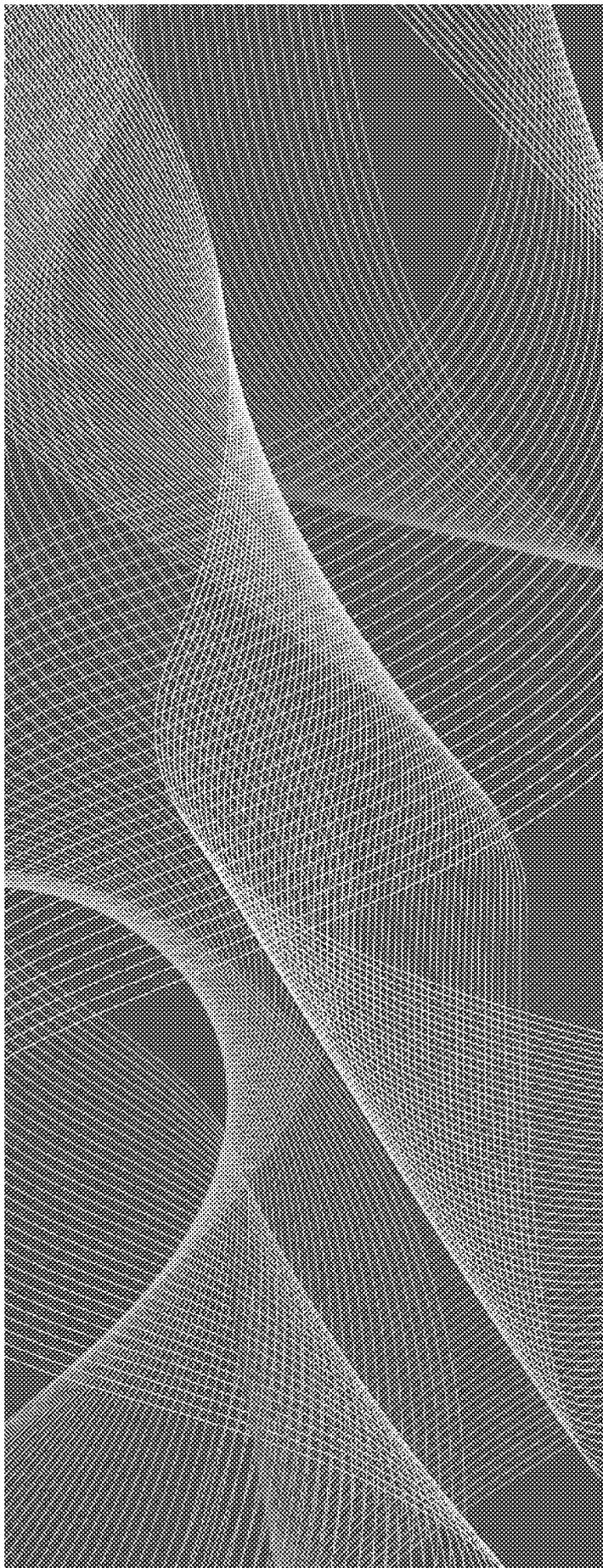


Confidential

LEHMAN BROTHERS

08/06/2008

Commercial Real Estate Spin-off Summary



Confidential Presentation

CRE Spin-off Description and Considerations

Green spins off its Commercial Real Estate assets to Green shareholders

Transaction	Description
<pre> graph TD Shareholders((Shareholders)) -- 100% Equity --> GreenParent[Green Parent Inc. (Publicly Traded)] GreenParent -- 100% Equity --> NonCommercial[Non-Commercial Real Estate Assets and Operations] GreenParent -- 100% Equity --> CRESub[Commercial Real Estate Subsidiary] Shareholders -.-> CRESub </pre>	<ul style="list-style-type: none"> ◆ Green separates the operations of its Commercial Real Estate business to be spun off into a new subsidiary ◆ Green distributes its entire interest in the subsidiary as a special dividend to its existing shareholders on a pro rata basis <ul style="list-style-type: none"> – One share of CRE SpinCo for each share of Green (for example)
<pre> graph TD Shareholders((Shareholders)) -- 100% Equity --> GreenParent[Green Parent Inc. (Publicly Traded)] Shareholders -- 100% Equity --> CRESub[Commercial Real Estate Subsidiary (Publicly Traded)] GreenParent -- 100% Equity --> NonCommercial[Non-Commercial Real Estate Assets and Operations] </pre>	<ul style="list-style-type: none"> ◆ Following spin-off, the Commercial Real Estate subsidiary is an independent, publicly traded entity ◆ Spin-off, as currently contemplated, would be tax-free to Green and its shareholders

SpinCo Asset Composition

Total current asset balances of \$43.0 Bn projects to \$35.2 Bn at EOY 2008

SpinCo Commercial Real Asset Summary (2Q 2008 – End of 4Q 2008)

- ◆ SpinCo assets include senior loans, mezz loans and equity positions on operating and development properties
- ◆ Approximately \$2.8 Bn of maturities and repayments on assets are projected for second half of 2008
- ◆ \$5 Bn of projected asset sales during Q3 2008

(\$ in billions)

	<u>5/31/2008</u>	<u>Net Change in Global Assets</u>				<u>EOY 2008</u>
		<u>3Q08</u>		<u>4Q08</u>		
		<u>Asset</u>		<u>Asset</u>		
		<u>Asset Sales</u>	<u>Maturities</u>	<u>Asset Sales</u>	<u>Maturities</u>	
Debt	\$23.3	(\$3.4)	(\$0.6)	\$0.0	(\$0.7)	\$18.6
Mezzanine	6.6	(1.5)	(0.2)	0.0	(0.3)	4.6
Equity	13.1	(0.2)	(0.4)	0.0	(0.6)	12.0
Total	\$43.0	(\$5.0)	(\$1.2)	\$0.0	(\$1.6)	\$35.2

SpinCo Capitalization

Estimated leverage of \$26.2 Bn on all SpinCo assets – \$22.2 Bn Senior / \$4.0 Bn Mezz

Capital Structure

Senior Leverage on Assets (\$22.2 bn)

- ◆ Senior leverage on all assets has a blended advance rate of 63.2% (implies \$22.2 Bn of senior debt)
- ◆ Senior leverage on all assets has a blended rate of L+225
 1. Debt Assets: based on 75% advance rate on debt assets at L+150
 2. Mezz Assets: based on 50% advance rate on debt assets at L+350
 3. Equity Assets: based on 50% advance rate on debt assets at L+350

Mezzanine Leverage on Assets (\$4.0 B)

- ◆ Mezzanine leverage \$4.0 Bn
 - Implies debt + mezzanine LTV of 74.6% on **all assets**
- ◆ Target return of 10-13%

Cap Stack

(\$ in billions)

Assets

First Lien and Securities	\$18.6
Mezzanine and Other	4.6
Equity Investments	12.0
Total Assets	\$35.2

Spinco Leverage

	Advance Rate	Rate	Implied Leverage on Assets
Senior Debt	75.0%	L +150	\$13.9
Mezz	50.0%	L +350	2.3
Equity	50.0%	L +350	6.0
Senior Leverage	63.2%	L +225	\$22.2
Mezz Leverage			4.0
Total Leverage	74.6%		\$26.2
Senior Leverage / Total Assets			63.2%
Senior + Mezz Leverage / Total Assets			74.6%

Summary of SpinCo Mezzanine Terms

Estimated principal of \$4 Bn and a target return of 10% – 13% for Mezzanine Investment on SpinCo

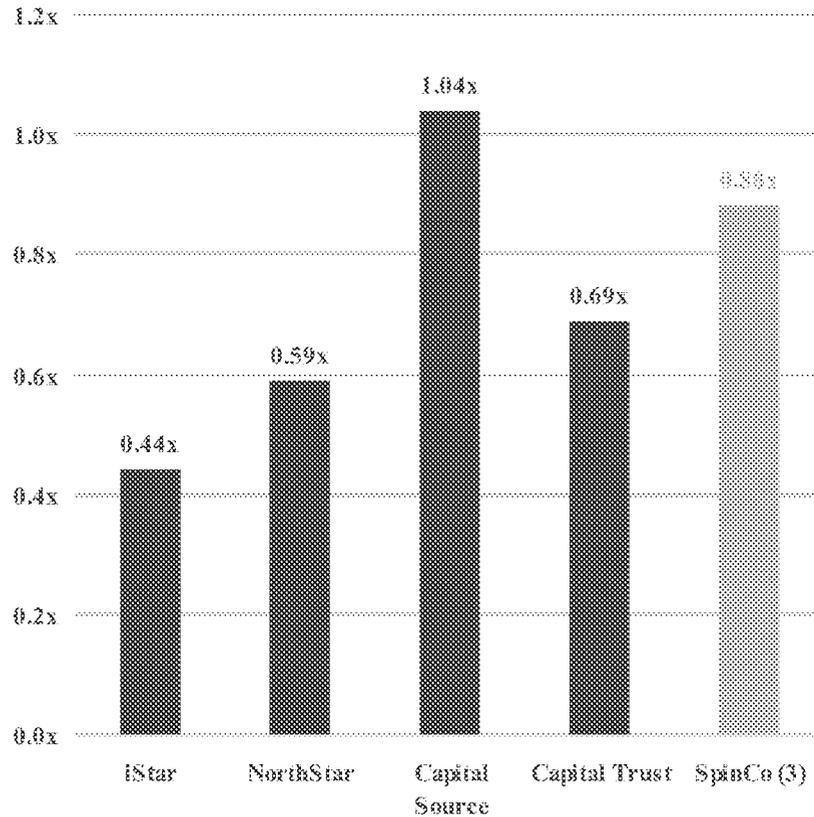
Mezzanine Terms

- ◆ Mezzanine Investment
 - \$4 Bn Principal amount
 - Target return of 10%-13% comprised of payment in kind coupon and common equity warrants
 - Cash payment of coupon subject to cash flow coverage and discretion of Board
 - Maintain consistent advance rate as asset balances change

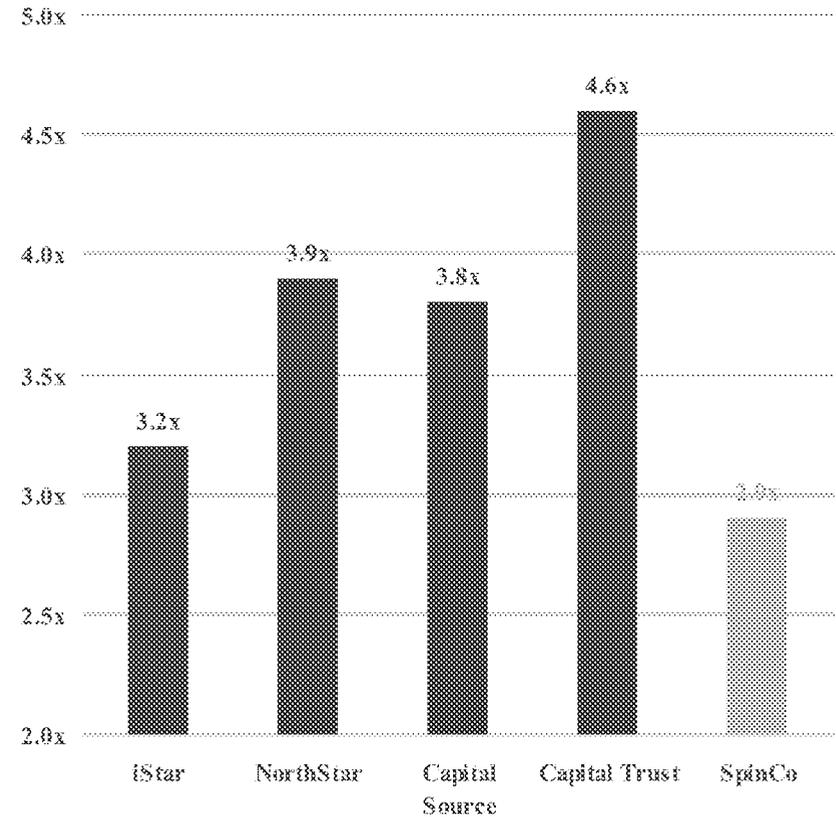
- ◆ Participation in major decisions
 - Substantial changes to business plan
 - Sale of substantially all the assets, merger or consideration
 - Refinancing of the senior capital structure
 - Future mezzanine contributions and equity raises

SpinCo Comparables Analysis

Price / Book Value Per Share⁽¹⁾



Leverage⁽²⁾



Source: SNL Financial and Factsset as of August 5, 2008. Financial data as of or for the quarter ended June 30, 2008, unless otherwise noted.

1. Based on common book equity.

2. Leverage defined as Debt / Equity. iStar Leverage defined as book debt divided by sum of book equity, accumulated depreciation / depletion and loan loss reserves.

3. Based on current marked value.

SpinCo Execution Issues

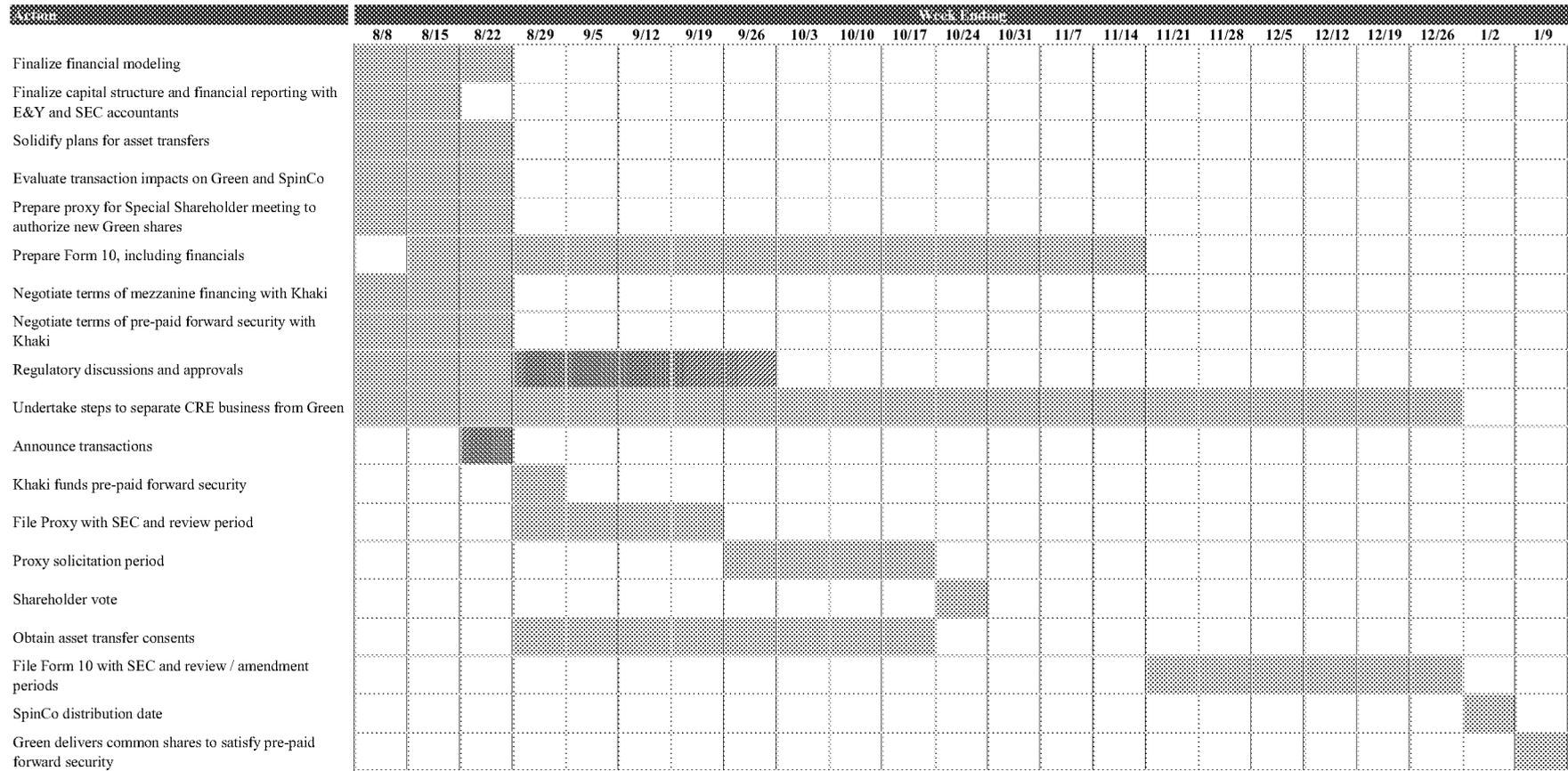
◆ SEC Issues

- Release from 3-year audited historical financials
- Approval for solely providing opening balance sheet and projected income statements
- Deconsolidation
- Expedited review process

◆ Other Potential Considerations

- Transferability of assets (ability and associated cost)
- 1940 Securities Act Considerations
- Create SpinCo corporate infrastructure
- Ratings agency review of SpinCo and pro-forma Green

Preliminary Summary Timeline



Khaki Ownership in Pro Forma Green

Adjusted Book Value per Share Calculation

(in millions, except per share data)

Reported Common Equity at 5/31/08	\$19,283
Add: Common Equity Issuance	4,004
Less: Common Equity Contributed to SpinCo	(8,938)
Adjusted Common Equity at 5/31/08	\$14,349
Reported Book Value Shares at 5/31/08	564
Add: Common Shares Issued	143
Adjusted Book Value Shares at 5/31/08	707
Adjusted Book Value per Share at 5/31/08	\$20.30
Adjusted Book Value Shares at 5/31/08	707
Less: Amortized Restricted Stock Units	(11)
Adjusted Basic Shares for Ownership Purposes at 5/31/08	696

Shares Acquired and Pro Forma Ownership

		Shares Acquired (m)		
		Book Value Multiple / Purchase Price per Share		
		1.0 x	1.2 x	1.5 x
		\$20.30	\$24.37	\$30.46
Aggregate Purchase Price (\$B)	\$1.0	49	41	33
	\$2.0	99	82	66
	\$3.0	148	123	99
	\$4.0	197	164	131
	\$5.0	246	205	164
		Pro Forma Ownership		
		Book Value Multiple / Purchase Price per Share		
		1.0 x	1.2 x	1.5 x
		\$20.30	\$24.37	\$30.46
Aggregate Purchase Price (\$B)	\$1.0	6.6%	5.6%	4.5%
	\$2.0	12.4%	10.6%	8.6%
	\$3.0	17.5%	15.0%	12.4%
	\$4.0	22.1%	19.1%	15.9%
	\$5.0	26.1%	22.8%	19.1%