

ISTAR FINANCIAL INC  
Form 10-K/A  
March 10, 2010

Table of Contents

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-K/A**

**Amendment No. 1**

**FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

(Mark One)

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

**For the fiscal year ended December 31, 2009**

**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**

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**iSTAR FINANCIAL INC.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**95-6881527**  
(I.R.S. Employer  
Identification Number)

**1114 Avenue of the Americas, 39<sup>th</sup> Floor**  
**New York, NY**  
(Address of principal executive offices)

**10036**  
(Zip code)

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

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

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Title of each class: Name of Exchange on which registered:	Name of Exchange on which registered:
Common Stock, \$0.001 par value	New York Stock Exchange
8.000% Series D Cumulative Redeemable Preferred Stock, \$0.001 par value	New York Stock Exchange
7.875% Series E Cumulative Redeemable Preferred Stock, \$0.001 par value	New York Stock Exchange
7.8% Series F Cumulative Redeemable Preferred Stock, \$0.001 par value	New York Stock Exchange
7.65% Series G Cumulative Redeemable Preferred Stock, \$0.001 par value	New York Stock Exchange
7.50% Series I Cumulative Redeemable Preferred Stock, \$0.001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of June 30, 2009 the aggregate market value of the common stock, \$0.001 par value per share of iStar Financial Inc. ("Common Stock"), held by non-affiliates (1) of the registrant was approximately \$267.1 million, based upon the closing price of \$2.84 on the New York Stock Exchange composite tape on such date.

As of February 16, 2010, there were 94,195,478 shares of Common Stock outstanding.

(1) For purposes of this Annual Report only, includes all outstanding Common Stock other than Common Stock held directly by the registrant's directors and executive officers.

### DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the registrant's definitive proxy statement for the registrant's 2010 Annual Meeting, to be filed within 120 days after the close of the registrant's fiscal year, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Explanatory Note</u>	<u>3</u>
<b><u>PART II</u></b>	
<u>Item 6. Selected Financial Data</u>	<u>4</u>
<b><u>PART IV</u></b>	
<u>Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K</u>	<u>7</u>
<b><u>SIGNATURES</u></b>	<u>8</u>

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Table of Contents

**EXPLANATORY NOTE**

iStar Financial Inc. filed its Annual Report on Form 10-K for the year ended December 31, 2009 on February 26, 2010. This Amendment is being filed to correct an inadvertent error in the fixed charge coverage ratios included in explanatory note 8 to the Selected Financial Data Table in Item 6 of the Form 10-K. The corrected ratios, which conform to those disclosed by iStar Financial Inc. in its earnings press release issued on February 17, 2010 and accompanying public conference call, are included in this Amendment. Except as otherwise expressly noted herein, this Amendment does not reflect events occurring after the filing of iStar Financial Inc.'s original Form 10-K on February 26, 2010. Accordingly, this Amendment should be read in conjunction with iStar Financial's original Form 10-K.

Table of Contents**PART II****Item 6. Selected Financial Data**

The following table sets forth selected financial data on a consolidated historical basis for the Company. This information should be read in conjunction with the discussions set forth in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations." Certain prior year amounts have been reclassified to conform to the 2009 presentation.

	For the Years Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands, except per share data and ratios)				
<b>OPERATING DATA:</b>					
Interest income	\$ 557,809	\$ 947,661	\$ 998,008	\$ 575,598	\$ 406,668
Operating lease income	305,007	308,742	306,513	285,555	262,625
Other income	30,468	97,851	99,938	70,824	80,133
<b>Total revenue</b>	<b>893,284</b>	<b>1,354,254</b>	<b>1,404,459</b>	<b>931,977</b>	<b>749,426</b>
Interest expense	481,116	666,706	629,260	429,613	312,806
Operating costs-corporate tenant lease assets	23,467	23,059	27,915	22,159	20,622
Depreciation and amortization	97,869	94,726	83,690	66,258	61,609
General and administrative	127,044	143,902	156,534	95,358	61,971
Provision for loan losses	1,255,357	1,029,322	185,000	14,000	2,250
Impairment of other assets	122,699	295,738	144,184	5,683	
Impairment of goodwill	4,186	39,092			
Other expense	104,795	37,234	8,927	874	2,014
<b>Total costs and expenses</b>	<b>2,216,533</b>	<b>2,329,779</b>	<b>1,235,510</b>	<b>633,945</b>	<b>461,272</b>
Income (loss) before earnings from equity method investments, minority interest and other items	(1,323,249)	(975,525)	168,949	298,032	288,154
Gain (loss) on early extinguishment of debt	547,349	393,131	225		(46,004)
Gain on sale of joint venture interest		280,219			
Earnings from equity method investments	5,298	6,535	29,626	12,391	3,016

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Income (loss) from continuing operations	(770,602)	(295,640)	198,800	310,423	245,166
Income (loss) from discontinued operations	(11,671)	22,415	29,970	41,384	37,373
Gain from discontinued operations	12,426	91,458	7,832	24,227	6,354
Net income (loss)	(769,847)	(181,767)	236,602	376,034	288,893
Net (income) loss attributable to noncontrolling interests	1,071	991	816	(1,207)	(980)
Gains attributable to noncontrolling interests		(22,249)			
Net income (loss) attributable to iStar Financial Inc.	(768,776)	(203,025)	237,418	374,827	287,913
Preferred dividend requirements	(42,320)	(42,320)	(42,320)	(42,320)	(42,320)
Net income (loss) attributable to iStar Financial Inc. and allocable to common shareholders, HPU holders and Participating Security holders(1)	\$ (811,096)	\$ (245,345)	\$ 195,098	\$ 332,507	\$ 245,593

Per common share data(2):

Income (loss) attributable to iStar Financial Inc. from continuing operations:					
Basic	\$ (7.89)	\$ (2.68)	\$ 1.19	\$ 2.25	\$ 1.75
Diluted(3)	\$ (7.89)	\$ (2.68)	\$ 1.18	\$ 2.23	\$ 1.74
Net income (loss) attributable to iStar Financial Inc.:					
Basic	\$ (7.88)	\$ (1.85)	\$ 1.48	\$ 2.81	\$ 2.13
Diluted(3)	\$ (7.88)	\$ (1.85)	\$ 1.47	\$ 2.78	\$ 2.11

Per HPU share data(2):

Income (loss) attributable to iStar Financial Inc. from continuing operations:

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Basic	\$ (1,503.13)	\$ (505.47)	\$ 224.40	\$ 425.60	\$ 331.00
Diluted(3)	\$ (1,503.13)	\$ (505.47)	\$ 223.27	\$ 422.07	\$ 327.73
Net income (loss) attributable to iStar Financial Inc.:					
Basic	\$ (1,501.73)	\$ (349.87)	\$ 279.53	\$ 530.94	\$ 402.73
Diluted(3)	\$ (1,501.73)	\$ (349.87)	\$ 278.07	\$ 526.47	\$ 398.73
Dividends declared per common share(4)					
	\$	1.74	\$	3.60	\$ 3.08 \$ 2.93
		4			

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Table of Contents

	For the Years Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands, except per share data and ratios)				
<b>SUPPLEMENTAL DATA:</b>					
Adjusted diluted earnings (loss) attributable to iStar Financial, Inc. and allocable to common shareholders and HPU holders(5)(6)	\$ (708,595)	\$ (359,295)	\$ 355,707	\$ 429,922	\$ 391,884
EBITDA(6)(7)	\$ (168,362)	\$ 612,325	\$ 1,013,087	\$ 904,537	\$ 687,571
Ratio of earnings to fixed charges(8)	(0.5)x	0.6x	1.3x	1.7x	1.8x
Ratio of earnings to fixed charges and preferred stock dividends	(0.5)x	0.6x	1.3x	1.6x	1.6x
Weighted average common shares outstanding basic	100,071	131,153	126,801	115,023	112,513
Weighted average common shares outstanding diluted	100,071	131,153	127,542	116,057	113,668
Weighted average HPU shares outstanding basic and diluted	15	15	15	15	15
<b>Cash flows from:</b>					
Operating activities	\$ 76,276	\$ 418,529	\$ 561,337	\$ 431,224	\$ 515,919
Investing activities	726,221	(27,943)	(4,745,080)	(2,529,260)	(1,406,121)
Financing activities	(1,074,402)	1,444	4,182,299	2,088,617	917,150
<b>BALANCE SHEET DATA:</b>					
Loans and other lending investments, net	\$ 7,661,562	\$ 10,586,644	\$ 10,949,354	\$ 6,799,850	\$ 4,661,915
Corporate tenant lease assets, net	2,885,896	3,044,811	3,309,866	3,084,794	3,115,361
Total assets	12,810,575	15,296,748	15,848,298	11,059,995	8,532,296
Debt obligations, net	10,894,903	12,486,404	12,363,044	7,833,437	5,859,592
Redeemable noncontrolling interests	7,444	9,190	17,773	9,229	9,228
Total equity	1,656,118	2,446,662	2,972,170	3,016,372	2,470,954

**Explanatory Notes:**

- (1) HPU holders are current and former Company employees who purchased high performance common stock units under the Company's High Performance Unit Program. Participating Security holders are Company employees and directors who hold unvested restricted stock units and common stock equivalents granted under the Company's Long Term Incentive Plan.
- (2) See Note 14 of the Company's Notes to the Consolidated Financial Statements.
- (3)



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For the years ended December 31, 2007, 2006 and 2005, net income used to calculate earnings per diluted common share and HPU share includes joint venture income of \$85, \$115, and \$28, respectively.

- (4) The Company generally declares common dividends in the month subsequent to the end of the quarter. During 2009, no common dividends were declared. During 2008, no common dividends were declared for the three month periods ended September 30, 2008 and December 31, 2008. In December of 2007, the Company declared a special \$0.25 dividend due to higher taxable income generated as a result of the Company's acquisition of Fremont CRE.
- (5) Adjusted earnings represents net income allocable to common shareholders and HPU holders computed in accordance with GAAP, before depreciation, depletion, amortization, gain from discontinued operations, ineffectiveness on interest rate hedges, impairment of goodwill and intangible assets, extraordinary items and cumulative effect of change in accounting principle. (See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations," for a reconciliation of adjusted earnings to net income).
- (6) Both adjusted earnings and EBITDA should be examined in conjunction with net income (loss) as shown in the Company's Consolidated Statements of Operations. Neither adjusted earnings nor EBITDA should be considered as an alternative to net income (loss) (determined in accordance with GAAP) as an indicator of the Company's performance, or to cash flows from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is either measure indicative of funds available to fund the Company's cash needs or available for distribution to shareholders. Rather, adjusted earnings and EBITDA are additional measures the Company uses to analyze how its business is performing. As a commercial finance company that focuses on real estate lending and corporate tenant leasing, the Company records significant depreciation on its real estate assets and amortization of deferred financing costs associated with its borrowings. It should be noted that the Company's manner of calculating adjusted earnings and EBITDA may differ from the calculations of similarly-titled measures by other companies.

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### Table of Contents

- (7) EBITDA is calculated as net income (loss) attributable to iStar Financial Inc. plus the sum of interest expense, income taxes, depreciation, depletion and amortization.

	For the Years Ended December 31,				
	2009	2008	2007	2006	2005
	(in thousands)				
Net income (loss) attributable to iStar Financial Inc	\$ (769,847)	\$ (181,767)	\$ 236,602	\$ 376,034	\$ 288,893
Add: Interest expense(1)	481,116	666,706	629,260	429,613	312,806
Add: Income taxes	4,141	10,175	6,972	891	2,014
Add: Depreciation, depletion and amortization(2)	98,238	102,745	99,427	83,058	75,574
Add: Joint venture depreciation, depletion and amortization	17,990	14,466	40,826	14,941	8,284
 EBITDA	 \$ (168,362)	 \$ 612,325	 \$ 1,013,087	 \$ 904,537	 \$ 687,571

### **Explanatory Notes:**

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- (1) For the years ended December 31, 2007, 2006 and 2005, interest expense includes \$12, \$194, and \$247, respectively, of interest expense reclassified to discontinued operations.
- (2) For the years ended December 31, 2009, 2008, 2007, 2006, and 2005, depreciation, depletion and amortization includes \$1,419, \$6,717, \$10,677, \$12,567, and \$11,461, respectively, of depreciation, depletion and amortization reclassified to discontinued operations.
- (8) This ratio of earnings to fixed charges is calculated in accordance with GAAP. The Company's bank credit facilities and senior notes both have fixed charge coverage covenants, however, each is calculated differently in accordance with the terms of the respective agreements. In addition, the fixed charge covenant in the bank credit facilities is a maintenance covenant while the covenant in the senior notes is an incurrence covenant. The fixed charge coverage ratios for the bank credit facilities and senior notes were 2.4x and 2.3x, respectively as of December 31, 2009.

Table of Contents

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K**

The following exhibits are filed as part of this Amendment No.1:

<b>Exhibit Number</b>	<b>Document Description</b>
31.0	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act.
32.0	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act.

Table of Contents

**SIGNATURES**

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

iSTAR FINANCIAL INC.  
*Registrant*

Date: March 10, 2010

/s/ JAY SUGARMAN

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

Date: March 10, 2010

/s/ JAMES D. BURNS

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James D. Burns  
*Chief Financial Officer  
(Principal financial and accounting officer)*