

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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CITILINE HOLDINGS, INC., Individually and On : Civil Action No. 1:08-cv-03612-RJS  
Behalf of All Others Similarly Situated, : **(Consolidated)**  
 :  
Plaintiff, : CLASS ACTION  
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vs. :  
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 :  
ISTAR FINANCIAL INC., et al., :  
 :  
 :  
Defendants. :  

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**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION**

TO: ALL PERSONS WHO PURCHASED THE COMMON STOCK OF ISTAR FINANCIAL INC. (“ISTAR” OR THE “COMPANY”) FROM DECEMBER 6, 2007 THROUGH MARCH 6, 2008, INCLUSIVE

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE FORM (“PROOF OF CLAIM”) POSTMARKED ON OR BEFORE MARCH 19, 2013.

IF YOU DO NOT WISH TO BE INCLUDED IN THE CLASS AND YOU DO NOT WISH TO PARTICIPATE IN THE PROPOSED SETTLEMENT DESCRIBED IN THIS NOTICE, YOU MAY REQUEST TO BE EXCLUDED. TO DO SO, YOU MUST SUBMIT A WRITTEN REQUEST FOR EXCLUSION THAT MUST BE POSTMARKED ON OR BEFORE MARCH 8, 2013.

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of New York (the “Court”). The purpose of this Notice is to inform you of the pendency and proposed settlement of this class action litigation (the “Litigation”) and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the settlement. This Notice is not intended to be, and should not be construed as, an expression of any opinion by the Court with respect to the truth of the allegations in the Litigation or the merits of the claims or defenses asserted. This Notice describes the rights you may have in connection with the settlement and what steps you may take in relation to the settlement and this class action litigation.

The proposed settlement creates a fund in the amount of \$29,000,000 in cash and will include interest that accrues on the fund prior to distribution. Your ability to recover from the Net Settlement Fund will depend on a number of variables, including the number of shares of iStar common stock you purchased during the period from December 6, 2007 through and including March 6, 2008, whether you purchased any shares pursuant to iStar’s Secondary Offering and the timing of all your Class Period purchases and any sales. Co-Lead Counsel estimate that if claims representing 100% of the number of shares of iStar common stock entitled to participate in a distribution from the Net Settlement Fund are made, the average distribution per share will be approximately \$0.40 before deduction of Court-approved fees and expenses. Typically, claims for less than 100% of eligible securities are submitted to the Claims Administrator. Lead Plaintiffs and the Defendants do not agree on the average amount of damages per share that would be recoverable if the Lead Plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include: (1) the amount by which shares of iStar common stock were allegedly artificially inflated (if at all) during the Class Period; (2) the effect of various market forces influencing the trading price of shares of iStar common stock at various times during the Class Period; (3) the extent to which external factors, such as general market and industry conditions, influenced the

trading price of iStar common stock at various times during the Class Period; (4) the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of iStar common stock at various times during the Class Period; (5) the extent to which the various allegedly adverse material facts that Lead Plaintiffs alleged were omitted influenced (if at all) the trading price of iStar common stock at various times during the Class Period; and (6) whether the statements made or facts allegedly omitted were material, false, misleading or otherwise actionable under the securities laws of the United States.

The Lead Plaintiffs believe that the proposed settlement is a good recovery and is in the best interests of the Class. Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that the Class would not have prevailed on any of their claims, in which case the Class would receive nothing. The amount of damages recoverable by the Class was and is challenged by the Defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Litigation gone to trial, Defendants would have asserted that all or most of the losses of Class Members were caused by non-actionable market, industry or general economic factors. The Defendants would also assert that throughout the Class Period the uncertainties and risks associated with the purchase of iStar common stock were fully and adequately disclosed.

Co-Lead Counsel have not received any payment for their services in conducting this Litigation on behalf of the Lead Plaintiffs and the Members of the Class, nor have they been reimbursed for any of their expenses. If the settlement is approved by the Court, Co-Lead Counsel will apply to the Court for attorneys' fees of 30% of the Settlement Fund plus expenses not to exceed \$325,000, both to be paid from the Settlement Fund. If the amount requested is approved by the Court, the average cost per share will be \$0.125.

For further information regarding this settlement you may contact a representative of Co-Lead Counsel: Robbins Geller Rudman & Dowd LLP, Samuel H. Rudman and Robert M. Rothman, 58 South Service Road, Suite 200, Melville, NY 11747, Telephone: 631/367-7100 and Abraham, Fruchter & Twersky, LLP, Jack G. Fruchter and Lawrence D. Levit, One Pennsylvania Plaza, Suite 2805, New York, NY 10119, Telephone: 212/279-5050.

## **I. NOTICE OF HEARING ON PROPOSED SETTLEMENT**

A final approval hearing will be held on April 5, 2013, at 11:30 a.m., before the Honorable Richard J. Sullivan, United States District Judge, at the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007 (the "Final Approval Hearing"). The purpose of the Final Approval Hearing will be to determine: (1) whether the settlement consisting of \$29,000,000 in cash should be approved as fair, reasonable, and adequate to the Class; (2) whether the proposed plan to distribute the settlement proceeds (the "Plan of Allocation") is fair, reasonable, and adequate; and (3) whether the application by Co-Lead Counsel for an award of attorneys' fees and expenses should be approved. The Court may adjourn or continue the Final Approval Hearing without further notice to the Class.

## **II. DEFINITIONS USED IN THIS NOTICE**

1. "Authorized Claimant" means any Class Member whose claim for recovery has been allowed pursuant to the terms of the Settlement Agreement dated September 5, 2012.
2. "Claims Administrator" means The Garden City Group, Inc.
3. "Class" means all Persons (other than those Persons who timely and validly request exclusion from the Class) who purchased the common stock of iStar between December 6, 2007 and March 6, 2008, inclusive, excluding the Defendants herein, the members of the immediate family of each of the individual defendants, the directors, officers, partners, subsidiaries and affiliates of any Defendant, any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest, and the legal representatives, affiliates, heirs, successors-in-interest or assigns of any such excluded party. The Settling Parties (defined below) agree to the certification of the Class for settlement purposes only, to the appointment of Lead Plaintiffs as the Class Representatives, and to the appointment of Co-Lead Counsel as Class Counsel.
4. "Class Member" or "Member of the Class" mean a Person who falls within the definition of the Class as set forth in Paragraph 3 above.
5. "Class Period" means the period commencing on December 6, 2007 through and including March 6, 2008.

6. “Co-Lead Counsel” means Robbins Geller Rudman & Dowd LLP, Samuel H. Rudman and Robert M. Rothman, 58 South Service Road, Suite 200, Melville, NY 11747, and Abraham, Fruchter & Twersky, LLP, Jack G. Fruchter and Lawrence D. Levit, One Pennsylvania Plaza, Suite 2805, New York, NY 10119.

7. “Defendants” means iStar, Jay Sugarman, Nicholas A. Radesca, Catherine D. Rice, Timothy J. O’Connor, Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Wachovia Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as successor by merger to Banc of America Securities LLC, Deutsche Bank Securities Inc., and UBS Securities LLC.

8. “Effective Date,” or the date upon which this settlement becomes “effective,” means three (3) business days after the date by which all of the events and conditions specified in paragraph 7.1 of the Stipulation have been met and have occurred.

9. “Escrow Agent” means the law firms of Robbins Geller Rudman & Dowd LLP and Abraham, Fruchter & Twersky, LLP or their respective successor(s).

10. “Final” means when the last of the following with respect to the Judgment approving the Stipulation shall occur: (i) the expiration of the time to file a motion to alter or amend the Judgment under Federal Rule of Civil Procedure 59(e) without any such motion having been filed; (ii) the time in which to appeal the Judgment has passed without any appeal having been taken; and (iii) if a motion to alter or amend is filed or if an appeal is taken, immediately after the determination of that motion or appeal so that it is no longer subject to any further judicial review or appeal whatsoever, whether by reason of affirmance by a court of last resort, lapse of time, voluntary dismissal of the appeal or otherwise in such a manner as to permit the consummation of the settlement substantially in accordance with the terms and conditions of the Stipulation. For purposes of this paragraph, an “appeal” shall include any petition for a writ of certiorari or other writ that may be filed in connection with approval or disapproval of this settlement, but shall not include any appeal which concerns only the issue of attorneys’ fees and expenses, the Plan of Allocation of the Net Settlement Fund, as hereinafter defined, or the procedures for determining Authorized Claimants’ recognized claims.

11. “Judgment” means the Final Judgment and Order of Dismissal with Prejudice to be rendered by the Court.

12. “Lead Plaintiffs” means Plumbers’ Union Local No. 12 Pension Fund and Citiline Holdings, Inc.

13. “Litigation” means the consolidated actions under case number 1:08-cv-03612-RJS.

14. “Net Settlement Fund” means the Settlement Fund less any attorneys’ fees, costs, and expenses, provided for herein or approved by the Court, and less notice and administration costs, Taxes and Tax Expenses, and other Court-approved deductions.

15. “Person” means an individual, corporation, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

16. “Plaintiffs” means the Lead Plaintiffs and the Class.

17. “Plaintiffs’ Counsel” means any counsel who has appeared in the Litigation on behalf of Plaintiffs.

18. “Plan of Allocation” means a plan or formula of allocation of the Settlement Fund whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the settlement, Taxes and Tax Expenses, and such attorneys’ fees, costs, expenses, and interest, as well as Lead Plaintiffs’ expenses, if any, as may be awarded by the Court. Any Plan of Allocation is not part of the Stipulation and neither Defendants nor their Related Parties shall have any responsibility or liability with respect thereto.

19. “Related Parties” means each of a Defendant’s past or present directors, officers, employees, partners, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, related or affiliated entities, or any entity in which a Defendant has a controlling interest.

20. “Released Claims” shall collectively mean any and all claims arising from the purchase of iStar common stock on December 6, 2007 through and including March 6, 2008, and were asserted in the CAC or that could have been asserted in the CAC or in any forum that arise out of or are based on the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth or referred to in the CAC. “Released Claims” includes Unknown Claims as defined below.

21. “Released Persons” means each and all of the Defendants and their Related Parties.

22. “Settlement Amount” means Twenty-Nine Million Dollars (\$29,000,000) in cash.

23. “Settlement Fund” means the Settlement Amount plus all interest and accretions thereto and which may be reduced by payments or deductions as provided herein or by Court order.

24. “Settling Parties” means, collectively, the Defendants and the Plaintiffs.

25. “Unknown Claims” means any Released Claims which Lead Plaintiffs or Class Members do not know or suspect to exist in his, her, or its favor at the time of the release of the Released Persons which, if known by him, her, or it, might have affected his, her, or its settlement with and release of the Released Persons, or might have affected his, her, or its decision not to object to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiffs shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights, and benefits of California Civil Code §1542, which provides:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

The Lead Plaintiffs shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. The Lead Plaintiffs and Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but the Lead Plaintiffs shall expressly settle and release and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Lead Plaintiffs acknowledge, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

### **III. THE LITIGATION**

On and after April 14, 2008, two complaints were filed in the United States District Court for the Southern District of New York on behalf of all persons, other than Defendants, who purchased the common stock of iStar in the Company’s secondary public offering on or about December 13, 2007 (the “Secondary Offering”) seeking to pursue remedies under the Securities Act of 1933 (the “1933 Act”). These cases were consolidated by the Honorable Robert W. Sweet in a Court Order dated November 14, 2008, under the case number 1:08-cv-03612-RWS. The Court appointed Plumbers’ Union Local No. 12 Pension Fund and Citiline Holdings, Inc. as Lead Plaintiffs and appointed Co-Lead Counsel by the same Order. On February 2, 2009, Lead Plaintiffs filed the Consolidated Amended Class Action Complaint for Violations of the Federal Securities Laws (“CAC”). The CAC alleged that the Defendants violated §§11, 12(a)(2) and 15 of the 1933 Act, and §§10(b) and 20(a) of the Securities Exchange Act of 1934. On April 27, 2009, the iStar Defendants and the Underwriter Defendants each moved to dismiss the CAC. The action was reassigned from Judge Sweet to other District Court Judges before being assigned to the Honorable Richard J. Sullivan on May 4, 2009. On March 26, 2010, the Court issued its opinion denying Defendants’ motions to dismiss the CAC, in part, and granting the motions as to the liability of the individual defendants under §12(a)(2) of the 1933 Act and as to the liability of defendant Timothy J. O’Connor under §11 of the 1933 Act. On May 14, 2010, Defendants each served an answer to the CAC.

Defendants have collectively produced more than six million pages of documents to Lead Plaintiffs. In addition, Lead Plaintiffs subpoenaed thirty-nine third parties, including iStar’s auditors, analysts and consultants, and borrowers involved with loans from iStar or its predecessor. On June 15, 2010, the parties exchanged initial disclosures pursuant to Federal Rule of Civil Procedure 26(a). Lead Plaintiffs have produced documents in response to Defendants’ document requests.

The parties attended a mediation session with the Honorable Layn R. Phillips, a former United States District Judge for the Western District of Oklahoma, on June 4, 2012. Prior to the mediation, each side submitted comprehensive mediation statements setting forth the strengths and weaknesses of their case. The mediation session, which lasted the

entire day, included a presentation by Co-Lead Counsel to Defendants' counsel and the iStar Defendants' insurance carriers regarding the strengths of Plaintiffs' case and the Lead Plaintiffs' damages analysis. Defendants made similar presentations in support of their positions and made counter-arguments to Lead Plaintiffs' statements. The parties, with the assistance of Judge Phillips, exchanged counter-proposals throughout the day until Judge Phillips suggested a range between which the parties might be able to reach agreement. The parties each separately accepted the range suggested by Judge Phillips and subsequently reached agreement at \$29 million at the end of the day.

#### **IV. CLAIMS OF THE LEAD PLAINTIFFS AND BENEFITS OF SETTLEMENT**

The Lead Plaintiffs believe that the claims asserted in the Litigation have merit and that the evidence developed to date supports the claims. However, the Lead Plaintiffs and their counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against Defendants through trial and through appeals. The Lead Plaintiffs and their counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Litigation, as well as the difficulties and delays inherent in such litigation. The Lead Plaintiffs and their counsel also are mindful of the inherent problems of proof under and possible defenses to the securities law violations asserted in the Litigation. The Lead Plaintiffs and their counsel believe that the settlement set forth in the Stipulation confers substantial benefits upon the Class. Based on their evaluation, the Lead Plaintiffs and their counsel have determined that the settlement set forth in the Stipulation is in the best interests of the Lead Plaintiffs and the Class.

#### **V. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

Defendants have denied and continue to deny each and all of the claims alleged by the Lead Plaintiffs in the Litigation. Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. Defendants also have denied and continue to deny, among other allegations, the allegations that the Lead Plaintiffs or the Class have suffered any damage, that the price of iStar common stock was artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Lead Plaintiffs or the Class were harmed by the conduct alleged in the CAC. Defendants believe that the evidence developed to date supports their position that they acted properly at all times and that the Litigation is without merit.

Nonetheless, Defendants have concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the Litigation. Defendants have, therefore, determined that it is desirable and beneficial to them that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

#### **VI. TERMS OF THE PROPOSED SETTLEMENT**

iStar has paid or caused to be paid into an escrow account, pursuant to the terms of the Settlement Agreement dated September 5, 2012 (the "Stipulation"), cash in the amount of \$29,000,000, which has been earning and will continue to earn interest for the benefit of the Class. In exchange for such payment, the Released Claims will be released, discharged, and dismissed with prejudice as against each of the Released Persons.

A portion of the settlement proceeds will be used for certain administrative expenses, including costs of printing and mailing this Notice, the cost of publishing notice, payment of any taxes assessed against the Settlement Fund, and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to Plaintiffs' Counsel as attorneys' fees and expenses. The balance of the Settlement Fund, the Net Settlement Fund, will be distributed according to the Plan of Allocation described below to Class Members who submit valid and timely Proofs of Claim.

## VII. THE RIGHTS OF CLASS MEMBERS

If you are a Class Member, you may receive the benefit of, and you will be bound by, the terms of the proposed settlement described in Section VI of this Notice, upon approval of it by the Court.

If you are a Class Member, you have the following options:

1. You may file a Proof of Claim as described below. If you choose this option, you will remain a Class Member, you will share in the proceeds of the proposed settlement if your claim is timely and valid and if the proposed settlement is finally approved by the Court, and you will be bound by the Judgment and release described below.

2. If you do not wish to be included in the Class and you do not wish to participate in the proposed settlement described in this Notice, you may request to be excluded. To do so, you must submit a written request for exclusion that must be postmarked on or before March 8, 2013. You must set forth: (a) your name, address, and telephone number; (b) the number of shares of iStar common stock purchased during the Class Period and the dates and prices of such purchase(s), and the number of iStar shares sold, along with the dates and prices of such sales; and (c) that you wish to be excluded from the Class. The exclusion request should be addressed as follows:

*iStar Financial Securities Litigation*  
EXCLUSION REQUEST  
Claims Administrator  
c/o GCG  
P.O. Box 35025  
Seattle, WA 98124-1025

NO REQUEST FOR EXCLUSION WILL BE CONSIDERED VALID UNLESS ALL OF THE INFORMATION DESCRIBED ABOVE IS INCLUDED IN ANY SUCH REQUEST.

If you timely and validly request exclusion from the Class (a) you will be excluded from the Class, (b) you will not share in the proceeds of the settlement described herein, (c) you will not be bound by any judgment entered in the Litigation, and (d) you will not be precluded, by reason of your decision to request exclusion from the Class, from otherwise prosecuting an individual claim, if timely, against Defendants based on the matters complained of in the Litigation.

3. If you do not request in writing to be excluded from the Class, as set forth in paragraph 2 above, you will be bound by any and all determinations or judgments in the Litigation in connection with the settlement entered into or approved by the Court, whether favorable or unfavorable to the Class, and you shall be deemed to have, and by operation of the Judgment shall have, fully released all of the Released Claims against the Released Persons, whether or not you submit a valid Proof of Claim.

4. You may object to the settlement, the Plan of Allocation, and/or the application of Co-Lead Counsel for an award of attorneys' fees and expenses in the manner set forth below. The filing of a Proof of Claim by a Class Member does not preclude a Class Member from objecting to the settlement. However, if your objection is rejected you will be bound by the settlement and the Judgment just as if you had not objected.

5. You may do nothing at all. If you choose this option, you will not share in the proceeds of the settlement, but you will be bound by any judgment entered by the Court, and you shall be deemed to have, and by operation of the Judgment shall have, fully released all of the Released Claims against the Released Persons.

6. If you are a Class Member, you may, but are not required to, enter an appearance through counsel of your own choosing at your own expense. If you do not do so, you will be represented by Co-Lead Counsel: Robbins Geller Rudman & Dowd LLP, Samuel H. Rudman and Robert M. Rothman, 58 South Service Road, Suite 200, Melville, NY 11747, and Abraham, Fruchter & Twersky, LLP, Jack G. Fruchter and Lawrence D. Levit, One Pennsylvania Plaza, Suite 2805, New York, NY 10119.

## VIII. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Class Members who submit valid, timely Proofs of Claim (“Authorized Claimants”) under the Plan of Allocation described below. The Plan of Allocation provides that you will be eligible to participate in the distribution of the Net Settlement Fund only if you have a net loss on all transactions in iStar common stock during the Class Period.

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Co-Lead Counsel have consulted with their damages experts. Please note, however, that the Plan of Allocation does not reflect an assessment of the damages that they believe could have been recovered had Lead Plaintiffs prevailed at trial.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant’s claim, as defined below. If, however (and as is more likely), the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant’s claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

### **iStar Financial Inc. Securities Litigation**

**CUSIP: 45131U101**

#### **Common Stock**

The allocation below is based on the following price declines as well as the statutory PSLRA 90-day look-back amount of \$18.16:

February 28, 2008 Price Decline:	\$2.66
March 4, 2008 Price Decline:	\$2.10
March 6, 2008 Price Decline:	\$2.17

1. For shares of iStar common stock ***purchased on or between December 6, 2007 through February 27, 2008***, the claim per share shall be as follows:
  - a) If sold prior to February 28, 2008, the claim per share is zero.
  - b) If sold on or between February 28, 2008 through March 3, 2008, the claim per share shall be the lesser of: (i) \$2.66 (February 28, 2008 Price Decline), or (ii) the difference between the purchase price and the selling price.
  - c) If sold on or between March 4, 2008 through March 5, 2008, the claim per share shall be the lesser of: (i) \$4.76 (February 28, 2008 and March 4, 2008 Price Declines), or (ii) the difference between the purchase price and the selling price.
  - d) If sold on March 6, 2008, the claim per share shall be the lesser of: (i) \$6.93 (February 28, 2008, March 4, 2008 and March 6, 2008 Price Declines), or (ii) the difference between the purchase price and the selling price.
  - e) If retained at the end of March 6, 2008 and sold on or before June 3, 2008, the claim per share shall be the least of: (i) \$6.93 (February 28, 2008, March 4, 2008 and March 6, 2008 Price Declines), or (ii) the difference between the purchase price and the selling price, or (iii) the difference between the purchase price per share and the average closing price per share up to the date of sale as set forth in the table below.
  - f) If retained or sold on or after June 4, 2008, the claim per share shall be the lesser of: (i) \$6.93 (February 28, 2008, March 4, 2008 and March 6, 2008 Price Declines), or (ii) the difference between the purchase price per share and \$18.16 per share.
2. For shares of iStar common stock ***purchased on or between February 28, 2008 through March 3, 2008***, the claim per share shall be as follows:
  - a) If sold prior to March 4, 2008, the claim per share is zero.

b) If sold on or between March 4, 2008 through March 5, 2008, the claim per share shall be the lesser of: (i) \$2.10 (March 4, 2008 Price Decline), or (ii) the difference between the purchase price and the selling price.

c) If sold on March 6, 2008, the claim per share shall be the lesser of: (i) \$4.27 (March 4, 2008 and March 6, 2008 Price Declines), or (ii) the difference between the purchase price and the selling price.

d) If retained at the end of March 6, 2008 and sold on or before June 3, 2008, the claim per share shall be the least of: (i) \$4.27 (March 4, 2008 and March 6, 2008 Price Declines), or (ii) the difference between the purchase price and the selling price, or (iii) the difference between the purchase price per share and the average closing price per share up to the date of sale as set forth in the table below.

e) If retained or sold on or after June 4, 2008, the claim per share shall be the lesser of: (i) \$4.27 (March 4, 2008 and March 6, 2008 Price Declines), or (ii) the difference between the purchase price per share and \$18.16 per share.

3. For shares of iStar common stock ***purchased on or between March 4, 2008 through March 5, 2008***, the claim per share shall be as follows:

a) If sold prior to March 6, 2008, the claim per share is zero.

b) If sold on March 6, 2008, the claim per share shall be the lesser of: (i) \$2.17 (March 6, 2008 Price Decline), or (ii) the difference between the purchase price and the selling price.

c) If retained at the end of March 6, 2008 and sold on or before June 3, 2008, the claim per share shall be the least of: (i) \$2.17 (March 6, 2008 Price Decline), or (ii) the difference between the purchase price and the selling price, or (iii) the difference between the purchase price per share and the average closing price per share up to the date of sale as set forth in the table below.

d) If retained or sold on or after June 4, 2008, the claim per share shall be the lesser of: (i) \$2.17 (March 6, 2008 Price Decline), or (ii) the difference between the purchase price per share and \$18.16 per share.

4. For shares of iStar common stock ***purchased on March 6, 2008***, the claim per share shall be as follows:

a) If sold on March 6, 2008, the claim per share shall be the lesser of: (i) \$2.17 (March 6, 2008 Price Decline), or (ii) the difference between the purchase price and the selling price.

b) If retained at the end of March 6, 2008 and sold on or before June 3, 2008, the claim per share shall be the least of: (i) \$2.17 (March 6, 2008 Price Decline), or (ii) the difference between the purchase price and the selling price, or (iii) the difference between the purchase price per share and the average closing price per share up to the date of sale as set forth in the table below.

c) If retained or sold on or after June 4, 2008, the claim per share shall be the lesser of: (i) \$2.17 (March 6, 2008 Price Decline), or (ii) the difference between the purchase price per share and \$18.16 per share.

Date	Price	Average Closing Price
7-Mar-08	\$15.98	\$15.98
10-Mar-08	\$15.35	\$15.67
11-Mar-08	\$16.95	\$16.09
12-Mar-08	\$16.40	\$16.17
13-Mar-08	\$15.46	\$16.03
14-Mar-08	\$14.74	\$15.81
17-Mar-08	\$14.02	\$15.56
18-Mar-08	\$15.40	\$15.54
19-Mar-08	\$14.72	\$15.45
20-Mar-08	\$15.14	\$15.42
24-Mar-08	\$15.33	\$15.41
25-Mar-08	\$15.72	\$15.43
26-Mar-08	\$14.78	\$15.38
27-Mar-08	\$14.17	\$15.30

Date	Price	Average Closing Price
28-Mar-08	\$13.76	\$15.19
31-Mar-08	\$14.03	\$15.12
1-Apr-08	\$15.37	\$15.14
2-Apr-08	\$16.78	\$15.23
3-Apr-08	\$17.06	\$15.32
4-Apr-08	\$17.15	\$15.42
7-Apr-08	\$17.65	\$15.52
8-Apr-08	\$17.20	\$15.60
9-Apr-08	\$17.25	\$15.67
10-Apr-08	\$17.66	\$15.75
11-Apr-08	\$17.09	\$15.81
14-Apr-08	\$16.52	\$15.83
15-Apr-08	\$16.48	\$15.86
16-Apr-08	\$17.35	\$15.91
17-Apr-08	\$17.92	\$15.98
18-Apr-08	\$19.51	\$16.10
21-Apr-08	\$18.40	\$16.17
22-Apr-08	\$18.40	\$16.24
23-Apr-08	\$18.31	\$16.30
24-Apr-08	\$18.83	\$16.38
25-Apr-08	\$19.39	\$16.46
28-Apr-08	\$19.75	\$16.56
29-Apr-08	\$19.88	\$16.65
30-Apr-08	\$19.25	\$16.71
1-May-08	\$20.01	\$16.80
2-May-08	\$21.77	\$16.92
5-May-08	\$21.45	\$17.03
6-May-08	\$21.91	\$17.15
7-May-08	\$21.77	\$17.26
8-May-08	\$21.16	\$17.35
9-May-08	\$20.32	\$17.41
12-May-08	\$21.12	\$17.49
13-May-08	\$20.37	\$17.55
14-May-08	\$20.63	\$17.62
15-May-08	\$20.95	\$17.69
16-May-08	\$21.84	\$17.77
19-May-08	\$22.06	\$17.85
20-May-08	\$21.43	\$17.92
21-May-08	\$20.37	\$17.97
22-May-08	\$20.44	\$18.01
23-May-08	\$19.84	\$18.05
27-May-08	\$19.45	\$18.07
28-May-08	\$19.14	\$18.09
29-May-08	\$19.42	\$18.11
30-May-08	\$19.12	\$18.13
2-Jun-08	\$18.76	\$18.14
3-Jun-08	\$18.75	\$18.15
4-Jun-08	\$18.63	\$18.16

**Section 11 Claims for the December 2007 Public Offering**

Public Offering Price: \$28.41 per share  
Closing Price on the date the lawsuit was filed (April 14, 2008): \$16.52 per share

For shares of iStar common stock purchased *pursuant and traceable to the Company's offering prospectus dated December 13, 2007*,<sup>1</sup> and

- 1) sold prior to April 14, 2008, the claim per share is the lesser of: (i) the purchase price per share less the sales price per share, or (ii) \$28.41 less the sales price per share.
- 2) retained at the end of April 13, 2008, or sold on or after April 14, 2008, the claim per share is the lesser of: (i) the purchase price per share less the sales price per share, or (ii) \$28.41 less \$16.52.

The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement" date.

For Class Members who made multiple purchases or sales during the Class Period, the First-In, First-Out ("FIFO") method will be applied to such purchases and sales for purposes of calculating a claim. Under the FIFO method, sales of common stock during the Class Period will be matched, in chronological order, against shares of iStar common stock held at the beginning of the Class Period and purchases of iStar common stock during the Class Period, beginning with the earliest purchase made during the Class Period.

A Class Member will be eligible to receive a distribution from the Net Settlement Fund only if a Class Member had a net loss, after all profits from transactions in iStar common stock are subtracted from all losses. No distributions will be made to Class Members who would otherwise receive less than \$10.00.

The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Class Member on equitable grounds.

Payment pursuant to the Plan of Allocation set forth above shall be conclusive against all Authorized Claimants. No Person shall have any claim of any kind against the Defendants or their Related Parties with respect to the investment or distribution of the Settlement Fund. No Person shall have any claim against Lead Plaintiffs, Co-Lead Counsel or any Claims Administrator or other person designated by Co-Lead Counsel based on distributions made substantially in accordance with the Stipulation and the settlement contained therein, the Plan of Allocation, or further orders of the Court. All Class Members who fail to complete and file a valid and timely Proof of Claim shall be barred from participating in distributions from the Net Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of any judgment entered and the releases given.

## **IX. PARTICIPATION IN THE SETTLEMENT**

**TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM FORM THAT ACCOMPANIES THIS NOTICE.** The Proof of Claim must be postmarked on or before March 19, 2013, and delivered to the Claims Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment.

## **X. DISMISSAL AND RELEASES**

If the proposed settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice ("Judgment"). The Judgment will dismiss the Released Claims with prejudice as to all Defendants. The Judgment will provide that all Class Members shall be deemed to have released and forever discharged all Released Claims against all Released Persons and that the Released Persons shall be deemed to have released and discharged all Class Members and Plaintiffs' Counsel from all claims arising out of the prosecution and settlement of the Litigation or the Released Claims.

## **XI. APPLICATION FOR FEES AND EXPENSES**

At the Final Approval Hearing, Co-Lead Counsel will request the Court to award attorneys' fees of 30% of the Settlement Amount, plus expenses, not to exceed \$325,000, which were incurred in connection with the Litigation, plus interest thereon. Such sums as may be approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses.

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<sup>1</sup> The claim per share of iStar common stock purchased pursuant and traceable to the Company's offering prospectus dated December 13, 2007, will be the greater of the calculation under Common Stock on page 7 and the calculation under Section 11 Claims for the December 2007 Public Offering, here.

To date, Co-Lead Counsel have not received any payment for their services in conducting this Litigation on behalf of the Lead Plaintiffs and Members of the Class, nor has counsel been paid their substantial expenses. The fee requested by Co-Lead Counsel will compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Class, and for their risk in undertaking this representation on a wholly contingent basis. The fee requested is well within the range of fees awarded to plaintiffs' counsel under similar circumstances in other litigation of this type.

## **XII. CONDITIONS FOR SETTLEMENT**

The settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Judgment by the Court, as provided for in the Stipulation; and (2) expiration of the time to appeal from or alter or amend the Judgment. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions as of April 19, 2012.

## **XIII. THE RIGHT TO BE HEARD AT THE HEARING**

Any Class Member who timely and validly files a written objection to any aspect of the settlement, the Plan of Allocation, or the application for attorneys' fees and expenses may appear and be heard at the Final Approval Hearing. Any such Person must submit a written notice of objection, received on or before March 8, 2013, by each of the following:

CLERK OF THE COURT  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK  
Daniel Patrick Moynihan United States Courthouse  
500 Pearl Street  
New York, NY 10007

*Co-Lead Counsel for Plaintiffs:*

ROBBINS GELLER RUDMAN & DOWD LLP  
ROBERT M. ROTHMAN  
58 South Service Road, Suite 200  
Melville, NY 11747

ABRAHAM, FRUCHTER & TWERSKY, LLP  
JACK G. FRUCHTER  
One Pennsylvania Plaza, Suite 2805  
New York, NY 10119

*Counsel for Defendants iStar Financial Inc., Jay Sugarman,  
Nicholas A. Radesca, Catherine D. Rice and Timothy J.  
O'Connor:*

DECHERT LLP  
DAVID H. KISTENBROKER  
115 S. LaSalle Street, Suite 2600  
Chicago, IL 60603

*Counsel for Defendants Citigroup Global Markets Inc., J.P.  
Morgan Securities Inc., Wachovia Capital Markets, LLC,  
Merrill Lynch, Pierce, Fenner & Smith Incorporated, as  
successor by merger to Banc of America Securities LLC,  
Deutsche Bank Securities Inc., and UBS Securities LLC:*

SIDLEY AUSTIN LLP  
DOROTHY J. SPENNER  
787 7th Avenue, 22nd Floor  
New York, NY 10019

The notice of objection must demonstrate the objecting Person's membership in the Class, including the number of shares of iStar common stock purchased during the Class Period and contain a statement of the reasons for objection. Only Members of the Class who have submitted written notices of objection in this manner will be entitled to be heard at the Final Approval Hearing, unless the Court orders otherwise.

**XIV. SPECIAL NOTICE TO BANKS, BROKERS, AND OTHER NOMINEES**

If you hold any iStar common stock purchased during the Class Period as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim by First-Class Mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

*iStar Financial Securities Litigation*  
Claims Administrator  
c/o GCG  
P.O. Box 35025  
Seattle, WA 98124-1025

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and Proof of Claim and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim, upon submission of appropriate documentation to the Claims Administrator.

**XV. EXAMINATION OF PAPERS**

This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, United States District Court, Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007 or at [www.GCGInc.com](http://www.GCGInc.com).

If you have any questions about the settlement of the Litigation, you may contact Co-Lead Counsel by writing:

ROBBINS GELLER RUDMAN & DOWD LLP  
SAMUEL H. RUDMAN  
ROBERT M. ROTHMAN  
58 South Service Road, Suite 200  
Melville, NY 11747

or

ABRAHAM, FRUCHTER & TWERSKY, LLP  
JACK G. FRUCHTER  
LAWRENCE D. LEVIT  
One Pennsylvania Plaza, Suite 2805  
New York, NY 10119

**DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.**

DATED: DECEMBER 5, 2012

BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK