
| Impact from adoption of new accounting standards (refer to Note 3) | — | — | (25,869) | 15,850 | — | — | (10,019) |
| Dividends declared—preferred | — | — | — | (17,622) | — | — | (17,622) |
| Dividends declared—common (\$0.36 per share) | — | — | — | (26,338) | — | — | (26,338) |
| Issuance of stock/restricted stock unit amortization, net ⁽²⁾ | — | — | 4,929 | — | — | 2,645 | 7,574 |
| Net income | — | — | — | 119,530 | — | 8,037 | 127,567 |
| Change in accumulated other comprehensive income (loss) | — | — | — | — | 18,330 | 3,913 | 22,243 |
| Repurchase of stock | — | (4) | (91,859) | — | — | — | (91,863) |
| Contributions from noncontrolling interests | — | — | — | — | — | 1,026 | 1,026 |
| Distributions to noncontrolling interests | — | — | (335) | — | — | (10,317) | (10,652) |
| Change to noncontrolling interest | — | — | — | — | — | (74) | (74) |
| Balance as of September 30, 2021 | <u>\$ 12</u> | <u>\$ 70</u> | <u>\$ 3,127,401</u> | <u>\$ (2,225,552)</u> | <u>\$ (34,350)</u> | <u>\$ 198,644</u> | <u>\$ 1,066,225</u> |
| Balance as of December 31, 2019 | \$ 12 | \$ 78 | \$ 3,284,877 | \$ (2,205,838) | \$ (38,707) | \$ 197,538 | \$ 1,237,960 |
| Impact from adoption of new accounting standards | — | — | — | (12,382) | — | — | (12,382) |
| Dividends declared—preferred | — | — | — | (17,622) | — | — | (17,622) |
| Dividends declared—common (\$0.32 per share) | — | — | — | (24,598) | — | — | (24,598) |
| Issuance of stock/restricted stock unit amortization, net ⁽²⁾ | — | 1 | 3,985 | — | — | 2,469 | 6,455 |
| Net income (loss) | — | — | — | (29,228) | — | 8,435 | (20,793) |
| Change in accumulated other comprehensive income (loss) | — | — | — | — | (18,404) | (5,539) | (23,943) |
| Repurchase of stock | — | (5) | (41,409) | — | — | — | (41,414) |
| Contributions from noncontrolling interests | — | — | — | — | — | 760 | 760 |
| Distributions to noncontrolling interests | — | — | — | — | — | (10,975) | (10,975) |
| Balance as of September 30, 2020 | <u>\$ 12</u> | <u>\$ 74</u> | <u>\$ 3,247,453</u> | <u>\$ (2,289,668)</u> | <u>\$ (57,111)</u> | <u>\$ 192,688</u> | <u>\$ 1,093,448</u> |

(1) Refer to Note 14 for details on the Company's Preferred Stock.

(2) Net of payments for withholding taxes upon vesting of stock-based compensation.

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

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

| | For the Nine Months Ended September 30, | |
|--|--|-------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 127,567 | \$ (20,793) |
| Adjustments to reconcile net income (loss) to cash flows from operating activities: | | |
| (Recovery of) provision for loan losses | (7,613) | 4,093 |
| (Recovery of) provision for losses on net investment in leases | (1,735) | 2,001 |
| Impairment of assets | 2,965 | 6,491 |
| Depreciation and amortization | 44,971 | 43,407 |
| Non-cash interest income from sales-type leases | (22,243) | (15,681) |
| Stock-based compensation expense | 23,300 | 26,675 |
| Amortization of discounts/premiums and deferred financing costs on debt obligations, net | 5,920 | 10,055 |
| Amortization of discounts/premiums and deferred interest on loans, net | (11,730) | (24,360) |
| Deferred interest on loans received | 24,394 | 15,275 |
| Earnings from equity method investments | (114,675) | (26,003) |
| Distributions from operations of other investments | 37,433 | 17,146 |
| Deferred operating lease income | (7,874) | (11,276) |
| Income from sales of real estate | (28,433) | (6,118) |
| Land development revenue in excess of cost of sales | (10,429) | (1,550) |
| Loss on early extinguishment of debt, net | — | 12,038 |
| Other operating activities, net | (14,031) | (21,207) |
| Changes in assets and liabilities: | | |
| Origination and fundings of loans receivable held for sale | (42,000) | — |
| Changes in accrued interest and operating lease income receivable | 5,259 | 352 |
| Changes in deferred expenses and other assets, net | (9,186) | (6,079) |
| Changes in accounts payable, accrued expenses and other liabilities | (6,601) | (10,644) |
| Cash flows used in operating activities | <u>(4,741)</u> | <u>(6,178)</u> |
| Cash flows from investing activities: | | |
| Originations and fundings of loans receivable, net | (71,921) | (80,635) |
| Capital expenditures on real estate assets | (5,835) | (11,661) |
| Capital expenditures on land and development assets | (15,603) | (33,488) |
| Acquisitions of real estate, net investments in leases and land assets | (42,000) | — |
| Repayments of and principal collections on loans receivable and other lending investments, net | 226,065 | 151,612 |
| Net proceeds from sales of loans receivable | 122,609 | — |
| Net proceeds from sales of real estate | 140,576 | 42,684 |
| Net proceeds from sales of land and development assets | 154,094 | 113,670 |
| Net proceeds from sales of other investments | 3,000 | — |
| Distributions from other investments | 34,926 | 12,139 |
| Contributions to and acquisition of interest in other investments | (171,005) | (194,775) |
| Other investing activities, net | (1,184) | (5,214) |
| Cash flows provided by (used in) investing activities | <u>373,722</u> | <u>(5,668)</u> |
| Cash flows from financing activities: | | |
| Borrowings from debt obligations | 25,000 | 737,913 |
| Repayments and repurchases of debt obligations | (44,534) | (824,740) |
| Preferred dividends paid | (17,622) | (17,622) |
| Common dividends paid | (26,149) | (24,397) |
| Repurchase of stock | (88,946) | (47,272) |
| Payments for debt prepayment or extinguishment costs | — | (8,567) |
| Payments for deferred financing costs | (75) | (7,475) |
| Payments for withholding taxes upon vesting of stock-based compensation | (2,210) | (2,001) |
| Contributions from noncontrolling interests | 233 | 760 |
| Distributions to noncontrolling interests | (10,317) | (10,975) |
| Cash flows used in financing activities | <u>(164,620)</u> | <u>(204,376)</u> |
| Effect of exchange rate changes on cash | <u>(126)</u> | <u>(10)</u> |
| Changes in cash, cash equivalents and restricted cash | 204,235 | (216,232) |
| Cash, cash equivalents and restricted cash at beginning of period | 150,566 | 352,206 |
| Cash, cash equivalents and restricted cash at end of period | <u>\$ 354,801</u> | <u>\$ 135,974</u> |

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| | For the Nine Months Ended September 30, | |
|--|--|-------------------|
| | 2021 | 2020 |
| Reconciliation of cash and cash equivalents and restricted cash presented on the consolidated statements of cash flows | | |
| Cash and cash equivalents | \$ 298,886 | \$ 88,187 |
| Restricted cash included in deferred expenses and other assets, net | 55,915 | 47,787 |
| Total cash and cash equivalents and restricted cash | <u>\$ 354,801</u> | <u>\$ 135,974</u> |
| Supplemental disclosure of non-cash investing and financing activity: | | |
| Fundings and (repayments) of loan receivables and loan participations, net | \$ (42,501) | \$ 6,160 |
| Accounts payable for capital expenditures on land and development and real estate assets | 1,125 | — |
| Contributions to other investments | 2,000 | — |
| Accrued repurchase of stock | 3,117 | 499 |

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

iStar Inc.
Notes to Consolidated Financial Statements
(unaudited)

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Note 1—Business and Organization

Business—iStar Inc. (the “Company”) finances, invests in and develops real estate and real estate related projects as part of its fully-integrated investment platform. The Company also manages entities focused on ground lease and net lease investments (refer to Note 8). The Company has invested over \$40 billion of capital 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 reportable business segments are net lease, real estate finance, operating properties and land and development (refer to Note 18).

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 and corporate acquisitions.

Note 2—Basis of Presentation and Principles of Consolidation

Basis of Presentation—The accompanying unaudited condensed 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, 2020 (the “2020 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 VIEs for which the Company is the primary beneficiary. All 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 provided no financial support to those VIEs that it was not previously contractually required to provide.

Consolidated VIEs—The Company consolidates VIEs for which it is considered the primary beneficiary. 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 September 30, 2021 and

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December 31, 2020. The following table presents the assets and liabilities of the Company’s consolidated VIEs as of September 30, 2021 and December 31, 2020 (\$ in thousands):

| | As of | |
|---|---------------------|---------------------|
| | September 30, 2021 | December 31, 2020 |
| ASSETS | | |
| Real estate | | |
| Real estate, at cost | \$ 901,254 | \$ 899,110 |
| Less: accumulated depreciation | (80,409) | (61,917) |
| Real estate, net | 820,845 | 837,193 |
| Land and development, net | 190,929 | 240,137 |
| Other investments | 26 | 35 |
| Cash and cash equivalents | 25,114 | 22,571 |
| Accrued interest and operating lease income receivable, net | 1,282 | 1,472 |
| Deferred operating lease income receivable, net | 36,665 | 29,428 |
| Deferred expenses and other assets, net | 119,127 | 122,591 |
| Total assets | <u>\$ 1,193,988</u> | <u>\$ 1,253,427</u> |
| LIABILITIES | | |
| Accounts payable, accrued expenses and other liabilities | \$ 74,307 | \$ 115,581 |
| Debt obligations, net | 478,567 | 488,719 |
| Total liabilities | 552,874 | 604,300 |

Unconsolidated VIEs—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 September 30, 2021, the Company’s maximum exposure to loss from these investments does not exceed the sum of the \$149.4 million carrying value of the investments, which are classified in “Other investments” on the Company’s consolidated balance sheets, and \$7.6 million of related unfunded commitments.

Note 3—Summary of Significant Accounting Policies

The following paragraph describes the impact on the Company’s consolidated financial statements from the adoption of Accounting Standards Updates (“ASUs”) on January 1, 2021.

The Company adopted ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40) (“ASU 2020-06”) on January 1, 2021 using the modified retrospective approach method. Under the modified retrospective approach, the Company recorded a cumulative effect adjustment on January 1, 2021 by increasing “Debt obligations, net” by \$10.0 million, increasing retained earnings by \$15.9 million and decreasing “Additional paid-in capital” by \$25.9 million with respect to its 3.125% senior convertible notes (refer to Note 11). Periods presented that are prior to the adoption date of January 1, 2021 will not be adjusted. In addition, upon the adoption of ASU 2020-06, the Company is required to use a modified if-converted method when calculating earnings per share. The Company will settle conversions of the 3.125% senior convertible notes by paying the conversion value in cash up to the original principal amount of the notes being converted and shares of common stock to the extent of any conversion premium. The if-converted method is modified so that interest expense is not added back to the numerator, and the denominator only includes the net number of incremental shares that would be issued upon conversion.

For the remainder of the Company’s significant accounting policies, refer to the Company’s 2020 Annual Report.

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New Accounting Pronouncements—In March 2020, the Financial Accounting Standards Board issued ASU 2020-04, Reference Rate Reform (“ASU 2020-04”). ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. In March 2020, the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

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 September 30, 2021 | | | |
| Land, at cost | \$ 188,418 | \$ 6,830 | \$ 195,248 |
| Buildings and improvements, at cost | 1,355,984 | 106,634 | 1,462,618 |
| Less: accumulated depreciation | (280,521) | (20,421) | (300,942) |
| Real estate, net ⁽¹⁾ | 1,263,881 | 93,043 | 1,356,924 |
| Real estate available and held for sale ⁽²⁾ | — | 1,983 | 1,983 |
| Total real estate | <u>\$ 1,263,881</u> | <u>\$ 95,026</u> | <u>\$ 1,358,907</u> |
| As of December 31, 2020 | | | |
| Land, at cost | \$ 188,418 | \$ 103,530 | \$ 291,948 |
| Buildings and improvements, at cost | 1,353,683 | 106,422 | 1,460,105 |
| Less: accumulated depreciation | (250,198) | (17,574) | (267,772) |
| Real estate, net ⁽¹⁾ | 1,291,903 | 192,378 | 1,484,281 |
| Real estate available and held for sale ⁽²⁾ | — | 5,212 | 5,212 |
| Total real estate | <u>\$ 1,291,903</u> | <u>\$ 197,590</u> | <u>\$ 1,489,493</u> |

(1) As of September 30, 2021 and December 31, 2020, real estate, net included \$741.6 million and \$755.5 million, respectively, of real estate of the Net Lease Venture (refer to Net Lease Venture below).

(2) As of September 30, 2021 and December 31, 2020, the Company had \$2.0 million and \$5.2 million, respectively, of residential condominiums available for sale in its operating properties portfolio.

Net Lease Venture—In February 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 offer to the venture on all new net lease investments. The Company and its partner had joint decision making rights pertaining to the acquisition of new investments. Upon the expiration of the investment period on June 30, 2018, the Company obtained control of the venture through its unilateral rights of management and disposition of the assets. As a result, the expiration of the investment period resulted in a reconsideration event under GAAP and the Company determined that the Net Lease Venture is a VIE for which the Company is the primary beneficiary. Effective June 30, 2018, the Company consolidated the Net Lease Venture as an asset acquisition under ASC 810. The Net Lease Venture had previously been accounted for as an equity method investment. The Company has an equity interest in the Net Lease Venture of approximately 51.9%. The Company is responsible for sourcing new opportunities and managing the venture and its assets in exchange for a management fee and incentive 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 incentive fee received based on the 47.5% external partner’s interest.

Dispositions—During the nine months ended September 30, 2021, the Company sold an operating property with a carrying value of \$96.8 million for \$125.0 million and recognized a gain of \$25.6 million after selling costs. The gain is

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recorded in “Income from sales of real estate” in the Company’s consolidated statements of operations. During the nine months ended September 30, 2020, the Company sold a net lease asset for net proceeds of \$7.5 million and recognized an impairment of \$1.7 million in connection with the sale.

Impairments— During the three and nine months ended September 30, 2021, the Company recorded an impairment of \$0.4 million on an operating property. During the nine months ended September 30, 2020, the Company recorded an impairment of \$1.7 million in connection with the sale of a net lease asset and an impairment of \$3.0 million on a real estate asset held for sale.

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 \$5.3 million and \$17.4 million for the three and nine months ended September 30, 2021, respectively, and \$5.8 million and \$17.1 million for the three and nine months ended September 30, 2020, respectively. These amounts are included in “Operating lease income” in the Company’s consolidated statements of operations.

Allowance for Doubtful Accounts—As of September 30, 2021 and December 31, 2020, the allowance for doubtful accounts related to real estate tenant receivables was \$0.4 million and \$1.7 million, respectively. These amounts are included in “Accrued interest and operating lease income receivable, net” on the Company’s consolidated balance sheets.

Future Minimum Operating Lease Payments—Future minimum operating lease payments to be collected under non-cancelable operating leases, excluding customer reimbursements of expenses, in effect as of September 30, 2021, are as follows by year (\$ in thousands):

| Year | Net Lease | Operating Properties |
|-------------------------------|--------------|-------------------------|
| 2021 (remaining three months) | \$ 32,800 | \$ 1,455 |
| 2022 | 133,616 | 6,226 |
| 2023 | 125,330 | 5,966 |
| 2024 | 119,714 | 5,913 |
| 2025 | 123,248 | 5,318 |
| Thereafter | 1,385,609 | 7,825 |

Note 5—Net Investment in Leases

In June 2021, the Company acquired two parcels of land for \$42.0 million each and simultaneously entered into two Ground Leases with the respective tenants. Each Ground Lease also provides for a leasehold improvement allowance up to a maximum of \$83.0 million. The Company also concurrently entered into an agreement pursuant to which SAFE would acquire the Ground Leases from the Company. If certain construction conditions are not met within a specified time period, SAFE will have no obligation to acquire the Ground Leases or fund the leasehold improvement allowances. The Company classified one of the Ground Leases as a sales-type lease and it is recorded in “Net investment in leases” on the Company’s consolidated balance sheets. One Ground Lease was entered into with the seller of the land and did not qualify for sale leaseback accounting, and as such, was accounted for as a financing transaction and \$42.0 million was recorded in “Loans receivable held for sale” on the Company’s consolidated balance sheet. There can be no assurance that the conditions to closing will be satisfied and that SAFE will acquire the properties and Ground Leases from the Company.

In May 2019, the Company entered into a transaction with an operator of bowling entertainment venues, consisting of the purchase of nine bowling centers for \$56.7 million, of which seven were acquired from the lessee for \$44.1 million, and a commitment to invest up to \$55.0 million in additional bowling centers over the next several years. The new centers were added to the Company’s existing master leases with the tenant. In connection with this transaction, the maturities of the master leases were extended by 15 years to 2047. In the second quarter 2020, the Company entered into a transaction with the lessee whereby it would apply \$10 million of the net proceeds it received from certain sales of the lessee’s facilities to the lessee’s upcoming rent obligations to the Company. In exchange, the Company’s obligation under the lease to

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acquire an equal amount of new facilities for them or to reduce their rent in the future was terminated. In the third quarter 2020, the Company granted the lessee a nine-month rent deferral on its two wholly-owned master leases in exchange for eliminating the Company's commitment to invest up to \$55.0 million in additional bowling centers over the next several years. All deferred amounts are required to be repaid with interest beginning in January 2023.

As a result of the May 2019 modifications to the leases, the Company classified the leases as sales-type leases and recorded \$424.1 million in "Net investment in leases" on its consolidated balance sheet. As a result of the modifications in the second and third quarter 2020, the Company reassessed this classification as required by ASC 842, and concluded that the leases should continue to be classified as sales-type leases. In May 2019, the Company determined that the seven bowling centers acquired did not qualify as a sale leaseback transaction and recorded \$44.1 million in "Loans receivable and other lending investments, net" on its consolidated balance sheet (refer to Note 7).

For the three and nine months ended September 30, 2021, the Company recognized \$7.0 million and \$7.3 million, respectively, of cash interest income and \$2.5 million and \$19.6 million, respectively, of non-cash interest income in "Interest income from sales-type leases" in the Company's consolidated statements of operations. For the three and nine months ended September 30, 2020, the Company recognized \$1.5 million and \$10.7 million, respectively, of cash interest income and \$6.9 million and \$14.3 million, respectively, of non-cash interest income in "Interest income from sales-type leases" in the Company's consolidated statements of operations.

Dispositions—During the nine months ended September 30, 2021, the Company sold net lease assets for net proceeds of \$8.7 million and recognized an aggregate impairment of \$2.3 million in connection with the sales.

The Company's net investment in leases were comprised of the following as of September 30, 2021 and December 31, 2020 (\$ in thousands):

| | September 30, 2021 | December 31, 2020 |
|--|---------------------------|--------------------------|
| Total undiscounted cash flows | \$ 1,538,758 | \$ 1,020,921 |
| Unguaranteed estimated residual value | 367,804 | 345,284 |
| Present value discount | (1,420,066) | (926,233) |
| Allowance for losses on net investment in leases | (9,136) | (10,871) |
| Net investment in leases⁽¹⁾ | \$ 477,360 | \$ 429,101 |

(1) As of September 30, 2021 and December 31, 2020, all of the Company's net investment in leases were current in their payment status and performing in accordance with the terms of the respective leases. As of September 30, 2021, the weighted average risk rating on the Company's net investment in leases was 2.0.

Future Minimum Lease Payments under Sales-type Leases—Future minimum lease payments to be collected under sales-type leases, excluding lease payments that are not fixed and determinable, in effect as of September 30, 2021, are as follows by year (\$ in thousands):

| | Amount |
|--------------------------------------|---------------------|
| 2021 (remaining three months) | \$ 7,372 |
| 2022 | 30,590 |
| 2023 | 43,272 |
| 2024 | 43,029 |
| 2025 | 31,955 |
| Thereafter | 1,382,540 |
| Total undiscounted cash flows | \$ 1,538,758 |

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Allowance for Losses on Net Investment in Leases—Changes in the Company’s allowance for losses on net investment in leases for the three and nine months ended September 30, 2021 and 2020 were as follows (\$ in thousands):

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| Allowance for losses on net investment in leases at beginning of period | \$ 9,005 | \$ 10,937 | \$ 10,871 | \$ — |
| Initial allowance recorded upon adoption of new accounting standard ⁽¹⁾ | — | — | — | 9,111 |
| Provision for (recovery of) losses on net investment in leases ⁽²⁾ | 131 | 176 | (1,735) | 2,002 |
| Allowance for losses on net investment in leases at end of period | \$ 9,136 | \$ 11,113 | \$ 9,136 | \$ 11,113 |

- (1) The Company recorded an initial allowance for losses on net investment in leases of \$9.1 million upon the adoption of ASU 2016-13 on January 1, 2020.
- (2) During the three and nine months ended September 30, 2021, the Company recorded a provision for (recovery of) losses on net investment in leases of \$0.1 million and (\$1.7) million, respectively. The provision for losses for the three months ended September 30, 2021 resulted from market changes since June 30, 2021 and the recovery of losses for the nine months ended September 30, 2021 was due primarily to asset sales and an improving macroeconomic forecast on commercial real estate markets since December 31, 2020. During the three and nine months ended September 30, 2020, the Company recorded a provision for losses on net investment in leases of \$0.2 million and \$2.0 million, respectively, due primarily to the macroeconomic impact of COVID-19 on commercial real estate markets and the adoption of ASU 2016-13.

Note 6—Land and Development

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

| | As of | |
|--|---------------------------|--------------------------|
| | September 30, 2021 | December 31, 2020 |
| Land and land development, at cost | \$ 313,428 | \$ 441,201 |
| Less: accumulated depreciation | (10,583) | (10,538) |
| Total land and development, net | \$ 302,845 | \$ 430,663 |

Dispositions—During the nine months ended September 30, 2021 and 2020, the Company sold land parcels and residential lots and units and recognized land development revenue of \$157.9 million and \$116.3 million, respectively. During the nine months ended September 30, 2021 and 2020, the Company recognized land development cost of sales of \$147.5 million and \$114.7 million, respectively, from its land and development portfolio.

Impairments—During the nine months ended September 30, 2020, the Company recorded an impairment of \$1.5 million on a land and development asset.

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Note 7—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):

| | <u>As of</u> | |
|---|---------------------------|--------------------------|
| | <u>September 30, 2021</u> | <u>December 31, 2020</u> |
| Construction loans | | |
| Senior mortgages | \$ 191,697 | \$ 449,733 |
| Corporate/Partnership loans | 3,516 | 65,100 |
| Subtotal - gross carrying value of construction loans ⁽¹⁾ | <u>195,213</u> | <u>514,833</u> |
| Loans | | |
| Senior mortgages | 15,181 | 35,922 |
| Corporate/Partnership loans | 17,941 | 20,567 |
| Subordinate mortgages | 12,248 | 11,640 |
| Subtotal - gross carrying value of loans | <u>45,370</u> | <u>68,129</u> |
| Other lending investments | | |
| Financing receivables (refer to Note 5) | 48,503 | 46,549 |
| Held-to-maturity debt securities | 95,258 | 90,715 |
| Available-for-sale debt securities | 27,535 | 25,274 |
| Subtotal - other lending investments | <u>171,296</u> | <u>162,538</u> |
| Total gross carrying value of loans receivable and other lending investments | 411,879 | 745,500 |
| Allowance for loan losses | (6,370) | (13,170) |
| Total loans receivable and other lending investments, net | \$ 405,509 | \$ 732,330 |

(1) As of September 30, 2021, 98% of gross carrying value of construction loans had completed construction.

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Allowance for Loan Losses—Changes in the Company’s allowance for loan losses were as follows for the three months ended September 30, 2021 and 2020 (\$ in thousands):

| | General Allowance | | | | | |
|---|-----------------------|---------------|--|--------------------------|-----------------------|------------------|
| | Construction Loans | Loans | Held to Maturity Debt Securities | Financing Receivables | Specific Allowance | Total |
| Three Months Ended September 30, 2021 | | | | | | |
| Allowance for loan losses at beginning of period | \$ 1,640 | \$ 1,619 | \$ 2,393 | \$ 893 | \$ 590 | \$ 7,135 |
| (Recovery of) provision for loan losses ⁽¹⁾ | (149) | (865) | 145 | 54 | 50 | (765) |
| Allowance for loan losses at end of period | <u>\$ 1,491</u> | <u>\$ 754</u> | <u>\$ 2,538</u> | <u>\$ 947</u> | <u>\$ 640</u> | <u>\$ 6,370</u> |
| Three Months Ended September 30, 2020 | | | | | | |
| Allowance for loan losses at beginning of period | \$ 11,736 | \$ 905 | \$ 111 | \$ 1,159 | \$ 21,701 | \$ 35,612 |
| (Recovery of) provision for loan losses ⁽¹⁾ | (2,598) | (427) | (56) | 17 | 899 | (2,165) |
| Allowance for loan losses at end of period | <u>\$ 9,138</u> | <u>\$ 478</u> | <u>\$ 55</u> | <u>\$ 1,176</u> | <u>\$ 22,600</u> | <u>\$ 33,447</u> |

(1) During the three months ended September 30, 2021 and 2020, the Company recorded a provision for (recovery of) loan losses of (\$1.6) million and (\$2.0) million, respectively, in its consolidated statements of operations. The recovery in 2021 was due primarily to the repayment of loans during the three months ended September 30, 2021 and an improving macroeconomic forecast on commercial real estate markets since June 30, 2021. Of this amount, \$0.9 million related to a recovery of loan losses for unfunded loan commitments and is recorded as a reduction to "Accounts payable, accrued expenses and other liabilities." The recovery in 2020 resulted from the reversal of CECL allowances on loans that repaid in full in the third quarter 2020 and a more favorable economic outlook on commercial real estate markets in the third quarter 2020 as compared to the second quarter 2020. Of this amount, \$0.7 million related to a recovery of loan losses for unfunded loan commitments and is recorded as a reduction to "Accounts payable, accrued expenses and other liabilities" and \$0.9 million related to a provision on a non-performing loan that was recorded as a reduction to "Accrued interest and operating lease income receivable, net."

Changes in the Company’s allowance for loan losses were as follows for the nine months ended September 30, 2021 and 2020 (\$ in thousands):

| | General Allowance | | | | | |
|---|-----------------------|---------------|--|--------------------------|-----------------------|------------------|
| | Construction Loans | Loans | Held to Maturity Debt Securities | Financing Receivables | Specific Allowance | Total |
| Nine Months Ended September 30, 2021 | | | | | | |
| Allowance for loan losses at beginning of period | \$ 6,541 | \$ 1,643 | \$ 3,093 | \$ 1,150 | \$ 743 | \$ 13,170 |
| Recovery of loan losses ⁽¹⁾ | (5,050) | (889) | (555) | (203) | (103) | (6,800) |
| Allowance for loan losses at end of period | <u>\$ 1,491</u> | <u>\$ 754</u> | <u>\$ 2,538</u> | <u>\$ 947</u> | <u>\$ 640</u> | <u>\$ 6,370</u> |
| Nine Months Ended September 30, 2020 | | | | | | |
| Allowance for loan losses at beginning of period | \$ 6,668 | \$ 265 | \$ — | \$ — | \$ 21,701 | \$ 28,634 |
| Adoption of new accounting standard ⁽²⁾ | (353) | 98 | 20 | 964 | — | 729 |
| Provision for loan losses ⁽¹⁾ | 2,823 | 115 | 35 | 212 | 899 | 4,084 |
| Allowance for loan losses at end of period | <u>\$ 9,138</u> | <u>\$ 478</u> | <u>\$ 55</u> | <u>\$ 1,176</u> | <u>\$ 22,600</u> | <u>\$ 33,447</u> |

(1) During the nine months ended September 30, 2021 and 2020, the Company recorded a provision for (recovery of) loan losses of (\$7.6) million and \$4.1 million, respectively, in its consolidated statements of operations. The recovery in 2021 was due primarily to the repayment of loans during the nine months ended September 30, 2021 and an improving macroeconomic forecast on commercial real estate markets since December 31, 2020. Of this amount, \$0.9 million related to a recovery of credit losses for unfunded loan commitments and is recorded as a reduction to "Accounts payable, accrued expenses and other liabilities." The provision for loan losses in 2020 resulted from the macroeconomic impact of COVID-19 on commercial real estate markets, of which \$0.9 million related to a recovery of credit losses for unfunded loan commitments and is recorded as a reduction to "Accounts payable, accrued expenses and other liabilities" and \$0.9 million related to a provision on a non-performing loan that was recorded as a reduction to "Accrued interest and operating lease income receivable, net."

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- (2) On January 1, 2020, the Company recorded an increase to its allowance for loan losses of \$3.3 million upon the adoption of ASU 2016-13, of which \$2.5 million related to expected credit losses for unfunded loan commitments and was recorded in "Accounts payable, accrued expenses and other liabilities."

The Company's investment in loans and other lending investments and the associated allowance for loan losses were as follows as of September 30, 2021 and December 31, 2020 (\$ in thousands):

| | Individually Evaluated for Impairment ⁽¹⁾ | Collectively Evaluated for Impairment | Total |
|---|--|---|-------------------|
| As of September 30, 2021 | | | |
| Construction loans ⁽²⁾ | \$ 58,819 | \$ 136,394 | \$ 195,213 |
| Loans ⁽²⁾ | — | 45,370 | 45,370 |
| Financing receivables | — | 48,503 | 48,503 |
| Held-to-maturity debt securities | — | 95,258 | 95,258 |
| Available-for-sale debt securities ⁽³⁾ | — | 27,535 | 27,535 |
| Less: Allowance for loan losses | (640) | (5,730) | (6,370) |
| Total | <u>\$ 58,179</u> | <u>\$ 347,330</u> | <u>\$ 405,509</u> |
| As of December 31, 2020 | | | |
| Construction loans ⁽²⁾ | \$ 53,305 | \$ 461,528 | \$ 514,833 |
| Loans ⁽²⁾ | — | 68,129 | 68,129 |
| Financing receivables | — | 46,549 | 46,549 |
| Held-to-maturity debt securities | — | 90,715 | 90,715 |
| Available-for-sale debt securities ⁽³⁾ | — | 25,274 | 25,274 |
| Less: Allowance for loan losses | (743) | (12,427) | (13,170) |
| Total | <u>\$ 52,562</u> | <u>\$ 679,768</u> | <u>\$ 732,330</u> |

- (1) The carrying value of this loan includes an unamortized discount of \$0.8 million and \$0.8 million as of September 30, 2021 and December 31, 2020, respectively. The Company's loans individually evaluated for impairment represent loans on non-accrual status and 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 discounts of \$0.2 million and \$2.3 million as of September 30, 2021 and December 31, 2020, respectively.
- (3) Available-for-sale debt securities are evaluated for impairment under ASC 326-30.

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) interest payments become 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.

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The Company's amortized cost basis in performing senior mortgages, corporate/partnership loans, subordinate mortgages and financing receivables, presented by year of origination and by credit quality, as indicated by risk rating, as of September 30, 2021 were as follows (\$ in thousands):

| | Year of Origination | | | | | | Total |
|------------------------------------|---------------------|-------------|------------------|-------------------|-------------|------------------|-------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | Prior to 2017 | |
| Senior mortgages | | | | | | | |
| Risk rating | | | | | | | |
| 1.0 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| 1.5 | — | — | — | — | — | — | — |
| 2.0 | — | — | — | 11,900 | — | — | 11,900 |
| 2.5 | — | — | — | — | — | — | — |
| 3.0 | — | — | — | 109,137 | — | 3,281 | 112,418 |
| 3.5 | — | — | — | 23,741 | — | — | 23,741 |
| 4.0 | — | — | — | — | — | — | — |
| 4.5 | — | — | — | — | — | — | — |
| 5.0 | — | — | — | — | — | — | — |
| Subtotal ⁽¹⁾ | \$ — | \$ — | \$ — | \$ 144,778 | \$ — | \$ 3,281 | \$ 148,059 |
| Corporate/partnership loans | | | | | | | |
| Risk rating | | | | | | | |
| 1.0 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| 1.5 | — | — | — | 3,516 | — | — | 3,516 |
| 2.0 | — | — | — | — | — | — | — |
| 2.5 | — | — | — | — | — | — | — |
| 3.0 | — | — | — | — | — | — | — |
| 3.5 | — | — | — | — | — | — | — |
| 4.0 | — | — | — | 17,941 | — | — | 17,941 |
| 4.5 | — | — | — | — | — | — | — |
| 5.0 | — | — | — | — | — | — | — |
| Subtotal | \$ — | \$ — | \$ — | \$ 21,457 | \$ — | \$ — | \$ 21,457 |
| Subordinate mortgages | | | | | | | |
| Risk rating | | | | | | | |
| 1.0 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| 1.5 | — | — | — | — | — | — | — |
| 2.0 | — | — | — | — | — | — | — |
| 2.5 | — | — | — | — | — | — | — |
| 3.0 | — | — | — | — | — | 12,248 | 12,248 |
| 3.5 | — | — | — | — | — | — | — |
| 4.0 | — | — | — | — | — | — | — |
| 4.5 | — | — | — | — | — | — | — |
| 5.0 | — | — | — | — | — | — | — |
| Subtotal | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 12,248 | \$ 12,248 |
| Financing receivables | | | | | | | |
| Risk rating | | | | | | | |
| 1.0 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| 1.5 | — | — | — | — | — | — | — |
| 2.0 | — | — | 48,503 | — | — | — | 48,503 |
| 2.5 | — | — | — | — | — | — | — |
| 3.0 | — | — | — | — | — | — | — |
| 3.5 | — | — | — | — | — | — | — |
| 4.0 | — | — | — | — | — | — | — |
| 4.5 | — | — | — | — | — | — | — |
| 5.0 | — | — | — | — | — | — | — |
| Subtotal | \$ — | \$ — | \$ 48,503 | \$ — | \$ — | \$ — | \$ 48,503 |
| Total | \$ — | \$ — | \$ 48,503 | \$ 166,235 | \$ — | \$ 15,529 | \$ 230,267 |

(1) As of September 30, 2021, excludes \$58.8 million for one loan on non-accrual status.

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The Company's amortized cost basis in loans, aged by payment status and presented by class, was as follows (\$ in thousands):

| | Current | Less Than or Equal to 90 Days | Greater Than 90 Days | Total Past Due | Total |
|---------------------------------|-------------------|-------------------------------------|----------------------------|-------------------|-------------------|
| As of September 30, 2021 | | | | | |
| Senior mortgages | \$ 148,059 | \$ — | \$ 58,819 | 58,819 | \$ 206,878 |
| Corporate/Partnership loans | 21,457 | — | — | — | 21,457 |
| Subordinate mortgages | 12,248 | — | — | — | 12,248 |
| Total | <u>\$ 181,764</u> | <u>\$ —</u> | <u>\$ 58,819</u> | <u>\$ 58,819</u> | <u>\$ 240,583</u> |
| As of December 31, 2020 | | | | | |
| Senior mortgages | \$ 443,154 | \$ 42,501 | \$ — | \$ 42,501 | \$ 485,655 |
| Corporate/Partnership loans | 42,721 | 42,946 | — | 42,946 | 85,667 |
| Subordinate mortgages | 11,640 | — | — | — | 11,640 |
| Total | <u>\$ 497,515</u> | <u>\$ 85,447</u> | <u>\$ —</u> | <u>\$ 85,447</u> | <u>\$ 582,962</u> |

Impaired Loans—The Company's impaired loan was as follows (\$ in thousands):

| | As of September 30, 2021 | | | As of December 31, 2020 | | |
|------------------------------------|--------------------------|--------------------------------|----------------------|-------------------------|--------------------------------|----------------------|
| | Amortized Cost | Unpaid Principal Balance | Related Allowance | Amortized Cost | Unpaid Principal Balance | Related Allowance |
| With an allowance recorded: | | | | | | |
| Senior mortgages ⁽¹⁾ | \$ 58,819 | \$ 58,069 | \$ (640) | \$ 53,305 | \$ 52,552 | \$ (743) |
| Total | <u>\$ 58,819</u> | <u>\$ 58,069</u> | <u>\$ (640)</u> | <u>\$ 53,305</u> | <u>\$ 52,552</u> | <u>\$ (743)</u> |

(1) The Company has one non-accrual loan as of September 30, 2021 and December 31, 2020 that is considered impaired and included in the table above. The Company did not record any interest income on impaired loans for the nine months ended September 30, 2021 and 2020.

Loans receivable held for sale—In March 2021, the Company acquired land and simultaneously structured and entered into with the seller a Ground Lease on which a multi-family project will be constructed. The Company funded \$16.1 million at closing and the Ground Lease documents provided for future funding obligations to the Ground Lease tenant of approximately \$11.9 million of deferred purchase price and \$52.0 million of leasehold improvement allowance upon achievement of certain milestones. At closing, the Company entered into an agreement with SAFE pursuant to which, subject to certain conditions being met, SAFE would acquire the ground lessor entity from the Company. The Company determined that the transaction did not qualify as a sale leaseback transaction and recorded the Ground Lease in "Loans receivable held for sale" on the Company's consolidated balance sheet. Subsequent to closing, the Company funded approximately \$6.0 million of the deferred purchase price to the Ground Lease tenant. The Company sold the ground lessor entity (and SAFE assumed all future funding obligations to the Ground Lease tenant) to SAFE in September 2021 for \$22.1 million and recorded no gain or loss on the sale.

In June 2021, the Company acquired a parcel of land for \$42.0 million and simultaneously entered into a Ground Lease (refer to Note 5). The Company also concurrently entered into an agreement pursuant to which SAFE would acquire the Ground Lease from the Company. The Ground Lease was entered into with the seller of the land and did not qualify for sale leaseback accounting, and as such, was accounted for as a financing transaction and \$42.0 million was recorded in "Loans receivable held for sale" on the Company's consolidated balance sheets.

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

| | <u>Face Value</u> | <u>Amortized Cost Basis</u> | <u>Net Unrealized Gain</u> | <u>Estimated Fair Value</u> | <u>Net Carrying Value</u> |
|--------------------------------------|-------------------|---------------------------------|------------------------------------|---------------------------------|-----------------------------------|
| As of September 30, 2021 | | | | | |
| Available-for-Sale Securities | | | | | |
| Municipal debt securities | \$ 23,855 | \$ 23,855 | \$ 3,680 | \$ 27,535 | \$ 27,535 |
| Held-to-Maturity Securities | | | | | |
| Debt securities | 100,000 | 95,258 | — | 95,258 | 95,258 |
| Total | <u>\$ 123,855</u> | <u>\$ 119,113</u> | <u>\$ 3,680</u> | <u>\$ 122,793</u> | <u>\$ 122,793</u> |
| As of December 31, 2020 | | | | | |
| Available-for-Sale Securities | | | | | |
| Municipal debt securities | \$ 20,680 | \$ 20,680 | \$ 4,594 | \$ 25,274 | \$ 25,274 |
| Held-to-Maturity Securities | | | | | |
| Debt securities | 100,000 | 90,715 | — | 90,715 | 90,715 |
| Total | <u>\$ 120,680</u> | <u>\$ 111,395</u> | <u>\$ 4,594</u> | <u>\$ 115,989</u> | <u>\$ 115,989</u> |

As of September 30, 2021, the contractual maturities of the Company's securities were as follows (\$ in thousands):

| | <u>Held-to-Maturity Debt Securities</u> | | <u>Available-for-Sale Debt Securities</u> | |
|--------------------------------|---|---------------------------------|---|---------------------------------|
| | <u>Amortized Cost Basis</u> | <u>Estimated Fair Value</u> | <u>Amortized Cost Basis</u> | <u>Estimated Fair Value</u> |
| Maturities | | | | |
| Within one year | \$ — | \$ — | \$ — | \$ — |
| After one year through 5 years | 95,258 | 95,258 | — | — |
| After 5 years through 10 years | — | — | — | — |
| After 10 years | — | — | 23,855 | 27,535 |
| Total | <u>\$ 95,258</u> | <u>\$ 95,258</u> | <u>\$ 23,855</u> | <u>\$ 27,535</u> |

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Note 8—Other Investments

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

| | Carrying Value as of | | Earnings (Losses) from Equity Method Investments ⁽¹⁾ For the Three Months Ended | | Earnings (Losses) from Equity Method Investments ⁽¹⁾ For the Nine Months Ended | |
|--|-------------------------|----------------------|--|-----------------|---|------------------|
| | September 30, 2021 | December 31, 2020 | September 30, | | September 30, | |
| | | | 2021 | 2020 | 2021 | 2020 |
| Real estate equity investments | | | | | | |
| Safehold Inc. ("SAFE") ⁽²⁾ | \$ 1,113,333 | \$ 937,712 | \$ 73,475 | \$ 9,331 | \$ 94,590 | \$ 36,905 |
| iStar Net Lease II LLC ("Net Lease Venture II") | 100,471 | 78,998 | 1,414 | 811 | 4,014 | 1,568 |
| Other real estate equity investments | 44,196 | 89,939 | 11,965 | (3,542) | 9,902 | (10,517) |
| Subtotal | 1,258,000 | 1,106,649 | 86,854 | 6,600 | 108,506 | 27,956 |
| Other strategic investments ⁽³⁾ | 161,766 | 69,911 | 2,355 | 205 | 6,169 | (1,953) |
| Total | \$ 1,419,766 | \$ 1,176,560 | \$ 89,209 | \$ 6,805 | \$ 114,675 | \$ 26,003 |

- (1) For the three months ended September 30, 2021 and 2020, earnings (losses) from equity method investments is net of the Company's pro rata share of \$5.1 million and \$4.6 million, respectively, of depreciation expense and \$18.5 million and \$14.6 million, respectively, of interest expense. For the nine months ended September 30, 2021 and 2020, earnings (losses) from equity method investments is net of the Company's pro rata share of \$16.2 million and \$13.4 million, respectively, of depreciation expense and \$51.7 million and \$44.0 million, respectively, of interest expense.
- (2) As of September 30, 2021, the Company owned 36.0 million shares of SAFE common stock which, based on the closing price of \$71.89 on September 30, 2021, had a market value of \$2.6 billion. Pursuant to ASC 323-10-40-1, an equity method investor shall account for a share issuance by an investee as if the investor had sold a proportionate share of its investment. Any gain or loss to the investor resulting from an investee's share issuance shall be recognized in earnings. For the three months ended September 30, 2021, equity in earnings includes a dilution gain of \$60.2 million resulting from a SAFE equity offering. For the nine months ended September 30, 2021 and 2020, equity in earnings includes dilution gains of \$60.7 million and \$7.9 million, respectively, resulting from SAFE equity offerings.
- (3) During the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020, the Company identified observable price changes in an equity security held by the Company as evidenced by orderly private issuances of similar securities by the same issuer. In accordance with ASC 321, the Company remeasured its equity investment at fair value and recognized aggregate mark-to-market gains of \$14.0 million and \$19.1 million for the three and nine months ended September 30, 2021, respectively, and aggregate mark-to-market gains of \$14.0 million and \$23.9 million for the three and nine months ended September 30, 2020, respectively, in "Other income" in the Company's consolidated statements of operations.

Safehold Inc.—Safehold Inc. ("SAFE") is a publicly-traded company formed by the Company primarily to acquire, own, manage, finance and capitalize ground leases. Ground leases generally represent ownership of the land underlying commercial real estate projects that is net leased by the fee owner of the land to the owners/operators of the real estate projects built thereon ("Ground Leases"). During the nine months ended September 30, 2021, the Company purchased 0.4 million shares of SAFE's common stock for \$27.9 million, for an average cost of \$71.68 per share, in open market purchases made in accordance with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended. As of September 30, 2021, the Company owned approximately 63.6% of SAFE's common stock outstanding.

In January 2019, the Company purchased 12.5 million newly designated limited partnership units (the "Investor Units") in SAFE's operating partnership ("SAFE OP"), at a purchase price of \$20.00 per unit, for a total purchase price of \$250.0 million. In May 2019, after the approval of SAFE's stockholders, the Investor Units were exchanged for shares of SAFE's common stock on a one-for-one basis. Following the exchange, the Investor Units were retired.

In connection with the Company's purchase of the Investor Units, it entered into a Stockholder's Agreement with SAFE on January 2, 2019. The Stockholder's Agreement:

- limits the Company's discretionary voting power to 41.9% of the outstanding voting power of SAFE's common stock until its aggregate ownership of SAFE common stock is less than 41.9%;

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- requires the Company to cast all of its voting power in favor of three director nominees to SAFE's board who are independent of each of the Company and SAFE until January 2022;
- subjects the Company to certain standstill provisions; and
- provides the Company certain preemptive rights.

In September 2021, the Company acquired 657,894 shares of SAFE's common stock in a private placement for \$50.0 million.

In March 2020, the Company acquired 1.7 million shares of SAFE's common stock in a private placement for \$80.0 million.

A wholly-owned subsidiary of the Company is the external manager of SAFE and is entitled to a management fee. In addition, the Company is also the external manager of a venture in which SAFE is a member. Following are the key terms of the management agreement with SAFE:

- The Company receives a fee equal to 1.0% of total SAFE equity (as defined in the management agreement) up to \$1.5 billion; 1.25% of total SAFE equity (for incremental equity of \$1.5 billion - \$3.0 billion); 1.375% of total SAFE equity (for incremental equity of \$3.0 billion - \$5.0 billion); and 1.5% of total SAFE equity (for incremental equity over \$5.0 billion);
- Fee to be paid in cash or in shares of SAFE common stock, at the discretion of SAFE's independent directors;
- The stock is locked up for two years, subject to certain restrictions;
- There is no additional performance or incentive fee;
- The management agreement is non-terminable by SAFE through June 30, 2023, except for cause; and
- Automatic annual renewals thereafter, subject to non-renewal upon certain findings by SAFE's independent directors and payment of termination fee equal to three times the prior year's management fee.

During the three months ended September 30, 2021 and 2020, the Company recorded \$3.6 million and \$3.2 million, respectively, of management fees pursuant to its management agreement with SAFE. During the nine months ended September 30, 2021 and 2020, the Company recorded \$10.6 million and \$9.3 million, respectively, of management fees pursuant to its management agreement with SAFE.

The Company is also entitled to receive certain expense reimbursements, including for the allocable costs of 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 elected not to charge in full certain of the expense reimbursements while SAFE is growing its portfolio. During the three months ended September 30, 2021 and 2020, the Company recognized \$1.9 million and \$1.3 million, respectively, of expense reimbursements pursuant to its management agreement with SAFE. During the nine months ended September 30, 2021 and 2020, the Company recognized \$5.6 million and \$3.8 million, respectively, of expense reimbursements pursuant to its management agreement with SAFE.

The Company has an exclusivity agreement with SAFE pursuant to which it agreed, subject to certain exceptions, that it will not acquire, originate, invest in, or provide financing for a third party's acquisition of, a Ground Lease unless it has first offered that opportunity to SAFE and a majority of its independent directors has declined the opportunity.

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Following is a list of investments that the Company has transacted with SAFE, all of which were approved by the Company's and SAFE's independent directors, for the periods presented:

In October 2017, the Company closed on a 99-year Ground Lease and a \$80.5 million construction financing commitment to support the ground-up development of a to-be-built luxury multi-family project. The transaction included a combination of: (i) a newly created Ground Lease and a \$7.2 million leasehold improvement allowance, which was fully funded; and (ii) an \$80.5 million leasehold first mortgage. During the three and nine months ended September 30, 2020, the Company recorded \$0.9 million and \$2.5 million, respectively, of interest income on the loan. The Company sold the Ground Lease to SAFE in September 2020 for \$34.0 million and recognized a gain of \$6.1 million in "Income from sales of real estate" in connection with the sale and sold the leasehold first mortgage to an entity in which the Company has a 53% equity interest (refer to "Other strategic investments" below) in January 2021 for \$63.3 million.

In January 2019, the Company committed to provide a \$13.3 million loan to the ground lessee of a Ground Lease originated at SAFE. The loan was for the conversion of an office building into a multi-family property. The loan was repaid during the fourth quarter 2020. During the three and nine months ended September 30, 2020, the Company recorded \$0.3 million and \$0.8 million, respectively, of interest income on the loan.

In June 2020, Net Lease Venture II (see below) acquired the leasehold interest in an office laboratory property in Honolulu, HI and simultaneously entered into a 99-year Ground Lease with SAFE.

In February 2021, the Company provided a \$50.0 million loan to the ground lessee of a Ground Lease originated at SAFE. The loan was for the Ground Lease tenant's recapitalization of a hotel property. The Company received \$1.9 million of consideration from SAFE in connection with this transaction. The Company sold the loan in July 2021 and recorded no gain or loss on the sale. During the three and nine months ended September 30, 2021, the Company recorded \$0.4 million and \$2.9 million, respectively, of interest income on the loan.

In March 2021, the Company acquired land and simultaneously structured and entered into with the seller a Ground Lease on which a multi-family project will be constructed. At closing, the Company entered into an agreement with SAFE pursuant to which, subject to certain conditions being met, SAFE would acquire the ground lessor entity from the Company. The Company sold the ground lessor entity to SAFE in September 2021 and recognized no gain or loss on the sale (refer to Note 7 - Loans receivable held for sale). The Company also committed to provide a \$75.0 million construction loan to the Ground Lease tenant. The Company received \$2.7 million of consideration from SAFE in connection with this transaction. In September 2021, the construction loan commitment and the \$2.7 million of consideration was transferred to an entity in which the Company has a 53.0% noncontrolling equity interest (refer to "Other strategic investments" below).

In June 2021, the Company sold to SAFE its rights under a purchase option agreement for \$1.2 million. The Company had previously acquired such purchase option agreement from a third-party property owner for \$1.0 million and incurred \$0.2 million of expenses. Under the option agreement, upon certain conditions being met by an outside developer who may become the Ground Lease tenant, SAFE has the right to acquire for \$215.0 million a property and hold a Ground Lease under approximately 1.1 million square feet of office space that may be developed on the property. No gain or loss was recognized by the Company as a result of the sale.

In June 2021, the Company and SAFE entered into two agreements pursuant to each of which SAFE would acquire land and a related Ground Lease originated by the Company when certain construction related conditions are met by a specified time period. The purchase price to be paid for each is \$42.0 million, plus an amount necessary for the Company to achieve the greater of a 1.25x multiple and a 9% return on its investment. In addition, each Ground Lease provides for a leasehold improvement allowance up to a maximum of \$83.0 million, which obligation would be assumed by SAFE upon acquisition. If certain construction conditions are not met within a specified time period, SAFE will have no obligation to acquire the Ground Leases or fund the leasehold improvement allowances. There can be no assurance that the conditions to closing will be satisfied and that SAFE will acquire the properties and Ground Leases from the Company.

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Net Lease Venture II—In July 2018, the Company entered into a new venture (“Net Lease Venture II”) with an investment strategy similar to the Net Lease Venture. The Net Lease Venture II has a right of first offer on all new net lease investments (excluding Ground Leases) originated by the Company. In June 2021, Net Lease Venture II’s investment period was extended to December 31, 2021. Net Lease Venture II is a voting interest entity and the Company has an equity interest in the venture of approximately 51.9%. The Company does not have a controlling interest in Net Lease Venture II due to the substantive participating rights of its partner. The Company accounts for its investment in Net Lease Venture II as an equity method investment and is responsible for managing the venture in exchange for a management fee and incentive fee. During the three months ended September 30, 2021 and 2020, the Company recorded \$0.4 million and \$0.4 million, respectively, of management fees from Net Lease Venture II. During the nine months ended September 30, 2021 and 2020, the Company recorded \$1.2 million and \$1.1 million, respectively, of management fees from Net Lease Venture II.

Other real estate equity investments—As of September 30, 2021, the Company’s other real estate equity investments include equity interests in real estate ventures ranging from 48% to 95%, comprised of investments of \$43.7 million in operating properties and \$0.5 million in land assets. As of December 31, 2020, the Company’s other real estate equity investments included \$58.7 million in operating properties and \$31.2 million in land assets.

In August 2018, the Company provided a mezzanine loan with a principal balance of \$33.0 million as of September 30, 2021 and December 31, 2020 to an unconsolidated entity in which the Company owns a 50% equity interest. The loan matures in August 2022. As of September 30, 2021, and December 31, 2020, the loan is included in “Loans receivable and other lending investments, net” on the Company’s consolidated balance sheet. During the three months ended September 30, 2021 and 2020, the Company recorded \$0.6 million and \$0.6 million, respectively, of interest income on the mezzanine loan. During the nine months ended September 30, 2021 and 2020, the Company recorded \$1.7 million and \$1.8 million, respectively, of interest income on the mezzanine loan.

Other strategic investments—As of September 30, 2021 and December 31, 2020, the Company also had investments in real estate related funds and other strategic investments in real estate entities.

In January 2021, the Company sold two loans for \$83.4 million to a newly formed entity in which the Company has a 53.0% noncontrolling equity interest. The Company did not recognize any gain or loss on the sales. In September 2021, the Company transferred a \$75.0 million construction loan commitment to this entity. The Company does not have a controlling interest in this entity due to the substantive participating rights of its partner. The Company accounts for this investment as an equity method investment and receives a fixed annual fee in exchange for managing the entity.

Summarized investee financial information—The following table presents the investee level summarized financial information for the Company’s equity method investment that was significant as of September 30, 2021 (\$ in thousands):

| | <u>Revenues</u> | <u>Expenses</u> | <u>Net Income Attributable to Parent</u> |
|---|-----------------|-----------------|--|
| For the Nine Months Ended September 30, 2021 | | | |
| SAFE | \$ 135,001 | \$ 88,585 | \$ 51,844 |
| For the Nine Months Ended September 30, 2020 | | | |
| SAFE | \$ 115,518 | \$ 73,821 | \$ 44,024 |

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Note 9—Other Assets and Other Liabilities

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

| | As of | |
|---|--------------------|-------------------|
| | September 30, 2021 | December 31, 2020 |
| Intangible assets, net ⁽¹⁾ | \$ 146,588 | \$ 156,041 |
| Restricted cash | 55,915 | 51,933 |
| Operating lease right-of-use assets ⁽²⁾ | 43,799 | 48,891 |
| Other assets ⁽³⁾ | 17,572 | 19,453 |
| Other receivables | 11,052 | 10,881 |
| Leasing costs, net ⁽⁴⁾ | 4,936 | 2,340 |
| Corporate furniture, fixtures and equipment, net ⁽⁵⁾ | 1,843 | 2,024 |
| Deferred financing fees, net | 841 | 1,549 |
| Deferred expenses and other assets, net | <u>\$ 282,546</u> | <u>\$ 293,112</u> |

- (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 \$50.8 million and \$44.4 million as of September 30, 2021 and December 31, 2020, respectively. The amortization of above market leases and lease incentive assets decreased operating lease income in the Company's consolidated statements of operations by \$0.5 million and \$0.3 million for the three months ended September 30, 2021 and 2020, respectively, and \$1.1 million and \$1.0 million for the nine months ended September 30, 2021 and 2020, respectively. These intangible lease assets are amortized over the remaining term of the lease. The amortization expense for in-place leases was \$2.8 million and \$2.6 million for the three months ended September 30, 2021 and 2020, respectively, and \$8.6 million and \$7.9 million for the nine months ended September 30, 2021 and 2020, respectively. These amounts are included in "Depreciation and amortization" in the Company's consolidated statements of operations. As of September 30, 2021, the weighted average remaining amortization period for the Company's intangible assets was approximately 16.2 years.
- (2) Right-of-use lease assets relate primarily to the Company's leases of office space. Right-of use lease assets initially equal the lease liability. For operating leases, rent expense is recognized on a straight-line basis over the term of the lease and is recorded in "General and administrative" and "Real estate expense" in the Company's consolidated statements of operations. During the three months ended September 30, 2021 and 2020, the Company recognized \$1.2 million and \$1.2 million, respectively, in "General and administrative" and \$0.9 million and \$0.9 million, respectively, in "Real estate expense" in its consolidated statements of operations relating to operating leases. During the nine months ended September 30, 2021 and 2020, the Company recognized \$3.7 million and \$3.4 million, respectively, in "General and administrative" and \$2.7 million and \$2.6 million, respectively, in "Real estate expense" in its consolidated statements of operations relating to operating leases.
- (3) Other assets primarily includes prepaid expenses, deposits for certain real estate assets and management fees and expense reimbursements due from SAFE (refer to Note 8).
- (4) Accumulated amortization of leasing costs was \$2.1 million and \$2.6 million as of September 30, 2021 and December 31, 2020, respectively.
- (5) Accumulated depreciation on corporate furniture, fixtures and equipment was \$14.7 million and \$14.3 million as of September 30, 2021 and December 31, 2020, respectively.

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

| | As of | |
|--|--------------------|-------------------|
| | September 30, 2021 | December 31, 2020 |
| Other liabilities ⁽¹⁾ | \$ 65,318 | 91,513 |
| Accrued expenses | 112,223 | 94,724 |
| Intangible liabilities, net ⁽²⁾ | 46,870 | 48,738 |
| Operating lease liabilities (see table above) | 47,111 | 50,072 |
| Accrued interest payable | 28,939 | 32,355 |
| Accounts payable, accrued expenses and other liabilities | <u>\$ 300,461</u> | <u>\$ 317,402</u> |

- (1) As of September 30, 2021 and December 31, 2020, other liabilities includes \$20.7 million and \$36.9 million, respectively, of deferred income. As of September 30, 2021 and December 31, 2020, other liabilities includes \$11.7 million and \$19.0 million, respectively, of derivative liabilities. As of September 30, 2021 and December 31, 2020, other liabilities includes \$0.1 million and \$1.0 million, respectively, of expected credit losses for unfunded loan commitments.
- (2) Intangible liabilities, net includes below market lease liabilities related to the acquisition of real estate assets. Accumulated amortization on below market lease liabilities was \$9.0 million and \$7.5 million as of September 30, 2021 and December 31, 2020, respectively. The amortization of below market leases increased operating lease income in the Company's consolidated statements of operations by \$0.6 million and \$0.6 million for the three months ended September 30, 2021 and 2020, respectively, and \$1.9 million and \$1.9 million for the nine months ended September 30, 2021 and 2020, respectively.

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Note 10—Loan Participations Payable, net

The Company had one loan participation payable with a carrying value of \$42.5 million and an interest rate of 6.0% as of December 31, 2020. The loan was repaid in the first quarter 2021.

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 December 31, 2020. As of December 31, 2020, the corresponding loan receivable balance was \$42.5 million and is included in “Loans receivable and other lending investments, net” on the Company’s consolidated balance sheets. The principal and interest due on 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 11—Debt Obligations, net

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

| | Carrying Value as of | | Stated Interest Rates | Scheduled Maturity Date |
|--|----------------------|---------------------|-------------------------------|----------------------------|
| | September 30, 2021 | December 31, 2020 | | |
| Secured credit facilities and mortgages: | | | | |
| Revolving Credit Facility | \$ — | \$ — | LIBOR + 2.00% ⁽¹⁾ | September 2022 |
| Senior Term Loan | 491,875 | 491,875 | LIBOR + 2.75% ⁽²⁾ | June 2023 |
| Mortgages collateralized by net lease assets | 701,541 | 721,075 | 1.63% - 7.19 % ⁽³⁾ | |
| Total secured credit facilities and mortgages⁽⁴⁾ | 1,193,416 | 1,212,950 | | |
| Unsecured notes: | | | | |
| 3.125% senior convertible notes ⁽⁵⁾ | 287,500 | 287,500 | 3.125 % | September 2022 |
| 4.75% senior notes ⁽⁶⁾ | 775,000 | 775,000 | 4.75 % | October 2024 |
| 4.25% senior notes ⁽⁷⁾ | 550,000 | 550,000 | 4.25 % | August 2025 |
| 5.50% senior notes ⁽⁸⁾ | 400,000 | 400,000 | 5.50 % | February 2026 |
| Total unsecured notes | 2,012,500 | 2,012,500 | | |
| Other debt obligations: | | | | |
| Trust preferred securities | 100,000 | 100,000 | LIBOR + 1.50% | October 2035 |
| Total debt obligations | 3,305,916 | 3,325,450 | | |
| Debt discounts and deferred financing costs, net ⁽⁹⁾ | (23,318) | (38,475) | | |
| Total debt obligations, net⁽¹⁰⁾ | \$ 3,282,598 | \$ 3,286,975 | | |

- (1) The Revolving Credit Facility bears interest at the Company's election of either: (i) a base rate, which is the greater of (a) prime, (b) federal funds plus 0.50% or (c) LIBOR plus 1.0% and subject to a margin ranging from 1.00% to 1.50%; or (ii) LIBOR subject to a margin ranging from 2.00% to 2.50%. At maturity, the Company may convert outstanding borrowings to a one year term loan which matures in quarterly installments through September 2023.
- (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 0.50% or (c) LIBOR plus 1.0% and subject to a margin of 1.75%; or (ii) LIBOR subject to a margin of 2.75%.
- (3) As of September 30, 2021, the weighted average interest rate of these loans is 4.4%, inclusive of the effect of interest rate swaps.
- (4) As of September 30, 2021, \$2.0 billion net carrying value of assets served as collateral for the Company's secured debt obligations.
- (5) The Company's 3.125% senior convertible fixed rate notes due September 2022 ("3.125% Convertible Notes") are convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding September 15, 2022. The conversion rate as of September 30, 2021 was 71.5797 shares per \$1,000 principal amount of 3.125% Convertible Notes, which equals a conversion price of \$13.97 per share. The conversion rate is subject to adjustment from time to time for specified events. Upon conversion, the Company will pay or deliver, as the case may be, a combination of cash and shares of its common stock. As of December 31, 2020, the carrying value of the 3.125% Convertible Notes was \$275.1 million, net of fees, and the unamortized discount of the 3.125% Convertible Notes was \$10.2 million, net of fees. Upon the adoption of ASU 2020-06 on January 1, 2021, the Company reclassified the unamortized discount to shareholders equity (refer to Note 3). During the three months ended September 30, 2021 and 2020, the Company recognized \$2.2 million and \$2.2 million, respectively, of contractual interest and during the three months ended September 30, 2020, the Company recognized \$1.3 million of discount amortization on the 3.125% Convertible Notes. During the nine months ended September 30, 2021 and 2020, the Company recognized \$6.7 million and \$6.7 million, respectively, of contractual interest and during the nine months ended September 30, 2020, the Company recognized \$3.9 million of discount amortization on the 3.125% Convertible Notes. The effective interest rate for the three and nine months ended September 30, 2020 was 5.2%.
- (6) The Company can prepay these senior notes without penalty beginning July 1, 2024.
- (7) The Company can prepay these senior notes without penalty beginning May 1, 2025.
- (8) The Company can prepay these senior notes without penalty beginning August 15, 2024.
- (9) On January 1, 2021, the Company adopted ASU 2020-06 and reclassified \$10.0 million of debt discount and unamortized fees from the 3.125% Convertible Notes to shareholders' equity on the Company's consolidated balance sheet (refer to Note 3).
- (10) The Company capitalized interest relating to development activities of \$0.2 million and \$0.5 million during the three months ended September 30, 2021 and 2020, respectively, and \$0.7 million and \$1.6 million during the nine months ended September 30, 2021 and 2020, respectively.

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Future Scheduled Maturities—As of September 30, 2021, future scheduled maturities of outstanding debt obligations are as follows (\$ in thousands):

| | <u>Unsecured Debt</u> | <u>Secured Debt</u> | <u>Total</u> |
|---|-----------------------|---------------------|---------------------|
| 2021 (remaining three months) | \$ — | \$ 95,495 | \$ 95,495 |
| 2022 | 287,500 | 95,324 | 382,824 |
| 2023 | — | 491,875 | 491,875 |
| 2024 | 775,000 | — | 775,000 |
| 2025 | 550,000 | 269,780 | 819,780 |
| Thereafter | 500,000 | 240,942 | 740,942 |
| Total principal maturities | 2,112,500 | 1,193,416 | 3,305,916 |
| Unamortized discounts and deferred financing costs, net | (18,426) | (4,892) | (23,318) |
| Total debt obligations, net | <u>\$ 2,094,074</u> | <u>\$ 1,188,524</u> | <u>\$ 3,282,598</u> |

Senior Term Loan—The Company has a \$650.0 million senior term loan (the “Senior Term Loan”) that bears interest at LIBOR plus 2.75% per annum and matures in June 2023. The Senior Term Loan is secured by pledges of equity of certain subsidiaries that own a defined pool of assets. The Senior Term Loan permits substitution of collateral, subject to overall collateral pool coverage and concentration limits, over the life of the facility. The Company may make optional prepayments, subject to prepayment fees. As of September 30, 2021, the outstanding balance on the Company’s Senior Term Loan was \$491.9 million.

Revolving Credit Facility—The Company has a secured revolving credit facility (the “Revolving Credit Facility”) with a maximum capacity of \$350.0 million that matures in September 2022. Outstanding borrowings under the Revolving Credit Facility are secured by pledges of the equity interests in the Company’s subsidiaries that own a defined pool of assets. 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, ranging from 1.0% to 1.5% in the case of base rate loans and from 2.0% to 2.5% in the case of LIBOR loans. In addition, there is an undrawn credit facility commitment fee that ranges from 0.25% to 0.45%, based on corporate credit ratings. At maturity, the Company may convert outstanding borrowings to a one year term loan which matures in quarterly installments through September 2023. As of September 30, 2021, based on the Company’s borrowing base of assets, the Company had the ability to draw \$340.2 million without pledging any additional assets to the facility.

Unsecured Notes—As of September 30, 2021, the Company has senior unsecured notes outstanding with varying fixed-rates and maturities ranging from September 2022 to February 2026. The Company’s senior unsecured notes are interest only, are generally redeemable at the option of the Company and contain certain financial covenants (see below).

During the nine months ended September 30, 2020, repayments of unsecured notes prior to maturity resulted in losses on early extinguishment of debt of \$12.0 million. This amount is included in “Loss on early extinguishment of debt, net” in the Company’s consolidated statements of operations.

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, as such terms are defined in the indentures governing the debt securities, of at least 1.2x and a covenant restricting certain incurrences of debt based on a fixed charge coverage ratio. 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.

The Company’s Senior Term Loan and the Revolving Credit Facility contain certain covenants, including covenants relating to collateral coverage, 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 Senior Term Loan requires the Company to maintain collateral coverage of at least 1.25x outstanding borrowings on the facility. The Revolving Credit Facility is secured by a borrowing base of assets and requires the Company to maintain both borrowing base asset value

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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 Revolving Credit Facility does not require that proceeds from the borrowing base be used to pay down outstanding borrowings provided the borrowing base asset value 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. Under both the Senior Term Loan and the Revolving Credit Facility the Company is permitted to pay dividends provided that no material default (as defined in the relevant agreement) has occurred and is continuing or would result therefrom and the Company remains in compliance with its financial covenants after giving effect to the dividend.

The Company's Senior Term Loan and the 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 12—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 has committed to invest capital in several real estate funds and other ventures. These arrangements are referred to as Strategic Investments.

As of September 30, 2021, 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 and that 100% of its capital committed to Strategic Investments is drawn down, are as follows (\$ in thousands):

| | Loans and Other Lending Investments | Real Estate | Other Investments | Total |
|-------------------------------|--|------------------------|------------------------------|-------------------|
| Performance-Based Commitments | \$ 7,860 | \$ 29,716 | \$ 71,319 | \$ 108,895 |
| Strategic Investments | — | 1,900 | 7,592 | 9,492 |
| Total | \$ 7,860 | \$ 31,616 | \$ 78,911 | \$ 118,387 |

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Other Commitments—Future minimum lease obligations under non-cancelable operating and finance leases as of September 30, 2021 are as follows (\$ in thousands):

| | Operating⁽¹⁾⁽²⁾ | Finance⁽¹⁾ |
|---------------------------------------|-----------------------------------|------------------------------|
| 2021 (remaining three months) | \$ 1,728 | \$ 1,384 |
| 2022 | 6,635 | 5,604 |
| 2023 | 6,272 | 5,716 |
| 2024 | 6,188 | 5,830 |
| 2025 | 6,176 | 5,946 |
| Thereafter | 334 | 1,567,826 |
| Total undiscounted cash flows | 27,333 | 1,592,306 |
| Present value discount ⁽¹⁾ | (2,717) | (1,439,677) |
| Other adjustments ⁽²⁾ | 22,495 | — |
| Lease liabilities | \$ 47,111 | \$ 152,629 |

- (1) The lease liability equals the present value of the minimum rental payments due under the lease discounted at the rate implicit in the lease or the Company's incremental secured borrowing rate for similar collateral. For operating leases, lease liabilities were discounted at the Company's weighted average incremental secured borrowing rate for similar collateral estimated to be 5.0% and the weighted average remaining lease term is 7.6 years. The weighted average remaining lease term for the Company's operating leases, excluding operating leases for which the Company's tenants pay rent on its behalf, was 4.9 years and the weighted average discount rate was 4.7%. For finance leases, which relate primarily to the Company's Ground Leases with SAFE, lease liabilities were discounted at a weighted average rate implicit in the lease of 5.5% and the weighted average remaining lease term is 96.2 years. Right-of-use assets for finance leases are amortized on a straight-line basis over the term of the lease and are recorded in "Depreciation and amortization" in the Company's consolidated statements of operations. During the three months ended September 30, 2021 and 2020, the Company recognized \$2.1 million and \$2.0 million, respectively, in "Interest expense" and \$0.4 million and \$0.4 million, respectively, in "Depreciation and amortization" in its consolidated statements of operations relating to finance leases. During the nine months ended September 30, 2021 and 2020, the Company recognized \$6.2 million and \$6.1 million, respectively, in "Interest expense" and \$1.1 million and \$1.1 million, respectively, in "Depreciation and amortization" in its consolidated statements of operations relating to finance leases. During the three months ended September 30, 2021 and 2020, the Company made payments of \$0.8 million and \$1.0 million, respectively, related to its operating leases and \$1.3 million and \$1.4 million, respectively, related to its finance leases with SAFE. During the nine months ended September 30, 2021 and 2020, the Company made payments of \$2.1 million and \$3.2 million, respectively, related to its operating leases and \$4.1 million and \$4.0 million, respectively, related to its finance leases with SAFE.
- (2) The Company is obligated to pay ground rent under certain operating leases; however, the Company's tenants at the properties pay this expense directly under the terms of various subleases and these amounts are excluded from lease obligations. The amount shown above is the net present value of the payments to be made by the Company's tenants on its behalf.

Future minimum lease obligations under non-cancelable operating and finance leases as of December 31, 2020 are as follows (\$ in thousands):

| | Operating⁽¹⁾⁽²⁾ | Finance⁽¹⁾ |
|---------------------------------------|-----------------------------------|------------------------------|
| 2021 | \$ 3,797 | \$ 5,494 |
| 2022 | 6,756 | 5,604 |
| 2023 | 6,393 | 5,716 |
| 2024 | 6,309 | 5,830 |
| 2025 | 6,297 | 5,946 |
| Thereafter | 496 | 1,567,826 |
| Total undiscounted cash flows | 30,048 | 1,596,416 |
| Present value discount ⁽¹⁾ | (3,771) | (1,445,896) |
| Other adjustments ⁽²⁾ | 23,795 | — |
| Lease liabilities | \$ 50,072 | \$ 150,520 |

- (1) The weighted average remaining lease term for the Company's operating leases, excluding operating leases for which the Company's tenants pay rent on its behalf, was 5.6 years and the weighted average discount rate was 5.0%. The weighted average remaining lease term for the Company's finance leases was 97 years and the weighted average discount rate was 5.5%.
- (2) The Company is obligated to pay ground rent under certain operating leases; however, the Company's tenants at the properties pay this expense directly under the terms of various subleases and these amounts are excluded from lease obligations. The amount shown above is the net present value of the payments to be made by the Company's tenants on its behalf.

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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 foreclosure-related proceedings. 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 13—Derivatives

The Company’s use of derivative financial instruments has historically been 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. The Company may have derivatives that are not designated as hedges because they do not meet the strict hedge accounting requirements. Although not designated as hedges, such derivatives are entered into to manage the Company’s exposure to interest rate movements and other identified risks.

The table below presents the fair value of the Company’s derivative financial instruments as well as their classification on the consolidated balance sheets as of September 30, 2021 and December 31, 2020 (\$ in thousands):⁽¹⁾

| | Derivative Liabilities | |
|--|--|------------------|
| | Balance Sheet | Fair |
| As of September 30, 2021 | Location | Value |
| Derivatives Designated in Hedging Relationships | | |
| Interest rate swaps | Accounts payable, accrued expenses and other liabilities | \$ 11,723 |
| Total | | \$ 11,723 |
| As of December 31, 2020 | | |
| Derivatives Designated in Hedging Relationships | | |
| Interest rate swaps | Accounts payable, accrued expenses and other liabilities | \$ 18,926 |
| Total | | \$ 18,926 |

(1) Over the next 12 months, the Company expects that \$9.1 million related to cash flow hedges will be reclassified from “Accumulated other comprehensive income (loss)” as an increase to interest expense.

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The table below presents the effect of the Company's derivative financial instruments, including the Company's share of derivative financial instruments at certain of its equity method investments, in the consolidated statements of operations and the consolidated statements of comprehensive income (loss) (\$ in thousands):

| <u>Derivatives Designated in Hedging Relationships</u> | <u>Location of Gain (Loss) When Recognized in Income</u> | <u>Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income</u> | <u>Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Earnings</u> |
|--|--|---|---|
| For the Three Months Ended September 30, 2021 | | | |
| Interest rate swaps | Interest expense | \$ 278 | \$ (2,050) |
| Interest rate swaps | Earnings from equity method investments | (5) | (633) |
| For the Three Months Ended September 30, 2020 | | | |
| Interest rate swaps | Interest expense | \$ (401) | \$ (2,038) |
| Interest rate swaps | Earnings from equity method investments | 598 | (333) |
| For the Nine Months Ended September 30, 2021 | | | |
| Interest rate swaps | Interest expense | \$ 2,834 | \$ (6,183) |
| Interest rate swaps | Earnings from equity method investments | 8,649 | (1,324) |
| For the Nine Months Ended September 30, 2020 | | | |
| Interest rate swaps | Interest Expense | \$ (15,371) | \$ (4,926) |
| Interest rate swaps | Earnings from equity method investments | (15,559) | (866) |

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Note 14—Equity

Preferred Stock—The Company had the following series of Cumulative Redeemable Preferred Stock outstanding as of September 30, 2021 and December 31, 2020:

| Series | Shares Issued and Outstanding (in thousands) | Par Value | Cumulative Preferential Cash Dividends ⁽¹⁾⁽²⁾ | | | Carrying Value (in thousands) |
|--------|--|-----------|--|----------------|---------------------------|-------------------------------|
| | | | Liquidation Preference ⁽³⁾ | Rate per Annum | Annual Dividend per share | |
| D | 4,000 | \$ 0.001 | \$ 25.00 | 8.00 % | \$ 2.00 | \$ 89,041 |
| G | 3,200 | 0.001 | 25.00 | 7.65 % | 1.91 | 72,664 |
| I | 5,000 | 0.001 | 25.00 | 7.50 % | 1.88 | 120,785 |
| Total | 12,200 | | | | | \$ 282,490 |

- (1) Holders of shares of the Series D, G and I 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 \$6.0 million, \$4.6 million and \$7.0 million on its Series D, G and I Cumulative Redeemable Preferred Stock during both the nine months ended September 30, 2021 and 2020. The character of the 2020 dividends was 100% return of capital. There are no dividend arrearages on any of the preferred shares currently outstanding.
- (3) The Company may, at its option, redeem the Series 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.

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, 2020, the Company had \$529.6 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 begin to expire in 2032 and will fully expire in 2036 if unused. 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 Senior Term Loan and the Revolving Credit Facility permit the Company to pay common dividends with no restrictions so long as the Company is not in default on any of its debt obligations. The Company declared common stock dividends of \$26.3 million, or \$0.36 per share, for the nine months ended September 30, 2021 and \$24.6 million, or \$0.32 per share, for the nine months ended September 30, 2020. The character of the 2020 dividends was 100% return of capital.

Stock Repurchase Program—The Company may repurchase shares in negotiated transactions or open market transactions, including through one or more trading plans. During the nine months ended September 30, 2021, the Company repurchased 4.2 million shares of its outstanding common stock for \$91.9 million, for an average cost of \$21.70 per share. During the nine months ended September 30, 2020, the Company repurchased 3.7 million shares of its outstanding common stock for \$41.4 million, for an average cost of \$11.32 per share. The Company is generally authorized to repurchase up to \$50.0 million in shares of its common stock. As of September 30, 2021, the Company had remaining authorization to repurchase up to \$30.9 million of common stock under its stock repurchase program.

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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 | |
|--|--------------------|--------------------|
| | September 30, 2021 | December 31, 2020 |
| Unrealized gains on available-for-sale securities | \$ 3,681 | \$ 4,594 |
| Unrealized losses on cash flow hedges | (38,031) | (53,075) |
| Unrealized losses on cumulative translation adjustment | — | (4,199) |
| Accumulated other comprehensive loss | <u>\$ (34,350)</u> | <u>\$ (52,680)</u> |

Note 15—Stock-Based Compensation Plans and Employee Benefits

Stock-Based Compensation—The Company recorded stock-based compensation expense, including the expense related to performance incentive plans (see below), of \$3.0 million and \$23.3 million for the three and nine months ended September 30, 2021, respectively, and \$5.7 million and \$26.7 million for the three and nine months ended September 30, 2020, respectively, in “General and administrative” in the Company’s consolidated statements of operations.

Performance Incentive Plans—The Company’s Performance Incentive Plans (“iPIP”) are 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 plans. Awards vest over six years, with 40% being vested at the end of the second year and 15% each year thereafter. As of September 30, 2021, there are five iPIP Plans, each covering a two-year investment period beginning with the 2013-2014 Plan through the 2021-2022 Plan.

2019-2022 iPIP Plans—The Company’s 2019-2020 and 2021-2022 iPIP plans are equity-classified awards which are measured at the grant date fair value and recognized as compensation cost in “General and administrative” in the Company’s consolidated statements of operations and “Noncontrolling interests” in the Company’s consolidated statements of changes in equity over the requisite service period. Investments in the 2019-2022 iPIP plans are held by consolidated subsidiaries of the Company and have two ownership classes, class A units and class B units. The Company owns 100% of the class A units and the class B units were issued to employees as long-term compensation. Except for certain clawback provisions, participants can retain vested class B units upon their termination of employment with the Company. The class B units are entitled to distributions from the net cash realized from the investments in the plan after the Company, through its ownership of the class A units, has received a specified return on its invested capital and a return of its invested capital. Distributions on the class B units are also subject to reductions under a total shareholder return (“TSR”) adjustment. The fair value of the class B units was determined using a model that forecasts the underlying cash flows from the investments within the entity to which the class B units have ownership rights. During the nine months ended September 30, 2021 and 2020, the Company recorded \$2.6 million and \$2.5 million, respectively, of expense related to the 2019-2022 iPIP plans. Distributions on the class B units are expected to be 50% in cash and 50% in shares of the Company’s common stock; provided, however, that (a) the cash portion will be increased if the Company does not have sufficient shares available under shareholder approved equity plans; and (b) if the principal remaining material asset in a plan is unsold SAFE shares, the Company may elect to distribute SAFE shares in lieu of cash and Company stock.

The following is a summary of the status of the Company’s equity-classified iPIP plans and changes during the nine months ended September 30, 2021.

| | iPIP Investment Pool | |
|-------------------------------|----------------------|--------------|
| | 2019-2020 | 2021-2022 |
| Points at beginning of period | 97.40 | — |
| Granted | — | 94.75 |
| Forfeited | (2.20) | (10.00) |
| Points at end of period | <u>95.20</u> | <u>84.75</u> |

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As of September 30, 2021, investments with an aggregate gross book value of \$1.2 billion, including 26.7 million shares of SAFE common stock acquired by the Company, were attributable to the 2019-2020 Plan and investments with an aggregate gross book value of \$163 million, including 1.0 million shares of SAFE common stock acquired by the Company, were attributable to the 2021-2022 Plan.

2013-2018 iPIP Plans—The remainder of the Company’s iPIP plans, as shown in the table below, are liability-classified awards and are remeasured each reporting period at fair value until the awards are settled. Certain employees will be granted awards that entitle employees to receive the residual cash flows from the investments in the plans after the Company has received a specified return on its invested capital and a return of its invested capital. Awards are also subject to reductions under a TSR adjustment. The fair value of awards is determined using a model that forecasts the Company’s projected investment performance. Settlement of the awards will be 50% in cash and 50% in shares of the Company’s common stock or in shares of SAFE’s common stock owned by the Company.

The following is a summary of the status of the Company’s liability-classified iPIP plans and changes during the nine months ended September 30, 2021.

| | iPIP Investment Pool | | |
|-------------------------------|-----------------------------|------------------|------------------|
| | 2013-2014 | 2015-2016 | 2017-2018 |
| Points at beginning of period | 80.17 | 70.40 | 73.34 |
| Granted | — | — | 2.00 |
| Points at end of period | <u>80.17</u> | <u>70.40</u> | <u>75.34</u> |

During the nine months ended September 30, 2021 and 2020, the Company recorded \$15.0 million and \$20.2 million, respectively, of expense related to the 2013-2018 iPIP plans.

As of September 30, 2021, investments with an aggregate gross book value of \$387 million were attributable to the 2013-2014 Plan, investments with an aggregate gross book value of \$396 million were attributable to the 2015-2016 Plan and investments with an aggregate gross book value of \$480 million, including 7.6 million shares of SAFE common stock acquired by the Company, were attributable to the 2017-2018 Plan.

During the nine months ended September 30, 2021, the Company made distributions to participants in the 2015-2016 investment pool. The iPIP participants received total distributions in the amount of \$3.2 million as compensation, comprised of cash and 97,881 shares of the Company’s common stock with a fair value of \$17.65 per share, which are fully-vested and issued under the 2009 LTIP (see below). After deducting statutory minimum tax withholdings, a total of 57,920 shares of the Company’s common stock were issued.

During the nine months ended September 30, 2020, the Company made distributions to participants in the 2015-2016 investment pool. The iPIP participants received total distributions in the amount of \$1.5 million as compensation, comprised of cash and 54,245 shares of the Company’s common stock with a fair value of \$14.51 per share, which are fully-vested and issued under the 2009 LTIP. After deducting statutory minimum tax withholdings, a total of 32,825 shares of the Company’s common stock were issued.

As of September 30, 2021 and December 31, 2020, the Company had accrued compensation costs relating to iPIP of \$80.9 million and \$69.1 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. In May 2021, the

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Company's shareholders approved an increase in the number of shares available for issuance under the 2009 LTIP from a maximum of 8.9 million to 9.9 million and extended the expiration date of the 2009 LTIP from May 2029 to May 2031.

As of September 30, 2021, an aggregate of 3.1 million shares remain available for issuance pursuant to future awards under the Company's 2009 LTIP.

Restricted Stock Unit Activity—A summary of the Company's stock-based compensation awards to certain employees in the form of long-term incentive awards for the nine months ended September 30, 2021, is as follows (in thousands):

| | |
|----------------------------------|------------|
| Nonvested at beginning of period | 531 |
| Granted | 372 |
| Vested | (112) |
| Forfeited | (32) |
| Nonvested at end of period | <u>759</u> |

As of September 30, 2021, there was \$6.8 million of total unrecognized compensation cost related to all unvested restricted stock units that are expected to be recognized over a weighted average remaining vesting/service period of 1.35 years.

Directors' Awards—During the nine months ended September 30, 2021, the Company granted 38,186 restricted shares of common stock to non-employee Directors at a fair value of \$17.51 at the time of grant for their annual equity awards and also issued 1,592 common stock equivalents ("CSEs") at a fair value of \$20.41 per CSE in respect of dividend equivalents on outstanding CSEs. As of September 30, 2021, a combined total of 129,452 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 \$3.2 million.

401(k) Plan— The Company made contributions of \$0.1 million and \$0.2 million for the three months ended September 30, 2021 and 2020, respectively, and \$0.8 million and \$1.0 million for the nine months ended September 30, 2021 and 2020, respectively, to the Company's 401(k) Plan.

Note 16—Earnings Per Share

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

| | <u>For the Three Months Ended September 30,</u> | | <u>For the Nine Months Ended September 30,</u> | |
|--|---|-------------------|--|--------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income (loss) | \$ 130,994 | \$ 6,451 | \$ 127,567 | \$ (20,793) |
| Net income attributable to noncontrolling interests | (3,264) | (2,646) | (8,037) | (8,435) |
| Preferred dividends | (5,874) | (5,874) | (17,622) | (17,622) |
| Net income (loss) allocable to common shareholders for basic and diluted earnings per common share | <u>\$ 121,856</u> | <u>\$ (2,069)</u> | <u>\$ 101,908</u> | <u>\$ (46,850)</u> |

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| | <u>For the Three Months Ended September 30,</u> | | <u>For the Nine Months Ended September 30,</u> | |
|---|---|------------|--|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Earnings allocable to common shares: | | | | |
| <i>Numerator for basic earnings per share:</i> | | | | |
| Net income (loss) attributable to iStar Inc. and allocable to common shareholders | \$ 121,856 | \$ (2,069) | \$ 101,908 | \$ (46,850) |
| <i>Numerator for diluted earnings per share:</i> | | | | |
| Net income (loss) allocable to common shareholders | \$ 121,856 | \$ (2,069) | \$ 101,908 | \$ (46,850) |
| <i>Denominator for basic and diluted earnings per share:</i> | | | | |
| Weighted average common shares outstanding for basic earnings per common share | 71,299 | 75,033 | 72,675 | 76,232 |
| Add: Effect of assumed shares issued under treasury stock method for restricted stock units | 221 | — | 206 | — |
| Add: Effect of convertible debt | 8,967 | — | 5,521 | — |
| Weighted average common shares outstanding for basic and diluted earnings per common share | 80,487 | 75,033 | 78,402 | 76,232 |
| Basic and diluted earnings per common share:⁽¹⁾ | | | | |
| Net income (loss) allocable to common shareholders | \$ 1.71 | \$ (0.03) | \$ 1.40 | \$ (0.61) |
| Diluted earnings per common share:⁽¹⁾ | | | | |
| Net income (loss) allocable to common shareholders | \$ 1.51 | \$ (0.03) | \$ 1.30 | \$ (0.61) |

(1) For the three and nine months ended September 30, 2020, no shares of common stock would have been issuable upon conversion of the 3.125% Convertible Notes, and therefore the 3.125% Convertible Notes had no effect on diluted EPS for such periods.

Note 17—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).

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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):

| | Fair Value Using | | | |
|---|------------------|---|---|--|
| | Total | Quoted market prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| As of September 30, 2021 | | | | |
| Recurring basis: | | | | |
| Derivative liabilities ⁽¹⁾ | \$ 11,723 | \$ — | \$ 11,723 | \$ — |
| Available-for-sale securities ⁽¹⁾ | 27,535 | — | — | 27,535 |
| Non-recurring basis: | | | | |
| Impaired real estate available and held for sale ⁽²⁾ | 1,682 | — | — | 1,682 |
| Other investments ⁽³⁾ | 98,461 | — | 98,461 | — |
| As of December 31, 2020 | | | | |
| Recurring basis: | | | | |
| Derivative liabilities ⁽¹⁾ | 18,926 | — | 18,926 | — |
| Available-for-sale securities ⁽¹⁾ | 25,274 | — | — | 25,274 |
| Non-recurring basis: | | | | |
| Impaired land and development ⁽⁴⁾ | 6,078 | — | — | 6,078 |

- (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 a \$0.4 million impairment on an operating property held for sale with an estimated fair value of \$1.7 million. The estimated fair value is based on an executed sales contract with a third party.
- (3) During the nine months ended September 30, 2021, the Company identified an observable price change in an equity security held by the Company as evidenced by an orderly private issuance of similar securities by the same issuer and, as such, classified such observable price change as Level 2.
- (4) The Company recorded a \$1.3 million impairment on a land and development asset with an estimated fair value of \$6.1 million. The estimated fair value is based on future cash flows expected to be received.

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 nine months ended September 30, 2021 and 2020 (\$ in thousands):

| | 2021 | 2020 |
|--|------------------|------------------|
| Beginning balance | \$ 25,274 | \$ 23,896 |
| Purchases | 3,375 | — |
| Repayments | (201) | (460) |
| Unrealized gains (losses) recorded in other comprehensive income | (913) | 1,195 |
| Ending balance | <u>\$ 27,535</u> | <u>\$ 24,631</u> |

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Fair values of financial instruments—The following table presents the carrying value and fair value for the Company’s financial instruments (\$ in millions):

| | As of September 30, 2021 | | As of December 31, 2020 | |
|--|--------------------------|------------|-------------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Net investment in leases ⁽¹⁾ | \$ 477 | \$ 497 | \$ 429 | \$ 431 |
| Loans receivable and other lending investments, net ⁽¹⁾ | 406 | 436 | 732 | 772 |
| Cash and cash equivalents ⁽²⁾ | 299 | 299 | 99 | 99 |
| Restricted cash ⁽²⁾ | 56 | 56 | 52 | 52 |
| Loan participations payable, net ⁽¹⁾ | — | — | 43 | 43 |
| Debt obligations, net ⁽¹⁾⁽³⁾ | 3,283 | 3,643 | 3,287 | 3,414 |

- (1) The fair value of the Company’s net investment in leases, loans receivable and other lending investments, net, loan participations payable, net and debt obligations, net are classified as Level 3 within the fair value hierarchy.
- (2) The Company determined the carrying values of its cash and cash equivalents and restricted cash approximated their fair values. Restricted cash is recorded in “Deferred expenses and other assets, net” on the Company’s balance sheet. The fair value of the Company’s cash and cash equivalents and restricted cash are classified as Level 1 within the fair value hierarchy.
- (3) As of September 30, 2021 and December 31, 2020, the fair value of the Company’s 3.125% Senior Convertible Notes was \$527.2 million and \$338.8 million, respectively.

Note 18—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: Net Lease, Real Estate Finance, Operating Properties and Land and Development. The Net Lease segment includes the Company’s activities and operations related to the ownership of properties generally leased to single corporate tenants and its investments in SAFE and Net Lease Venture II (refer to Note 8). 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 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.

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

| | Net Lease | Real Estate Finance | Operating Properties | Land and Development | Corporate/Other ⁽¹⁾ | Company Total |
|---|------------------|---------------------|----------------------|----------------------|--------------------------------|-------------------|
| Three Months Ended September 30, 2021 | | | | | | |
| Operating lease income | \$ 40,659 | \$ — | \$ 3,637 | \$ 96 | \$ — | \$ 44,392 |
| Interest income | 1,630 | 6,321 | — | — | — | 7,951 |
| Interest income from sales-type leases | 9,578 | — | — | — | — | 9,578 |
| Other income | 4,767 | 1,095 | 16,869 | 3,189 | 14,275 | 40,195 |
| Land development revenue | — | — | — | 93,369 | — | 93,369 |
| Earnings (losses) from equity method investments | 74,889 | 872 | 1,129 | 10,836 | 1,483 | 89,209 |
| Income from sales of real estate | — | — | 25,611 | — | — | 25,611 |
| Total revenue and other earnings | 131,523 | 8,288 | 47,246 | 107,490 | 15,758 | 310,305 |
| Real estate expense | (5,446) | — | (9,184) | (4,094) | — | (18,724) |
| Land development cost of sales | — | — | — | (87,380) | — | (87,380) |
| Other expense | (1,327) | (270) | — | (64) | (350) | (2,011) |
| Allocated interest expense | (26,467) | (3,331) | (1,641) | (3,679) | (4,353) | (39,471) |
| Allocated general and administrative ⁽²⁾ | (5,487) | (958) | (473) | (2,173) | (5,029) | (14,120) |
| Segment profit (loss)⁽³⁾ | \$ 92,796 | \$ 3,729 | \$ 35,948 | \$ 10,100 | \$ 6,026 | \$ 148,599 |
| Other significant items: | | | | | | |
| Provision for (recovery of) loan losses | \$ 54 | \$ (1,610) | \$ — | \$ — | \$ — | \$ (1,556) |
| Provision for losses on net investment in leases | 131 | — | — | — | — | 131 |
| Impairment of assets | 757 | — | 422 | — | — | 1,179 |
| Depreciation and amortization | 13,114 | — | 1,385 | 228 | 129 | 14,856 |
| Capitalized expenditures | 969 | — | 121 | 7,416 | — | 8,506 |

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Three Months Ended September 30, 2020

| | | | | | | |
|---|---------------|-----------------|-------------------|-------------------|-----------------|------------------|
| Operating lease income | \$ 41,144 | \$ — | \$ 5,137 | \$ 89 | \$ — | \$ 46,370 |
| Interest income | 911 | 13,359 | — | — | — | 14,270 |
| Interest income from sales-type leases | 8,360 | — | — | — | — | 8,360 |
| Other income | 4,554 | 104 | 2,956 | 3,831 | 14,107 | 25,552 |
| Land development revenue | — | — | — | 20,502 | — | 20,502 |
| Earnings (losses) from equity method investments | 10,141 | — | (4,134) | 592 | 206 | 6,805 |
| Income from sales of real estate | 6,055 | — | — | — | — | 6,055 |
| Total revenue and other earnings | 71,165 | 13,463 | 3,959 | 25,014 | 14,313 | 127,914 |
| Real estate expense | (7,136) | — | (4,428) | (5,371) | — | (16,935) |
| Land development cost of sales | — | — | — | (21,358) | — | (21,358) |
| Other expense | — | (37) | — | — | (36) | (73) |
| Allocated interest expense | (26,049) | (5,831) | (2,289) | (4,606) | (3,632) | (42,407) |
| Allocated general and administrative ⁽²⁾ | (5,161) | (1,451) | (582) | (2,320) | (4,693) | (14,207) |
| Segment profit (loss)⁽³⁾ | 32,819 | \$ 6,144 | \$ (3,340) | \$ (8,641) | \$ 5,952 | \$ 32,934 |
| Other significant non-cash items: | | | | | | |
| Provision for (recovery of) loan losses | \$ 19 | \$ (1,995) | \$ — | \$ — | \$ — | \$ (1,976) |
| Provision for losses on net investment in leases | 175 | — | — | — | — | 175 |
| Depreciation and amortization | 12,781 | — | 1,287 | 243 | 310 | 14,621 |
| Capitalized expenditures | 1,896 | — | 84 | 5,170 | — | 7,150 |

| | Net Lease | Real Estate Finance | Operating Properties | Land and Development | Corporate/ Other ⁽¹⁾ | Company Total |
|---|-------------------|---------------------|----------------------|----------------------|---------------------------------|-------------------|
| Nine Months Ended September 30, 2021 | | | | | | |
| Operating lease income | \$ 123,926 | \$ — | \$ 13,176 | \$ 279 | \$ — | \$ 137,381 |
| Interest income | 3,696 | 23,878 | — | — | — | 27,574 |
| Interest income from sales-type leases | 26,895 | — | — | — | — | 26,895 |
| Other income | 14,213 | 1,245 | 23,159 | 5,894 | 20,038 | 64,549 |
| Land development revenue | — | — | — | 157,936 | — | 157,936 |
| Earnings (losses) from equity method investments | 98,604 | 2,092 | (5,553) | 15,456 | 4,076 | 114,675 |
| Income from sales of real estate | 2,114 | — | 26,319 | — | — | 28,433 |
| Total revenue and other earnings | 269,448 | 27,215 | 57,101 | 179,565 | 24,114 | 557,443 |
| Real estate expense | (21,065) | — | (19,238) | (13,604) | — | (53,907) |
| Land development cost of sales | — | — | — | (147,507) | — | (147,507) |
| Other expense | (1,327) | (422) | — | (64) | (662) | (2,475) |
| Allocated interest expense | (76,888) | (11,737) | (5,714) | (11,481) | (12,631) | (118,451) |
| Allocated general and administrative ⁽²⁾ | (17,544) | (3,659) | (1,797) | (6,968) | (15,686) | (45,654) |
| Segment profit (loss)⁽³⁾ | \$ 152,624 | \$ 11,397 | \$ 30,352 | \$ (59) | \$ (4,865) | \$ 189,449 |
| Other significant items: | | | | | | |
| Recovery of loan losses | \$ (202) | \$ (7,411) | \$ — | \$ — | \$ — | \$ (7,613) |
| Recovery of losses on net investment in leases | (1,735) | — | — | — | — | (1,735) |
| Impairment of assets | 2,286 | — | 679 | — | — | 2,965 |
| Depreciation and amortization | 39,255 | — | 4,593 | 674 | 449 | 44,971 |
| Capitalized expenditures | 2,300 | — | 610 | 16,727 | — | 19,637 |
| Nine Months Ended September 30, 2020 | | | | | | |
| Operating lease income | \$ 124,109 | \$ — | \$ 16,153 | \$ 267 | \$ — | \$ 140,529 |
| Interest income | 2,594 | 44,331 | — | — | — | 46,925 |
| Interest income from sales-type leases | 25,010 | — | — | — | — | 25,010 |
| Other income | 13,468 | 4,249 | 6,605 | 5,558 | 26,332 | 56,212 |
| Land development revenue | — | — | — | 116,254 | — | 116,254 |
| Earnings (losses) from equity method investments | 38,472 | — | (11,741) | 1,225 | (1,953) | 26,003 |
| Income from sales of real estate | 6,056 | — | 62 | — | — | 6,118 |
| Total revenue and other earnings | 209,709 | 48,580 | 11,079 | 123,304 | 24,379 | 417,051 |
| Real estate expense | (19,497) | — | (16,600) | (17,611) | — | (53,708) |
| Land development cost of sales | — | — | — | (114,704) | — | (114,704) |
| Other expense | — | (80) | — | — | (271) | (351) |
| Allocated interest expense | (74,915) | (17,989) | (6,731) | (13,598) | (14,515) | (127,748) |
| Allocated general and administrative ⁽²⁾ | (17,327) | (5,123) | (1,966) | (7,524) | (14,523) | (46,463) |
| Segment profit (loss)⁽³⁾ | \$ 97,970 | \$ 25,388 | \$ (14,218) | \$ (30,133) | \$ (4,930) | \$ 74,077 |
| Other significant items: | | | | | | |
| Provision for loan losses | \$ 212 | \$ 3,881 | \$ — | \$ — | \$ — | \$ 4,093 |
| Provision for losses on net investment in leases | 2,001 | — | — | — | — | 2,001 |

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|---|--------------|------------|------------|------------|-----------|--------------|
| Impairment of assets | 2,036 | — | 2,983 | 1,472 | — | 6,491 |
| Depreciation and amortization | 37,924 | — | 3,843 | 729 | 911 | 43,407 |
| Capitalized expenditures | 8,913 | — | 1,421 | 25,222 | — | 35,556 |
| As of September 30, 2021 | | | | | | |
| Real estate, net | \$ 1,263,881 | \$ — | \$ 93,043 | \$ — | \$ — | \$ 1,356,924 |
| Real estate available and held for sale | — | — | 1,983 | — | — | 1,983 |
| Total real estate | 1,263,881 | — | 95,026 | — | — | 1,358,907 |
| Net investment in leases | 477,360 | — | — | — | — | 477,360 |
| Land and development, net | — | — | — | 302,845 | — | 302,845 |
| Loans receivable and other lending investments, net | 47,555 | 357,954 | — | — | — | 405,509 |
| Loan receivable held for sale | 42,683 | — | — | — | — | 42,683 |
| Other investments | 1,213,804 | 47,936 | 43,659 | 537 | 113,830 | 1,419,766 |
| Total portfolio assets | 3,045,283 | 405,890 | 138,685 | 303,382 | 113,830 | 4,007,070 |
| Cash and other assets | — | — | — | — | — | 795,095 |
| Total assets | — | — | — | — | — | \$ 4,802,165 |
| As of December 31, 2020 | | | | | | |
| Real estate, net | \$ 1,291,903 | \$ — | \$ 192,378 | \$ — | \$ — | \$ 1,484,281 |
| Real estate available and held for sale | — | — | 5,212 | — | — | 5,212 |
| Total real estate | 1,291,903 | — | 197,590 | — | — | 1,489,493 |
| Net investment in leases | 429,101 | — | — | — | — | 429,101 |
| Land and development, net | — | — | — | 430,663 | — | 430,663 |
| Loans receivable and other lending investments, net | 45,398 | 686,932 | — | — | — | 732,330 |
| Other investments | 1,016,710 | — | 58,739 | 31,200 | 69,911 | 1,176,560 |
| Total portfolio assets | \$ 2,783,112 | \$ 686,932 | \$ 256,329 | \$ 461,863 | \$ 69,911 | 4,258,147 |
| Cash and other assets | — | — | — | — | — | 603,661 |
| Total assets | — | — | — | — | — | \$ 4,861,808 |

- (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 \$3.0 million and \$23.3 million for the three and nine months ended September 30, 2021, respectively, and \$5.7 million and \$26.7 million for the three and nine months ended September 30, 2020, respectively.
- (3) The following is a reconciliation of segment profit to net income (loss) (\$ in thousands):

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|---|-----------------|--|--------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Segment profit | \$ 148,599 | \$ 32,934 | \$ 189,449 | \$ 74,077 |
| Less: Recovery of (provision for) loan losses | 1,556 | 1,976 | 7,613 | (4,093) |
| Less: (Provision for) recovery of losses on net investment in leases | (131) | (175) | 1,735 | (2,001) |
| Less: Impairment of assets | (1,179) | — | (2,965) | (6,491) |
| Less: Stock-based compensation expense | (3,001) | (5,661) | (23,300) | (26,675) |
| Less: Depreciation and amortization | (14,856) | (14,621) | (44,971) | (43,407) |
| Less: Income tax benefit (expense) | 6 | (78) | 6 | (165) |
| Less: Loss on early extinguishment of debt, net | — | (7,924) | — | (12,038) |
| Net income (loss) | <u>\$ 130,994</u> | <u>\$ 6,451</u> | <u>\$ 127,567</u> | <u>\$ (20,793)</u> |

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Note 19—Subsequent Events

Subsequent to the end of the quarter, the Company obtained the consents of holders of its outstanding 4.75% senior notes due 2024, 4.25% senior notes due 2025 and 5.50% senior notes due 2026 to certain amendments to the indentures governing the notes intended to align the indentures with the potential sale of the Company's net lease assets. The Company paid holders consent fees ranging from 0.75% to 1.00% of the principal amount of consenting notes, depending on the relevant series. The Company previously announced on July 6, 2021 that it intended to explore market interest for possible sales of its net lease assets. That process remains ongoing. There can be no assurance as to whether the Company will sell some, all or none of its net lease assets, or as to the timing and terms of any sales.

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 2020 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 2020 Annual Report. These historical financial statements may not be indicative of our future performance.

Executive Overview

Our portfolio is well diversified by business, property type and geography. Our portfolio includes investments in the entertainment/leisure (23.0% of gross book value) and hotel (4.2% of gross book value) sectors, both of which have been particularly stressed by the COVID-19 pandemic. We may experience disruptions and collections of rent and interest payments until more normalized business conditions resume.

The COVID-19 pandemic adversely affected our strategies of monetizing legacy assets and materially scaling SAFE’s portfolio in 2020 and the first quarter of 2021, primarily because of reduced levels of real estate transactions and constrained conditions for equity and debt financing for real estate transactions. These conditions improved in the second quarter of 2021 and continued into the third quarter 2021, and we expect them to continue to improve as more normalized activity resumes. At this time, however, we cannot predict with certainty the full extent of the impacts of the COVID-19 pandemic on our or SAFE’s business. In addition, other macroeconomic factors such as inflation and the market reaction and response of government policy to inflation may impact our or SAFE’s business. See the Risk Factors section of our 2020 Annual Report for additional discussion of certain potential risks to our business arising from the COVID-19 pandemic and other factors.

Portfolio Overview

As of September 30, 2021, based on our gross book value, our total investment portfolio has the following property/collateral type and geographic characteristics (\$ in thousands):⁽¹⁾

| Property/Collateral Types | Net Lease | Real Estate Finance | Operating Properties | Land & Development | Corporate | Total | % of Total |
|---------------------------|---------------------|---------------------|----------------------|--------------------|-------------------|---------------------|----------------|
| Ground Leases | \$ 1,229,403 | \$ — | \$ — | \$ — | \$ — | \$ 1,229,403 | 27.1 % |
| Entertainment / Leisure | 1,030,994 | — | 16,297 | — | — | 1,047,291 | 23.0 % |
| Office | 820,048 | 52,107 | — | — | — | 872,155 | 19.2 % |
| Industrial / Lab | 433,783 | — | — | — | 98,461 | 532,244 | 11.7 % |
| Land and Development | — | 11,900 | — | 235,747 | — | 247,647 | 5.4 % |
| Hotel | — | 107,505 | 82,292 | — | — | 189,797 | 4.2 % |
| Multifamily | — | 122,906 | 59,918 | — | — | 182,824 | 4.0 % |
| Retail | — | 61,461 | 31,566 | 8,340 | — | 101,367 | 2.2 % |
| Condominium | — | 27,257 | 1,983 | 69,878 | — | 99,118 | 2.2 % |
| Other Property Types | — | 27,536 | — | — | 15,369 | 42,905 | 0.9 % |
| Total | \$ 3,514,228 | \$ 410,672 | \$ 192,056 | \$ 313,965 | \$ 113,830 | \$ 4,544,751 | 100.0 % |
| Percentage of Total | 77% | 9% | 4% | 7% | 3% | 100% | |

| Geographic Region | Net Lease | Real Estate Finance | Operating Properties | Land & Development | Corporate | Total | % of Total |
|-------------------|---------------------|---------------------|----------------------|--------------------|-------------------|---------------------|----------------|
| Northeast | \$ 961,145 | \$ 101,479 | \$ 93,624 | \$ 196,702 | \$ — | \$ 1,352,950 | 29.8 % |
| West | 581,022 | 143,774 | 43,083 | 11,847 | — | 779,726 | 17.2 % |
| Mid-Atlantic | 573,630 | — | 6,090 | 102,063 | — | 681,783 | 15.0 % |
| Southwest | 498,056 | — | — | 2,200 | — | 500,256 | 11.0 % |
| Southeast | 461,294 | 28,479 | 6,647 | 1,153 | — | 497,573 | 10.9 % |
| Central | 429,594 | 41,682 | 42,612 | — | — | 513,888 | 11.3 % |
| Various | 9,487 | 95,258 | — | — | 113,830 | 218,575 | 4.8 % |
| Total | \$ 3,514,228 | \$ 410,672 | \$ 192,056 | \$ 313,965 | \$ 113,830 | \$ 4,544,751 | 100.0 % |

- (1) For net lease, operating properties and land and development, gross book value is defined as the basis assigned to physical real estate property (land and building), net of any impairments taken after acquisition date and net of basis reductions associated with unit/parcel sales, plus our basis in equity method investments, plus lease related intangibles, capitalized leasing costs and excluding accumulated depreciation and amortization, and for equity method investments, excluding the effect of our share of accumulated depreciation and amortization. For real estate finance, gross book value is defined as principal funded including any deferred capitalized interest receivable, plus protective advances, exit fee receivables and any unamortized origination/modification costs, plus our basis in equity method investments, less purchase discounts and specific allowances. This amount is not reduced for CECL allowances. Real estate finance includes our \$48 million pro rata share of loans held within an equity method investment.

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. Leases typically provide for expenses at the facility to be paid by the tenant on a triple net lease basis. Under a typical net lease agreement, the tenant agrees to pay a base monthly operating lease payment and most or all of the facility operating expenses (including taxes, utilities, maintenance and insurance).

The net lease segment includes our Ground Lease investments made primarily through SAFE and our traditional net lease investments. As of September 30, 2021, the gross book value of our consolidated net lease portfolio totaled \$2.3 billion. Our net lease portfolio, including the carrying value of our equity method investments in SAFE and Net Lease Venture II gross of accumulated depreciation, totaled \$3.5 billion. In July 2021, we announced that we intend to explore market interest for possible sales of our net lease assets. The potential sale would be consistent with our stated corporate strategy which is to grow our Ground Lease and Ground Lease adjacent businesses and simplify our portfolio through

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sales of other assets. There can be no assurance as to whether we will sell some, all or none of our net lease assets, or as to the timing or terms of any sales. The table below provides certain statistics for our net lease portfolio.

| | Wholly-Owned | Net Lease Venture I | Total Consolidated Real Estate ⁽¹⁾ | Net Lease Venture II | SAFE |
|--|--------------|---------------------|---|----------------------|----------|
| Ownership % | 100.0 % | 51.9 % | — | 51.9 % | 63.6 % |
| Gross book value (millions) ⁽²⁾ | \$ 1,348 | \$ 911 | \$ 2,259 | \$ 324 | \$ 3,879 |
| % Leased | 98.9 % | 100.0 % | 99.3 % | 100.0 % | 100.0 % |
| Square footage (thousands) | 9,630 | 5,755 | 15,385 | 3,302 | N/A |
| Weighted average lease term (years) ⁽³⁾ | 18.8 | 16.2 | 17.7 | 12.3 | 89.1 |
| Weighted average yield ⁽⁴⁾ | 7.6 % | 8.2 % | 7.8 % | 9.1 % | 4.6 % |

(1) We own 51.9% of the Net Lease Venture which is consolidated in our GAAP financial statements (refer to Note 4).

(2) Consolidated Real Estate includes amounts recorded as net investment in leases (refer to Note 5) and financing receivables in loans and other lending investments (refer to Note 7). SAFE includes its pro rata share of its unconsolidated equity method investments.

(3) Weighted average lease term is calculated using GAAP rent and the initial maturity and does not include extension options. SAFE includes its pro rata share of its unconsolidated equity method investments.

(4) Yield for SAFE is calculated over the trailing twelve months and excludes management fees earned by us.

Net Lease Venture—In February 2014, the Company partnered with a sovereign wealth fund to form a venture to acquire and develop net lease assets and gave a right of first refusal to the venture on all new net lease investments that met specified investment criteria (refer to Note 4 in our consolidated financial statements for more information on our Net Lease Venture). The Net Lease Venture's investment period expired on June 30, 2018 and the remaining term of the venture extends through February 13, 2022, subject to two, one-year extension options at the discretion of us and our partner. We obtained control over the Net Lease Venture when the investment period expired on June 30, 2018 and consolidated the assets and liabilities of the venture, which had previously been accounted for as an equity method investment.

Net Lease Venture II—In July 2018, we entered into Net Lease Venture II with similar investment strategies as the Net Lease Venture (refer to Note 8). The Net Lease Venture II has a right of first offer on all new net lease investments (excluding Ground Leases) originated by us. We have an equity interest in the new venture of approximately 51.9%, which is accounted for as an equity method investment, and are responsible for managing the venture in exchange for a management fee and incentive fee. In June 2021, Net Lease Venture II's investment period was extended to December 31, 2021.

SAFE—SAFE is a publicly-traded company that originates and acquires Ground Leases in order to generate attractive long-term risk-adjusted returns from its investments. We believe its business has characteristics comparable to a high-grade fixed income investment business, but with certain unique advantages. Relative to alternative fixed income investments generally, SAFE's Ground Leases typically benefit from built-in growth derived from contractual rent increases, and the opportunity to realize value from residual rights to acquire the buildings and other improvements on its land at no additional cost. We believe that these features offer us the opportunity through our ownership in SAFE to realize superior risk-adjusted total returns when compared to certain alternative highly-rated investments. As of September 30, 2021, we owned approximately 63.6% of SAFE's common stock outstanding.

We account for our investment in SAFE as an equity method investment (refer to Note 8). We act as SAFE's external manager pursuant to a management agreement, and we have an exclusivity agreement with SAFE pursuant to which we agreed, subject to certain exceptions, that we will not acquire, originate, invest in, or provide financing for a third party's acquisition of, a Ground Lease unless we have first offered that opportunity to SAFE and a majority of its independent directors has declined the opportunity.

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. Our real estate finance portfolio consists of senior mortgage loans that are secured by commercial and residential real estate assets where we are the first lien holder, subordinated mortgage loans that are secured by second lien or junior interests in commercial and residential real estate assets, leasehold loans to Ground Lease tenants, including tenants of SAFE, and corporate/partnership loans, which represent mezzanine or subordinated loans to entities for which we do not have a lien on the underlying asset, but may have a pledge of underlying equity ownership of such assets. Our real estate finance portfolio includes loans on stabilized and transitional properties, Ground Leases and ground-up construction projects. In addition, we have preferred equity investments and debt securities classified as other lending investments.

As of September 30, 2021, the gross book value of our consolidated real estate finance portfolio, including securities and other lending investments, totaled \$411.2 million, gross of general loan loss allowances. The portfolio, excluding securities and other lending investments, included \$181.8 million of performing loans with a weighted average maturity of 2.9 years.

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

| September 30, 2021 | | | | | | |
|---------------------------|-----------------|------------------|---------------------------|----------------|------------|--|
| | Number of Loans | Gross Book Value | Allowance for Loan Losses | Net Book Value | % of Total | Allowance for Loan Losses as a % of Gross Book Value |
| Performing loans | 9 | \$ 181,764 | \$ (2,244) | \$ 179,520 | 44.3% | 1.2% |
| Non-performing loans | 1 | 58,819 | (640) | 58,179 | 14.3% | 1.1% |
| Other lending investments | 3 | 171,296 | (3,486) | 167,810 | 41.4% | 2.0% |
| Total | 13 | \$ 411,879 | \$ (6,370) | \$ 405,509 | 100.0% | 1.5% |

| December 31, 2020 | | | | | | |
|---------------------------|-----------------|------------------|---------------------------|----------------|------------|--|
| | Number of Loans | Gross Book Value | Allowance for Loan Losses | Net Book Value | % of Total | Allowance for Loan Losses as a % of Gross Book Value |
| Performing loans | 16 | \$ 529,657 | \$ (8,184) | \$ 521,473 | 71.2% | 1.5% |
| Non-performing loans | 1 | 53,305 | (742) | 52,563 | 7.2% | 1.4% |
| Other lending investments | 3 | 162,538 | (4,244) | 158,294 | 21.6% | 2.6% |
| Total | 20 | \$ 745,500 | \$ (13,170) | \$ 732,330 | 100.0% | 1.8% |

Performing Loans—The table below summarizes our performing loans exclusive of allowances (\$ in thousands):

| | September 30, 2021 | December 31, 2020 |
|-------------------------------------|--------------------|-------------------|
| Senior mortgages | \$ 148,059 | \$ 432,350 |
| Corporate/Partnership loans | 21,457 | 85,667 |
| Subordinate mortgages | 12,248 | 11,640 |
| Total | \$ 181,764 | \$ 529,657 |
| Weighted average LTV | 63% | 57% |
| Yield - year to date ⁽¹⁾ | 7.9% | 7.9% |

(1) Yields presented are for the nine months ended September 30, 2021 and 2020 and represent the yields on performing loans and other lending investments.

Non-Performing Loans—We designate loans as non-performing at such time as: (1) interest payments become 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 September 30, 2021 and December 31, 2020, we had one non-performing loan with a carrying value of \$58.2 million and \$52.6 million, respectively. We expect that our level of non-performing loans will fluctuate from period to period.

Allowance for Loan Losses—The allowance for loan losses was \$6.4 million as of September 30, 2021, or 1.5% of total loans and other lending investments, compared to \$13.2 million, or 1.8%, as of December 31, 2020. We expect that our level of allowance 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 allowances requires the use of significant judgment. We currently believe there is adequate collateral and allowances to support the carrying values of the loans and other lending investments.

The allowance for loan losses includes an asset-specific component and a formula-based component. An asset-specific allowance 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 September 30, 2021 and December 31, 2020, asset-specific allowances were \$0.6 million and \$0.7 million, respectively.

We estimate the formula-based component based on historical realized losses experienced within our portfolio and take into account current economic conditions affecting the commercial real estate market. In addition, we use third-party market data that includes forecasted economic trends, including unemployment rates.

The general allowance decreased to \$5.7 million, or 1.6%, of performing loans and other lending investments as of September 30, 2021, compared to \$12.4 million, or 1.8%, of performing loans and other lending investments as of December 31, 2020. The decrease was due primarily to the repayment of loans during the nine months ended September 30, 2021 and an improving macroeconomic forecast on commercial real estate markets since December 31, 2020.

Operating Properties

Our operating properties represent a pool of assets across a broad range of geographies and property types including industrial, hotel, multifamily, retail, condominium and entertainment/leisure properties. As of September 30, 2021, the gross book value of our operating property portfolio, including the carrying value of our equity method investments gross of accumulated depreciation, totaled \$192.1 million.

Land and Development

The following table presents a land and development portfolio rollforward for the nine months ended September 30, 2021.

| | Land and Development Portfolio Rollforward | | | |
|----------------------------------|---|---------------------------|-----------------------|--------------------------|
| | <i>(in millions)</i> | | | |
| | Asbury Ocean Club and Asbury Park Waterfront | Magnolia Green | All Others | Total Segment |
| Beginning balance ⁽¹⁾ | \$ 201.1 | \$ 101.3 | \$ 128.3 | \$ 430.7 |
| Asset sales ⁽²⁾ | (50.2) | (19.1) | (72.6) | (141.9) |
| Capital expenditures | 1.0 | 15.6 | — | 16.6 |
| Other | — | (2.3) | (0.3) | (2.6) |
| Ending balance ⁽¹⁾ | <u>\$ 151.9</u> | <u>\$ 95.5</u> | <u>\$ 55.4</u> | <u>\$ 302.8</u> |

(1) As of September 30, 2021, and December 31, 2020, Total Segment excludes \$0.5 million and \$31.2 million, respectively, of equity method investments.

(2) Represents gross book value of the assets sold, rather than proceeds received.

Results of Operations for the Three Months Ended September 30, 2021 compared to the Three Months Ended September 30, 2020

| | For the Three Months Ended September 30, | | \$ Change |
|--|---|--------------------------------|-------------------|
| | 2021 | 2020 (in thousands) | |
| Operating lease income | \$ 44,392 | \$ 46,370 | \$ (1,978) |
| Interest income | 7,951 | 14,270 | (6,319) |
| Interest income from sales-type leases | 9,578 | 8,360 | 1,218 |
| Other income | 40,195 | 25,552 | 14,643 |
| Land development revenue | 93,369 | 20,502 | 72,867 |
| Total revenue | <u>195,485</u> | <u>115,054</u> | <u>80,431</u> |
| Interest expense | 39,471 | 42,407 | (2,936) |
| Real estate expenses | 18,724 | 16,935 | 1,789 |
| Land development cost of sales | 87,380 | 21,358 | 66,022 |
| Depreciation and amortization | 14,856 | 14,621 | 235 |
| General and administrative | 17,121 | 19,868 | (2,747) |
| (Recovery of) provision for loan losses | (1,556) | (1,976) | 420 |
| Provision for (recovery of) losses on net investment in leases | 131 | 175 | (44) |
| Impairment of assets | 1,179 | — | 1,179 |
| Other expense | 2,011 | 73 | 1,938 |
| Total costs and expenses | <u>179,317</u> | <u>113,461</u> | <u>65,856</u> |
| Income from sales of real estate | 25,611 | 6,055 | 19,556 |
| Loss on early extinguishment of debt, net | — | (7,924) | 7,924 |
| Earnings from equity method investments | 89,209 | 6,805 | 82,404 |
| Income tax benefit (expense) | 6 | (78) | 84 |
| Net income | <u>\$ 130,994</u> | <u>\$ 6,451</u> | <u>\$ 124,543</u> |

Revenue—Operating lease income, which primarily includes income from net lease assets and commercial operating properties, decreased \$2.0 million to \$44.4 million during the three months ended September 30, 2021 from \$46.4 million for the same period in 2020. The following table summarizes our operating lease income by segment (\$ in millions).

| | Three Months Ended September 30, | | Change |
|-------------------------------------|---|----------------|-----------------|
| | 2021 | 2020 | |
| Net Lease ⁽¹⁾ | \$ 40.7 | \$ 41.1 | \$ (0.4) |
| Operating Properties ⁽²⁾ | 3.6 | 5.2 | (1.6) |
| Land and Development | 0.1 | 0.1 | — |
| Total | <u>\$ 44.4</u> | <u>\$ 46.4</u> | <u>\$ (2.0)</u> |

(1) Change primarily due to the sale of assets, partially offset by an increase in rent at certain of our properties.

(2) Change primarily due to the sale of assets.

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The following table shows certain same store statistics for our consolidated Net Lease segment. Same store assets are defined as assets we owned on or prior to July 1, 2020 and were in service through September 30, 2021 (Operating lease income in millions).

| | <u>Three Months Ended September 30,</u> | |
|---------------------------------------|---|-------------|
| | <u>2021</u> | <u>2020</u> |
| Operating lease income ⁽¹⁾ | \$ 50.6 | \$ 49.4 |
| Rent per square foot | \$ 13.25 | \$ 12.77 |
| Occupancy ⁽²⁾ | 99.3 % | 98.6 % |

(1) For the three months ended September 30, 2021 and 2020, includes \$10.0 million and \$9.2 million, respectively, of lease income from one net lease tenant that was recorded to “Interest income from sales-type leases” and “Interest income” in our consolidated statements of operations.

(2) Occupancy as of September 30, 2021 and 2020.

Interest income decreased to \$8.0 million during the three months ended September 30, 2021 from \$14.3 million for the same period in 2020. The decrease was due primarily to a decrease in the average balance of our performing loans and other lending investments, which was \$323 million for the three months ended September 30, 2021 and \$703 million for the three months ended September 30, 2020. The weighted average yield on our performing loans and other lending investments was 7.8% and 7.6%, respectively, for the three months ended September 30, 2021 and 2020.

Interest income from sales-type leases increased to \$9.6 million for the three months ended September 30, 2021 from \$8.4 million for the same period in 2020. The increase was due primarily to sales-type leases originated in 2021.

Other income increased to \$40.2 million during the three months ended September 30, 2021 from \$25.6 million for the same period in 2020. Other income during the three months ended September 30, 2021 consisted primarily of mark-to-market gains on an equity investment, income from our hotel properties, lease termination fees, management fees, other ancillary income from our land and development projects and loan portfolio and interest income on our cash. Other income during the three months ended September 30, 2020 consisted primarily of mark-to-market gains on an equity investment, management fees, other ancillary income from our operating properties, land and development projects and loan portfolio, income from our hotel properties and interest income on our cash.

Land development revenue and cost of sales—During the three months ended September 30, 2021, we sold land parcels and residential lots and units and recognized land development revenue of \$93.4 million which had associated cost of sales of \$87.4 million. During the three months ended September 30, 2020, we sold residential lots and units and recognized land development revenue of \$20.5 million which had associated cost of sales of \$21.4 million. The increase in 2021 was primarily due to the sale of three land properties.

Costs and expenses—Interest expense decreased to \$39.5 million during the three months ended September 30, 2021 from \$42.4 million for the same period in 2020, due primarily to a decrease in our weighted average cost of debt, which was 4.5% for the three months ended September 30, 2021 compared to 4.8% for the three months ended September 30, 2020. The balance of our average outstanding debt, inclusive of loan participations and lease liabilities associated with finance-type leases, decreased to \$3.44 billion for the three months ended September 30, 2021 from \$3.47 billion for the same period in 2020.

Real estate expense increased \$1.8 million to \$18.7 million during the three months ended September 30, 2021 from \$16.9 million for the same period in 2020. The following table summarizes our real estate expenses by segment (\$ in millions).

| | <u>Three Months Ended September 30,</u> | | |
|-------------------------------------|---|----------------|---------------|
| | <u>2021</u> | <u>2020</u> | <u>Change</u> |
| Operating Properties ⁽¹⁾ | \$ 9.2 | \$ 4.4 | \$ 4.8 |
| Land and Development ⁽²⁾ | 4.1 | 5.4 | (1.3) |
| Net Lease ⁽³⁾ | 5.4 | 7.1 | (1.7) |
| Total | <u>\$ 18.7</u> | <u>\$ 16.9</u> | <u>\$ 1.8</u> |

- (1) Change primarily due to an increase in expenses at certain of our hotel operating properties that have increased operations from the prior year.
(2) Change primarily due to asset sales.
(3) Change primarily due to a lease amendment at one property that resulted in a change to recoverable expenses.

Depreciation and amortization increased to \$14.9 million during the three months ended September 30, 2021 from \$14.6 million for the same period in 2020.

General and administrative expense includes payroll and related costs, performance-based compensation, public company costs and occupancy costs. General and administrative expenses decreased to \$17.1 million during the three months ended September 30, 2021 from \$19.9 million for the same period in 2020. The decrease in 2021 was due primarily to a \$1.8 million decrease in performance-based compensation and a \$0.9 million decrease in payroll and related costs from 2020. Our primary forms of performance-based compensation are our iPIP Plans and our annual bonus pool (refer to Note 15 for more information on the iPIP Plans). In addition, illustrative examples of our iPIP Plans may be found in our 2021 definitive proxy statement which is publicly available on the SEC's website.

The recovery of loan losses was \$1.6 million for the three months ended September 30, 2021 as compared to a recovery of loan losses of \$2.0 million for the same period in 2020. The recovery of loan losses for the three months ended September 30, 2021 resulted from the reversal of CECL allowances on loans that repaid in full in the quarter. The recovery of loan losses for the three months ended September 30, 2020 resulted from the reversal of CECL allowances on loans that repaid in full in the third quarter 2020 and a more favorable economic outlook on commercial real estate markets in the third quarter 2020 as compared to the second quarter 2020.

The provision for losses on net investment in leases for the three months ended September 30, 2021 resulted from a changing macroeconomic forecast on commercial real estate markets since June 30, 2021. The provision for losses on net investment in leases for the three months ended September 30, 2020 resulted from the macroeconomic impact of COVID-19 on commercial real estate markets.

During the three months ended September 30, 2021, we recorded an aggregate impairment of \$0.8 million resulting from the sale of net lease assets and a \$0.4 million on an operating property held for sale.

Other expense was \$2.0 million during the three months ended September 30, 2021 and \$0.1 million for the same period in 2020. Other expenses for the three months ended September 30, 2021 consisted primarily of legal costs.

Income from sales of real estate—During the three months ended September 30, 2021, we recorded \$25.6 million of income from sales of real estate primarily from the sale of an operating property. During the three months ended September 30, 2020, we recorded \$6.1 million of income from sales of real estate from the sale of a Ground Lease to SAFE.

Loss on early extinguishment of debt, net—During the three months ended September 30, 2020, we incurred losses on early extinguishment of debt of \$7.9 million resulting from the repayment of senior notes prior to maturity.

Earnings from equity method investments—Earnings from equity method investments increased to \$89.2 million during the three months ended September 30, 2021 from \$6.8 million for the same period in 2020. During the three months ended September 30, 2021, we recognized \$73.5 million of income from our equity method investment in SAFE (which included a dilution gain of \$60.2 million – refer to Note 8), \$1.4 million from our equity method investment in Net Lease

Venture II and \$14.3 million of net aggregate income from our remaining equity method investments, which included \$10.5 million from one of our equity method investments resulting from our share of income from land sales. During the three months ended September 30, 2020, we recognized \$9.3 million of income from our equity method investment in SAFE and \$0.8 million from our equity method investment in Net Lease Venture II, which was partially offset by \$3.3 million of net aggregate losses from our remaining equity method investments.

Income tax benefit (expense)—Income tax benefit of \$6 thousand was recorded for the three months ended September 30, 2021. Income tax expense of \$0.1 million was recorded for the three months ended September 30, 2020 and related primarily to state margins taxes and other minimum state taxes.

Results of Operations for the Nine Months Ended September 30, 2021 compared to the Nine Months Ended September 30, 2020

| | For the Nine Months Ended September 30, | | \$ Change |
|--|--|-----------------------|-------------------|
| | 2021 | 2020 | |
| | | (in thousands) | |
| Operating lease income | \$ 137,381 | \$ 140,529 | \$ (3,148) |
| Interest income | 27,574 | 46,925 | (19,351) |
| Interest income from sales-type leases | 26,895 | 25,010 | 1,885 |
| Other income | 64,549 | 56,212 | 8,337 |
| Land development revenue | 157,936 | 116,254 | 41,682 |
| Total revenue | <u>414,335</u> | <u>384,930</u> | 29,405 |
| Interest expense | 118,451 | 127,748 | (9,297) |
| Real estate expense | 53,907 | 53,708 | 199 |
| Land development cost of sales | 147,507 | 114,704 | 32,803 |
| Depreciation and amortization | 44,971 | 43,407 | 1,564 |
| General and administrative | 68,954 | 73,138 | (4,184) |
| (Recovery of) provision for loan losses | (7,613) | 4,093 | (11,706) |
| (Recovery of) provision for losses on net investment in leases | (1,735) | 2,001 | (3,736) |
| Impairment of assets | 2,965 | 6,491 | (3,526) |
| Other expense | 2,475 | 351 | 2,124 |
| Total costs and expenses | <u>429,882</u> | <u>425,641</u> | 4,241 |
| Income from sales of real estate | 28,433 | 6,118 | 22,315 |
| Loss on early extinguishment of debt, net | — | (12,038) | 12,038 |
| Earnings from equity method investments | 114,675 | 26,003 | 88,672 |
| Income tax benefit (expense) | 6 | (165) | 171 |
| Net income (loss) | <u>\$ 127,567</u> | <u>\$ (20,793)</u> | <u>\$ 148,360</u> |

Revenue—Operating lease income, which primarily includes income from net lease assets and commercial operating properties, decreased to \$137.4 million during the nine months ended September 30, 2021 from \$140.5 million for the same period in 2020. The following table summarizes our operating lease income by segment (\$ in millions).

| | Nine Months Ended September 30, | | Change |
|-------------------------------------|--|-----------------|-----------------|
| | 2021 | 2020 | |
| Net Lease ⁽¹⁾ | \$ 123.9 | \$ 124.0 | \$ (0.1) |
| Operating Properties ⁽²⁾ | 13.2 | 16.2 | (3.0) |
| Land and Development | 0.3 | 0.3 | — |
| Total | <u>\$ 137.4</u> | <u>\$ 140.5</u> | <u>\$ (3.1)</u> |

(1) Change primarily due to asset sales, partially offset by an increase in rent at certain of our properties.

(2) Change primarily due to asset sales and the termination of certain leases at one of our operating properties.

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The following table shows certain same store statistics for our consolidated Net Lease segment. Same store assets are defined as assets we owned on or prior to January 1, 2020 and were in service through September 30, 2021 (Operating lease income in millions).

| | <u>Nine Months Ended September 30,</u> | |
|---------------------------------------|--|-------------|
| | <u>2021</u> | <u>2020</u> |
| Operating lease income ⁽¹⁾ | \$ 152.7 | \$ 147.3 |
| Rent per square foot | \$ 13.32 | \$ 12.68 |
| Occupancy ⁽²⁾ | 99.3 % | 98.6 % |

- (1) For the nine months ended September 30, 2021 and 2020, includes \$28.9 million and \$27.4 million, respectively, of lease income from one net lease tenant that was recorded to “Interest income from sales-type leases” and “Interest income” in our consolidated statements of operations.
- (2) Occupancy as of September 30, 2021 and 2020.

Interest income decreased to \$27.6 million during the nine months ended September 30, 2021 from \$46.9 million for the same period in 2020. The decrease was due primarily to a decrease in the average balance of our performing loans and other lending investments, which was \$403 million for the nine months ended September 30, 2021 and \$716 million for the nine months ended September 30, 2020. The weighted average yield on our performing loans and other lending investments for both the nine months ended September 30, 2021 and 2020 was 7.9%.

Interest income from sales-type leases increased to \$26.9 million for the nine months ended September 30, 2021 from \$25.0 million for the same period in 2020. The increase was due primarily to sales-type leases originated in 2021.

Other income increased to \$64.5 million during the nine months ended September 30, 2021 from \$56.2 million for the same period in 2020. Other income during the nine months ended September 30, 2021 consisted primarily of mark-to-market gains on an equity investment, income from our hotel properties, management fees, lease termination fees, other ancillary income from our land and development projects and loan portfolio and interest income on our cash. Other income during the nine months ended September 30, 2020 consisted primarily of mark-to-market gains on an equity investment, management fees, other ancillary income from our operating properties, land and development projects and loan portfolio, income from our hotel properties and interest income on our cash.

Land development revenue and cost of sales—During the nine months ended September 30, 2021, we sold residential lots and units and recognized land development revenue of \$157.9 million which had associated cost of sales of \$147.5 million. During the nine months ended September 30, 2020, we sold residential lots and units and recognized land development revenue of \$116.3 million which had associated cost of sales of \$114.7 million. The increase in 2021 was primarily due to the sale of three land properties.

Costs and expenses—Interest expense decreased to \$118.5 million during the nine months ended September 30, 2021 from \$127.7 million for the same period in 2020 due primarily to a decrease in our weighted average cost of debt, which was 4.6% for the nine months ended September 30, 2021 compared to 4.8% for the nine months ended September 30, 2020. The balance of our average outstanding debt, inclusive of loan participations and lease liabilities associated with finance-type leases, decreased to \$3.45 billion for the nine months ended September 30, 2021 from \$3.51 billion for the same period in 2020.

Real estate expenses increased to \$53.9 million during the nine months ended September 30, 2021 from \$53.7 million for the same period in 2020. The following table summarizes our real estate expenses by segment (\$ in millions).

| | <u>Nine Months Ended September 30,</u> | | <u>Change</u> |
|-------------------------------------|--|----------------|---------------|
| | <u>2021</u> | <u>2020</u> | |
| Operating Properties ⁽¹⁾ | \$ 19.2 | \$ 16.6 | \$ 2.6 |
| Land and Development ⁽²⁾ | 13.6 | 17.6 | (4.0) |
| Net Lease ⁽³⁾ | 21.1 | 19.5 | 1.6 |
| Total | <u>\$ 53.9</u> | <u>\$ 53.7</u> | <u>\$ 0.2</u> |

- (1) Change primarily due to an increase in expenses at certain of our hotel operating properties that have increased operations from the prior year.
- (2) Change primarily due to a decrease in real estate taxes and insurance costs at one property and asset sales.

- (3) Change primarily due to an increase in legal costs and common area expenses at certain properties, partially offset by a lease amendment at one property that resulted in a change to recoverable expenses.

Depreciation and amortization increased to \$45.0 million during the nine months ended September 30, 2021 from \$43.4 million for the same period in 2020, primarily due to the full amortization of intangible assets associated with terminated leases and placing certain assets in service during 2021.

General and administrative expense includes payroll and related costs, performance-based compensation, public company costs and occupancy costs. General and administrative expenses decreased to \$69.0 million during the nine months ended September 30, 2021 from \$73.1 million for the same period in 2020. The decrease in 2021 was due primarily to a \$2.1 million decrease in performance-based compensation and a \$2.1 million decrease in payroll and related costs from 2020. Our primary forms of performance-based compensation are our iPIP Plans and our annual bonus pool (refer to Note 15 for more information on the iPIP Plans). In addition, illustrative examples of our iPIP Plans may be found in our 2021 definitive proxy statement which is publicly available on the SEC's website.

The recovery of loan losses was \$7.6 million for the nine months ended September 30, 2021 as compared to a provision for loan losses of \$4.1 million for the same period in 2020. The recovery of loan losses for the nine months ended September 30, 2021 resulted from the reversal of CECL allowances on loans that repaid in full during the period and from an improving macroeconomic forecast on commercial real estate markets since December 31, 2020. The provision for loan losses for the nine months ended September 30, 2020 resulted from the macroeconomic impact of COVID-19 on commercial real estate markets.

The recovery of losses on net investment in leases for the nine months ended September 30, 2021 resulted from asset sales and an improving macroeconomic forecast on commercial real estate markets since December 31, 2020. The provision for losses on net investment in leases for the nine months ended September 30, 2020 included an allowance resulting from the macroeconomic impact of COVID-19 on commercial real estate markets.

During the nine months ended September 30, 2021, we recorded an aggregate impairment of \$2.5 in connection with the sale of net lease assets and residential condominiums and a \$0.4 million impairment on an operating property held for sale. During the nine months ended September 30, 2020, we recorded an aggregate impairment of \$6.5 million in connection with the sale of net lease assets and impairments on a real estate asset held for sale and a land and development asset.

Other expense increased to \$2.5 million during the nine months ended September 30, 2021 from \$0.4 million for the same period in 2020. The increase in 2021 was primarily due to an increase in legal costs.

Income from sales of real estate—During the nine months ended September 30, 2021, we recorded \$28.4 million of income from sales of real estate from the sale of an operating property, net lease assets and residential condominiums. During the nine months ended September 30, 2020, we recorded \$6.1 million of income from sales of real estate primarily from the sale of a Ground Lease to SAFE.

Loss on early extinguishment of debt, net—During the nine months ended September 30, 2020, we incurred losses on early extinguishment of debt of \$12.0 million resulting from the repayment of senior notes prior to maturity.

Earnings from equity method investments—Earnings from equity method investments increased to \$114.7 million during the nine months ended September 30, 2021 from \$26.0 million for the same period in 2020. During the nine months ended September 30, 2021, we recognized \$94.6 million of income from our equity method investment in SAFE (which included a dilution gain of \$60.7 million – refer to Note 8), \$4.0 million from our equity method investment in Net Lease Venture II and \$16.1 million of net aggregate income from our remaining equity method investments, which included \$13.3 million from one of our equity method investments resulting from our share of income from land sales. During the nine months ended September 30, 2020, we recognized \$36.9 million of income from our equity method investment in SAFE, which included a dilution gain of \$7.9 million resulting from a SAFE equity offering in March 2020, and \$1.6 million from our equity investment in Net Lease Venture II, which were partially offset by \$12.5 million of net aggregate losses from our remaining equity method investments.

Income tax expense— Income tax benefit of \$6 thousand was recorded during the nine months ended September 30, 2021. Income tax expense of \$0.2 million was recorded during the nine months ended September 30, 2020 and was due primarily to state margins taxes and other minimum state taxes.

Adjusted Earnings

In 2019, we announced a new business strategy that would focus our management personnel and our investment resources primarily on scaling our Ground Lease platform. As part of this strategy, we accelerated the monetization of legacy assets, reducing our legacy portfolio to approximately 10% of our overall portfolio as of September 30, 2021, and deployed a substantial portion of the proceeds into additional investments in SAFE and new loan and net lease originations relating to the Ground Lease business. Adjusted earnings is a non-GAAP metric management uses to assess our execution of this strategy and the performance of our operations.

Adjusted earnings is used internally as a supplemental performance measure adjusting for certain items to give management a view of income more directly derived from operating activities in the period in which they occur. Adjusted earnings is calculated as net income (loss) allocable to common shareholders, prior to the effect of depreciation and amortization, including our proportionate share of depreciation and amortization from equity method investments and excluding depreciation and amortization allocable to noncontrolling interests, stock-based compensation expense, the non-cash portion of loss on early extinguishment of debt and the liquidation preference recorded as a premium above book value on the redemption of preferred stock (“Adjusted Earnings”).

Adjusted Earnings should be examined in conjunction with net income (loss) as shown in our consolidated statements of operations. Adjusted Earnings should not be considered as an alternative to net income (loss) (determined in accordance with generally accepted accounting principles in the United States of America (“GAAP”)), or to cash flows from operating activities (determined in accordance with GAAP), as a measure of our liquidity, nor is Adjusted Earnings indicative of funds available to fund our cash needs or available for distribution to shareholders. Rather, Adjusted Earnings 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. It should be noted that our manner of calculating Adjusted Earnings may differ from the calculations of similarly-titled measures by other companies.

| | For the Three Months Ended September 30, | |
|---|---|------------------|
| | 2021 | 2020 |
| | (in thousands) | |
| Adjusted Earnings | | |
| Net income (loss) allocable to common shareholders | \$ 121,856 | \$ (2,069) |
| Add: Depreciation and amortization | 16,449 | 15,795 |
| Add: Stock-based compensation expense | 3,001 | 5,661 |
| Add: Non-cash portion of loss on early extinguishment of debt | — | 2,672 |
| Adjusted earnings allocable to common shareholders | <u>\$ 141,306</u> | <u>\$ 22,059</u> |

| | For the Nine Months Ended September 30, | |
|---|--|------------------|
| | 2021 | 2020 |
| | (in thousands) | |
| Adjusted Earnings | | |
| Net income (loss) allocable to common shareholders | \$ 101,908 | \$ (46,850) |
| Add: Depreciation and amortization | 50,790 | 46,526 |
| Add: Stock-based compensation expense | 23,300 | 26,675 |
| Add: Non-cash portion of loss on early extinguishment of debt | — | 3,470 |
| Adjusted earnings allocable to common shareholders | <u>\$ 175,998</u> | <u>\$ 29,821</u> |

Liquidity and Capital Resources

During the three months ended September 30, 2021, we invested an aggregate \$175 million in new investments, prior financing commitments and real estate development. Investments included \$107 million in net lease (including \$53 million

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in shares of SAFE common stock), loan, and strategic investments, \$60 million in the repurchase of our common stock and \$8 million of capital expenditures on legacy assets. These amounts are inclusive of fundings from our consolidated investments and our pro rata share from equity method investments.

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

| | For the Nine Months Ended September 30, | |
|---|---|------------------|
| | 2021 | 2020 |
| Operating Properties | \$ 560 | \$ 2,037 |
| Net Lease | 5,275 | 9,624 |
| Total capital expenditures on real estate assets | <u>\$ 5,835</u> | <u>\$ 11,661</u> |
| Land and Development | \$ 15,603 | \$ 33,488 |
| Total capital expenditures on land and development assets | <u>\$ 15,603</u> | <u>\$ 33,488</u> |

As of September 30, 2021, we had unrestricted cash of \$299 million and \$340 million of borrowing capacity available under the Revolving Credit Facility. The COVID-19 pandemic adversely affected our strategies of monetizing legacy assets and materially scaling SAFE's portfolio in 2020 and the first quarter of 2021. These conditions improved in the second quarter and third quarter of 2021 and we expect them to continue to improve as more normalized activity resumes. Our primary cash uses over the next 12 months are expected to be funding of investments, capital expenditures, distributions to shareholders through dividends and share repurchases and funding ongoing business operations. The amount we actually invest will depend on the full impact of the COVID-19 pandemic on our business and the pace of the economic recovery.

Our \$287.5 million aggregate principal amount of convertible notes mature in September 2022, and we must repay them in a combination of cash and shares of our common stock. We also had approximately \$118.4 million of maximum unfunded commitments associated with our investments as of September 30, 2021, of which we expect to fund the majority over the next two years, assuming borrowers and tenants meet all milestones, performance hurdles and all other conditions to fundings (see "Unfunded Commitments" below). We also have approximately \$166.2 million principal amount of scheduled real estate finance asset maturities over the next 12 months, exclusive of any extension options that can be exercised by our borrowers.

We expect that we will be able to meet our liquidity requirements over the next 12 months and for the reasonably foreseeable future. Our capital sources to meet such cash requirements are expected to include cash on hand, Revolving Credit Facility borrowings, 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.

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, as such terms are defined in the indentures governing the debt securities, of at least 1.2x and a covenant restricting certain incurrences of debt based on a fixed charge coverage ratio. 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.

The Senior Term Loan and the Revolving Credit Facility contain certain covenants, including covenants relating to collateral coverage, 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 Senior Term Loan requires us to maintain collateral coverage of at least 1.25x outstanding borrowings on the facility. The Revolving Credit Facility is secured by a borrowing base of assets and requires us to maintain both borrowing base asset value 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 Revolving Credit Facility does not require that proceeds from the borrowing base be used to pay down outstanding borrowings provided the

borrowing base asset value 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. Under both the Senior Term Loan and the Revolving Credit Facility we are permitted to pay dividends provided that no material default (as defined in the relevant agreement) has occurred and is continuing or would result therefrom and we remain in compliance with our financial covenants after giving effect to the dividend. We declared common stock dividends of \$26.3 million, or \$0.36 per share, for the nine months ended September 30, 2021.

Derivatives—Our use of derivative financial instruments, if necessary, has primarily been 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 13 to the consolidated financial statements.

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 have committed to invest capital in several real estate funds and other ventures. These arrangements are referred to as Strategic Investments.

As of September 30, 2021, the maximum amount of fundings we may be obligated to make under each category, assuming all performance hurdles and milestones are met under the Performance-Based Commitments and assuming that 100% of our capital committed to Strategic Investments is drawn down, are as follows (in thousands):

| | Loans and Other Lending Investments | Real Estate | Other Investments | Total |
|-------------------------------|---|-------------|----------------------|------------|
| Performance-Based Commitments | \$ 7,860 | \$ 29,716 | \$ 71,319 | \$ 108,895 |
| Strategic Investments | — | 1,900 | 7,592 | 9,492 |
| Total | \$ 7,860 | \$ 31,616 | \$ 78,911 | \$ 118,387 |

Stock Repurchase Program—We may repurchase shares in negotiated transactions or open market transactions, including through one or more trading plans. During the nine months ended September 30, 2021, we repurchased 4.2 million shares of our outstanding common stock for \$91.9 million, for an average cost of \$21.70 per share. During the nine months ended September 30, 2020, we repurchased 3.7 million shares of our outstanding common stock for \$41.4 million, for an average cost of \$11.32 per share. We are generally authorized to repurchase up to \$50.0 million in shares of our common stock. As of September 30, 2021, we had remaining authorization to repurchase up to \$30.9 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.

For a discussion of our critical accounting policies, refer to Note 3 to the consolidated financial statements and our 2020 Annual Report.

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.

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 0.08% as of September 30, 2021. Actual results could differ significantly from those estimated in the table.

Estimated Change In Net Income

(\$ in thousands)

| <u>Change in Interest Rates</u> | <u>Net Income⁽¹⁾</u> |
|---------------------------------|---------------------------------|
| -10 Basis Points | \$ 187 |
| Base Interest Rate | — |
| +10 Basis Points | (234) |
| +50 Basis Points | (1,159) |
| +100 Basis Points | (2,237) |

(1) As of September 30, 2021, we have an overall net variable-rate liability position. In addition, as of September 30, 2021, \$162.6 million of our floating rate loans have a weighted average interest rate floor of 1.9%.

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 Accounting Officer, who is currently performing the functions of the Company's principal 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 principal financial officer (whose functions are currently being performed by the Company's Chief Accounting Officer).

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 Accounting Officer (performing the functions of the principal 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 Accounting 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 Accounting 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.

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 the Company's business as a finance and investment company focused on the commercial real estate industry, including foreclosure-related proceedings. 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.

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our 2020 Annual Report.

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

Issuer Purchases of Equity Securities

The following table sets forth the information with respect to purchases made by us or on our behalf of our common stock during the three months ended September 30, 2021.

| | 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⁾ |
|-----------------------------|-------------------------------------|---------------------------------|--|--|
| July 1 to July 31 | 730,194 | \$ 23.28 | 730,194 | \$ 33,000,255 |
| August 1 to August 31 | 915,591 | \$ 25.50 | 915,591 | \$ 27,648,268 |
| September 1 to September 30 | 744,981 | \$ 25.66 | 744,981 | \$ 30,885,618 |

(1) We may repurchase shares in negotiated transactions or open market transactions, including through one or more trading plans. In September 2021, our board of directors authorized an increase to the stock repurchase program to \$50.0 million.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

INDEX TO EXHIBITS

| Exhibit Number | Document Description |
|-----------------------|--|
| 4.1 | Thirty-Sixth Supplemental Indenture, dated as of October 29, 2021, governing the 4.75% Senior Notes due 2024. |
| 4.2 | Thirty-Seventh Supplemental Indenture, dated as of October 29, 2021, governing the 4.25% Senior Notes due 2025. |
| 4.3 | Thirty-Eighth Supplemental Indenture, dated as of October 29, 2021, governing the 5.50% Senior Notes due 2026. |
| 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 September 30, 2021 is formatted in Inline XBRL ("eXtensible Business Reporting Language"): (i) the Consolidated Balance Sheets (unaudited) as of September 30, 2021 and December 31, 2020, (ii) the Consolidated Statements of Operations (unaudited) for the three and nine months ended September 30, 2021 and 2020, (iii) the Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three and nine months ended September 30, 2021 and 2020, (iv) the Consolidated Statements of Changes in Equity (unaudited) for the three and nine months ended September 30, 2021 and 2020, (v) the Consolidated Statements of Cash Flows (unaudited) for nine months ended September 30, 2021 and 2020 and (vi) the Notes to the Consolidated Financial Statements (unaudited). |
| 104 | Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101) |

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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.

SIGNATURES

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

iStar Inc.
Registrant

Date: November 2, 2021

/s/ JAY SUGARMAN

Jay Sugarman
*Chairman of the Board of Directors and Chief
Executive Officer (principal executive officer)*

iStar Inc.
Registrant

Date: November 2, 2021

/s/ GARETT ROSENBLUM

Garett Rosenblum
*Chief Accounting Officer
(principal financial officer)*

Dated as of October 29, 2021

iSTAR INC.

4.75% NOTES DUE 2024

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

THIRTY-SIXTH SUPPLEMENTAL
INDENTURE

THIRTY-SIXTH SUPPLEMENTAL INDENTURE, dated as of the 29th day of October, 2021, between iSTAR INC., a Maryland corporation (the “**Company**”), having its principal office at 1114 Avenue of the Americas, 39th Floor, New York, New York 10036, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, with its principal office at 100 Wall Street, 16th floor, New York, New York 10005, as trustee (the “**Trustee**”).

WHEREAS, the Company has heretofore executed and delivered to the Trustee a Base Indenture, dated as of February 5, 2001, a form of which is an exhibit to the Company’s Registration Statement on Form S-3 (Registration No. 333-220353), providing for the issuance from time of debt securities of the Company (the “**Securities**”);

WHEREAS, the Company has heretofore delivered to the Trustee the Thirty-Third Supplemental Indenture to the Base Indenture, dated September 16, 2019 (the “**Thirty-Third Supplemental Indenture**,” and together with the Base Indenture, the “**Indenture**”), to provide for the creation and issue of a series of Securities in the initial aggregate principal amount of \$775,000,000, designated as the “4.75% Senior Notes due 2024” of the Company (collectively referred to herein as the “**Notes**”);

WHEREAS, the Company has solicited consents from the Holders of the Notes to certain proposed amendments (the “**Proposed Amendments**”) to the Indenture, pursuant to the terms and subject to the conditions set forth in the Consent Solicitation Statement, dated October 21, 2021 (the “**Consent Solicitation**”);

WHEREAS, the Company has obtained the requisite consents to the Proposed Amendments to the Indenture set forth in this Thirty-Sixth Supplemental Indenture and the Board of Directors of the Company has duly adopted resolutions authorizing the Company to execute and deliver this Thirty-Sixth Supplemental Indenture;

WHEREAS, the Trustee has received an Officers’ Certificate of the Company and an Opinion of Counsel in accordance with Section 9.06 of the Indenture; and

WHEREAS, pursuant to Section 9.02 of the Indenture, the Trustee is authorized to execute and deliver this Thirty-Sixth Supplemental Indenture.

NOW, THEREFORE, the Company and Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the Notes:

ARTICLE I

Definitions and Other Provisions of General Application

Section 1.01. **Definitions.** Each capitalized term that is used herein and is defined in the Indenture shall have the meaning specified in the Indenture unless that term is otherwise defined herein.

Section 1.02. **References.** Each reference to a particular section set forth in this Thirty-Sixth Supplemental Indenture shall, unless the context otherwise requires, refer to this Thirty-Sixth Supplemental Indenture.

ARTICLE II

Amendments to the Indenture

Section 2.01. **Introduction of New Definitions to Section 1.01 [Definitions] of the Thirty-Third Supplemental Indenture.** New definitions of “Net Lease Assets” and “Non-Net Lease Assets”

shall be added to Section 1.01 of the Thirty-Third Supplemental Indenture, inserted in alphabetical order, with the text as follows:

“Net Lease Assets” means the Company's and its Subsidiaries' portfolio of direct and indirect interests in net lease assets and the Capital Stock of the Company's Subsidiaries and other entities the majority of whose assets constitute net lease assets as of September 30, 2021.

“Non-Net Lease Assets” means the assets and properties of the Company and its Subsidiaries, including the Capital Stock of the Company's Subsidiaries and other entities, as of September 30, 2021, other than the Net Lease Assets.

Section 2.02. **Amendment to the definition of Change of Control.** Clause (1) of the definition of “Change of Control” in Section 1.01 of the Thirty-Third Supplemental Indenture shall be amended and restated in its entirety as follows:

“(1) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the Non-Net Lease Assets to a Person or group of related Persons for purposes of Section 13(d) of the Exchange Act (a **“Group”**), together with any Affiliates thereof (whether or not otherwise in compliance with the provisions of this Supplemental Indenture);”

Section 2.03. **Amendment to Section 4.09 [Maintenance of Total Unencumbered Assets] of the Thirty-Third Supplemental Indenture.** Section 4.09 of the Thirty-Third Supplemental Indenture shall be amended by changing the reference from "120%" to "130%."

Section 2.04. **Amendment to Section 4.10 [Offer to Repurchase Upon Change of Control Triggering Event] of the Thirty-Third Supplemental Indenture.** New subsection (f) shall be added to Section 4.10 of the Thirty-Third Supplemental Indenture, with the text as follows:

“(f) For the avoidance of doubt, any sale or transfer of all or part of the Net Lease Assets in one transaction or series of related transactions shall not be deemed to constitute a Change of Control.”

Section 2.05. **Amendments to Section 5.01 [Merger, Consolidation or Sale of Assets] of the Thirty-Third Supplemental Indenture.**

(a) The introductory sentence of Section 5.01 of the Thirty-Third Supplemental Indenture shall be amended and restated in its entirety as follows:

“Section 5.01 Merger, Consolidation or Sale of Assets. The Company shall not, in a single transaction or series of related transactions consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Subsidiary of the Company to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Non-Net Lease Assets whether as an entirety or substantially as an entirety to any Person unless:”

(b) The last paragraph of Section 5.01 in the Thirty-Third Supplemental Indenture shall be amended and restated in its entirety as follows:

“For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets comprising the Non-Net Lease Assets, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.”

Section 2.06. **Amendment to Section 5.02 [Successor Corporation Substituted] of the Thirty-Third Supplemental Indenture.** Section 5.02 of the Thirty-Third Supplemental Indenture shall be amended by changing the reference from “assets of the Company” in Section 5.02 of the Indenture to “Non-Net Lease Assets.”:

Section 2.07. **Introduction of New Section 5.03 to Article V [Successors] of the Thirty-Third Supplemental Indenture.** A new Section 5.03 shall be added to the Thirty-Third Supplemental Indenture, with text as follows:

“**Section 5.03 Sale of Net Lease Assets.** The obligations of the Company under this Article V shall not apply to any sale or transfer of all or part of the Net Lease Assets in one transaction or series of related transactions.”

ARTICLE III Miscellaneous Provisions

The Trustee makes no undertaking or representation in respect of, and shall not be responsible in any manner whatsoever for and in respect of, the validity or sufficiency of this Thirty-Sixth Supplemental Indenture or the proper authorization or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein, all of which recitals and statements are made solely by the Company.

Except as expressly amended hereby, the Indenture, as heretofore amended and supplemented, shall continue in full force and effect in accordance with the provisions thereof, and the Indenture is in all respects hereby ratified and confirmed. This Thirty-Sixth Supplemental Indenture and all its provisions shall be deemed a part of the Indenture in the manner and to the extent herein and therein provided.

THIS THIRTY-SIXTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

This Thirty-Sixth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

iSTAR INC.

By: /s/ Marcos Alvarado
Name: Marcos Alvarado
Title: President

[Signature Page – Thirty-Sixth Supplemental Indenture]

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: /s/ Gajendra Hilal
Name: Gajendra Hilal
Title: Vice President

[Signature Page – Thirty-Sixth Supplemental Indenture]

Dated as of October 29, 2021

iSTAR INC.

4.25% NOTES DUE 2025

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

THIRTY-SEVENTH SUPPLEMENTAL
INDENTURE

THIRTY-SEVENTH SUPPLEMENTAL INDENTURE, dated as of the 29th day of October, 2021, between iSTAR INC., a Maryland corporation (the “**Company**”), having its principal office at 1114 Avenue of the Americas, 39th Floor, New York, New York 10036, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, with its principal office at 100 Wall Street, 16th floor, New York, New York 10005, as trustee (the “**Trustee**”).

WHEREAS, the Company has heretofore executed and delivered to the Trustee a Base Indenture, dated as of February 5, 2001, a form of which is an exhibit to the Company’s Registration Statement on Form S-3 (Registration No. 333-220353), providing for the issuance from time of debt securities of the Company (the “**Securities**”);

WHEREAS, the Company has heretofore delivered to the Trustee the Thirty-Fourth Supplemental Indenture to the Base Indenture, dated December 16, 2019 (the “**Thirty-Fourth Supplemental Indenture**,” and together with the Base Indenture, the “**Indenture**”), to provide for the creation and issue of a series of Securities in the initial aggregate principal amount of \$550,000,000, designated as the “4.25% Senior Notes due 2025” of the Company (collectively referred to herein as the “**Notes**”);

WHEREAS, the Company has solicited consents from the Holders of the Notes to certain proposed amendments (the “**Proposed Amendments**”) to the Indenture, pursuant to the terms and subject to the conditions set forth in the Consent Solicitation Statement, dated October 21, 2021 (the “**Consent Solicitation**”);

WHEREAS, the Company has obtained the requisite consents to the Proposed Amendments to the Indenture set forth in this Thirty-Seventh Supplemental Indenture and the Board of Directors of the Company has duly adopted resolutions authorizing the Company to execute and deliver this Thirty-Seventh Supplemental Indenture;

WHEREAS, the Trustee has received an Officers’ Certificate of the Company and an Opinion of Counsel in accordance with Section 9.06 of the Indenture; and

WHEREAS, pursuant to Section 9.02 of the Indenture, the Trustee is authorized to execute and deliver this Thirty-Seventh Supplemental Indenture.

NOW, THEREFORE, the Company and Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the Notes:

ARTICLE I

Definitions and Other Provisions of General Application

Section 1.01. **Definitions.** Each capitalized term that is used herein and is defined in the Indenture shall have the meaning specified in the Indenture unless that term is otherwise defined herein.

Section 1.02. **References.** Each reference to a particular section set forth in this Thirty-Seventh Supplemental Indenture shall, unless the context otherwise requires, refer to this Thirty-Seventh Supplemental Indenture.

ARTICLE II

Amendments to the Indenture

Section 2.01. **Introduction of New Definitions to Section 1.01 [Definitions] of the Thirty-Fourth Supplemental Indenture.** New definitions of “Net Lease Assets” and “Non-Net Lease Assets”

shall be added to Section 1.01 of the Thirty-Fourth Supplemental Indenture, inserted in alphabetical order, with the text as follows:

“Net Lease Assets” means the Company's and its Subsidiaries' portfolio of direct and indirect interests in net lease assets and the Capital Stock of the Company's Subsidiaries and other entities the majority of whose assets constitute net lease assets as of September 30, 2021.

“Non-Net Lease Assets” means the assets and properties of the Company and its Subsidiaries, including the Capital Stock of the Company's Subsidiaries and other entities, as of September 30, 2021, other than the Net Lease Assets.

Section 2.02. **Amendment to the definition of Change of Control.** Clause (1) of the definition of “Change of Control” in Section 1.01 of the Thirty-Fourth Supplemental Indenture shall be amended and restated in its entirety as follows:

“(1) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the Non-Net Lease Assets to a Person or group of related Persons for purposes of Section 13(d) of the Exchange Act (a **“Group”**), together with any Affiliates thereof (whether or not otherwise in compliance with the provisions of this Supplemental Indenture);”

Section 2.03. **Amendment to Section 4.09 [Maintenance of Total Unencumbered Assets] of the Thirty-Fourth Supplemental Indenture.** Section 4.09 of the Thirty-Fourth Supplemental Indenture shall be amended by changing the reference from "120%" to "130%."

Section 2.04. **Amendment to Section 4.10 [Offer to Repurchase Upon Change of Control Triggering Event] of the Thirty-Fourth Supplemental Indenture.** New subsection (f) shall be added to Section 4.10 of the Thirty-Fourth Supplemental Indenture, with the text as follows:

“(f) For the avoidance of doubt, any sale or transfer of all or part of the Net Lease Assets in one transaction or series of related transactions shall not be deemed to constitute a Change of Control.”

Section 2.05. **Amendments to Section 5.01 [Merger, Consolidation or Sale of Assets] of the Thirty-Fourth Supplemental Indenture.**

(a) The introductory sentence of Section 5.01 of the Thirty-Fourth Supplemental Indenture shall be amended and restated in its entirety as follows:

“Section 5.01 Merger, Consolidation or Sale of Assets. The Company shall not, in a single transaction or series of related transactions consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Subsidiary of the Company to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Non-Net Lease Assets whether as an entirety or substantially as an entirety to any Person unless:”

(b) The last paragraph of Section 5.01 in the Thirty-Fourth Supplemental Indenture shall be amended and restated in its entirety as follows:

“For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets comprising the Non-Net Lease Assets, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.”

Section 2.06. **Amendment to Section 5.02 [Successor Corporation Substituted] of the Thirty-Fourth Supplemental Indenture.** Section 5.02 of the Thirty-Fourth Supplemental Indenture shall be amended by changing the reference from “assets of the Company” in Section 5.02 of the Indenture to “Non-Net Lease Assets.”:

Section 2.07. **Introduction of New Section 5.03 to Article V [Successors] of the Thirty-Fourth Supplemental Indenture.** A new Section 5.03 shall be added to the Thirty-Fourth Supplemental Indenture, with text as follows:

“**Section 5.03 Sale of Net Lease Assets.** The obligations of the Company under this Article V shall not apply to any sale or transfer of all or part of the Net Lease Assets in one transaction or series of related transactions.”

ARTICLE III Miscellaneous Provisions

The Trustee makes no undertaking or representation in respect of, and shall not be responsible in any manner whatsoever for and in respect of, the validity or sufficiency of this Thirty-Seventh Supplemental Indenture or the proper authorization or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein, all of which recitals and statements are made solely by the Company.

Except as expressly amended hereby, the Indenture, as heretofore amended and supplemented, shall continue in full force and effect in accordance with the provisions thereof, and the Indenture is in all respects hereby ratified and confirmed. This Thirty-Seventh Supplemental Indenture and all its provisions shall be deemed a part of the Indenture in the manner and to the extent herein and therein provided.

THIS THIRTY-SEVENTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

This Thirty-Seventh Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

iSTAR INC.

By: /s/ Marcos Alvarado
Name: Marcos Alvarado
Title: President

[Signature Page – Thirty-Seventh Supplemental Indenture]

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: /s/ Gajendra Hilal
Name: Gajendra Hilal
Title: Vice President

[Signature Page – Thirty-Seventh Supplemental Indenture]

Dated as of October 29, 2021

iSTAR INC.

5.50% NOTES DUE 2026

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

THIRTY-EIGHTH SUPPLEMENTAL
INDENTURE

THIRTY-EIGHTH SUPPLEMENTAL INDENTURE, dated as of the 29th day of October, 2021, between iSTAR INC., a Maryland corporation (the “**Company**”), having its principal office at 1114 Avenue of the Americas, 39th Floor, New York, New York 10036, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, with its principal office at 100 Wall Street, 16th floor, New York, New York 10005, as trustee (the “**Trustee**”).

WHEREAS, the Company has heretofore executed and delivered to the Trustee a Base Indenture, dated as of February 5, 2001, a form of which is an exhibit to the Company’s Registration Statement on Form S-3 (Registration No. 333-220353), providing for the issuance from time of debt securities of the Company (the “**Securities**”);

WHEREAS, the Company has heretofore delivered to the Trustee the Thirty-Fifth Supplemental Indenture to the Base Indenture, dated September 1, 2020 (the “**Thirty-Fifth Supplemental Indenture**,” and together with the Base Indenture, the “**Indenture**”), to provide for the creation and issue of a series of Securities in the initial aggregate principal amount of \$400,000,000, designated as the “5.50% Senior Notes due 2026” of the Company (collectively referred to herein as the “**Notes**”);

WHEREAS, the Company has solicited consents from the Holders of the Notes to certain proposed amendments (the “**Proposed Amendments**”) to the Indenture, pursuant to the terms and subject to the conditions set forth in the Consent Solicitation Statement, dated October 21, 2021 (the “**Consent Solicitation**”);

WHEREAS, the Company has obtained the requisite consents to the Proposed Amendments to the Indenture set forth in this Thirty-Eighth Supplemental Indenture and the Board of Directors of the Company has duly adopted resolutions authorizing the Company to execute and deliver this Thirty-Eighth Supplemental Indenture;

WHEREAS, the Trustee has received an Officers’ Certificate of the Company and an Opinion of Counsel in accordance with Section 9.06 of the Indenture; and

WHEREAS, pursuant to Section 9.02 of the Indenture, the Trustee is authorized to execute and deliver this Thirty-Eighth Supplemental Indenture.

NOW, THEREFORE, the Company and Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the Notes:

ARTICLE I

Definitions and Other Provisions of General Application

Section 1.01. **Definitions.** Each capitalized term that is used herein and is defined in the Indenture shall have the meaning specified in the Indenture unless that term is otherwise defined herein.

Section 1.02. **References.** Each reference to a particular section set forth in this Thirty-Eighth Supplemental Indenture shall, unless the context otherwise requires, refer to this Thirty-Eighth Supplemental Indenture.

ARTICLE II

Amendments to the Indenture

Section 2.01. **Introduction of New Definitions to Section 1.01 [Definitions] of the Thirty-Fifth Supplemental Indenture.** New definitions of “Net Lease Assets” and “Non-Net Lease Assets” shall

be added to Section 1.01 of the Thirty-Fifth Supplemental Indenture, inserted in alphabetical order, with the text as follows:

“Net Lease Assets” means the Company's and its Subsidiaries' portfolio of direct and indirect interests in net lease assets and the Capital Stock of the Company's Subsidiaries and other entities the majority of whose assets constitute net lease assets as of September 30, 2021.

“Non-Net Lease Assets” means the assets and properties of the Company and its Subsidiaries, including the Capital Stock of the Company's Subsidiaries and other entities, as of September 30, 2021, other than the Net Lease Assets.

Section 2.02. **Amendment to the definition of Change of Control.** Clause (1) of the definition of “Change of Control” in Section 1.01 of the Thirty-Fifth Supplemental Indenture shall be amended and restated in its entirety as follows:

“(1) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the Non-Net Lease Assets to a Person or group of related Persons for purposes of Section 13(d) of the Exchange Act (a **“Group”**), together with any Affiliates thereof (whether or not otherwise in compliance with the provisions of this Supplemental Indenture);”

Section 2.03. **Amendment to Section 4.09 [Maintenance of Total Unencumbered Assets] of the Thirty-Fifth Supplemental Indenture.** Section 4.09 of the Thirty-Fifth Supplemental Indenture shall be amended by changing the reference from "120%" to "130%."

Section 2.04. **Amendment to Section 4.10 [Offer to Repurchase Upon Change of Control Triggering Event] of the Thirty-Fifth Supplemental Indenture.** New subsection (f) shall be added to Section 4.10 of the Thirty-Fifth Supplemental Indenture, with the text as follows:

“(f) For the avoidance of doubt, any sale or transfer of all or part of the Net Lease Assets in one transaction or series of related transactions shall not be deemed to constitute a Change of Control.”

Section 2.05. **Amendments to Section 5.01 [Merger, Consolidation or Sale of Assets] of the Thirty-Fifth Supplemental Indenture.**

(a) The introductory sentence of Section 5.01 of the Thirty-Fifth Supplemental Indenture shall be amended and restated in its entirety as follows:

“Section 5.01 Merger, Consolidation or Sale of Assets. The Company shall not, in a single transaction or series of related transactions consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Subsidiary of the Company to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Non-Net Lease Assets whether as an entirety or substantially as an entirety to any Person unless:”

(b) The last paragraph of Section 5.01 in the Thirty-Fifth Supplemental Indenture shall be amended and restated in its entirety as follows:

“For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets comprising the Non-Net Lease Assets, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.”

Section 2.06. **Amendment to Section 5.02 [Successor Corporation Substituted] of the Thirty-Fifth Supplemental Indenture.** Section 5.02 of the Thirty-Fifth Supplemental Indenture shall be amended by changing the reference from “assets of the Company” in Section 5.02 of the Indenture to “Non-Net Lease Assets.”:

Section 2.07. **Introduction of New Section 5.03 to Article V [Successors] of the Thirty-Fifth Supplemental Indenture.** A new Section 5.03 shall be added to the Thirty-Fifth Supplemental Indenture, with text as follows:

“**Section 5.03 Sale of Net Lease Assets.** The obligations of the Company under this Article V shall not apply to any sale or transfer of all or part of the Net Lease Assets in one transaction or series of related transactions.”

ARTICLE III Miscellaneous Provisions

The Trustee makes no undertaking or representation in respect of, and shall not be responsible in any manner whatsoever for and in respect of, the validity or sufficiency of this Thirty-Eighth Supplemental Indenture or the proper authorization or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein, all of which recitals and statements are made solely by the Company.

Except as expressly amended hereby, the Indenture, as heretofore amended and supplemented, shall continue in full force and effect in accordance with the provisions thereof, and the Indenture is in all respects hereby ratified and confirmed. This Thirty-Eighth Supplemental Indenture and all its provisions shall be deemed a part of the Indenture in the manner and to the extent herein and therein provided.

THIS THIRTY-EIGHTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

This Thirty-Eighth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

iSTAR INC.

By: /s/ Marcos Alvarado

Name: Marcos Alvarado

Title: President

[Signature Page – Thirty-Eighth Supplemental Indenture]

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: /s/ Gajendra Hilal
Name: Gajendra Hilal
Title: Vice President

[Signature Page – Thirty-Eighth Supplemental Indenture]

CERTIFICATION

I, Jay Sugarman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iStar Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

By: /s/ JAY SUGARMAN

Name: Jay Sugarman

Title: *Chief Executive Officer*

CERTIFICATION

I, Garrett Rosenblum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iStar Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

By: /s/ GARETT ROSENBLUM

Name: Garrett Rosenblum

Title: *Chief Accounting Officer (principal financial officer)*

Certification of Chief Executive Officer**Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002**

The undersigned, the Chief Executive Officer of iStar Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2021

By: /s/ JAY SUGARMAN

Name: Jay Sugarman

Title: *Chief Executive Officer*

Certification of Chief Financial Officer

Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

The undersigned, the principal financial officer of iStar Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2021

By: /s/ GARETT ROSENBLUM

Name: Garrett Rosenblum

Title: *Chief Accounting Officer (principal financial officer)*
