

CAPITAL TRUST INC  
Form PRE 14A  
October 15, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**CAPITAL TRUST, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- (1) Title of each class of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (2) Aggregate number of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  
  
  
  
  
  
  
  
- (4) Proposed maximum aggregate value of transaction:
  
  
  
  
  
  
  
  
  
  
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.. Fee paid previously with preliminary materials.

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**PRELIMINARY COPY SUBJECT TO COMPLETION, DATED OCTOBER 15, 2012**

**CAPITAL TRUST, INC.**

**410 Park Avenue, 14th Floor**

**New York, New York 10022**

[ ] [ ], 2012

Dear Stockholders:

You are cordially invited to attend a special meeting of stockholders of Capital Trust, Inc., a Maryland corporation, which we refer to as Capital Trust, which will be held at 10:00 a.m., New York City time, on [ ] [ ], 2012, at the offices of Paul Hastings LLP, 75 East 55th Street, New York, New York 10022.

As previously announced, on September 27, 2012 we entered into a purchase and sale agreement, which we refer to as the Purchase Agreement, with Huskies Acquisition LLC, which we refer to as the Purchaser, an affiliate of The Blackstone Group L.P., pursuant to which, among other things, the Purchaser has agreed to purchase our investment management and special servicing business and make an equity investment in us. We are seeking our stockholders' approval of three related and interdependent proposals related to the Purchase Agreement.

If the transactions contemplated by the Purchase Agreement, which we refer to as the Transactions, are completed, we will pay a special cash dividend of \$2.00 per share to all holders of record of our class A common stock, par value \$0.01 per share, which we refer to as our Common Stock, as of the close of business on [ ] [ ], 2012, the record date for the special meeting.

At the special meeting, you are being asked to consider and vote on proposals, which we refer to as the Proposals, to approve:

1. the Purchase Agreement, including the sale of our investment management and special servicing business, including our subsidiary, CT Investment Management Co., LLC, and related private investment fund co-investments, to the Purchaser for a purchase price of \$20,629,004 and our entry into a new management agreement with an affiliate of The Blackstone Group L.P.;
2. the issuance and sale of 5,000,000 shares of our Common Stock to the Purchaser for a purchase price of \$10,000,000, or \$2.00 per share (these shares will not be entitled to the \$2.00 per share special dividend); and
3. certain amendments to our charter contemplated by the Purchase Agreement, which provides, among other things, subject to certain exceptions, that none of The Blackstone Group L.P. or its affiliates (as such term is defined in the charter amendments), our directors or any person our directors control shall have any duty to refrain, directly or indirectly, from engaging in business opportunities or competing with us.

**The Proposals comprise a group of related and interdependent proposals for stockholder action. Implementation of each such Proposal is contingent upon the implementation of each of the other Proposals.** Accordingly, we will not implement any of the Proposals unless all of the Proposals are approved by our stockholders by the affirmative vote of the holders of a majority of the shares of our Common Stock outstanding and entitled to vote at the special meeting.

Following completion of the Transactions, we will remain publicly traded and listed on the New York Stock Exchange under the external management of the New CT Manager, and our existing stockholders will retain their investment in our Common Stock held by them on such date. We will retain our interest in CT Legacy REIT

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Mezz Borrower, Inc., a vehicle formed to finance certain legacy assets in connection with our March 31, 2011 comprehensive debt restructuring, our existing cash balances (as reduced to fund the expenses of the Transactions and the special dividend), our carried interest in CT Opportunity Partners I, LP, a private investment fund under our management that will be managed by the New CT Manager following consummation of the Transactions, and our interests in three collateralized debt obligations sponsored by us.

**After careful consideration, our board of directors has determined that the Transactions are advisable and in the best interests of Capital Trust. Our board of directors recommends that you vote FOR each of the Proposals.**

Only stockholders who hold shares of our Common Stock at the close of business on [ ] [ ], 2012 will be entitled to vote at the special meeting. **Whether or not you expect to attend the special meeting in person, we urge you to submit your proxy as promptly as possible (1) through the Internet, (2) by telephone or (3) by marking, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided.** If you hold your shares in street name, you should instruct your broker how to vote in accordance with your voting instruction card. If you do not submit your proxy, do not instruct your broker how to vote your shares or do not vote in person at the special meeting, it will have the same effect as a vote AGAINST each of the Proposals. If you have any questions about any of the proposals described in the accompanying proxy statement, please call MacKenzie Partners, Inc., toll-free at (800) 322-2885 or call collect at (212) 929-5500.

**You are encouraged to read carefully the accompanying proxy statement in its entirety, including the annexes and the section titled Risk Factors beginning on page 12.**

**If you have questions about any of the Proposals or need to obtain proxy cards or other information related to the proxy solicitation, you may contact MacKenzie Partners, Inc., our proxy solicitor, at the address and telephone numbers listed below.**

**MacKenzie Partners, Inc.**

**105 Madison Avenue**

**New York, New York 10016**

**Tel: (800) 322-2885 (toll free) or (212) 929-5500 (call collect)**

**Email: [proxy@mackenziepartners.com](mailto:proxy@mackenziepartners.com)**

Thank you for your cooperation and your continued support of Capital Trust.

Sincerely,

[ ]

Samuel Zell

*Chairman of the Board*

**Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the Transactions, passed upon the merits or fairness of the Transactions or passed upon the adequacy of the disclosure in the proxy statement. Any representation to the contrary is a criminal offense.**

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**CAPITAL TRUST, INC.**

**410 Park Avenue, 14th Floor**

**New York, New York 10022**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON [ ] [ ], 2012**

To our Stockholders:

We hereby notify you that we are holding a special meeting of stockholders of Capital Trust, Inc., a Maryland corporation, which we refer to as Capital Trust, at the offices of Paul Hastings LLP, 75 East 55th Street, New York, New York 10022, on [ ] [ ], 2012, at 10:00 a.m., New York City time, for the following purposes:

1. to consider and vote upon a proposal to approve the purchase and sale agreement, dated September 27, 2012, by and between Capital Trust and Huskies Acquisition LLC, which we refer to as the Purchaser, an affiliate of The Blackstone Group L.P., including the sale of our investment management and special servicing business, including our subsidiary, CT Investment Management Co., LLC, and our related private investment fund co-investments, to the Purchaser, for a purchase price of \$20,629,004, pursuant to the terms and subject to the conditions contained in the purchase and sale agreement, and our entry into a new management agreement with an affiliate of The Blackstone Group L.P., as more fully described in the accompanying proxy statement. A copy of the purchase and sale agreement is attached to the accompanying proxy statement as Annex A, which we refer to as the Purchase Agreement, and a copy of the form management agreement is attached to the accompanying proxy statement as Annex B. We refer to this proposal as the Investment Management Business Sale Proposal;
2. to consider and vote upon a proposal to approve the issuance and sale of 5,000,000 shares of our class A common stock, par value \$0.01 per share, which we refer to as our Common Stock, to the Purchaser for a purchase price of \$10,000,000, or \$2.00 per share, pursuant to the terms and subject to the conditions contained in the Purchase Agreement, as more fully described in the accompanying proxy statement. These 5,000,000 shares will represent approximately [18.2]% of our outstanding Common Stock after such issuance based on the number of shares outstanding as of the date of this proxy statement. We refer to this proposal as the Purchaser Investment Proposal;
3. to consider and vote upon a proposal to approve certain amendments to our charter contemplated by the Purchase Agreement in the form attached to the accompanying proxy statement as Annex C, which provides, among other things, subject to certain exceptions, that none of The Blackstone Group L.P. or its affiliates (as such term is defined in the charter amendments), our directors or any person our directors control shall have any duty to refrain, directly or indirectly, from engaging in business opportunities or competing with us, as more fully described in the accompanying proxy statement. We refer to this proposal as the Charter Amendment Proposal; and
4. to consider and vote upon a proposal to approve the adjournment of the special meeting if necessary or appropriate to solicit additional proxies if there are insufficient votes to approve the Investment Management Business Sale Proposal, the Purchaser Investment Proposal or the Charter Amendment Proposal. We refer to this proposal as the Adjournment Proposal.

**The Investment Management Business Sale Proposal, the Purchaser Investment Proposal and the Charter Amendment Proposal, which we refer to collectively as the Proposals and each individually as a Proposal, comprise a group of related and interdependent proposals for stockholder action. Implementation of each such Proposal is contingent upon the implementation of each of the other**

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**Proposals.** Accordingly, we will not implement any of the foregoing Proposals unless all of the Proposals are approved by our stockholders. Approval of the Adjournment Proposal is not a requirement for implementation of the other Proposals.

You can vote your shares of our Common Stock if our records show that you were a stockholder as of the close of business on [ ] [ ], 2012, the record date for the special meeting of stockholders, which we refer to as the record date.

If all of the Proposals are approved by our stockholders and the transactions contemplated by the Purchase Agreement are consummated, we will pay a special cash dividend of \$2.00 per share to all holders of record of our Common Stock as of the close of business on the record date. The Purchaser will not be entitled to participate in the special dividend.

All Capital Trust, Inc. stockholders are cordially invited to attend the special meeting in person. **However, to assure your representation at the special meeting, please submit your proxy as promptly as possible using one of the following methods: (1) through the Internet, (2) by telephone or (3) by marking, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided.** Any stockholder attending the special meeting may vote in person even if he or she has authorized a proxy to vote his or her shares using the Internet, telephone or proxy card.

By Order of the Board of Directors,

[ ]  
Geoffrey G. Jervis  
*Secretary*

[ ] [ ], 2012

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**CAPITAL TRUST, INC.**

**410 Park Avenue, 14th Floor**

**New York, New York 10022**

**PROXY STATEMENT FOR  
SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON [ ], 2012**

This proxy statement is being furnished by and on behalf of our board of directors in connection with the solicitation of proxies to be voted at the special meeting of stockholders, which we refer to as the special meeting. This proxy statement is first being mailed to our stockholders on or about [ ] [ ], 2012.

The date, time and place of the special meeting are:

**Date:** [ ] [ ], 2012

**Time:** 10:00 a.m., New York City time

**Place:** The law offices of Paul Hastings LLP

75 East 55th Street, New York, New York 10022

At the special meeting, stockholders will be asked to:

1. consider and vote upon a proposal to approve the purchase and sale agreement, dated September 27, 2012, by and between Capital Trust, Inc. and Huskies Acquisition LLC, which we refer to as the Purchaser, an affiliate of The Blackstone Group L.P., including the sale of our investment management and special servicing business, including our subsidiary, CT Investment Management Co., LLC, which we refer to as CTIMCO, and our related private investment fund co-investments, to the Purchaser for a purchase price of \$20,629,004, pursuant to the terms and subject to the conditions contained in the purchase and sale agreement, and our entry into a new management agreement with an affiliate of The Blackstone Group L.P., which we refer to as the New CT Manager, as more fully described in this proxy statement. A copy of the purchase and sale agreement is attached to this proxy statement as Annex A, which we refer to as the Purchase Agreement, and a copy of the form management agreement is attached to the accompanying proxy statement as Annex B, which we refer to as the New Management Agreement. We refer to this proposal as the Investment Management Business Sale Proposal;
2. consider and vote upon a proposal to approve the issuance and sale of 5,000,000 shares of our class A common stock, par value \$0.01 per share, which we refer to as our Common Stock, to the Purchaser for a purchase price of \$10,000,000, or \$2.00 per share, pursuant to the terms and subject to the conditions contained in the Purchase Agreement, as more fully described in this proxy statement. These 5,000,000 shares will represent approximately [18.2]% of our outstanding Common Stock after such issuance based on the number of shares outstanding as of the date of this proxy statement. We refer to the shares to be issued to the Purchaser as the New CT Shares and this proposal as the Purchaser Investment Proposal;



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3. consider and vote upon a proposal to approve certain amendments to our charter contemplated by the Purchase Agreement in the form attached to the accompanying proxy statement as Annex C, which provides, among other things, subject to certain exceptions, that none of The Blackstone Group L.P. or its affiliates (as such term is defined in the charter amendments), our directors and any person our directors control shall have any duty to refrain, directly or indirectly, from engaging in business opportunities or competing with us, as more fully described in this proxy statement. We refer to this proposal as the Charter Amendment Proposal; and

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4. consider and vote upon a proposal to approve the adjournment of the special meeting if necessary or appropriate to solicit additional proxies if there are insufficient votes to approve the Investment Management Business Sale Proposal, the Purchaser Investment Proposal and the Charter Amendment Proposal. We refer to this proposal as the Adjournment Proposal.

The transactions contemplated to be consummated by the Purchase Agreement are referred to in this proxy statement as the Transactions.

If all of the Proposals are approved by our stockholders and the Transactions are completed, we will pay a special cash dividend of \$2.00 per share to all holders of record of our Common Stock as of the close of business on the record date, which we refer to as the special dividend. The Purchaser will not be entitled to participate in the special dividend.

Following completion of the Transactions, we will remain publicly traded and listed on the New York Stock Exchange, which we refer to as the NYSE, under the external management of the New CT Manager, and our existing stockholders will retain their investment in our Common Stock held by them on such date. We will retain our interest in CT Legacy REIT Mezz Borrower, Inc., which we refer to as CT Legacy REIT, a vehicle formed to finance certain legacy assets that were refinanced in connection with our March 31, 2011 comprehensive debt restructuring, our existing cash balances (as reduced to fund the expenses of the Transactions and the special dividend discussed below), our carried interest in CT Opportunity Partners I, LP, which we refer to as CTOPI, a private investment fund under our management that will be managed by the New CT Manager following consummation of the Transactions, and our interests in three collateralized debt obligations, which we refer to as CDOs, sponsored by us.

**The Investment Management Business Sale Proposal, the Purchaser Investment Proposal and the Charter Amendment Proposal, which we refer to collectively as the Proposals and each individually as a Proposal, comprise a group of related and interdependent proposals for stockholder action. Implementation of each such Proposal is contingent upon the implementation of each of the other Proposals.** Accordingly, we will not implement any of the foregoing Proposals unless all of the Proposals are approved by our stockholders. Approval of the Adjournment Proposal is not a requirement for implementation of the other Proposals.

You can vote your shares of our Common Stock if our records show that you were a stockholder as of the close of business on [ ] [ ], 2012, the record date for the special meeting of stockholders, which we refer to as the record date.

Our principal offices are located at 410 Park Avenue, 14th Floor, New York, New York 10022 and our telephone number is (212) 655-0220.

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**SUMMARY TERM SHEET**

*The following is a summary that highlights information contained elsewhere in this proxy statement and the annexes hereto. This summary may not contain all of the information that may be important to you. For a more complete description of the Purchase Agreement and the Transactions, we encourage you to read carefully this proxy statement, including the attached annexes, in its entirety. References herein to we, us, our, Capital Trust or the company refer to Capital Trust, Inc., a Maryland corporation, and its subsidiaries unless the context specifically requires otherwise. References herein to Blackstone refer to The Blackstone Group L.P., a Delaware limited partnership, and its subsidiaries, including the Purchaser, unless the context specifically requires otherwise.*

**The Parties**

**Huskies Acquisition LLC**

**c/o The Blackstone Group L.P.**

**345 Park Avenue**

**New York, New York 10154**

**(212) 583-5000**

Huskies Acquisition LLC is a Delaware limited liability company formed in connection with the Transactions by affiliates of Blackstone.

***About Blackstone***

Blackstone is one of the world's leading investment and advisory firms. Our alternative asset management businesses include the management of private equity funds, real estate funds, hedge fund solutions, credit-oriented funds and closed-end funds. The Blackstone Group also provides various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services. Through its different businesses, Blackstone had total fee-earning assets under management of approximately \$157.6 billion as of June 30, 2012. Blackstone is traded on the NYSE under the symbol BX, and is headquartered in New York City.

**Capital Trust, Inc.**

**410 Park Avenue**

**14th Floor**

**New York, New York 10022**

**(212) 655-0220**

Capital Trust is a real estate finance company that specializes in credit sensitive financial products. To date, our investment programs have focused on loans and securities backed by commercial real estate assets. We invest for our own account directly on our balance sheet and for third parties through a series of investment funds and managed separate accounts. From the inception of our finance business in 1997 through June 30, 2012, we have completed over \$12.0 billion of commercial real estate investments. We conduct our operations as a real estate investment trust, or REIT, for federal income tax purposes. Capital Trust is traded on the NYSE under the symbol CT, and is headquartered in New York City.

**The Transactions**

Our entry into the Purchase Agreement and our agreement to consummate the Transactions represent the culmination of a review of strategic alternatives undertaken by our board of directors. The Transactions achieve



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our board's goal of maximizing stockholder value with a strategic transaction that provides a meaningful and current cash return for our stockholders and allows our stockholders to continue to participate in the recovery of our legacy assets with the benefit of ongoing asset management provided by our senior management team. Following consummation of the Transactions, we will remain publicly traded and will be externally managed by an affiliate of Blackstone, and as a result our stockholders will continue to hold an ongoing investment in Capital Trust and can benefit from any potential opportunities developed in the future.

The Purchase Agreement contemplates two principal transactions:

the sale of our investment management and special servicing business, including the sale of CTIMCO and our private investment fund co-investments, to the Purchaser, for a purchase price of \$20,629,004, which we refer to as the CT Investment Management Interests Purchase Price, pursuant to the terms and subject to the conditions contained in the Purchase Agreement and our entering into the New Management Agreement with the New CT Manager, in substantially the form attached to this proxy statement as Annex B, pursuant to which we will become externally managed by the New CT Manager, which are described in this proxy statement under Proposal 1 Investment Management Business Sale Proposal beginning on page 82; and

the issuance and sale of 5,000,000 shares of our Common Stock to the Purchaser for a purchase price of \$10,000,000, or \$2.00 per share, which we refer to as the New CT Shares Purchase Price, pursuant to the terms and subject to the conditions contained in the Purchase Agreement, which is described in this proxy statement under Proposal 2 Purchaser Investment Proposal beginning on page 85.

We refer to the sale of our investment management and special servicing business contemplated in Proposal 1 as the Investment Management Business Sale, the Purchaser's investment in our Common Stock contemplated in Proposal 2 as the Purchaser Investment and these transactions together as the Principal Transactions. We refer to the CT Investment Management Interests Purchase Price and the New CT Shares Purchase Price together as the Purchase Price.

The consummation of the Principal Transactions is subject to the satisfaction of a number of closing conditions as described under Purchase Agreement Conditions to Closing beginning on page 57. These closing conditions include the adoption of the amendments to our charter contemplated by the Purchase Agreement in substantially the form attached to this proxy statement as Annex C for which we are also seeking the approval of our stockholders at the special meeting, which amendments provide, among other things, subject to certain exceptions, that none of Blackstone or its affiliates (as such term is defined in the charter amendments), our directors or any person our directors control shall have any duty to refrain, directly or indirectly, from engaging in business opportunities or competing with us, as more fully described in this proxy statement under Proposal 3 Charter Amendment Proposal beginning on page 87.

Upon consummation of the Transactions, we will no longer be engaged in the investment management and special servicing businesses, but will retain our interest in CT Legacy REIT, our existing cash balances (as reduced to fund the expenses of the Transactions and the special dividend), our carried interest in CTOPI and our retained interests in three CDOs sponsored by us. We will remain publicly traded and listed on the NYSE under the external management of the New CT Manager, an affiliate of Blackstone, pursuant to the New Management Agreement, and our existing stockholders will retain their investment in our Common Stock held by them on such date subject to the dilution experienced from the issuance of 5,000,000 shares of our Common Stock to the Purchaser. Based on the [22,515,107] shares of Common Stock outstanding as of the record date for the special meeting upon the consummation of the Purchaser Investment, the Purchaser will own [18.2]% of our outstanding Common Stock.

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### **Board Designation Rights**

The Purchase Agreement provides the Purchaser with the right to designate two individuals for election to our board of directors, one of whom will be appointed as chairman of our board of directors. This right will be effective upon the completion of the Transactions and for so long as certain ownership thresholds are maintained by Blackstone and its affiliates. See Purchase Agreement Covenants Board Designation Rights beginning on page 56. Upon the consummation of the Transactions, it is expected that Samuel Zell, chairman of our board of directors, will resign from our board of directors.

### **Capital Trust Is Prohibited From Soliciting Others**

The Purchase Agreement contains detailed provisions that prohibit us and our subsidiaries, directors, officers, employees and representatives from, among other things, directly or indirectly, soliciting, initiating, or knowingly encouraging or inducing or taking any action which would reasonably be expected to lead to a third party making an acquisition proposal (as defined in the Purchase Agreement). The Purchase Agreement does not, however, prohibit our board of directors from considering and recommending to our stockholders an unsolicited acquisition proposal from a third party if specified conditions are met. If our board of directors changes its recommendation in favor of the Transactions, the Purchaser will be able to terminate the Purchase Agreement, and we would be required to reimburse the Purchaser for its expenses in connection with the contemplated Transactions and the Purchaser's pursuit thereof, up to a maximum of \$1.5 million. For additional information regarding the non-solicitation provisions in the Purchase Agreement, see Purchase Agreement Covenants No Solicitation beginning on page 52.

### **Termination of the Purchase Agreement**

The Purchase Agreement may be terminated prior to the successful completion of the Transactions:

- (i) upon the mutual written consent of both us and the Purchaser;
- (ii) by either us or the Purchaser, if the closing shall not have occurred on or prior to 5:00 p.m., New York time, on June 27, 2013, which we refer to as the outside date; provided, however, that a breach of the Purchase Agreement by the party seeking to terminate is not the cause of the failure of the closing to occur by such time;
- (iii) by either us or the Purchaser, if any law or governmental authority prohibits the consummation of the Transactions; provided, however, that a breach of the Purchase Agreement by the party seeking to terminate is not the cause;
- (iv) by either us or the Purchaser, if approval by our stockholders of the Proposals is not obtained at the special meeting;
- (v) by the Purchaser, if our board of directors has changed its recommendation that our stockholders approve the Proposals or takes certain other actions that reflect a lack of support for the Transactions, in either case, prior to the special meeting; and
- (vi) by either us or the Purchaser, if the other party shall have breached any representation, warranty, covenant or agreement under the Purchase Agreement, which breach cannot be or has not been cured within thirty (30) days after being given written notice thereof, and which breach would give rise to the failure of a mutual closing condition or a Purchaser/Capital Trust closing condition.

For additional information regarding the termination provisions in the Purchase Agreement, see Purchase Agreement Termination beginning on page 60.





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### **Expense Reimbursement**

We have agreed to reimburse Blackstone for all fees and expenses incurred by or on behalf of Blackstone and its affiliates in connection with the Transactions and the pursuit and negotiation thereof, subject to a cap of \$1.5 million under certain circumstances and if specified conditions are met in connection with a termination of the Purchase Agreement. Blackstone has agreed to reimburse us for all fees and expenses incurred after July 3, 2012 by or on behalf of us and our affiliates in connection with the Transactions and the pursuit and negotiation thereof, subject to a cap of \$1.5 million in the aggregate if we terminate the Purchase Agreement due to a breach by the Purchaser of the Purchase Agreement as described under item (vi) under Termination of the Purchase Agreement above. For additional information regarding the expense reimbursement provisions in the Purchase Agreement, see Purchase Agreement Expense Reimbursement beginning on page 60.

### **Effects If the Transactions Are Not Completed**

If any of the Proposals are not approved by our stockholders, or if the Transactions are not completed for any other reason, our stockholders will not receive the \$2.00 per share special dividend and we will continue to operate our businesses as we have in the past. In addition, we may pursue strategic alternatives with others if the Transactions are not completed.

### **Unaudited Pro Forma Financial Information**

Selected unaudited pro forma financial information giving effect to the Investment Management Business Sale, including the entry into the New Management Agreement, and the Purchaser Investment is set forth in Unaudited Pro Forma Financial Information beginning on page 24.

### **Voting Agreement**

Concurrently with the execution and delivery of the Purchase Agreement, the Purchaser entered into a voting agreement with W. R. Berkley Corporation, which we refer to as W. R. Berkley, and several of its affiliates, which own in the aggregate 3,843,413 shares, or approximately [17.1]%, of our outstanding Common Stock as of the record date for the special meeting. Pursuant to the terms of the voting agreement, such stockholders agreed to, among other things, vote their respective shares of our Common Stock in favor of the Proposals and against the approval of any acquisition proposal (as defined in the Purchase Agreement). Such stockholders have also agreed not to sell or transfer their respective shares of our Common Stock, subject to certain exceptions, or to solicit any acquisition transaction. The voting agreement will terminate upon, among other things, the closing of the Investment Management Business Sale and the Purchaser Investment, consummation of the Transactions contemplated by the Purchase Agreement and a change in Capital Trust's board of directors' recommendations with respect to the approval of the Proposals. For additional information on the voting agreement, please see Voting Agreement beginning on page 74.

### **Letter Agreement with W. R. Berkley**

As an inducement to W. R. Berkley to enter into the voting agreement, we entered into a letter agreement with W. R. Berkley pursuant to which we agreed not to engage in certain offerings of our equity securities following the closing of the Transactions without the approval of a majority of our independent directors. The letter agreement will lapse once approval of a majority of our independent directors has been obtained with respect to the first applicable offering. For additional information on the letter agreement with W. R. Berkley, please see Voting Agreement Letter Agreement with W. R. Berkley beginning on page 75.

### **Interests of Certain Persons in the Proposals**

In considering the recommendation of our board of directors, our stockholders should be aware that our largest stockholder, W. R. Berkley, the chairman of our board of directors, and certain of our executive officers

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have certain interests in the Proposals that are in addition to the interests of our stockholders generally. Our board of directors was aware of these interests and considered them in approving the Purchase Agreement and the Transactions governed thereby and recommending that our stockholders approve the Proposals. As a result of the consummation of the Transactions:

our executive officers are expected to receive offers of employment with Blackstone upon consummation of the Transactions;

certain incentive awards granted to our executive officers in the form of restricted stock will become 100% vested as a result of the consummation of the Transactions;

restricted stock awards held by our executive officers that would otherwise vest in the future, if at all, will become 100% vested as a result of the consummation of the Transactions;

annual performance-based bonuses for 2012 will be paid based on the higher of target or actual performance as a result of the consummation of the Transactions, if the Transactions are consummated before December 31, 2012;

certain performance based incentive compensation awards held by our executive officers will be modified;

our directors and executive officers will continue to be indemnified and covered by directors and officers insurance following consummation of the Transactions;

CTIMCO, which will be owned by Blackstone following consummation of the Transactions, will continue to manage certain separate accounts for affiliates of W. R. Berkley; and

a subsidiary of CTIMCO, which will be owned by Blackstone following consummation of the Transactions, will continue to manage a private fund in which an affiliate of the chairman of our board of directors is invested.

Please see Interest of Certain Persons in the Transactions beginning on page 42 for further information concerning these interests.

**Recommendation of Our Board of Directors**

Our board of directors has unanimously determined to recommend a vote in favor of approval of each of the Proposals and the Adjournment Proposal (excluding one director who could not attend the meeting at which the Transactions were approved but who subsequently confirmed his approval of the Proposals and the Transactions). Our board of directors believes that the Transactions are fair to, and in the best interests of, Capital Trust. For a discussion of the factors considered by our board of directors in reaching its decision to recommend approval of the Transactions, please see Background of the Transactions and Recommendation beginning on page 31.

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### **Opinion of Capital Trust's Financial Advisor**

In connection with the Transactions, Evercore Group L.L.C., which we refer to as Evercore, delivered to a special committee of our board of directors a written opinion, dated September 27, 2012, as to the fairness, from a financial point of view and as of the date of the opinion, of the Purchase Price (as such term is defined in *Opinion of Capital Trust's Financial Advisor* beginning on page 76) to be received by Capital Trust in connection with the Principal Transactions. The full text of the written opinion, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex F to this proxy statement and is incorporated by reference herein in its entirety. Evercore provided its opinion to the special committee for the information and benefit of the committee in connection with its evaluation of the Principal Transactions. Evercore's opinion does not address any other aspect of the Transactions and does not constitute a recommendation to any stockholder as to how to vote in connection with the Proposals. For further information regarding Evercore's financial opinion, please see *Opinion of Capital Trust's Financial Advisor* beginning on page 76.

### **Special Dividend**

In accordance with the Purchase Agreement, our board of directors has authorized and we have declared a special dividend of \$2.00 per share, which dividend will be decreased by the aggregate per share amount of any dividends we declare or pay to our stockholders after September 27, 2012 and prior to the closing of the Transactions, payable to stockholders of record on the record date for the special meeting, [ ] [ ], 2012. Payment of the special dividend is contingent upon the consummation of the Transactions and accordingly will not be paid unless all the Proposals are approved by the required affirmative vote of holders of a majority of the shares of Common Stock outstanding and entitled to vote at the special meeting. We will pay the special dividend as soon as practicable following the closing of the Transactions. The Purchaser, in its capacity as the holder of the New CT Shares to be purchased pursuant to the Purchase Agreement, will not be entitled to participate in the special dividend, as it will not be a stockholder of record on the record date for the special meeting.

### **Regulatory Matters**

The consummation of the Transactions does not require the consent or approval of any government or regulatory agency. However, the sale of CTIMCO, a Securities and Exchange Commission, which we refer to as the SEC, registered investment adviser, to the Purchaser as part of the Investment Management Business Sale requires CTIMCO to file an amendment to its current Form ADV on file with the SEC promptly following the closing of such sale to reflect changes relating to the ownership and persons in control of CTIMCO post-closing.

### **Certain United States Federal Income Tax Considerations**

Our stockholders will not recognize gain or loss for federal income tax purposes as a result of the Transactions (excluding the \$2.00 per share special dividend, the consequences of which are addressed under *Certain United States Federal Income Tax Considerations* beginning on page 90).

### **Amendment of Rights Agreement**

Pursuant to the Purchase Agreement, on September 27, 2012, we entered into an amendment to our Tax Benefits Preservation Rights Agreement dated as of March 31, 2011, which we refer to as the Rights Agreement, by and between us and American Stock Transfer & Trust Company, LLC, which, among other things, exempted the Transactions from application of the triggering provisions of the Rights Agreement. For additional information on the amendment to the Rights Agreement, please see *Purchase Agreement Amendment of the Tax Benefits Preservation Rights Agreement* beginning on page 61.

### **Registration Rights**

As a condition to the consummation of Transactions, we will upon closing of the Transactions enter into a registration rights agreement pursuant to which we will agree, upon demand, subject to certain terms and

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conditions, to register for resale under the Securities Act of 1933, as amended, which we refer to as the Securities Act, the New CT Shares sold to the Purchaser and assist in the facilitation of certain sales of such shares by Purchaser. For additional information on the registration rights agreements, please see Purchase Agreement Registration Rights Agreement beginning on page 61 and Proposal 2 Purchaser Investment Proposal beginning on page 85.

**No Appraisal Rights**

Under Maryland law, stockholders are not entitled to any dissenters appraisal rights in connection with the Transactions. Please see Risk Factors Risk Factors Related to the Transactions Our stockholders will not have the right to appraisal of their investment in our Common Stock in connection with the Transactions beginning on page 14.

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**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND VOTING**

*The following are some questions that you, as a stockholder of Capital Trust, may have regarding the Proposals and the special meeting and brief answers to those questions. We urge you to read carefully the remainder of this proxy statement because the information in this section may not provide all the information that might be important to you with respect to the Transactions and the special meeting. Additional important information is also contained in the annexes to this proxy statement.*

**Where and when will the special meeting be held?**

The date, time and place of the meeting are:

[ ] [ ], 2012

10:00 a.m. (New York City time)

The law offices of Paul Hastings LLP

75 East 55th Street

New York, New York 10022

**Why am I receiving this proxy statement?**

Our board of directors is furnishing this proxy statement to you in connection with the solicitation of proxies to be voted at the special meeting of stockholders or at any adjournments of the special meeting because our records show that you were a stockholder as of the record date.

**What Proposals will the stockholders vote on at the special meeting?**

***Proposal 1 Investment Management Business Sale Proposal.*** At the special meeting, stockholders will be asked to approve the Purchase Agreement, including the sale of our investment management and special servicing business and the sale of CTIMCO and related private investment fund co-investments, to the Purchaser, for a purchase price of \$20,629,004, pursuant to the terms and subject to the conditions contained in the Purchase Agreement, and our entry into the New Management Agreement, pursuant to which we will become externally managed by the New CT Manager.

Pursuant to the Purchase Agreement, we will sell to the Purchaser our entire ownership interest in CTIMCO, through which we operate our investment management and special servicing businesses, and certain related private fund co-investments and other interests. As result of this sale, we will no longer be engaged in the investment management and special servicing businesses and upon entry into the New Management Agreement, we will no longer have our own employees and will be externally managed by the New CT Manager.

Upon consummation of the Transactions, it is expected that our executive officers and other key employees will become employed by Blackstone, and we will no longer have any employees. The day-to-day management of our business and affairs will be delegated to the New CT Manager pursuant to the terms of the New Management Agreement. We expect our former employees, who will be employed by the New CT Manager, to carry out functions similar to those carried out for us when they were employed by us, such that we will benefit from a continuity in the management of our business and affairs. There may, however, be certain conflicts between these former employees and/or the New CT Manager and us which did not exist prior to the Transactions (see Risk Factors Risk Factors Related to Capital Trust as a Result of the Externalization of Management beginning on page 14).

The Investment Management Business Sale Proposal is described more specifically herein under Proposal 1 Investment Management Business Sale Proposal beginning on page 82.

***Proposal 2 Purchaser Investment Proposal.*** At the special meeting, our stockholders will be asked to approve the issuance and sale of 5,000,000 shares of our Common Stock (representing approximately [18.2]% of



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our outstanding Common Stock after such issuance based on the number of shares outstanding as of the date of this proxy statement) to the Purchaser for a purchase price of \$10,000,000, or \$2.00 per share, pursuant to the terms and subject to the conditions contained in the Purchase Agreement. These newly issued shares will not be entitled to the \$2.00 per share special dividend to be paid upon consummation of the Transactions.

The Purchaser Investment Proposal is described more specifically herein under **Proposal 2 Purchaser Investment Proposal** beginning on page 85.

**Proposal 3 Charter Amendment Proposal.** At the special meeting, our stockholders will be asked to approve certain amendments to our charter contemplated by the Purchase Agreement. The charter amendments provide, among other things, subject to certain exceptions, that none of Blackstone or its affiliates (as such term is defined in the charter amendments), our directors or any person our directors control shall have any duty to refrain, directly or indirectly, from engaging in business opportunities or competing with us.

The Charter Amendment Proposal is described more specifically herein under **Proposal 3 Charter Amendment Proposal** beginning on page 87.

**Proposal 4 Adjournment Proposal.** At the special meeting our stockholders will be asked to approve the adjournment of the special meeting if necessary or appropriate to solicit additional proxies if there are insufficient votes to approve the Proposals.

**Are the Proposals contingent upon one another?**

Yes. All of the Proposals comprise a group of related and interdependent proposals for stockholder action. Implementation of each Proposal is contingent upon the implementation of the other Proposals. Accordingly, we will not implement any of the Proposals unless each of the Proposals is approved by our stockholders. Implementation of the Adjournment Proposal is not contingent upon the implementation of the Proposals.

**How does the board of directors recommend that I vote?**

Our board of directors recommends that our stockholders vote to approve each of the Proposals and the Adjournment Proposal.

**When are the Transactions expected to be completed?**

The parties currently expect to close the Transactions in late 2012 or early 2013.

**Who can vote?**

You can vote your shares of our Common Stock if our records show that you were the owner of the shares as of the close of business on [ ] [ ], 2012, the record date for determining the stockholders entitled to vote at the special meeting and any adjournments or postponements thereof. As of [ ] [ ], 2012, there were a total of [22,515,107] shares of our Common Stock outstanding and entitled to vote at the special meeting. You have one vote for each share of our Common Stock that you own.

**How is a quorum determined?**

We will convene the special meeting if stockholders representing the required quorum of shares of Common Stock entitled to vote either sign and return their paper proxy cards, authorize a proxy to vote electronically or telephonically or attend the meeting. A majority of the shares of Common Stock entitled to vote at the special meeting, present in person or by proxy, will constitute a quorum. If you sign and return your paper proxy card or

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authorize a proxy to vote electronically or telephonically, your shares will be counted to determine whether we have a quorum even if you abstain or fail to vote as indicated in the proxy materials. Broker non-votes (which occur when a brokerage firm has not received voting instructions from the beneficial owner on a non-routine matter, as defined by the NYSE), if any, will also be considered present for the purpose of determining whether we have a quorum.

### **What vote is required to approve each of the Proposals?**

We cannot complete the Transactions unless each of the Proposals is approved by the affirmative vote of the holders of a majority of our outstanding shares of Common Stock entitled to vote on each such Proposal at the special meeting. The Adjournment Proposal must be approved by the affirmative vote of a majority of the votes cast, whether in person or by proxy, at the special meeting.

### **What will happen if I abstain from voting or fail to vote?**

Your abstention or failure to submit a proxy or vote in person at the special meeting, will have the same effect as a vote **AGAINST** each of the Proposals. Your abstention or failure to submit a proxy or vote in person at the special meeting, will have no effect on the Adjournment Proposal.

### **How do I vote?**

You may vote by proxy or in person at the special meeting.

*Voting by Proxy.* If you hold your shares as stockholder of record, you may authorize a proxy to vote your shares by mail, on the Internet or by telephone. If you submit a proxy on the Internet or by telephone, you should not return the proxy card accompanying this proxy statement.

*Voting by Mail.* You may authorize a proxy to vote your shares by mail by marking the proxy card accompanying this proxy statement, dating and signing it, and returning it in the postage-paid envelope provided. Please allow sufficient time for mailing if you decide to submit a proxy for your shares by mail.

*Vote on the Internet.* You may also authorize a proxy to vote your shares on the Internet, by going to the [www.proxyvote.com](http://www.proxyvote.com) website and follow the instructions. Please have your proxy card in hand when accessing the website, as it contains a 12-digit control number required to authorize your proxy.

*Vote by Telephone.* You may also authorize a proxy to vote your shares by telephone, by calling the toll-free number reflected on the proxy card. Please have your proxy card in hand when calling the toll-free number, as it contains a 12-digit control number required to authorize your proxy.

You can authorize a proxy to vote by telephone or via the Internet at any time prior to 11:59 p.m., New York City time, on [ ] [ ], 2012.

*Voting in Person.* If you hold shares as a stockholder of record and plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Alternatively, you may provide us with a signed proxy card at the special meeting before voting is closed. If you would like to vote in person, please bring proof of identification with you to the special meeting. Even if you plan to attend the special meeting, we strongly encourage you to submit a proxy for your shares in advance as described above, so your vote will be counted if you are not able to attend. If your shares are held in street name, you must bring to the special meeting a proxy from the record holder of the shares (your broker, bank or other nominee) authorizing you to vote at the special meeting. To do this, you should contact your broker, bank or other nominee as soon as possible.

### **If I hold my shares in street name through my broker, will my broker vote these shares for me?**

If you hold your shares in street name, you must provide your broker, bank or other nominee with instructions in order to vote those shares. To do so, you should follow the voting instructions provided to you by





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your bank, broker or other nominee. If your bank, broker or nominee holds your shares in its name and you do not instruct it how to vote, it will not have discretion to vote on any of the Proposals or the Adjournment Proposal at the special meeting.

### **Can I change my vote after I have submitted my proxy?**

Yes. If your shares are held in street name you must contact your broker, bank or other nominee to change your vote. If you are a holder of record, you can change your vote at any time before your proxy is voted at the special meeting by:

delivering a signed written notice revoking your proxy card to the Secretary of Capital Trust at the following address: Capital Trust, Inc., 410 Park Avenue, 14th Floor, New York, New York 10022, Attention: Secretary

signing and delivering a new, valid proxy bearing a later date;

submitting another proxy by telephone or on the Internet by 11:59 p.m. New York City time on [ ] [ ], 2012 (your latest telephone or Internet voting instructions will be followed); or

attending the special meeting and voting your proxy in person, although your attendance alone will not revoke your proxy.

### **What should I do if I receive more than one set of voting materials for the special meeting?**

You may receive more than one set of voting materials for the special meeting, including multiple copies of this proxy statement and multiple proxy cards or voting instruction forms. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction form for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction form that you receive.

### **What if I do not specify a choice for a matter when returning a proxy?**

If you hold your shares of record, proxies that are signed and returned without voting instructions will be voted FOR each of the Proposals and the Adjournment Proposal.

### **Who pays for this proxy solicitation?**

We do. In addition to sending you these proxy materials, some of our employees may contact you by telephone, by mail or in person. None of these employees will receive any extra compensation for doing this. We have engaged Mackenzie Partners, Inc., an outside proxy solicitation firm, to solicit votes and the cost to us of engaging such a firm is estimated to be \$40,000 plus reasonable out-of-pocket expenses.

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**RISK FACTORS**

*In addition to the other information included in this proxy statement, including the matters addressed in the section of the proxy statement entitled Special Note Regarding Forward-Looking Information, you should carefully consider the following risks before deciding how to vote on the proposals presented at the special meeting. The risk factors related to the Transactions present risks directly related to the Transactions. We have also included risks associated with Capital Trust as a result of the externalization of our management with the New CT Manager following the consummation of the Transactions. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. The risks below also include forward-looking information, and our actual results may differ substantially from those discussed in this forward-looking information. See Special Note Regarding Forward-Looking Information beginning on page 21.*

**Risk Factors Related to the Transactions**

*The market price of our Common Stock may decline as a result of the Transactions.*

We may fail to realize all of the benefits anticipated in the Transactions or our operations may be impacted by unanticipated factors. Any of these factors could adversely affect our business and results of operations and contribute to a decrease in the price of our Common Stock. In addition, the market price of our Common Stock may decline when it begins to trade ex-dividend with respect to the special dividend.

*We will become externally managed and advised as result of the Transactions and will no longer have employees to manage our day-to-day activities.*

Upon consummation of the Transactions, we will become externally managed and advised by the New CT Manager, an affiliate of Blackstone. We will no longer have employees and all of our officers will be employees of Blackstone or its affiliates. We will have no separate facilities and will be completely reliant on the New CT Manager, which has significant discretion as to the implementation of our investment and operating policies and strategies.

Our success will depend to a significant extent upon the efforts, experience, diligence, skill and network of business contacts of the executive officers and key personnel of the New CT Manager and its affiliates. These individuals will evaluate, negotiate, execute and monitor our investments; therefore, our success will depend on their continued service with the New CT Manager and its affiliates. The departure of one or more of the executive officers or key personnel from the New CT Manager and its affiliates could have a material adverse effect on our performance.

In addition, we can offer no assurance that the New CT Manager will remain our investment manager or that we will continue to have access to the New CT Manager's officers and key personnel. The initial term of the New Management Agreement only extends until the third anniversary of the closing of the Transactions. Thereafter, the New Management Agreement will be renewable for one-year terms; provided, however, that the New CT Manager may terminate the New Management Agreement annually upon 180 days' prior notice. If the New Management Agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our business plan. Furthermore, we may incur certain costs in connection with a termination of the New Management Agreement. See *Termination of the New Management Agreement would be costly.* below.

*Blackstone will have the ability to influence our affairs and the outcome of matters submitted to a vote of stockholders.*

The 5,000,000 shares of our Common Stock acquired by the Purchaser upon consummation of the Transactions will represent approximately [18.2]% of our outstanding Common Stock following such issuance

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(based on the number of shares outstanding as of the date of this proxy statement). The Purchaser will also be entitled to designate two individuals for election to our board of directors, one of whom will be appointed as chairman of our board of directors. The voting power associated with this ownership along with its board designation rights will provide Blackstone the ability to influence our affairs and the outcome of matters required to be submitted to stockholders for approval.

***In the event we experience an ownership change for purposes of Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize our net operating losses and net capital losses against future taxable income will be limited, increasing our dividend distribution requirement for which we may not have sufficient cash flow.***

We have substantial net operating and net capital loss carry forwards which we use to offset our taxable income and thereby reduce our tax liability and/or our distribution requirements. In the event that we experience an ownership change for purposes of Section 382 of the Internal Revenue Code of 1986, as amended, which we refer to as the Internal Revenue Code, our ability to use these losses could be effectively eliminated. We would experience an ownership change if, over a rolling three-year testing period, the percentage of our Common Stock owned by one or more persons who own, directly or constructively, 5% or more of our Common Stock, which we refer to as Five-Percent Stockholders, has increased by more than 50 percentage points over the lowest percentage of our Common Stock owned by such Five-Percent Stockholders during the three-year testing period. Increased ownership by Five-Percent Stockholders can occur as a result of an issuance of stock, such as pursuant to the Purchaser Investment Proposal, as well as by regular trading activity in our Common Stock. Following the Transactions, and assuming the full cashless exercise of the warrants to purchase our Common Stock that we issued in connection with the March 2009 restructuring of our debt obligations at an assumed fair market value of our Common Stock of \$4.00 per share, Five-Percent Stockholders would have experienced a net increase in their percentage ownership of our Common Stock of approximately 26 percentage points over the three-year testing period, leaving less than 25 percentage points of increased ownership by Five-Percent Stockholders until we would experience an ownership change. The issuance of our preferred stock purchase rights pursuant to our Rights Agreement deters but does not prevent such an ownership change. We have also exempted Blackstone and its affiliates from certain provisions of the Rights Agreement. See Purchase Agreement Amendment of the Tax Benefits Preservation Rights Agreement beginning on page 61. In addition, if we decide to take steps to preserve these tax benefits, our ability to raise additional capital through offerings of our Common Stock or other classes of our participating stock could be substantially constrained.

***We have agreed to exempt the Purchaser, Blackstone and their respective affiliates from certain statutory anti-takeover protections.***

Pursuant to the Purchase Agreement, our board of directors has (i) amended our bylaws to render the application of Maryland Control Share Acquisition Act inapplicable to any acquisition of Common Stock by (a) the Purchaser and its present affiliates and (b) Blackstone and its present and future affiliates and (ii) irrevocably resolved that the Maryland Business Combination Act will not apply to any business combination (as defined in the Maryland Business Combination Act) of Capital Trust with (a) the Purchaser or its present affiliates or (b) Blackstone and any of its present or future affiliates; provided, however, that the Purchaser or any of its present affiliates and Blackstone and any of its present or future affiliates, shall not enter into any business combination with Capital Trust without the prior approval of at least a majority of the directors who are not affiliates or associates of the Purchaser or Blackstone. The Maryland Control Share Acquisition Act and the Maryland Business Combination Act provide protections that are designed to deter unsolicited takeover attempts and, as a result of these exemptions, those statutory provisions will not be available to deter any transaction involving the Purchaser, Blackstone or their respective affiliates, unless the Purchase Agreement is terminated.

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*Shares eligible for sale in the near future may cause the market price for our Common Stock to decline.*

The Purchaser will own 5,000,000 shares of our Common Stock following the closing of the Transactions for which we have granted registration rights that, beginning on the first anniversary of the closing, will facilitate the resale of such shares in the public market, and any such resale would increase the number of shares of our Common Stock available for public trading. Sales of a substantial number of shares of our Common Stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our Common Stock and may also impair our ability to raise additional capital through the sale of our equity securities in the future.

*Our stockholders will not have the right to appraisal of their investment in our Common Stock in connection with the Transactions.*

There are no appraisal or dissenters' rights that are available to our stockholders under Maryland law or our charter or bylaws in connection with the Transactions. As a result, our stockholders will not be able to have the fair value of their investment in our Common Stock judicially appraised and paid to them in cash in connection with the Transactions.

*The amendments to our charter reflected in the Charter Amendment Proposal contain provisions that reduce or eliminate duties of Blackstone and our directors with respect to corporate opportunities and competitive activities.*

The amendments to our charter reflected in the Charter Amendment Proposal effectively eliminate the duties of Blackstone and its affiliates (as such term is defined in the charter amendments), and our directors or any person our directors control to present to us business opportunities or to refrain from competing with us that otherwise may exist in the absence of such amended charter provisions. Under the charter amendments, Blackstone and its affiliates and our directors or any person our directors control will not be obligated to present to us opportunities unless they are expressly offered to such person in his or her capacity as a director or officer of Capital Trust and will be able to engage in competing activities without any restriction imposed as a result of Blackstone's or its affiliates' status as a stockholder or Blackstone's affiliates' status as officers or directors of Capital Trust.

### **Risk Factors Related to Capital Trust as a Result of the Externalization of Management**

*The personnel of the New CT Manager, as our external manager, will not be required to dedicate a specific portion of their time to the management of our business.*

Except as expressly required by the New Management Agreement, neither the New CT Manager nor any other Blackstone affiliate will be obligated to dedicate any specific personnel exclusively to us, nor are they or their personnel obligated to dedicate any specific portion of their time to the management of our business. As a result, we cannot provide any assurances regarding the amount of time the New CT Manager or its affiliates will dedicate to the management of our business and the New CT Manager may have conflicts in allocating its time, resources and services among our business and any other investment vehicles and accounts the New CT Manager (or its personnel) may manage. It is expected that each of our officers following consummation of the Transactions will also be an employee of the New CT Manager or another Blackstone affiliate, who has now or will be expected to have significant responsibilities for other investment vehicles currently managed by Blackstone and its affiliates. Consequently, we may not receive the level of support and assistance that we otherwise might receive if we were internally managed. The New CT Manager and its affiliates are not restricted from entering into other investment advisory relationships or from engaging in other business activities.

*The New CT Manager manages our portfolio pursuant to very broad investment guidelines and our board of directors will not approve each investment decision made by the New CT Manager, which may result in our making riskier investments with which you may not agree and which could cause our operating results and the value of our Common Stock to decline.*

The New CT Manager will be authorized to follow very broad investment guidelines. Our board of directors will periodically review our investment guidelines and our investment portfolio but will not, and will not be

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required to, review and approve in advance all of our proposed investments. In addition, in conducting periodic reviews, our directors may rely primarily on information provided to them by the New CT Manager or its affiliates. Subject to maintaining our REIT qualification and our exemption from regulation under the Investment Company Act of 1940, as amended, which we refer to as the Investment Company Act, the New CT Manager has significant latitude within the broad investment guidelines in determining the types of investments it makes for us, which could result in investment returns that are substantially below expectations or that result in losses, which would cause our operating results and the value of our Common Stock to decline.

***The New CT Manager's fee structure may not create proper incentives or may induce the New CT Manager and its affiliates to make certain investments, including speculative investments, which increase the risk of our investment portfolio.***

We will pay the New CT Manager base management fees regardless of the performance of our portfolio. The New CT Manager's entitlement to a base management fee, which is not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking investments that provide attractive risk-adjusted returns for our portfolio. Because the base management fees are also based in part on our outstanding equity, the New CT Manager may also be incentivized to advance strategies that increase our equity, and there may be circumstances where increasing our equity will not optimize the returns for our stockholders. Consequently, we may be required to pay the New CT Manager base management fees in a particular quarter despite experiencing a net loss or a decline in the value of our portfolio during that quarter. In connection with the Transactions, we also entered into a letter agreement with W. R. Berkley pursuant to which we agreed not to engage in certain offerings of our equity securities following the closing of the Transactions without the approval of a majority of our independent directors. See [Voting Agreement](#) [Letter Agreement with W. R. Berkley](#) beginning on page 75.

In addition, the New CT Manager has the ability to earn incentive fees each quarter based on our excess earnings, which may create an incentive for the New CT Manager to invest in assets with higher yield potential, which are generally riskier or more speculative, or sell an asset prematurely for a gain, in an effort to increase our short-term net income and thereby increase the incentive fees to which it is entitled. If our interests and those of the New CT Manager are not aligned, the execution of our business plan and our results of operations could be adversely affected, which could materially and adversely affect our ability to make distributions to our stockholders and the market price of our Common Stock.

***We may compete with existing and future private and public investment vehicles established and/or managed by Blackstone or its affiliates, which may present various conflicts of interest that restrict our ability to pursue certain investment opportunities or take other actions that are beneficial to our business and result in decisions that are not in the best interests of our stockholders.***

Following the consummation of the Transactions, we will be subject to conflicts of interest arising out of our relationship with Blackstone, including the New CT Manager and its affiliates. Blackstone will be entitled to appoint two nominees to serve on our board of directors (one of whom will be appointed as chairman of our board of directors), and Stephen D. Plavin, who will continue as our chief executive officer and a member of our board, Geoffrey G. Jervis, who will continue as our chief financial officer, and Thomas C. Ruffing, who will continue as our chief credit officer, will be executives of Blackstone and/or one or more of its affiliates, and we will be managed by the New CT Manager, a Blackstone affiliate. There is no guarantee that the policies and procedures adopted by us, the terms and conditions of the New Management Agreement or the policies and procedures adopted by the New CT Manager, Blackstone and their affiliates, will enable us to identify, adequately address or mitigate these conflicts of interest.

Some examples of conflicts of interest that may arise following consummation of the Transactions by virtue of our relationship with the New CT Manager and Blackstone include:

***Broad and Wide-Ranging Activities.*** The New CT Manager, Blackstone and their affiliates engage in a broad spectrum of activities, including a broad range of activities relating to investments in the real

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estate industry. In the ordinary course of their business activities, the New CT Manager, Blackstone and their affiliates may engage in activities where the interests of certain divisions of Blackstone and its affiliates, including the New CT Manager, or the interests of their clients may conflict with the interests of our stockholders.

*Blackstone's Policies and Procedures.* Specified policies and procedures implemented by Blackstone and its affiliates, including the New CT Manager, to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions may reduce the advantages across Blackstone's and its affiliates' various businesses that Blackstone expects to draw on for purposes of pursuing attractive investment opportunities. Because Blackstone has many different asset management, advisory and other businesses, it is subject to a number of actual and potential conflicts of interest, greater regulatory oversight and more legal and contractual restrictions than that to which it would otherwise be subject if it had just one line of business. In addressing these conflicts and regulatory, legal and contractual requirements across its various businesses, Blackstone has implemented certain policies and procedures (e.g., information walls) that may reduce the benefits that Blackstone expects to utilize for purposes of identifying and managing its investments. For example, Blackstone may come into possession of material non-public information with respect to companies in which the New CT Manager may be considering making an investment or companies that are Blackstone's and its affiliates' advisory clients. As a consequence, that information, which could be of benefit to the New CT Manager, might become restricted to those other businesses and otherwise be unavailable to the New CT Manager, and could also restrict the New CT Manager's activities. Additionally, the terms of confidentiality or other agreements with or related to companies in which any investment vehicle of Blackstone has or has considered making an investment or which is otherwise an advisory client of Blackstone and its affiliates may restrict or otherwise limit the ability of Blackstone or its affiliates, including the New CT Manager, to engage in businesses or activities competitive with such companies.

*Allocation of Investment Opportunities.* Certain inherent conflicts of interest arise from the fact that Blackstone and its affiliates, including the New CT Manager, will provide investment management and other services both to us and to other clients, including funds, client accounts, proprietary accounts and any other private or public investment vehicles that the New CT Manager, Blackstone or their affiliates currently manage or may establish, manage and/or acquire from time to time in which we will not have an interest, which we refer to collectively as the Other Accounts. The respective investment guidelines and programs of our business and the Other Accounts may or may not overlap, in whole or in part, and if there is any such overlap investment opportunities will be allocated between us and the Other Accounts in a manner which may result in fewer investment opportunities being allocated to us than would have otherwise been the case in the absence of such Other Accounts. The New CT Manager, Blackstone or their affiliates may give advice to Other Accounts which may differ from advice given to us even though their investment objectives may be the same or similar to ours.

While the New CT Manager will seek to manage potential conflicts of interest in a fair and equitable manner as required pursuant to the New Management Agreement, the portfolio strategies employed by the New CT Manager, Blackstone or their affiliates in managing the Other Accounts could conflict with the strategies employed by the New CT Manager in managing our business and may adversely affect the prices and availability of the securities and instruments in which we invest. Conversely, participation in specific investment opportunities may be appropriate, at times, for both us and the Other Accounts. The New CT Manager will have an investment allocation policy in place which will provide that investment opportunities falling within the shared investment objectives of our business and the Other Accounts will generally be allocated on a basis that the New CT Manager and applicable Blackstone affiliates determine to be fair and reasonable, taking into account a variety of factors. The New CT Manager will be entitled to amend the investment allocation policy at any time without prior notice or our consent. For additional information, see New Management Agreement Additional Activities of the New CT Manager; Allocation of Investment Opportunities; Conflicts of Interest beginning on page 71.

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Orders may be combined for all such accounts, and if any order is not filled at the same price, it may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which the New CT Manager, Blackstone or their affiliates consider appropriate.

From time to time, we and the Other Accounts may make investments at different levels of an issuer's or borrower's capital structure or otherwise in different classes of the same issuer's securities. We may make investments that are senior or junior to, or have rights and interests different from or adverse to, the investments made by Other Accounts. Such investments may conflict with the interests of such Other Accounts in related investments, and the potential for any such conflicts of interests may be heightened in the event of a default or restructuring of any such investments. We, CT Legacy REIT and CTOPI currently hold mortgage and mezzanine loans and other investments in which Blackstone affiliates have interests in the collateral securing or backing such investments. While Blackstone will seek to resolve any such conflicts in a fair and equitable manner in accordance with the investment allocation policy, such transactions shall not be required to be presented to our board of directors for approval, and there can be no assurance that any such conflicts will be resolved in our favor.

*Pursuit of Differing Strategies.* At times, the investment professionals employed by the New CT Manager and other investment vehicles affiliated with the New CT Manager and/or Blackstone may determine that an investment opportunity may be appropriate for only some of the accounts, clients, entities, funds and/or investment companies for which he or she exercises investment responsibility, or may decide that certain of the accounts, clients, entities, funds and/or investment companies should take differing positions with respect to a particular security. In these cases, the investment professionals may place separate transactions for one or more accounts, clients, entities, funds and/or investment companies which may affect the market price of the security or the execution of the transaction, or both, to the detriment or benefit of one or more other accounts, clients, entities, funds and/or investment companies. For example, an investment professional may determine that it would be in the interest of another account to sell a security that we hold long, potentially resulting in a decrease in the market value of the security held by us.

*Variation in Financial and Other Benefits.* A conflict of interest arises where the financial or other benefits available to the New CT Manager or its affiliates differ among the accounts, clients, entities, funds and/or investment companies that it manages. If the amount or structure of the base management fee, incentive fee and/or the New CT Manager's compensation differs among accounts, clients, entities, funds and/or investment companies (such as where certain funds or accounts pay higher base management fees, incentive fees or performance-based management fees), the New CT Manager might be motivated to help certain accounts, clients, entities, funds and/or investment companies over others. Similarly, the desire to maintain assets under management or to enhance the New CT Manager's performance record or to derive other rewards, financial or otherwise, could influence the New CT Manager in affording preferential treatment to those accounts, clients, entities, funds and/or investment companies that could most significantly benefit the New CT Manager. The New CT Manager may, for example, have an incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor such accounts, clients, entities, funds and/or investment companies. Additionally, the New CT Manager might be motivated to favor accounts, clients, entities, funds and/or investment companies in which it has an ownership interest or in which Blackstone and/or its affiliates have ownership interests. Conversely, if an investment professional at the New CT Manager does not personally hold an investment in the fund but holds investments in other Blackstone affiliated vehicles, such investment professional's conflicts of interest with respect to us may be more acute.

*Investment Banking, Advisory and Other Relationships.* As part of its regular business, Blackstone provides a broad range of investment banking, advisory, and other services. In the regular course of its investment banking and advisory businesses, Blackstone represents potential purchasers, sellers and other involved parties, including corporations, financial buyers, management, shareholders and



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institutions, with respect to transactions that could give rise to investments that are suitable for us. Blackstone will be under no obligation to decline any such engagements in order to make an investment opportunity available to us. In connection with its investment banking, advisory and other businesses, Blackstone may come into possession of information that limits its ability to engage in potential transactions. Our activities may be constrained as a result of the inability of Blackstone personnel to use such information. For example, employees of Blackstone not serving as employees of the New CT Manager may be prohibited by law or contract from sharing information with members of the New CT Manager's investment team. Additionally, there may be circumstances in which one or more of certain individuals associated with Blackstone will be precluded from providing services to the New CT Manager because of certain confidential information available to those individuals or to other parts of Blackstone. In certain sell-side assignments, the seller may permit us to act as a participant in such transaction, which would raise conflicts of interest inherent in such a situation.

Blackstone has long-term relationships with a significant number of corporations and their senior management. In determining whether to invest in a particular transaction on our behalf, the New CT Manager may consider those relationships (subject to its obligations under the Management Agreement), which may result in certain transactions that the New CT Manager will not undertake on our behalf in view of such relationships.

Blackstone and its affiliates may represent creditors or debtors in proceedings under Chapter 11 of the Bankruptcy Code or prior to such filings. From time to time, the New CT Manager, Blackstone and their affiliates may serve as advisor to creditor or equity committees. This involvement, for which the New CT Manager, Blackstone and their affiliates may be compensated, may limit or preclude the flexibility that we may otherwise have to participate in restructurings.

Service Providers. Our service providers (including lenders, brokers, attorneys, and investment banking firms) may be sources of investment opportunities, counterparties therein or advisors with respect thereto. This may influence the New CT Manager in deciding whether to select such a service provider. In addition, in instances where multiple Blackstone businesses may be exploring a potential individual investment, certain of these service providers may choose to be engaged by other Blackstone affiliates rather than us.

Material, Non-Public Information. The New CT Manager or certain of its affiliates may come into possession of material non-public information with respect to an issuer. Should this occur, the New CT Manager may be restricted from buying or selling securities, derivatives or loans of the issuer on our behalf until such time as the information becomes public or is no longer deemed material. Disclosure of such information to the personnel responsible for management of our business may be on a need-to-know basis only, and we may not be free to act upon any such information. Therefore, we and/or the New CT Manager may not have access to material non-public information in the possession of Blackstone which might be relevant to an investment decision to be made by the New CT Manager on our behalf, and the New CT Manager may initiate a transaction or sell an investment which, if such information had been known to it, may not have been undertaken. Due to these restrictions, the New CT Manager may not be able to initiate a transaction on our behalf that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Possible Future Activities. The New CT Manager and its affiliates may expand the range of services that they provide over time. Except as and to the extent expressly provided in the New Management Agreement, the New CT Manager and its affiliates will not be restricted in the scope of its business or in the performance of any such services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether or not such conflicts are described herein. The New CT Manager, Blackstone and their affiliates continue to develop relationships with a significant number of companies, financial sponsors and their senior managers, including relationships with clients who may hold or may have held investments similar to those intended to be made by us. These clients may themselves represent appropriate investment opportunities for us or may compete with us for investment opportunities.

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*Transactions with Other Accounts.* From time to time, we may enter into purchase and sale transactions with Other Accounts. Such transactions will be conducted in accordance with, and subject to, the terms and conditions of the New Management Agreement and our code of business conduct and ethics, which we intend to modify upon the closing of the Transactions. See *Interests of Certain Persons in the Transactions* *Policy on Transactions with Related Persons* beginning on page 44.

*Other Affiliate Transactions.* The New CT Manager may on our behalf acquire debt issued by a borrower in which a separate equity or another debt investment has been made by Blackstone or its other affiliates. When making such investments, there may be conflicting interests. There can be no assurance that the return on our investment will be equivalent to or better than the returns obtained by Blackstone or its other affiliates.

Further conflicts could arise once we and Blackstone or its affiliates have made their respective investments. For example, if a company goes into bankruptcy or reorganization, becomes insolvent or otherwise experiences financial distress or is unable to meet its payment obligations or comply with covenants relating to securities held by us or by the Blackstone or its affiliates, Blackstone or its affiliates may have an interest that conflicts with our interests. If additional financing is necessary as a result of financial or other difficulties, it may not be in our best interests to provide such additional financing. If Blackstone or its affiliates were to lose their respective investments as a result of such difficulties, the ability of the New CT Manager to recommend actions in our best interests might be impaired.

*Restrictions Arising under the Securities Laws.* The activities of Blackstone and the New CT Manager (including, without limitation, the holding of securities positions or having one of its employees on the board of directors of a company) could result in securities law restrictions on transactions in securities held by us, affect the prices of such securities or the ability of such entities to purchase, retain or dispose of such investments, or otherwise create conflicts of interest, any of which could have an adverse impact on the performance of our business and thus the return to our stockholders.

***Termination of the New Management Agreement would be costly.***

Termination of the New Management Agreement without cause will be difficult and costly. Our independent directors will review the New CT Manager's performance annually and, following the initial three-year term, the New Management Agreement may be terminated each year upon the affirmative vote of at least two-thirds of our independent directors, based upon a determination that (i) the New CT Manager's performance is unsatisfactory and materially detrimental to us or (ii) the base management fee and incentive fee payable to the New CT Manager are not fair (provided that in this instance, the New CT Manager will be afforded the opportunity to renegotiate the management fee and incentive fees prior to termination). We are required to provide the New CT Manager with 180 days prior notice of any such termination. Additionally, upon such a termination, or if we materially breach the New Management Agreement and the New CT Manager terminates the New Management Agreement, the New Management Agreement provides that we will pay the New CT Manager a termination fee equal to three times the sum of the average annual base management fee and the average annual incentive fee earned during the 24-month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination. These provisions increase the cost to us of terminating the New Management Agreement and adversely affect our ability to terminate the New CT Manager without cause.

***The New CT Manager maintains a contractual as opposed to a fiduciary relationship with us. The New CT Manager's liability is limited under the New Management Agreement and we have agreed to indemnify the New CT Manager against certain liabilities.***

Pursuant to the New Management Agreement, the New CT Manager will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. The New CT Manager maintains a

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contractual as opposed to a fiduciary relationship with us. Under the terms of the New Management Agreement, the New CT Manager and its affiliates and their respective directors, officers, employees and stockholders will not be liable to us, our directors, our stockholders or any subsidiary of ours, or their directors, officers, employees or stockholders for any acts or omissions performed in accordance with and pursuant to the New Management Agreement, except by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the New Management Agreement. We have agreed to indemnify the New CT Manager and its affiliates and their respective directors, officers, employees and stockholders with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts or omissions of the New CT Manager not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties, performed or not performed in good faith in accordance with and pursuant to the New Management Agreement. As a result, we could experience poor performance or losses for which the New CT Manager would not be liable.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION**

This proxy statement may contain forward looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act of 1934, as amended, which we refer to as the Exchange Act, which involve certain risks and uncertainties. Forward-looking statements may describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. These forward looking statements are identified by their use of such terms and phrases as intend, goal, estimate, expect, project, projections, plans, seeks, anticipates, should, could, may, designed to, foreseeable future, believe, and scheduled expressions. Our actual results or outcomes may differ materially from those anticipated. You are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statement was made. We assume no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Our actual results may differ significantly from any results expressed or implied by these forward looking statements. Some, but not all, of the factors that might cause such a difference include, but are not limited to:

the effects of the recent dislocation in the financial markets and general economic recession upon our ability to invest and manage our investments;

the general political, economic and competitive conditions in the United States and foreign jurisdictions where we invest;

the level and volatility of prevailing interest rates and credit spreads, magnified by the current turmoil in the credit markets;

adverse changes in the real estate and real estate capital markets;

difficulty in obtaining financing or raising capital, especially in the current constrained financial markets;

the deterioration of performance and thereby credit quality of property securing our investments, borrowers and, in general, the risks associated with the ownership and operation of real estate that may cause cash flow deterioration to us and potentially principal losses on our investments;

a compression of the yield on our investments and the cost of our liabilities, as well as the level of leverage available to us;

adverse developments in the availability of desirable loan and investment opportunities whether they are due to competition, regulation or otherwise;

events, contemplated or otherwise, such as acts of God including hurricanes, earthquakes, and other natural disasters, acts of war and/or terrorism (such as the events of September 11, 2001) and others that may cause unanticipated and uninsured performance declines and/or losses to us or the owners and operators of the real estate securing our investment;

the cost of operating our platform, including, but not limited to, the cost of operating a real estate investment platform and the cost of operating as a publicly traded company;

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authoritative generally accepted accounting principles, or GAAP, or policy changes from such standard-setting bodies as the Financial Accounting Standards Board, the SEC, Internal Revenue Service, the NYSE, and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business; and

the risk factors set forth above and those set forth in Item 1A of our annual report on Form 10-K for fiscal year ended December 31, 2011 set forth in Annex D and Exhibit 99.1 of our quarterly report on Form 10-Q for our fiscal quarter ended June 30, 2012 set forth in Annex E.

**Table of Contents****HISTORICAL AND PRO FORMA CAPITALIZATION**

The following table sets forth our historical capitalization as of June 30, 2012 and a pro forma capitalization as of June 30, 2012 giving pro forma effect to the Investment Management Business Sale contemplated in Proposal 1 and the Purchaser Investment contemplated in Proposal 2. The information set forth in the table below should be read in conjunction with the unaudited pro forma financial statements and related notes included elsewhere in this proxy statement.

**Capital Trust, Inc. and Subsidiaries Pro Forma Capitalization as of June 30, 2012 (in thousands, except per share data)**

(unaudited)

	Actual	Pro Forma Adjustments		Pro Forma Presentation	Notes
		Principal Transactions	CDO De-Consolidation		
<b>Cash and cash equivalents</b>	\$ 34,604	\$ 23,356	\$	\$ 57,960	(1)(2)(3)
<b>Restricted cash</b>	15,433			15,433	(4)
<b>Debt:</b>					
Secured Notes	8,176			8,176	
Securitized debt obligations	518,140		(364,509)	153,631	(5)
<b>Total debt</b>	526,316		(364,509)	161,807	
<b>Equity:</b>					
Class A common stock, \$0.01 par value	220	53		273	(2)(6)
Restricted class A common stock, \$0.01 par value	5	(5)			(6)
Additional paid-in capital	597,344	8,104		605,448	(2)(7)
Accumulated other comprehensive loss	(33,679)		33,679		(5)
Accumulated deficit	(598,275)	(539)	55,967	(542,847)	(5)
<b>Total Capital Trust, Inc. shareholders (deficit) equity</b>	(34,385)	7,613	89,646	62,874	
Noncontrolling interests	56,625			56,625	
<b>Total equity</b>	22,240	7,613	89,646	119,499	
<b>Total Capitalization</b>	\$ 548,556	\$ 7,613	(\$ 274,863)	\$ 281,306	

- (1) Assumes a purchase price for the Investment Management Business Sale of \$20.3 million (the CT Investment Management Interests Purchase Price, as adjusted for information known as of the date of the proxy statement. See Purchase Agreement Adjustment to the CT Investment Management Interests Purchase Price beginning on page 46), as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82, and related transaction expenses of \$6.2 million.
- (2) Assumes the issuance and sale of 5,000,000 shares of our Common Stock, at a sale price of \$2.00 per share, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85.
- (3) The pro forma balance does not reflect the contemplated special dividend of \$2.00 per share, which, if the Transactions are completed, will be payable to stockholders of record of our Common Stock as of the close of business on the record date for the special meeting, which will reduce cash and cash equivalents by approximately \$45.2 million, based on the number of shares outstanding as of the record date.

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- (4) Restricted cash represents the cash of CT Legacy REIT, which is a majority owned, consolidated subsidiary as of June 30, 2012. See our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 attached hereto as Annex E for additional information concerning CT Legacy REIT.
- (5) The pro forma balance excludes the accounts of CT CDO II and CT CDO IV, which will no longer be consolidated as a result of the Investment Management Business Sale, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.
- (6) Assumes the vesting of all 597,000 shares of restricted Common Stock and Common Stock underlying the deferred stock units, offset by 239,000 shares which will be cancelled as a result of tax withholdings on the vesting of restricted stock.
- (7) Assumes offering costs of \$1.4 million related to the Purchaser Investment, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85.

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following unaudited pro forma financial statements assume completion of the Investment Management Business Sale and our entry into the New Management Agreement contemplated in Proposal 1 and the Purchaser Investment contemplated in Proposal 2, in each case between us and the Purchaser or its affiliates. The pro forma financial statements are based on and should be read in conjunction with the historical consolidated financial statements of Capital Trust incorporated by reference herein and contained in Annexes D and E hereto. The following pro forma consolidated balance sheet as of June 30, 2012 assumes that each of the Investment Management Business Sale and the Purchaser Investment occurred on June 30, 2012. The following pro forma consolidated statements of operations for the year ended December 31, 2011 and the six months ended June 30, 2012 assume that the Investment Management Business Sale, including entering into of the New Management Agreement, and the Purchaser Investment occurred on January 1, 2011. The following pro forma financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating results or financial position that would have occurred if the Investment Management Business Sale, including entering into of the New Management Agreement, and the Purchaser Investment had been consummated on the dates indicated, nor is it indicative of future operating results or financial position.



**Table of Contents****Capital Trust, Inc. and Subsidiaries Pro Forma Consolidated Balance Sheet as of June 30, 2012 (in thousands)****(unaudited)**

	Actual	Pro Forma Adjustments		Pro Forma Presentation	Notes
		Principal Transactions	De-Consolidation		
<b>Assets</b>					
Cash and cash equivalents	\$ 34,604	\$ 23,356	\$	\$ 57,960	(1)(2)(3)
Loans receivable, net	1,619			1,619	
Equity investments in unconsolidated subsidiaries	17,978	(14,318)		3,660	(4)
Deferred income taxes	2,727	(2,727)			(5)
Prepaid expenses and other assets	2,207	(1,836)		371	
<b>Subtotal</b>	<b>59,135</b>	<b>4,475</b>		<b>63,610</b>	
<u>Assets of Consolidated Entities</u>					
<b>CT Legacy REIT</b>					
Restricted cash	15,433			15,433	
Investment in CT Legacy Asset, at fair value	90,700			90,700	
<b>Subtotal</b>	<b>106,133</b>			<b>106,133</b>	
<b>Securitization Vehicles</b>					
Securities held-to-maturity	166,630		(166,630)		(6)
Loans receivable, net	241,644		(120,653)	120,991	(6)
Accrued interest receivable and other assets	10,695		(9,259)	1,436	(6)
<b>Subtotal</b>	<b>418,969</b>		<b>(296,542)</b>	<b>122,427</b>	
<b>Total assets</b>	<b>\$ 584,237</b>	<b>\$ 4,475</b>	<b>(\$ 296,542)</b>	<b>\$ 292,170</b>	
<b>Liabilities &amp; Equity</b>					
Liabilities:					
Accounts payable, accrued expenses and other liabilities	\$ 12,320	(\$ 3,139)	\$	\$ 9,181	
Secured notes	8,176			8,176	
Participations sold	1,619			1,619	
<b>Subtotal</b>	<b>22,115</b>	<b>(3,139)</b>		<b>18,976</b>	
<u>Non-Recourse Liabilities of Consolidated Entities</u>					
<b>Securitization Vehicles</b>					
Accounts payable, accrued expenses and other liabilities	549		(485)	64	(6)
Securitized debt obligations	518,140		(364,509)	153,631	(6)
Interest rate hedge liabilities	21,193		(21,193)		(6)
<b>Subtotal</b>	<b>539,882</b>		<b>(386,187)</b>	<b>153,695</b>	
<b>Total liabilities</b>	<b>561,997</b>	<b>(3,139)</b>	<b>(386,187)</b>	<b>172,671</b>	

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	Pro Forma Adjustments			Pro Forma Presentation	Notes
	Actual	Principal Transactions	CDO De-Consolidation		
<b>Equity:</b>					
Class A common stock, \$0.01 par value	220	53		273	(2)(7)
Restricted class A common stock, \$0.01 par value	5	(5)			(7)
Additional paid-in capital	597,344	8,104		605,448	(2)(8)
Accumulated other comprehensive loss	(33,679)		33,679		(6)
Accumulated deficit	(598,275)	(539)	55,967	(542,847)	(6)
<b>Total Capital Trust, Inc. shareholders (deficit) equity</b>	<b>(34,385)</b>	<b>7,613</b>	<b>89,646</b>	<b>62,874</b>	
Noncontrolling interests	56,625			56,625	
<b>Total equity</b>	<b>22,240</b>	<b>7,613</b>	<b>89,646</b>	<b>119,499</b>	
<b>Total liabilities and equity</b>	<b>\$ 584,237</b>	<b>\$ 4,474</b>	<b>(\$ 296,541)</b>	<b>\$ 292,170</b>	

- (1) Assumes a purchase price for the Investment Management Business Sale of \$20.3 million (the CT Investment Management Interests Purchase Price, as adjusted for information known as of the date of the proxy statement. See Purchase Agreement Adjustment to the CT Investment Management Interests Purchase Price beginning on page 46), as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82, and related transaction expenses of \$6.2 million.
- (2) Assumes the issuance and sale of 5,000,000 shares of our Common Stock, at a sale price of \$2.00 per share, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85.
- (3) The pro forma balance sheet does not reflect the contemplated special dividend of \$2.00 per share, which, if the Transactions are completed, will be payable to stockholders of record of our Common Stock as of the close of business on the record date for the special meeting, which will reduce cash and cash equivalents by approximately \$45.2 million, based on the number of shares outstanding as of the record date.
- (4) The pro forma balance sheet reflects the value of our retained interests in CTOPI as of June 30, 2012, assuming the Investment Management Business Sale, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.
- (5) All deferred tax assets as of June 30, 2012 relate to the operations of CTIMCO.
- (6) The pro forma balance sheet excludes the accounts of CT CDO II and CT CDO IV, which will no longer be consolidated as a result of the Investment Management Business Sale, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.
- (7) Assumes the vesting of all 597,000 shares of restricted Common Stock and Common Stock underlying deferred stock units, offset by 239,000 shares which will be cancelled as a result of tax withholdings on the vesting of restricted stock.
- (8) Assumes offering costs of \$1.4 million related to the Purchaser Investment, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85.

**Table of Contents****Capital Trust, Inc. and Subsidiaries****Pro Forma Consolidated Statement of Operations****Six Months Ended June 30, 2012****(in thousands, except share and per share data)****(unaudited)**

	Actual	Pro Forma Adjustments		Pro Forma Presentation	Notes
		Principal Transactions	De-Consolidation		
<b>Income from loans and other investments:</b>					
Interest and related income	\$ 21,479	\$	(\$ 11,753)	\$ 9,726	(1)
Less: Interest and related expenses	28,754		(9,570)	19,184	(1)
Income from loans and other investments, net	(7,275)		(2,183)	(9,458)	
<b>Other revenues:</b>					
Management fees from affiliates	3,195	(3,195)			
Servicing fees	3,385	(3,385)			
Total other revenues	6,580	(6,580)			
<b>Other expenses:</b>					
General and administrative	9,052	(6,444)	(158)	2,450	(1)(2)
Total other expenses	9,052	(6,444)	(158)	2,450	
<b>Total other-than-temporary impairments of securities</b>					
Portion of other-than-temporary impairments of securities recognized in other comprehensive income	(160)		160		(1)
Net impairments recognized in earnings	(160)		160		
Recovery of provision for loan losses	8		(8)		(1)
Fair value adjustment on investment in CT Legacy Assets	7,657			7,657	
Gain on deconsolidation of subsidiary	146,380			146,380	
Income from equity investments	901	(901)			
Income before income taxes	145,039	(1,037)	(1,873)	142,129	
Income tax provision	1,066	(765)		301	
Net income	143,973	(272)	(1,873)	141,828	
Less: Net income attributable to noncontrolling interests	(75,137)		558	(74,579)	(1)
Net income attributable to Capital Trust, Inc.	\$ 68,836	(\$ 272)	(\$ 1,315)	\$ 67,249	

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Per share information:

Net income per share of Common Stock:

Basic	\$	3.01	\$	2.38	(3)
Diluted	\$	2.83	\$	2.26	(3)

Weighted average shares of Common Stock  
outstanding:

Basic	22,865,819	5,395,505	28,261,324	(3)
Diluted	24,353,388	5,395,505	29,748,893	(3)

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- (1) The pro forma balance excludes the accounts of CT CDO II, CT CDO IV, and MSC 2007-XLCA, which will no longer be consolidated as a result of the Investment Management Business Sale, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.
- (2) Includes a \$125,000 management fee expense which would have been paid during the period pursuant to the New Management Agreement with the New CT Manager, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.
- (3) Pro forma earnings per share and diluted earnings per share include the 5,000,000 shares which will be issued and sold, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85, offset by 239,000 shares which will be canceled as a result of tax withholdings on the vesting of restricted Common Stock.

**Table of Contents****Capital Trust, Inc. and Subsidiaries Pro Forma Consolidated Statement of Operations Year Ended December 31, 2011 (in thousands, except share and per share data) (unaudited)**

	Actual	Pro Forma Adjustments		Pro Forma Presentation	Notes
		Principal Transactions	CDO De-Consolidation		
<b>Income from loans and other investments:</b>					
Interest and related income	\$ 117,162	(\$ 1)	(\$ 51,397)	\$ 65,764	(1)
Less: Interest and related expenses	96,974		(38,980)	57,994	(1)
Income from loans and other investments, net	20,188	(1)	(12,417)	7,770	
<b>Other revenues:</b>					
Management fees from affiliates	6,618	(6,618)			
Servicing fees	8,497	(8,497)			
Total other revenues	15,115	(15,115)			
<b>Other expenses:</b>					
General and administrative	23,867	(13,746)	(566)	9,555	(1)(2)
Total other expenses	23,867	(13,746)	(566)	9,555	
Total other-than-temporary impairments of securities	(49,309)		26,858	(22,451)	(1)
Portion of other-than-temporary impairments of securities recognized in other comprehensive income	1,243		(5,206)	(3,963)	(1)
Impairment of real estate held-for-sale	(1,055)		1,055		(1)
Net impairments recognized in earnings	(49,121)		22,707	(26,414)	
Recovery of provision for loan losses	19,326		9,737	29,063	(1)
Valuation allowance on loans held-for-sale	(1,456)			(1,456)	
Gain on extinguishment of debt	271,031			271,031	
Income from equity investments	3,649	(3,649)			
Income before income taxes	254,865	(5,019)	20,593	270,439	
Income tax provision	2,546	(1,121)		1,425	
Net income	252,319	(3,898)	20,593	269,014	
Less: Net income attributable to noncontrolling interests	5,823		7,671	13,494	(1)
Net income attributable to Capital Trust, Inc.	\$ 258,142	(\$ 3,898)	\$ 28,264	\$ 282,508	
<b>Per share information:</b>					
Net income per share of Common Stock:					
Basic	\$ 11.39			\$ 10.30	(3)
Diluted	\$ 10.78			\$ 9.84	(3)

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Weighted average shares of Common Stock outstanding:				
Basic	22,660,429	4,761,386	27,421,815	(3)
Diluted	23,950,425	4,761,386	28,711,811	(3)

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- (1) The pro forma balance excludes the accounts of CT CDO II, CT CDO IV, and MSC 2007-XLCA, which will no longer be consolidated as a result of the Investment Management Business Sale, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.
- (2) Includes a \$250,000 management fee expense which would have been paid during the period pursuant to the New Management Agreement with the New CT Manager, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82. Excludes \$2.8 million of estimated transaction costs, which will be recognized through net income as a result of the Transactions. Also excludes \$1.2 million of non-cash compensation expense associated with the unvested portion of the 537,000 shares of restricted Common Stock outstanding as of June 30, 2012.
- (3) Pro forma earnings per share and diluted earnings per share include the 5,000,000 shares which will be issued and sold, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85, offset by 239,000 shares which will be canceled as a result of tax withholdings on the vesting of restricted Common Stock.



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**BACKGROUND OF THE TRANSACTIONS AND RECOMMENDATION**

In 2008 and 2009, the U.S. and other financial markets experienced extreme dislocations and a severe contraction in available liquidity as important segments of the credit markets froze. This disruption impacted commercial real estate markets as property owners and operators experienced distress and declining real estate values. Our business and financial condition were negatively impacted by these developments, which resulted in significant impairments to our portfolio of investments and an inability to refinance our significant maturing debt obligations. In March 2009, in the face of these maturities, we successfully negotiated an interim restructuring of substantially all of our recourse debt obligations, modifying their terms and extending their maturity until 2011.

Subsequently, our board of directors, in consultation with our management, determined that the leverage in our business when assessed with conditions in our portfolio investments was not sustainable for the long term. Under the direction of our board of directors, we proceeded to explore a permanent comprehensive restructuring that would stabilize our business. This exploration culminated in the restructuring that was completed in March 2011, leaving us free of recourse debt at our corporate parent level. The restructuring involved the contribution of substantially all of our legacy assets into a newly formed subsidiary CT Legacy REIT. CT Legacy REIT assumed all of our remaining secured recourse debt, and our former unsecured lenders converted their loans into debt and equity interests in CT Legacy REIT. The transaction required certain payments to our lenders and these payments were financed primarily by a mezzanine loan provided by a third party, which also received an equity interest in CT Legacy REIT. Following this restructuring, we retained a 52% equity interest in the common stock of CT Legacy REIT, subject to claims on the cash flows generated from our interest under agreements with certain of our former lenders and our management, allowing us to participate in the net recovery of our legacy portfolio investments. In addition, we retained 100% ownership of our investment management and special servicing business operated through our subsidiary, CTIMCO.

Following our March 2011 debt restructuring, our management explored the possibility of raising capital in order to maintain and grow our commercial real estate debt business. Our management pursued discussions with potential underwriters and sources of both public and private equity capital. At the conclusion of these efforts, our management and board of directors determined that our ability to raise capital would depend upon a material investment from existing or new sponsors.

During late 2011 and early 2012, our management, after consultation with our board of directors, expanded on its prior efforts and contacted various investment banking firms, private equity firms and strategic investors to explore opportunities for raising capital and other potential strategic alternatives. Management updated our board of directors on these efforts and discussions they had with various parties. To facilitate these discussions, we entered into confidentiality agreements with several parties, including Blackstone, and provided certain of these parties with access to non-public information concerning our business and assets. As discussions with third parties continued in early January 2012, 16 parties had preliminarily indicated an interest in pursuing a strategic transaction with the company. These parties were potentially interested in transactions that would involve a sale of all or part of our business. One party submitted a proposal outlining terms of a potential transaction that was distributed to our board of directors.

A telephonic meeting of our board of directors was convened on February 27, 2012 for our management to update our board of directors on its efforts and the strategic alternatives that were potentially available based on our management's discussions with interested third parties. During the meeting, our management described the components of value at the company, comprised of financial assets, such as our investment in CT Legacy REIT, and operating assets, such as our investment management and special servicing business. Our management cautioned the board that any effort to monetize our interest in the company's financial assets likely could only be achieved at prices that represented a substantial discount to our management's view of fair value. Our management also described how our investment management and special servicing business, while currently profitable, were facing pressure to replace diminishing assets in order to maintain or increase management and attendant fee income. Management underscored that without significant new capital, we would face declining

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revenues and eventually unprofitable operations. Our management noted that, without a solution that would raise significant capital to resume investment activities or an alternative that would address our cost structure, it would increasingly be more difficult to operate and retain Capital Trust's talented professionals. Our management suggested four alternative solutions: (i) remain public and recapitalize with a material investment from existing sponsors, (ii) remain public and raise capital with the benefit of a material investment from a new sponsor, (iii) go private with financing provided by existing sponsors, or (iv) effect a sale of the company to a public or private buyer. After considering management's presentation and information concerning potential strategic alternatives, our board of directors determined it should hold another meeting to explore further the potentially available strategic alternatives and instructed our management to provide a more detailed analysis of strategic alternatives and management's recommendations.

On March 28, 2012, our board of directors reconvened to review the strategic alternatives available to Capital Trust. Our board of directors reviewed our recent achievements: the completion of our March 2011 comprehensive debt restructuring, the growth in our special servicing business and the continued advancement of our investment management business. Our board of directors recognized that there was value in our operating platform when considering the significant qualifications and experience of our management team and the favorable reputation it had developed in the market for its origination, asset management and special servicing capabilities, and the interest in the business expressed by third parties. Our board discussed various strategic alternatives and the execution and other challenges associated with them, including a sale of Capital Trust to a public or private buyer, a business plan focused on investment management, the sale of our interest in CT Legacy REIT and the sale of our CTIMCO operated investment management and special servicing businesses as part of a management externalization transaction. Representatives of our legal counsel, Paul Hastings LLP, which we refer to as Paul Hastings, advised the board on its duties as it considered strategic alternatives. During the meeting, a consensus developed that we should more directly explore strategic alternatives involving third party capital, including a sale of all or part of our business.

During the meeting, Joshua A. Polan, a director who serves on our board of directors as a designee of W. R. Berkley, a significant stockholder which holds through its affiliates approximately [17.1]% of our outstanding Common Stock and which is an investment management client of CTIMCO, expressed W. R. Berkley's interest in participating in the strategic alternatives review process and exploring a potential strategic transaction with Capital Trust. Our board addressed the potential conflict of interest that would exist for Mr. Polan in light of W. R. Berkley's interest and concluded Mr. Polan should recuse himself from participation in board meetings during which strategic alternatives were addressed or considered. Mr. Polan then recused himself from the meeting.

During that same meeting on March 28, 2012, our board of directors concluded that we would benefit from the advice and assistance of a financial advisor and that given a transaction could involve a role for management and the interest expressed by W. R. Berkley, our board of directors should form a special committee of independent and disinterested directors to oversee the strategic alternatives review process and engage a financial advisor. Our board designated Thomas E. Dobrowski, Martin L. Edelman and Henry N. Nassau, independent and disinterested members of our board of directors, to serve on the special committee. After the meeting, W. R. Berkley entered into a confidentiality agreement with us and was provided access to non-public information.

On April 10, 2012, acting by written consent, our board of directors formally appointed Messrs. Dobrowski, Edelman and Nassau to serve as members of the special committee and established the committee's mandate. Our board delegated to the special committee, among other things, the exclusive power and authority to determine whether a sale of all or a portion of our business or some other transaction relating to a change of control was in the best interests of Capital Trust and its stockholders.

On April 10, 2012, the special committee held a meeting during which Mr. Edelman was appointed chairman of the committee. Representatives of Evercore and Paul Hastings were in attendance at this meeting. During this meeting, Mr. Edelman reviewed the multiple discussions he had had with representatives from Evercore Group L.L.C., which we refer to as Evercore, an investment banking firm under consideration for

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engagement as the committee's financial advisor, concerning Evercore's qualifications and background in strategic transactions in the real estate sector. The special committee then reviewed the previous efforts undertaken by management with potential transaction counterparties, the level of interest indicated and the status of discussions. The representatives of Evercore then shared their views and recommendations for expanding on these efforts in order to gauge the level of interest of additional parties, and proposed a general process and timetable for the special committee to consider. The representatives from Evercore then departed the meeting, and before it was adjourned, the special committee agreed to engage Evercore as its financial adviser upon satisfactory agreement on proposed fees and confirmation of the lack of any conflicting relationship with W. R. Berkley given its participation in the process. The lack of any relationship was subsequently confirmed by Evercore, and Evercore was subsequently engaged.

On April 17, 2012, the special committee held a meeting during which our management provided an update on their ongoing discussions with five interested parties engaged in discussions with management. The special committee agreed with Evercore's recommendation that it solicit the interest of additional parties. A representative from Evercore then addressed their recommendation for a formal process to determine what parties were interested in submitting proposals and their level of interest and the advantages of setting a uniform deadline for the submission of formal proposals. The committee selected May 18, 2012 as the deadline for the submission of proposals.

On April 20, 2012, at the direction of the special committee, Evercore distributed a bid process letter to the four parties that had continued to indicate an interest in pursuing a strategic transaction with Capital Trust, including W. R. Berkley, which letter outlined a process for submitting non-binding proposals for a strategic transaction. The bid process letter contemplated that the proposals could relate to an acquisition of our entire company or of only selected subsets of our assets. The letter advised the recipients that our board of directors expected that parties submitting proposals would ultimately provide their views of value (and the underlying assumptions) of all components of their bids. Consistent with the special committee's direction, the bid process letter established May 18, 2012 as the deadline for submission of proposals. The bid process letter was not provided to Blackstone, which at this stage was not an active participant in the process.

During April and May 2012, at the direction of the special committee, before and after the bid process letter was distributed, Evercore contacted multiple third parties (including five parties with which our management previously had discussions prior to the formation of the special committee) to explore whether such parties had an interest in pursuing a potential strategic transaction. In its solicitations, Evercore targeted an array of different types of potential transaction counterparties, such as REITs and other real estate owners, diversified financial institutions, commercial mortgage servicers and financial sponsors with an interest in commercial real estate, including Blackstone. Of the parties Evercore contacted on our behalf, including those previously in discussions with our management, 17 executed confidentiality agreements and had access to non-public information.

The special committee held meetings on May 8 and 9, 2012 during which it was updated on Evercore's efforts to solicit additional parties to explore a strategic transaction with us and the status of discussions with the parties that had already expressed an interest in such a transaction, including W. R. Berkley. During these meetings, which were also attended by our management and representatives of Paul Hastings and Evercore, our management reported that W. R. Berkley intended to submit a proposal prior to the deadline set in the bid process letter and that it intended to file an amendment to its Schedule 13D beneficial ownership statement on file with the SEC in order to reflect its proposal.

The special committee met again on May 14, 2012 and decided that it was advisable for the company to issue a press release announcing that it had initiated a process to review strategic alternatives. During the meeting, Paul Hastings related conversations it had with W. R. Berkley and its counsel regarding W. R. Berkley's plans to file a Schedule 13D amendment. The special committee decided that, in order to provide more time for the market to consider the company's announcement and W. R. Berkley's Schedule 13D disclosure, it would extend until May 23, 2012 the deadline for submission of proposals and instructed the representatives of Evercore in attendance at the meeting to update the parties that had been provided with the bid process letter.

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The closing price of our Common Stock on May 14, 2012 was \$2.60. On May 15, 2012, we issued a press release publicly announcing the formation of the special committee and the commencement of our review of strategic alternatives.

At a meeting of the special committee held on May 22, 2012, Evercore advised the special committee of the various communications it had with additional parties that had contacted Evercore to explore participating in the process following our public announcement regarding our review of strategic alternatives. The special committee determined with advice of our management and representatives of Evercore and Paul Hastings that Evercore and our management should continue to engage with these parties, but that it was otherwise advisable to proceed as planned and not further extend the previously established May 23, 2012 deadline for the submission of proposals.

On May 22, 2012, following Evercore's communications with Blackstone, we entered into an amendment to the confidentiality agreement with Blackstone that the parties had entered into on January 18, 2012. Following the execution of the amendment, which extended the outside date for use of the confidential information, Blackstone obtained access to the available non-public information.

We received four preliminary written non-binding indications of interest on or before the May 23, 2012 deadline. Bidder 1, a publicly traded alternative asset manager, submitted a proposal to acquire all of our outstanding Common Stock in exchange for shares of the bidder valued at \$79.4 million, or \$3.25 per share of our Common Stock on a fully diluted basis. Bidder 2, a privately held real estate firm, proposed to purchase our entire interest in CT Legacy REIT, our entire interest in CTIMCO (including related liabilities) and the related carried and co-investment interests in CTIMCO's managed private funds and 9.9% of our Common Stock for \$75 million in cash, following which we would be externally managed by CTIMCO. Bidder 3, a private equity fund manager, submitted two alternative proposals. The first alternative provided for the acquisition of all of our Common Stock for \$1.80 per share in cash and the payment of a \$1.45 per share special cash dividend funded from our existing cash, reflecting total cash consideration to stockholders of \$3.25 per share of our Common Stock. The second alternative provided for the purchase of our entire interest in CTIMCO (on a cash free and debt free basis) and the related co-investment interests in CTIMCO's managed private funds for \$20 million in cash, following which we would be externally managed by CTIMCO. W. R. Berkley, Bidder 4, proposed to purchase our entire interest in CTIMCO (including the CTOPI carried interest and the assumption of the CTOPI and CT Legacy REIT incentive compensation obligations) and the related co-investment interests in CTIMCO's managed private funds for \$25 to \$30 million in cash, subject to a minimum \$7.5 million in tangible equity in CTIMCO (comprised almost entirely of cash), following which we would be externally managed by CTIMCO. At this point in the process, Blackstone had not submitted a proposal for a strategic transaction.

On May 24, 2012, W. R. Berkley filed its Schedule 13D amendment, which disclosed the non-binding indication of interest it submitted to us on May 23, 2012.

On May 25, 2012, a meeting of the special committee was held to review with our management and representatives of Evercore and Paul Hastings the proposals submitted by the bidders. Evercore had prepared a detailed summary of the proposals, which its representatives reviewed with the special committee during the meeting. Evercore's representatives described the financial analysis undertaken to arrive at a present value per share comparison of each proposal and provided their views on the proposals and provided an analysis of the present value of each of the proposals. Our management also provided its view on the proposals and highlighted for the special committee that the entire company acquisition proposals reflected significant discounts for financial assets underlying the company's interests in CT Legacy REIT and CTOPI incentive compensation that produced less value for stockholders in comparison to the proposals that did not require the sale of those financial assets, which we refer to as the alternative asset acquisition proposals. The special committee, Evercore's representatives and our management then discussed the potential for achieving a price level in an entire company transaction that, when considering the timing and uncertainties associated with the cash flows from the recoveries in our legacy assets and private funds, would be superior to the alternative asset acquisition proposals. Our management recommended that we continue to engage with all bidders and, as part of that engagement, that we obtain clarification from the asset acquisition proposal bidders as to their post-

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closing plans for Capital Trust and the value to be produced for stockholders in terms of immediate and long-term returns. The special committee endorsed this recommendation and instructed Evercore and our management to continue to engage with the other parties, including Blackstone, which had recently entered the formal process.

Evercore and our management continued to engage in discussions with the four bidders that had submitted bids on May 23, 2012 as well as with other parties that had signed confidentiality agreements. These discussions centered on the potential for the bidders to provide greater value to stockholders.

On June 5, 2012, the special committee held a meeting to obtain an update from Evercore's representatives and our management on the discussions with all four bidders. A representative of Paul Hastings was also in attendance at this meeting. Our management noted where it found important information lacking from bidders and reported as to how at this stage they viewed bids in terms of certainty of execution and the value to be achieved for our stockholders. The special committee determined that management and Evercore should continue to obtain clarity on the bidders' plans, with the goal of selecting a bid that represented the best available alternative in terms of certainty of execution and the value produced for stockholders.

The special committee convened a meeting on June 15, 2012, which was also attended by our management and representatives of Evercore and Paul Hastings. During the meeting, our management reported on the latest discussions with the four bidders and their interest and intentions to continue to participate in the process. The special committee determined to set June 22, 2012 as the date for the submission of final round bids. On June 18, 2012, at the direction of the special committee, Evercore distributed to the four original bidders an updated bid process letter, which outlined the process for submitting final non-binding proposals for a strategic transaction by June 22, 2012.

We received updated preliminary written non-binding indications of interest reflecting final round bids from all four initial round bidders on or before June 25, 2012. Bidder 1's proposal to acquire all of our outstanding Common Stock was revised and increased to reflect total consideration of \$83.4 million, or \$3.40 per share of our Common Stock on a fully diluted basis, payable 40% in cash and 60% in bidder shares. Bidder 2's proposal to purchase our entire interest in CT Legacy REIT, our entire interest in CTIMCO (including related liabilities) and the related carried and co-investment interests in CTIMCO's managed private funds and 9.9% of our Common stock was increased to \$77.5 million in cash and Bidder 2 clarified that the external management fees that would be charged to the company would be waived until the earlier of two years or until assets under management exceeded \$250 million. Bidder 2 also presented an alternative proposal that provided for the purchase of the designated assets and 9.9% of our Common Stock for \$70 million, no waiver of management fees and a \$1.00 per share special dividend. Bidder 3's submission reflected a single proposal pursuant to which it would acquire all of our Common Stock for \$2.10 per share in cash and the payment of a \$1.30 per share special cash dividend funded from our existing cash, reflecting total cash consideration to stockholders of \$3.40 per share. W. R. Berkley, Bidder 4, updated its proposal to purchase our entire interest in CTIMCO (including the CTOPI carried interest and assuming the CTOPI and CT Legacy REIT incentive compensation obligations) and the related co-investment interests in CTIMCO's managed private funds for \$26.75 million in cash, subject to a minimum \$7.5 million in tangible equity in CTIMCO (comprised almost entirely of cash), following which we would be externally managed by CTIMCO. W. R. Berkley alternatively offered \$21.75 million in a transaction on the same terms except that it would exclude an acquisition of the CTOPI carried interest and associated CTOPI incentive compensation obligation. At this point in the process, Blackstone had not submitted a proposal.

On June 26, 2012, the special committee convened a meeting during which it reviewed with our management and representatives of Evercore and Paul Hastings the final round bids submitted by the four bidders. Representatives of Evercore referred the special committee to an updated summary of the bidders' proposals, which they reviewed during the meeting. Representatives of Evercore reviewed with the special committee an updated comparison of the per share consideration to be paid in each bidder's proposal and the present value calculations reflected in the analysis. Our management updated the special committee on its discussions with the bidders and advised the special committee that certain substantive discussions concerning the proposals were ongoing. Evercore and management summarized the ongoing efforts of other parties that had signed

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confidentiality agreements, including responding to an outreach from Blackstone, in an effort to determine whether such parties were in a position to advance and execute transactions on a timely basis that represented superior alternatives when compared to the proposals submitted by the four bidders.

On June 29, 2012, the special committee held a meeting during which our management and Evercore's and Paul Hastings' representatives reviewed the status of discussions with the four bidders. Our management advised that it viewed the component bid proposals as superior to the whole company bid proposals as they provided superior value for our stockholders. During the June 29th meeting, our management and Evercore's representatives also advised the special committee as to the latest contact with Blackstone and the interest it expressed in pursuing a transaction. They described Blackstone's preliminary proposal, which had been outlined orally to our management as part of the process. The special committee determined that the preliminary proposal was credible and could potentially achieve superior value for our stockholders compared to the other four bidders' proposals. The special committee instructed Evercore to request that Blackstone submit a formal written proposal by July 2, 2012.

On July 2, 2012, Blackstone submitted a proposal to Evercore outlining its proposed acquisition of CTIMCO and the related private fund co-investment interests (excluding the carried interest in CTOPI) for \$20,000,000, an investment of \$10,000,000 for 5,000,000 shares of our Common Stock and contemplating the payment of a \$2.00 per share special dividend by Capital Trust to our stockholders as part of the transaction. Blackstone also requested as part of its proposal that we enter into a 21-day exclusivity period to negotiate definitive documentation for the transactions and that we reimburse Blackstone's expenses subject to an agreed cap if definitive documentation is not executed. The special committee met on July 2, 2012 to consider Blackstone's proposal. Evercore's representatives provided an analysis of the proposal and its value and our management advised the special committee as to its view that Blackstone's proposal was superior to the whole company and alternative asset acquisition proposals previously submitted by the four bidders described above. Further, given Blackstone's extensive history of completing mergers and other strategic transactions, the special committee, along with Evercore and our management, had a high degree of confidence in Blackstone's ability to execute transactions to which it committed. Our management recommended that we pursue the proposed transactions outlined in Blackstone's proposal and enter into an exclusivity agreement with Blackstone but that we not agree to Blackstone's expense reimbursement request. Paul Hastings' representative provided advice with respect to the requested exclusivity agreement and the special committee authorized our management to enter into the agreement.

On July 3, 2012, we entered into an exclusivity agreement with Blackstone pursuant to which we agreed until July 24, 2012 to negotiate exclusively with Blackstone to reach mutual agreement on the definitive documentation that would govern transactions described in its proposal. On July 6, 2012, our management, Evercore, Paul Hastings and representatives of Blackstone and representatives of Blackstone's legal counsel, Simpson Thacher & Bartlett LLP, which we refer to as Simpson Thacher, met to discuss the transaction.

On July 9, 2012, Evercore received a letter from W. R. Berkley notifying it that Berkley had withdrawn its proposal. Berkley filed an amendment to its Schedule 13D on July 10, 2012 to disclose the withdrawal of its proposal.

On July 10, 2012, the special committee held a meeting during which our management provided an update on the progress made with Blackstone's due diligence and the parties' efforts to prepare and negotiate definitive documentation. The special committee also received legal and other advice from representatives of Paul Hastings and Evercore as to whether to submit the transactions proposed by Blackstone for approval by our stockholders and ultimately determined that it was in the best interests of Capital Trust for the transactions to be submitted for approval by our stockholders. The committee also reached a consensus that both parties would require the written approval of certain of our private fund investors and separate account clients to the transfer of our ownership of CTIMCO as contemplated in Blackstone's proposal. We subsequently reached an understanding with Blackstone during our initial negotiations that the transactions should be submitted for stockholder approval and that

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obtaining the requisite consent from our private fund investors and separate account clients should be a closing condition and should be accomplished prior to any public announcement of the transactions. Blackstone informed us that it would require a voting support agreement from W. R. Berkley in respect of the contemplated required stockholder approval as well as an amendment to our charter that would clarify that Blackstone would not be required to refrain from engaging in business opportunities or competing with us. In subsequent discussions with representatives of W. R. Berkley, the special committee learned that W. R. Berkley would not support the Blackstone transactions as long as our executive officers were entitled to receive the cash bonuses awarded to them pursuant to the transaction bonus program that we adopted in June 2012. In response, our executive officers agreed to forego the cash bonuses due to them pursuant to the transaction bonus program.

On July 13, 2012, representatives of Paul Hastings delivered an initial draft of the Purchase Agreement and on July 19, 2012, representatives of Simpson Thacher delivered an initial draft of the New Management Agreement. Thereafter, Blackstone and Capital Trust engaged in a series of discussions to negotiate the terms and conditions of the agreements and counsel to Blackstone and Capital Trust exchanged drafts of the Purchase Agreement, the New Management Agreement and the other transaction documents and engaged in multiple discussions of the open issues, which included the expense reimbursement obligations, the closing conditions, the termination provisions and ability of our board of directors to accept a competing transaction. The special committee held meetings on July 27, 2012 and August 14, 2012 during which it obtained updates on the status of the negotiations and provided direction and guidance as to how to resolve open issues under negotiation with Blackstone.

During July and early August 2012, we prepared and distributed on a confidential basis to our private fund investors and separate account clients certain background information concerning the transactions proposed by Blackstone, and we held discussions with our investors and clients during which we discussed the transactions and responded to their questions.

On July 24, 2012, we entered into an amendment to our exclusivity agreement with Blackstone to extend the expiration date until August 31, 2012.

During August 2012, our management prepared the necessary consent documentation and proceeded to obtain certain of our private fund investors and separate account clients approval of the Transactions. In addition, on August 3, 2012, representatives of Simpson Thacher delivered a draft of the voting agreement to representatives of Paul Hastings, who subsequently delivered the draft to representatives of W. R. Berkley. These processes continued into September 2012 as the parties continued to negotiate definitive documentation, including the Purchase Agreement and the New Management Agreement.

On August 24, 2012, we entered into an amendment to our exclusivity agreement with Blackstone to extend the expiration date until September 21, 2012.

On September 18, 2012, the special committee held a meeting to obtain an update from our management and representatives of Paul Hastings on the negotiations and the status of the approval of the consents to be obtained from our private fund investors and separate account clients. At this meeting, representatives of Evercore updated the special committee on the status of its fairness analysis and our legal counsel provided an overview of the board action required to approve the Transactions. The special committee then directed management to schedule a meeting of the board of directors for September 21, 2012, which was subsequently rescheduled for September 27, 2012 to provide more time to obtain consents from W. R. Berkley and the last of our private fund investors and separate account clients required to consent to the Transactions. On September 21, 2012, we entered into an amendment to our exclusivity agreement with Blackstone to extend the expiration date until October 5, 2012. During this time, we and Blackstone, together with our respective legal advisors, worked to finalize all outstanding issues regarding the Purchase Agreement and related transactions, including the terms of the New Management Agreement. Also during this time, representatives of Simpson Thacher negotiated the terms of the voting agreement with counsel to W. R. Berkley, Willkie Farr & Gallagher LLP, which we refer to

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as Willkie Farr, and representatives of Paul Hastings negotiated with representatives of Willkie Farr the terms of a separate letter agreement concerning independent director approval of certain equity offerings that had been requested by W. R. Berkley as an additional condition to entering into the voting agreement.

On September 27, 2012, a Blackstone subsidiary, as the sole member of the Purchaser, approved the Purchase Agreement and the related transactions and actions governed thereby and authorized and directed the officers of the Purchaser to execute the Purchase Agreement on behalf of the Purchaser.

On September 27, 2012, our board of directors and special committee held a joint meeting to consider the approval of the Purchase Agreement, the New Management Agreement and transactions and actions contemplated thereby during which our legal counsel and financial advisor participated. Prior to the meeting, all of our directors were provided with final drafts of the Purchase Agreement and New Management Agreement and other materials that summarized the transaction documents. Representatives of Paul Hastings reviewed with our board of directors the terms of the Purchase Agreement and the transactions governed thereby, including, pre-closing negative operating covenants, closing conditions, termination rights, the ability to consider and/or accept competing acquisition proposals, the voting agreement, and provisions regarding the reimbursement of transaction expenses and director indemnification. Paul Hastings' representatives also reviewed the terms of the New Management Agreement, including fees and the provisions intended to address conflicts of interests that may arise with Blackstone and its affiliates. During the meeting, Evercore's representatives reviewed with our board of directors its financial analysis of the purchase price to be paid to Capital Trust in connection with the two Principal Transactions and rendered to our board of directors an oral opinion, which opinion was confirmed by delivery of a written opinion, dated September 27, 2012, to the effect that, as of that date, and based on and subject to various assumptions made, procedures followed, matters considered and qualifications and limitations set forth in such opinion, the \$30,000,000 purchase price for the CT Investment Management Interests and the New CT Shares reflected in Blackstone's proposal (which purchase price was subsequently increased by Capital Trust and Blackstone to \$30,629,004) is fair, from a financial point of view, to Capital Trust. Representatives of Paul Hastings and Evercore also advised the board that the management fees reflected in the New Management Agreement were consistent with publicly available market comparables reviewed by those advisors. Furthermore, they both advised the board of directors of the reduced fee contained in the New Management Agreement to account for Capital Trust's existing assets and equity that preceded Blackstone's management. Following discussion, our board of directors, among other things, unanimously (excluding a director who could not attend the meeting but who subsequently confirmed his approval of the Purchase Agreement and the Transactions):

resolved that the transactions contemplated by the Purchase Agreement, including the Principal Transactions, are advisable and in the best interests of Capital Trust;

approved the Purchase Agreement and the New Management Agreement and the transactions contemplated thereby; and

recommended that our stockholders approve the Proposals.

Certain of the factors considered by our board of directors are described in greater detail below under the heading "Reasons for the Transactions."

After the joint meeting of the special committee and our board of directors adjourned, the Purchase Agreement was executed later that day and subsequently in the early evening we issued a press release announcing the Purchase Agreement and the two Principal Transactions governed thereby. The closing price of our Common Stock on September 27, 2012 prior to the announcement was \$3.13.

***Recommendation of Our Board of Directors***

Based on the recommendation of the special committee, our board of directors has unanimously (excluding a director who could not attend the meeting but who subsequently confirmed his approval of the Purchase



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Agreement and the Transactions) determined that the Transactions contemplated by the Purchase Agreement, including the Principal Transactions, on the terms set forth in the Purchase Agreement are advisable and in the best interests of Capital Trust and recommends that the Proposals be approved by our stockholders.

### ***Reasons for the Transactions***

In evaluating the Transactions, our board of directors consulted with the special committee's legal counsel and financial advisor. These consultations included, among other things, extensive discussions regarding: (a) other alternatives to the Transactions, which were informed by extensive discussions of other interested parties, (b) the duties of our board of directors under applicable law, (c) the terms and conditions of the Purchase Agreement, and (d) the historical trading prices of our Common Stock.

In evaluating the Transactions, our board of directors considered our short-term and long-term interests, as well as the best interests of Capital Trust. In particular, our board of directors considered the following factors in reaching its decisions to approve the Purchase Agreement and to recommend approval of the Transactions to our stockholders:

our current financial condition and the challenges to raise new equity capital in light of current market conditions and our financial condition and complicated balance sheet and legacy asset investment structure;

that the special committee, from its inception, was authorized to consider a wide range of strategic alternatives, which ensured that the special committee was authorized to pursue any strategic alternative which may maximize stockholder value for our stockholders;

the extensiveness of our review of strategic alternative as overseen by the special committee and competitive environment in which terms of the transactions proposed by Blackstone were developed;

our inability to take advantage of new investment opportunities for balance sheet investment because of our lack of liquidity;

the likelihood that, in the absence of a strategic transaction, the costs incurred in continuing our operations eventually will render us unprofitable and impair our ability to retain our key employees;

the Purchase Agreement contemplates an immediate post-closing payment of a special cash dividend of \$2.00 per share for our stockholders in the form of the special dividend;

the current and historical market prices of shares of our Common Stock, specifically the fact that the \$4.00 implied per share value reflected in the Purchase Price (based on the \$2.00 per share of Common Stock being paid by Blackstone and the \$2.00 per share special dividend to be paid to our stockholders) is 27% higher than the one-month volume-weighted average price, or VWAP, of our Common Stock (\$3.15 per share) and is 26% higher than the six-month VWAP of our Common Stock (\$3.17 per share), based on the closing price of our Common Stock on September 27, 2012 (the trading day immediately preceding public announcement of the execution of the Purchase Agreement and the Transactions);

the \$4.00 per share implied per share value reflected in the Purchase Price is 54% higher than the closing price of our Common Stock (\$2.60) on May 14, 2012, the last trading day prior to our announcement that we had formed the special committee to consider and explore strategic alternatives available to us;

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the high probability that the Transactions would be completed based on, among other things, the terms of the Purchase Agreement, Blackstone's size, significant available financial resources and track record and our discussions with investors and clients whose consent would be required;

the terms and conditions of the Purchase Agreement, the New Management Agreement, the voting agreement and the other transaction agreements, which were reviewed by our board of directors with

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our legal counsel and independent financial advisor, and in particular the fact that such terms were the product of arm's-length negotiations between the parties, including the requirement that the Purchaser pay our expenses if the Purchase Agreement is terminated under certain circumstances, and the ability of our board of directors to change or withdraw its recommendation in favor of the Proposals if it determines that the failure to change its recommendation would be inconsistent with its duties under applicable law, subject to compliance with certain procedural requirements and payment of up to \$1.5 million of Purchaser's expenses under certain circumstances;

the presentation by Evercore to our board of directors and its oral opinion, which was confirmed in writing, to our board of directors to the effect that, as of September 27, 2012, and based upon and subject to various assumptions made, procedures followed, matters considered and qualifications and limitations set forth therein, the \$30,000,000 purchase price for the CT Investment Management Interests and the New CT Shares reflected in Blackstone's proposal (which purchase price was subsequently increased by Capital Trust and Blackstone to \$30,629,004) is fair, from a financial point of view, to Capital Trust (see Opinion of Capital Trust's Financial Advisor beginning on page 76);

the fact that the Transactions are subject to the approval by our stockholders; and

the fact that our executive officers had not engaged in employment and compensation discussions with Blackstone, reflecting an agreement not to do so prior to the execution of the definitive documentation governing the Transactions as described under Interest of Certain Persons in the Transactions beginning on page 42;

Our board of directors also considered the following potentially negative factors in its deliberations concerning the Purchase Agreement and the Transactions:

the fact that certain provisions of the Purchase Agreement may have the effect of discouraging proposals for alternative transactions involving Capital Trust, including superior proposals. The Purchase Agreement restrictions include (i) a restriction on Capital Trust's ability to solicit proposals for alternative transactions; (ii) the requirement that our board of directors submit the Proposals for approval by our stockholders, even if it withdraws its recommendation for the Proposals; and (iii) the requirement that we pay up to \$1.5 million of Purchaser's expenses in certain circumstances following the termination of the Purchase Agreement;

our chief executive officer and a member of the board of directors, Stephen D. Plavin, our chief financial officer, Geoffrey G. Jervis, and our chief credit officer, Thomas R. Ruffing, are expected to receive offers of employment from Blackstone;

the other interests of the executive officers and directors of Capital Trust in the Transactions, including the matters described under Interest of Certain Persons in the Transactions beginning on page 42 and the impact of the Proposals on Capital Trust's employees;

the Investment Management Business Sale would preclude our stockholders from having the opportunity to participate, to the extent any positive developments were to occur, in any potential future revenues and cash flow generated from such business following consummation of the sale;

the significant costs involved in connection with entering into the Purchase Agreement and completing the Transactions and the substantial time and effort of management required to consummate the Transactions and related disruptions to the operation of our business;

the restrictions on the conduct of our business prior to the completion of the Transactions, which could delay or prevent us from undertaking business opportunities that may arise pending completion of the Transactions;

Blackstone will indirectly own approximately [18.2]% of our outstanding Common Stock upon consummation of the Transactions, which will allow it to influence the outcome of matters presented to a vote of our stockholders following the closing;

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Blackstone will be entitled to designate two directors to our board of directors (one of whom will be appointed chairman of our board of directors), which will allow it to influence the outcome of matters presented to a vote of the board of directors;

the risk that conditions to the closing will not be satisfied and may not be completed in a timely manner, if at all; and

the other risks described under Risk Factors Risk Factors Related to the Transactions beginning on page 12.

The foregoing discussion of the factors considered by our board of directors is not intended to be exhaustive, but rather includes the material factors considered by our board of directors. In reaching its decision to approve the Purchase Agreement and the transactions contemplated thereby, our board of directors did not find it practicable to, and did not, quantify, rank or otherwise assign any relative weights to the factors considered. In addition, individual directors may have given different weights to different factors. Accordingly, our board of directors viewed its recommendation as being based on the totality of the information presented to and considered by it. After taking into account the factors set forth above, among others, our board of directors determined that the potential benefits of the Transactions outweighed the potential negative factors.

**Table of Contents****INTERESTS OF CERTAIN PERSONS IN THE TRANSACTIONS**

In considering the recommendation of our board of directors with respect to the Transactions, our stockholders should be aware that our largest stockholder, W. R. Berkley, and certain of our directors and executive officers have interests in the Transactions that are different from, or in addition to, the interests of our stockholders generally. Our board of directors was aware of these interests and considered them in approving the Purchase Agreement and the Transactions governed thereby and recommending that our stockholders approve the Proposals. These interests are summarized below.

**Employment of Our Executive Officers by Blackstone after the Sale**

Stephen D. Plavin, a director and our chief executive officer; Geoffrey G. Jervis, our chief financial officer; and Thomas C. Ruffing, our chief credit officer, are expected to receive offers of employment from Blackstone. At the joint meeting of our board of directors and special committee held on September 27, 2012 where our board of directors approved the Purchase Agreement and the Transactions, our executive officers informed our board of directors that they had not engaged in employment discussions with Blackstone.

Our executive officers do not have employment agreements with us, and as previously disclosed, are not entitled to any severance payments or benefits upon a termination of employment other than under the terms of certain long-term incentive awards. As employees of Blackstone and/or its affiliates, Messrs. Plavin, Jervis and Ruffing may be or become eligible for benefits in accordance with any severance plans or policies of Blackstone and/or its affiliates.

**Vesting of Transaction Bonus Awards**

As previously disclosed on June 29, 2012, our compensation committee granted Stephen D. Plavin, Geoffrey G. Jervis and Thomas C. Ruffing transaction bonus awards of restricted stock that by their terms will become 100% vested and non-forfeitable upon the successful completion of the Transactions. These executive officers were also awarded certain cash bonuses payable upon completion of the Transactions which have been waived and will not be paid.

The below table identifies, for each of our executive officers, the number of shares of our Common Stock that will vest upon the successful completion of the Transactions. These shares of restricted stock will be entitled to receive the special dividend.

Executive Officer	Number of Shares that Vest Upon Completion of the Transactions
Stephen D. Plavin, <i>Chief Executive Officer</i>	125,000
Geoffrey G. Jervis, <i>Chief Financial Officer</i>	100,000
Thomas C. Ruffing, <i>Chief Credit Officer</i>	50,000

**Payment of 2012 Annual Bonuses**

As previously disclosed on June 29, 2012, our compensation committee approved annual bonuses opportunities for Stephen D. Plavin, Geoffrey G. Jervis and Thomas C. Ruffing for fiscal year 2012, which are based on specified performance criteria. If the Transactions are consummated on or before December 31, 2012, the annual performance-based bonus shall be determined, without pro ration, with respect to each performance measure based on the higher of Target or actual performance (with actual performance annualized in certain circumstances).

**Accelerated Vesting of Restricted Stock Awards**

Effective as of the closing of the Transactions, all unvested shares of restricted stock which would have become vested at a later date (if at all) will accelerate and become immediately vested, and such restricted shares shall be deemed 100% vested and non-forfeitable.

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The below table identifies, for each of our executive officers, the number of shares of restricted Common Stock for which vesting will accelerate upon the closing of the Transactions. These shares of restricted stock will be entitled to receive the special dividend.

<b>Executive Officer</b>	<b>Number of Shares of Restricted Stock That Vest Upon Completion of the Transactions</b>
Stephen D. Plavin, <i>Chief Executive Officer</i>	70,000
Geoffrey G. Jervis, <i>Chief Financial Officer</i>	50,000
Thomas C. Ruffing, <i>Chief Credit Officer</i>	30,000

**Modification of Certain Performance Based Awards Held by Our Executive Officers**

As part of a program designed to provide incentive compensation relating to the carried interest distributions we earn from CTOPI, our compensation committee has previously awarded long-term cash-based performance awards that represent derivative interests in such carried interest distributions. Pursuant to these awards, Stephen D. Plavin, Geoffrey G. Jervis and Thomas C. Ruffing are entitled to receive cash payments equal to 13.5%, 9.0% and 4.5%, respectively, of the carried interest distributions, if any, we receive from CTOPI. The awards are subject to vesting provisions which provide that the right to the payments vests one-third on the January 18, 2011 date of award, one-third upon the termination of the investment period of CTOPI on September 13, 2012, and one-third on the date of our receipt of the incentive management fee, provided that the holder is employed on each such vesting date. Our compensation committee has awarded performance awards covering 92.5% of the 45% CTOPI carried interest pool designated for allocation to our employees pursuant to the CTOPI related program.

As part of a program to provide incentive compensation relating to the recoveries generated by our legacy asset recovery vehicle, CT Legacy REIT, our compensation committee has previously awarded long-term cash-based performance awards that represent derivative interests in such legacy asset recoveries. The CT Legacy REIT awards provide for payments to our executive officers and certain other employees of an amount not to exceed 6.75% of the total recovery (subject to certain caps) of the net assets of CT Legacy REIT, referred to as the CT Legacy REIT recovery pool. The legacy asset recovery awards vest 25% on March 31, 2011, 25% on March 31, 2013, 25% on March 31, 2014 and the balance at the time of distribution under the program. We have entered into award agreements covering 83.5% of the 6.75% CT Legacy REIT recovery pool designated for allocation to our employees pursuant to the CT Legacy REIT related program.

The Purchase Agreement requires us to enter into amendments to the award agreements with existing participants pursuant to which the cash received by us in respect of the portions of the pools that remain unallocated or otherwise have been forfeited will be paid pro rata to the participants who have received performance awards and are otherwise entitled to the payments in accordance with the terms of their award agreements. Stephen D. Plavin, a director and our chief executive officer, Geoffrey G. Jervis, our chief financial officer, and Thomas C. Ruffing, our chief credit officer, each participate in both programs and will enter into such amendments to their award agreements.

In accordance with the Purchase Agreement, the Purchaser may instruct us to award certain employees of Blackstone assigned to its real estate division (including existing participants, including Messrs. Plavin, Jervis and Ruffing, who will become employees of Blackstone and/or its affiliates) performance awards covering the 7.5% of the 45% of the CTOPI carried interest pool and the 16.5% of the 6.75% of the CT Legacy REIT recovery pool which remain unallocated pursuant to the incentive compensation programs and the portions of such pools that have been forfeited.

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### **Continued Indemnification and Insurance Coverage of Our Directors and Executive Officers**

The Purchase Agreement provides that all rights of the directors and officers of Capital Trust, each Acquired Entity (as defined under Purchase Agreement Representations and Warranties below) and each Fund Entity (as defined under Purchase Agreement Representations and Warranties below) under any indemnification arrangements for acts or omissions occurring at or prior to the closing of the Transactions shall survive the closing of the Transactions and shall not be amended or otherwise modified in any manner that would adversely affect the rights of such officers and directors.

In addition, for a period of six years from the closing of the Transactions, we are obligated to purchase and maintain either (i) a directors and officers liability insurance policy or an extended reporting period or tail policy, insuring the current or former officers or directors of Capital Trust with respect to any acts or omissions occurring at or prior to the closing and (ii) an investment fund profession and management liability policy or an extended reporting period or tail policy, insuring the current or former directors or officers of Capital Trust with respect to any acts or omissions occurring at or prior to the closing.

### **Compensation of Members of the Special Committee**

Each member of the special committee is entitled to a fee of \$75,000 for his service on the special committee.

### **Interests of W. R. Berkley**

The New CT Manager, under Blackstone's ownership, will continue to manage certain separate accounts for affiliates of W. R. Berkley, currently our largest stockholder, following the completion of the Transactions. The consent of the account holders to the transfer of our ownership of CTIMCO to the Purchaser is a condition to closing on the Principal Transactions and such affiliates of W. R. Berkley have given their consent. The account holders will continue to pay CTIMCO management fees that are generally 0.25% per annum on invested capital following the transfer of CTIMCO to the Purchaser.

### **Interests of Trusts for the Benefit of Our Chairman**

EGI-Private Equity II, L.L.C., an entity which is indirectly owned by trusts established for the benefit of the chairman of our board, Samuel Zell, owns a 3.7% limited partner interest in CTOPI. Mr. Zell is not a trustee of such trusts. The consent of the limited partners to the transfer of our ownership of CTIMCO to the Purchaser is a condition to closing on the Principal Transactions and such limited partners have given their consent. A subsidiary of CTIMCO, under Blackstone's ownership, will continue to manage CTOPI following the transfer of our ownership of CTIMCO to the Purchaser.

### **Policy on Transactions with Related Persons**

In connection with and concurrent with the closing of the Transactions, we intend to amend our code of business conduct and ethics and the charter of the audit committee of our board of directors. Pursuant to these amendments, our audit committee will be required to review, but not be required to approve, on a periodic basis at regularly scheduled audit committee meetings all material related party transactions with or involving the New CT Manager and/or its affiliates, including Blackstone. This review will include a review of all services provided by affiliates of the New CT Manager to us and our subsidiaries. Consistent with these requirements, our chief financial officer will be required to report all related party transactions, arrangements or relationships with or involving the New CT Manager and/or its affiliates, including Blackstone, at regularly scheduled audit committee meeting and all individuals covered by the code of business conduct and ethics will be required to report to our chief executive officer or chief financial officer on a regular periodic basis all instances involving such potential related party transactions, arrangements or relationships, regardless of the amount involved. Our audit committee will also review, but will not be required to approve, on a quarterly basis, those transactions in which a potential conflict may be presented where Other Blackstone Funds (as defined in New Management Agreement Additional Activities of the New CT Manager; Allocation of Investment Opportunities; Conflicts of



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Interest (beginning on page 71), other than Capital Trust and its subsidiaries, invest in investments in which Capital Trust and/or its subsidiaries also invest (including at a different level of an issuer's capital structure (e.g., an investment by another Blackstone fund in an equity or mezzanine interest with respect to the same portfolio entity in which Capital Trust or its subsidiaries owns a debt interest or *vice versa*) or in a different tranche of fundraising with respect to an issuer in which Capital Trust or its subsidiaries has an interest).

In addition, our amended code of business conduct and ethics will require prior approval by a majority of our independent directors of any services provided by affiliates of the New CT Manager to the extent such services are not on arm's-length terms and competitive market rates in relation to terms that are then customary for agreements regarding the provision of such services to companies that have assets similar in type, quality and value to the assets of Capital Trust and its subsidiaries. Furthermore, the sale of any investment to, or acquisition of any investment from, Blackstone, any Other Blackstone Funds or any of their affiliates (but excluding portfolio companies of such Other Blackstone Funds) must be (a) on terms no less favorable to us than could have been obtained on an arm's length basis from an unrelated third party and (b) approved in advance by a majority of our independent directors.

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**PURCHASE AGREEMENT**

*The following is a summary of selected material provisions of the Purchase Agreement, a copy of which is attached as **Annex A** to this proxy statement and incorporated by reference herein. The rights and obligations of the parties are governed by the express terms and conditions of the Purchase Agreement and not by this summary or any other information in this proxy statement. This discussion is not complete and is qualified in its entirety by reference to the complete text of the Purchase Agreement. We urge all stockholders to read the Purchase Agreement, as well as this proxy statement, carefully and in their entirety before making any decision regarding the Proposals.*

***CT Investment Management Interests Purchase***

At the closing of the transactions governed by the Purchase Agreement, which we refer to as the closing, the Purchaser will acquire from us:

all of the issued and outstanding limited liability company interests of CTIMCO, which we refer to as the CTIMCO Interests, through which we operate our investment management and special servicing business;

all of the issued and outstanding limited liability company interests, which we refer to as the CTOPI Co-Invest Interests, of CT OPI Investor, LLC, which we refer to as CTOPI Co-Invest, which is a limited partner in CTOPI; and

all of the issued and outstanding limited liability company interests, which we refer to as the CTHG2 Co-Invest Interests, in CT High Grade Partners II Co-Invest, LLC, which we refer to as CTHG2 Co-Invest, which is a non-managing member of CT High Grade Partners II, LLC, which we refer to as CTHG2.

The Purchase Agreement also contemplates that CTIMCO will own all 100 outstanding shares of class A preferred stock, par value \$0.001 per share, which we refer to as the CTLR Preferred Stock, of CT Legacy REIT immediately prior to the closing.

The CTIMCO Interests, the CTOPI Co-Invest Interests, the CTHG2-Co-Invest Interests and the CTLR Preferred Stock are collectively referred to in this proxy statement as the CT Investment Management Interests. As consideration for the CT Investment Management Interests, the Purchaser has agreed to pay the company aggregate consideration of \$20,629,004, subject to certain adjustments.

***New CT Shares Purchase***

At the closing of the transactions governed by the Purchase Agreement, the Purchaser will purchase 5,000,000 shares of our Common Stock, which we refer to as the New CT Shares. As consideration for the New CT Shares, the Purchaser has agreed to pay the company aggregate cash consideration of \$10,000,000.

***Adjustment to the CT Investment Management Interests Purchase Price***

The CT Investment Management Interests Purchase Price is subject to a five-step tangible net worth adjustment, as follows. The CT Investment Management Interests Purchase Price will be:

- (i) increased or reduced by the amount, if any, by which our good faith closing date estimate of CTIMCO's tangible net worth (calculated in accordance with the Purchase Agreement) as of the close of business on the business day immediately prior to the closing date is greater or less than zero dollars;
- (ii) increased by the amount of capital contributions funded by us subsequent to June 30, 2012 and prior to the closing date in respect of capital commitments made by CTOPI Co-Invest to CTOPI and by CTHG2 Co-Invest to CTHG2, which we refer to as the Co-Invest Capital Contributions;



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- (iii) decreased by any distributions we receive subsequent to June 30, 2012 and prior to the closing date from CTOPI or CTHG2 in respect of CTOPI Co-Invest s interest in CTOPI or CTHG2 Co-Invest s interest in CTHG2, which we refer to as the Co-Invest Distributions;
- (iv) decreased by the amounts payable in respect of all Retention Arrangements (as defined in the Purchase Agreement), and all other accrued or historic employee-related liabilities that are outstanding and unpaid immediately prior to the closing (to the extent not already taken into account in determining the tangible net worth of CTIMCO pursuant to the adjustment set forth in (i) above), which we refer to collectively as the Closing Employee Amounts; and
- (v) increased by an amount equal to one half of amounts paid by us for expenses incurred in connection with certain transaction-related expenses.

Following the closing date, the parties are required to engage in a process to determine the actual closing date tangible net worth of CTIMCO, Co-Invest Capital Contributions, Co-Invest Distributions and expenses incurred in connection with certain transaction related expenses, which we refer to collectively as the Purchase Price Adjustment. If the actual closing date Purchase Price Adjustment exceeds our pre-closing estimated Purchase Price Adjustment, then the Purchaser will pay us the excess; and, if the actual closing date Purchase Price Adjustment is less than the pre-closing estimated Purchase Price Adjustment, we will pay the shortfall to the Purchaser. In both cases, the adjustment will be paid with interest at an annual rate equal to the prime lending rate of Citibank, N.A. on the date such payment was required to be made.

***Representations and Warranties***

The Purchase Agreement contains a number of customary representations and warranties made by us, subject in some cases to customary qualifications (including by information in disclosure schedules delivered together with the Purchase Agreement) relating to, among other things, the following:

entity organization, good standing and other organizational matters;

authorization, valid execution and delivery, and enforceability of the Purchase Agreement and related transaction documents;

absence of conflicts or violations under organizational documents, contracts and laws;

absence of any required governmental approvals (other than with respect to SEC clearance of this proxy statement and other customary federal and state securities laws compliance matters or other disclosed approvals);

our capital structure and equity securities;

our compliance with public reporting and other obligations under federal securities laws;

our financial statements;

absence of undisclosed liabilities;

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absence of certain changes related to us and our business;

certain tax matters;

absence of legal proceedings or orders;

compliance with certain laws and permits applicable to our business;

environmental matters relating to our business and assets;

employee compensation and benefits matters;

material agreements related to us and our business;

title to our personal, real estate and leasehold assets;

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our servicing portfolio and related matters;

brokers or finders fees, and other fees with respect to the Purchase Agreement and related transactions;

absence of certain activities that would require us to register under the Investment Company Act of 1940;

certain insurance matters;

our ownership of interests in CDOs sponsored by us;

compliance with risk-adjusted capital guidelines, policies and procedures;

actions taken by us to render inapplicable to the transactions governed by the Purchase Agreement our tax benefits preservation agreement, and potentially applicable state anti-takeover statutes or regulation;

actions taken by us to increase REIT ownership limitations in our organizational documents;

our receipt of the opinion of Evercore as to the fairness to the company, from a financial point of view, of the purchase price for the CT Investment Management Interests and the New CT Shares; and

the vote required by the holders of the Common Stock to approve the transactions.

The Purchase Agreement contains a number of customary representations and warranties made by the Purchaser, subject in some cases to customary qualifications (including by information in disclosure schedules delivered together with the Purchase Agreement) relating to, among other things, the following:

entity organization, good standing and other organizational matters;

authorization, valid execution and delivery, and enforceability of the Purchase Agreement and related transaction documents;

absence of conflicts or violations under organizational documents, contracts and laws;

absence of any required governmental approvals;

absence of legal proceedings or orders;

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brokers or finders fees, and other fees with respect to the Purchase Agreement and related transactions;

investment intent, including the Purchaser's status as an accredited investor as defined in Regulation D as promulgated under the Securities Act; and

the Purchaser's beneficial ownership of our Common Stock prior to the closing.

In addition, the Purchase Agreement contains a number of customary representations and warranties made by us to the Purchaser applicable to our sale of CTIMCO, CTOPI Co-Invest and CTHG2 Co-Invest, which we refer to collectively as the Acquired Entities, and CT Large Loan 2006, Inc., CTOPI and CTHG2, which we refer to collectively as the Fund Entities, subject in some cases to customary qualifications (including by information in disclosure schedules delivered together with the Purchase Agreement), relating to, among other things, the following:

entity organization, good standing, and other organizational matters;

capital structure and equity securities of each of the Acquired Entities, the Fund Entities and their respective subsidiaries;

authorization, valid execution and delivery, and enforceability of the Purchase Agreement and related transaction documents;

absence of conflicts or violations under organizational documents, contracts and laws;

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absence of undisclosed liabilities;

financial statements of each of the Acquired Entities, the Fund Entities and their respective subsidiaries;

absence of certain changes related to the Acquired Entities and the Fund Entities and their businesses;

tax matters pertaining to the Acquired Entities, the Fund Entities and their respective subsidiaries;

absence of legal proceedings or orders;

compliance with certain laws and permits applicable to the business of the Acquired Entities, the Fund Entities or their respective subsidiaries;

environmental matters relating to the Acquired Entities, the Fund Entities and their businesses;

labor and employee matters;

employee compensation and benefits matters;

intercompany accounts between us and our subsidiaries, on the one hand, and any of the Acquired Entities, the Fund Entities or their respective subsidiaries, on the other hand;

brokers or finders fees, and other fees with respect to the transactions governed by the Purchase Agreement;

absence of certain activities that would require the Acquired Entities, the Fund Entities or any of their respective subsidiaries to register under the Investment Company Act;

registration under the Investment Advisers Act, as amended, and the rules and regulations promulgated thereunder,

accuracy of information supplied in the private placement memorandum used for the offering of interest in CTOPI and in other private placement or offering memoranda of each of the other funds or CDOs sponsored or managed by us;

availability to the Purchaser of copies of annual and periodic reports and other communications furnished by the managing member and/or general partner to the members of each Fund Entity;

material agreements and servicing agreements related to the Acquired Entities, Fund Entities and their business;



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absence of any real estate and leasehold assets of the Acquired Entities, Fund Entities and their respective subsidiaries;

certain insurance matters;

servicing of portfolios and related matters;

compliance with the Employment Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder;

sufficiency of the assets owned, leased and licensed by the Acquired Entities and their subsidiaries to continue their conduct of business after the closing date as such business is currently conducted;

tangible assets with respect to CTIMCO;

disclosure regarding each fund managed by Capital Trust or any of its subsidiaries; and

intellectual property and information systems matters related to the Acquired Entities, the Fund Entities and their respective subsidiaries.

Certain representations and warranties in the Purchase Agreement provide exceptions for items that are not reasonably likely to have a material adverse effect. For purposes of the Purchase Agreement, material adverse

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effect means, with respect to any person (as such term is defined in the Purchase Agreement), any change, development, effect or condition that, individually or in the aggregate with all other changes, developments, effects and conditions, (i) is, or would be reasonably be expected to be, materially adverse to the business, assets, liabilities, results of operations or condition (financial or otherwise) of such person and its subsidiaries, or (ii) will, or would reasonably be expected to, prevent or materially impair or delay the ability of such person to fulfill its obligations under the Purchase Agreement or any related transaction document. To the extent applicable to any person, any such change, development, effect or condition having the results described in the preceding sentence that results from any of the following shall not be considered when determining whether a material adverse effect has occurred:

- (i) a change in law or GAAP or interpretations thereof or rules and policies of the Public Company Accounting Oversight Board that applies to such person, in each case, occurring after the date of the Purchase Agreement;
  - (ii) general economic, business or market conditions, general changes in the financial, credit or securities markets, including general changes in interest rates, exchange rates, stock, bond or debt prices;
  - (iii) economic, business or market conditions that directly or indirectly affect the commercial real estate finance industry generally;
  - (iv) any natural or man-made disasters or acts of war (whether or not declared), sabotage or terrorism, or armed hostilities, or any escalation or worsening thereof in each case occurring after the date of the Purchase Agreement;
  - (v) the entry into, public announcement or performance of the Purchase Agreement and transactions contemplated thereby or any action taken or omitted to be taken by us at the written request of the Purchaser (subject to certain exceptions);
  - (vi) any change in the market price or trading volume of the Common Stock or any failure to meet internal or published projections, forecasts, budgets, estimates or expectations of our revenue, earnings or other financial performance or results of operations for any period (provided, that the underlying cause of such change or failure shall not be excluded pursuant to this exception); or
  - (vii) any litigation arising from allegations of a breach of fiduciary duty or other violation of applicable law to the extent arising out of or relating to the Purchase Agreement or the transactions contemplated thereby;
- provided, however, that the exceptions provided in items (i) (iv) above will not apply to the extent that such change, development, effect or condition disproportionately affects such person or its subsidiaries relative to the other participants in the industry in which such person and its subsidiaries operate.

## ***Covenants***

### **Conduct of Business**

The parties have agreed that, during the period from the date of the Purchase Agreement until the closing date, subject to certain exceptions, our and our subsidiaries' respective businesses will be conducted in all material respects consistent in nature, scope and magnitude with the past practices and in the ordinary course of the normal, day-to-day operations, including, as applicable, with respect to using commercially reasonable efforts to (i) preserve their business organizations intact and maintain existing relations with key customers, suppliers, distributors, employees, governmental authorities and other persons with whom we or our subsidiaries have business relationships, assets, rights and properties and (ii) preserve the REIT status of each of Capital Trust, CT OPI REIT, Inc. and CT Legacy REIT.

Without limiting the generality of the foregoing, except as expressly provided in the Purchase Agreement, as required by applicable law or, to the extent that the failure to take any such action would, based on the advice of our outside counsel, constitute a breach of the duties of the general partner, managing member, collateral



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manager or similar governing body of a Fund Entity or CDO sponsored by us, as applicable under applicable law or the organizational documents of such Fund Entity or CDO sponsored by us, as applicable (in which case we are required to notify the Purchaser in writing of our determination to take such action), from the date of the Purchase Agreement until the closing, without the prior written consent of the Purchaser, we may not (and we may not permit our subsidiaries to) take any of the following actions (each as more fully described in, and subject to the exceptions set forth in, the Purchase Agreement) including certain actions permitted to be taken in respect of the Fund Entities:

amend or propose to amend our charter or bylaws, or cause or permit any of our subsidiaries to amend or propose to amend their organizational documents;

subject to certain exceptions, declare or pay any dividend or distribution on, or redeem or repurchase, or adjust, split, combine or reclassify any of our equity or other securities;

increase the number of directors on our board of directors, to greater than eight members or change the current structure of our board of directors or enter into any agreement or arrangement relating thereto;

subject to certain exceptions, issue or agree to issue any equity securities, securities convertible into the right to purchase equity or options, warrants or other rights of any kind to acquire any equity interest or other securities issued by us or any of our subsidiaries;

enter into any amendment of any term of any of our or our subsidiaries' outstanding securities or waive or modify any rights thereunder;

accelerate the vesting of any options, warrants or other rights of any kind to acquire any shares of capital stock or other equity interests (or to participate in the revenue, earnings or distributions of or from us or any of our subsidiaries) to the extent that such acceleration of vesting does not occur automatically under the terms of any such interests or plans governing such interests as in effect as of the date of the Purchase Agreement;

subject to certain exceptions, incur or assume any indebtedness for borrowed money or guarantee any such indebtedness, or enter into any swap or hedging transaction or other derivative agreements, or make any loans, capital contributions or advances to any person, other than in the ordinary course of business and consistent with past practice in excess of \$250,000 in the aggregate;

sell, encumber or otherwise dispose of any of its assets in excess of \$250,000, except in the ordinary course of business and consistent with past practice;

make or authorize any capital expenditures in an amount exceeding \$100,000 in the aggregate;

subject to certain exceptions, acquire (including by merger) the capital stock or the assets of any other entity, in any transaction or series of related transactions for consideration in excess of \$250,000 in the aggregate;

invest in another entity or entities with a value in excess of \$250,000 in the aggregate;

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subject to certain exceptions, increase or accelerate the timing of payment of compensation or benefits to any business employee;

loan or advance any money or other property to any business employee;

enter into any transaction, retention, change in control, or stay bonus, payment or award, or severance protection or change-in-control agreement with any business employee;

hire any business employee for a position having a total annual cash compensation opportunity of \$50,000 or more, or terminate a business employee from such a position other than for cause;

subject to certain exceptions, terminate, establish, adopt, enter into, or amend any prescribed employee benefit plans or any plan, program, arrangement, practice or agreement that would be such an employee plan or CT employee plan (as defined in the Purchase Agreement) if it were in existence on the date of the Purchase Agreement;

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change any financial accounting methods, principles or practices (or change an annual accounting or period) materially affecting our and our subsidiaries consolidated assets, liabilities or results of operations, except insofar as may be required by GAAP or by applicable law;

modify, amend, terminate or waive any material right under any material agreement under the any material agreement (except for any modification or amendment to any material agreement that is beneficial to us and/or our subsidiaries) or, except in the ordinary course of business, enter into any contract of a character that would constitute a material agreement under the Purchase Agreement;

adopt a plan or agreement of complete or partial liquidation or dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of us or any of our subsidiaries or file, or consent by answer or otherwise to the filing against us or any of our subsidiaries of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, make any assignment for the benefit of creditors or consent to the appointment of any custodian, receiver, trustee or other officer with similar powers;

settle or compromise any pending or threatened suit, action, claim or other legal proceedings;

make or change any material election, change any material method of tax accounting, file any amended tax return, enter into any closing agreement, settle or compromise any material tax liability, surrender any right to claim a refund of taxes, or enter into any agreement or waiver extending the period for assessment or collection of any taxes;

make or change any election relating to the entity classification of any Acquired Entity for U.S. federal income tax purposes;

subject to certain exceptions, reduce or agree to reduce any investors unfunded commitments in any Fund Entity;

initiate or threaten any litigation or the institution of any proceeding against any client or any investor in any of our investment vehicles;

wind up terminate or dissolve any of our investment vehicles;

extend or otherwise modify any investment period with respect to any of our investment vehicles; or

authorize any of, or commit or agree to take any of, the foregoing actions.

**No Solicitation**

Pursuant to the Purchase Agreement, from the date of the Purchase Agreement until the earlier of the closing date or the termination of the Purchase Agreement, we and our subsidiaries may not, directly or indirectly, (i) solicit, initiate or knowingly encourage, knowingly induce or knowingly take any other action which would reasonably be expected to lead to, the making, submission or announcement of, any proposal or inquiry that constitutes, or is reasonably likely to lead to, an acquisition proposal (as defined below), (ii) enter into, continue or participate in any discussions or any negotiations regarding any proposal that constitutes, or would reasonably be expected to lead to the making, submission or announcement of, any acquisition proposal, (iii) furnish any non-public information regarding us or any of our subsidiaries in connection with or in response to an acquisition proposal, or an inquiry that would reasonably be expected to lead to the making, submission or announcement of an acquisition proposal, (iv) waive, terminate or modify or fail to enforce any provision of any standstill or similar obligation of any third party existing on the date of the Purchase Agreement, including waiving or exempting any person from any ownership restrictions under our charter or applicability of any provisions of the NOL rights agreement (or from applicability of any antitakeover statute of Maryland law), or (v) resolve or agree to do any of the foregoing. However, if we receive a written unsolicited, *bona fide* acquisition proposal after the date of the Purchase

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Agreement, in circumstances not involving a breach of the Purchase Agreement, from a third party prior to obtaining stockholder approval of the Proposals that our board of directors determines in good faith, after consultation with our outside counsel, constitutes or would reasonably be

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expected to lead to a superior proposal (as defined below) then we may furnish information to such third party and participate in discussions or negotiations with such third party regarding the terms of such acquisition proposal. We are required to notify the Purchaser as promptly as practicable, and in any event within 24 hours, if we receive any written acquisition proposal, including the material terms and conditions of such acquisition proposal and the identity of the party making such acquisition proposal.

The term acquisition proposal is defined as any offer, proposal or inquiry (other than an offer, proposal or inquiry by the Purchaser or its affiliates) contemplating or otherwise relating to any acquisition transaction, which is defined as any transaction or series of related transactions involving:

- (i) any merger, consolidation, share exchange, business combination, issuance of securities, direct or indirect acquisition of securities, recapitalization, tender offer, exchange offer or other similar transaction in which (a) a person or group (as defined in the Exchange Act and the rules promulgated thereunder) of persons directly or indirectly acquires, or if consummated in accordance with its terms would acquire, beneficial or record ownership or control of securities representing 9.9% or more of the outstanding shares of any class of voting or equity securities of Capital Trust (or any parent company resulting from such transaction), or (b) Capital Trust issues securities representing 9.9% or more of the outstanding shares of any class of voting or equity securities of Capital Trust (or any parent company resulting from such transaction);
- (ii) any sale, lease, assignment, license, exchange, transfer, acquisition or disposition of any rights or assets (including equity interests of any subsidiary of Capital Trust) that constitutes or accounts for (a) 15% or more of the consolidated net revenues of Capital Trust and its subsidiaries, consolidated net income of Capital Trust and its subsidiaries or consolidated book value of Capital Trust and its subsidiaries, or (b) 15% or more of the fair market value of the assets of Capital Trust and its subsidiaries;
- (iii) any sale of all or substantially all of the assets or properties constituting, or the sale of control of, the investment management business conducted by Capital Trust and its subsidiaries, including any sale (whether by merger, consolidation, share exchange, business combination, issuance of securities, direct or indirect acquisition of securities, recapitalization, tender offer, exchange offer or other similar transaction) of a majority of the equity interests of CTIMCO;
- (iv) any liquidation or dissolution of Capital Trust; or
- (v) any combination of the foregoing.

The term superior proposal is defined as an unsolicited *bona fide* written acquisition proposal obtained after the date of Purchase Agreement in circumstances not involving a breach of the Purchase Agreement by CT for an acquisition transaction (a) of the type set forth in clause (i) above; provided, that all references to 9.9% therein shall be references to 50% ; (b) involving a majority of the assets of Capital Trust set forth on the adjusted balance sheet of Capital Trust and its subsidiaries delivered in connection with the Purchase Agreement or (c) involving (x) the acquisition (by whatever means, whether by merger, consolidation, share exchange, share or asset purchase or otherwise, as applicable) of either the CT Investment Management Interests or any sale described in clause (iii) above and (y) the purchase of newly-issued shares of Common Stock representing more than 9.9% of the outstanding Common Stock at the time of such issuance, which, in any such case described in clauses (a), (b) or (c), our board of directors determines in good faith (after consultation with its outside counsel and financial advisor) (A) to be reasonably likely to be consummated if accepted and (B) to be more favorable to our stockholders from a financial point of view than the Transactions, in each case, taking into account at the time of determination all relevant circumstances, including the various legal, financial and regulatory aspects of the proposal, all the terms and conditions of such proposal and the Purchase Agreement, any changes to the terms of the Purchase Agreement offered by the Purchaser in response to such acquisition proposal and the ability of the person making such acquisition proposal to consummate the transactions contemplated by such acquisition proposal (based upon, among other things, expectation of obtaining required approvals or any necessary financing).



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Our board of directors may not (i) fail to recommend the Proposals for approval by our stockholders (including through any failure to include the recommendation of the board of directors for approval of the Proposals in this proxy statement); (ii) withhold, withdraw, amend or modify in a manner adverse to the Purchaser, or publicly propose (whether through Capital Trust, its subsidiaries or any of its representatives) to withhold, withdraw, amend or modify in a manner adverse to the Purchaser, the recommendation of our board of directors for approval of the Proposals; (iii) in the event that an acquisition proposal is publicly announced or disclosed, fail to publicly reaffirm the recommendation of our board of directors for approval of the Proposals within ten business days after the Purchaser's written request to do so; (iv) adopt, approve or recommend, or otherwise declare advisable the adoption of, any acquisition proposal or publicly propose to adopt, approve or recommend, or otherwise declare advisable the adoption of, any acquisition proposal; or (v) resolve to take any such actions. Notwithstanding the foregoing, our board of directors may change its recommendation for approval of the Proposals (i) in response to an unsolicited *bona fide* written acquisition proposal not involving a breach of the Purchase Agreement if it determines in good faith, after consultation with its outside counsel, that the failure to do so would reasonably be expected to constitute a breach of its duties to Capital Trust or our stockholders under applicable law and our board of directors concludes in good faith, after consultation with its outside counsel and financial advisor, that such acquisition proposal constitutes a superior proposal and (ii) in response to a material development or material change in circumstances occurring or arising after the date of the Purchase Agreement with respect to us and/or our subsidiaries that was neither known to our board of directors nor reasonably foreseeable as of or prior to the date of the Purchase Agreement (and not relating to any acquisition proposal or any development or change relating to the Purchaser or any of its affiliates) if our board of directors concludes in good faith, after consultation with outside legal counsel, that the failure to take such action would reasonably be expected to constitute a breach of its duties to Capital Trust or our stockholders under applicable law; provided, that, in either case, we have engaged in good faith negotiations with the Purchaser regarding potential changes to the terms of the Purchase Agreement for at least five business days and otherwise complied with the terms and conditions of the Purchase Agreement. Even if our board of directors changes its recommendation for approval of the Proposals, we are still required to call and hold the special meeting for the purpose of approving the Proposals unless the Purchase Agreement is terminated before the special meeting.

### **Preparation of Proxy Statement; Stockholders Meeting**

We have agreed to (i) prepare and file this proxy statement with the SEC; (ii) use reasonable best efforts to respond as promptly as practicable to any SEC comments related to this proxy statement; and (iii) disseminate this proxy statement and any amendments or supplements to this proxy statement to our stockholders as promptly as reasonably practicable after we are notified that the SEC has no further comments to this proxy statement. Pursuant to the Purchase Agreement, we have agreed to mail this proxy statement to our stockholders and to hold the special meeting at which our stockholders will be asked to consider and vote upon the Proposals. We are required to hold the special meeting as promptly as reasonably practicable after SEC confirms that it has no further comments on this proxy statement.

### **Access**

Until the closing date, the Purchaser will have the right to reasonable access, during normal business hours and upon reasonable prior notice, to our and our subsidiaries' properties, books and records and personnel, including all correspondence with investors in any fund. We may restrict the Purchaser's right to access any such documents or information to the extent that (i) any applicable law requires us to restrict or otherwise prohibit access to such documents or information or (ii) access to such documents or information would give rise to a material risk of waiving any attorney-client privilege or similar doctrine.

### **Cooperation**

The parties to the Purchase Agreement have each agreed to use their respective reasonable best efforts to take all necessary actions to consummate the transactions governed by the Purchase Agreement as promptly as

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practicable, including (i) preparing and filing promptly and fully all documentation to effect all necessary registrations, notices and forms and other documents, (ii) obtaining all approvals, consents, waivers and other confirmations of all governmental authorities or third parties necessary or advisable to consummate the transactions contemplated by the Purchase Agreement, (iii) executing and delivering any additional instruments that are necessary for the consummation of the Transactions, and (iv) defending or contesting any action or other proceeding brought by a third party that would otherwise prevent or materially delay the consummation of the transactions contemplated by the Purchase Agreement.

Subject to certain exceptions, we must provide to the Purchaser and its representatives the opportunity to attend and participate in any meetings with the clients or any investors in any fund managed by us or any of our subsidiaries during the period after the date of the Purchase Agreement and prior to the closing. We will also ensure, subject to certain exceptions, that all communications to any client or fund investor relating to the Transactions shall be jointly reviewed and approved by both parties.

### **Employee Matters and Employee Benefits Plans**

Employees identified by Blackstone will continue to be employed by CTIMCO or an affiliate of Blackstone after the closing.

Effective immediately following the closing, and until the earlier of December 31, 2013 or the first anniversary of the closing date, Blackstone has agreed to provide continuing employees with total compensation and benefit opportunities that are substantially comparable, in the aggregate, to those provided to similarly situated employees of Blackstone and its affiliates. Each continuing employee who becomes a participant in any benefit plan program of Blackstone or its affiliates, will be credited with all years of service with any Acquired Entity under such plans and programs for purposes of eligibility, vesting and benefit accrual (other than under a pension benefit accrual) to the extent the employee would have received credit under our corresponding plan or program, except as would result in any duplication of benefits.

Except as restricted by the insurance carriers, any welfare plan maintained by Blackstone or its affiliates in which transferring employees are eligible to participate after the closing date, will (i) waive any preexisting condition limitation or exclusion to the extent waived under the relevant Acquired Entities employee benefit plan and (ii) honor any expense incurred by the transferring employees and their covered dependents under our similar plans for purposes of satisfying any analogous out-of-pocket requirements, deductibles and co-payments.

### **Insurance Matters**

Following the closing, the Purchaser will cause any Acquired Entity or Fund Entity to reasonably cooperate with us, at our expense, in pursuing coverage for any claims made by us or against us or our subsidiaries and, subject to certain conditions, reasonably cooperate to assist us, at our expense, in the defense of any claims made against any parties entitled to indemnification with respect to actions taken prior to the closing. The parties to the Purchase Agreement further agree that all rights of the officers and directors of the Purchaser, CT, each Acquired Entity and each Fund Entity under any indemnification arrangements for acts or omissions occurring at or prior to the closing shall survive the closing date and shall not be amended or otherwise modified in any manner that would adversely affect the rights of such officers and directors.

In addition, for a period of six years from the closing date of the Transactions, we are obligated to purchase and maintain either (i) a directors and officers liability insurance policy or an extended reporting period or tail policy, insuring the current or former officers or directors of Capital Trust with respect to any acts or omissions occurring at or prior to the closing and (ii) an investment fund profession and management liability policy or an extended reporting period or tail policy, insuring the current or former officers or directors of Capital Trust with respect to any acts or omissions occurring at or prior to the closing.

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### **Board Designation Rights**

Effective as of the closing, the Purchaser will be entitled to designate two directors to our board of directors, one of whom, subject to the Maryland General Corporation Law, will be appointed as chairman of our board of directors. In addition, until such time as the Purchaser and its affiliates collectively beneficially own less than 50% of the New CT Shares, we will nominate for election to our board of directors two director nominees designated by the Purchaser at each annual or special meeting of our stockholders at which directors are to be elected, use our best efforts to cause the elections of such Purchaser designees and ensure that the board of directors shall be comprised of no more than eight members, unless otherwise agreed in writing by the Purchaser. In addition, subject to the rules of the NYSE, for so long as the Purchaser is entitled to nominate nominees to the board of directors, the Purchaser and/or its affiliates will be entitled to proportionate representation on each committee of our board of directors, other than our audit or compensation committees. In the event that a vacancy in our board of directors or committee of our board of directors is created at any time by the death, disability, retirement, resignation or removal of a board member designated by the Purchaser, we will use our best efforts to cause such vacancy to be filled as promptly as possible with a replacement board member designated by the Purchaser. Until the later to occur of (i) the Purchaser and its affiliates no longer having the right to designate two directors to our board of directors and (ii) affiliates of the Purchaser ceasing to manage us and our subsidiaries business, we cannot, without the prior written consent of the Purchaser, amend our charter to remove or otherwise modify the provisions of the charter that are the subject of the Charter Amendment Proposal or otherwise amend our charter or bylaws in a manner that could reasonably be expected to result in our being unable to fulfill our obligations under the Purchase Agreement or discriminate against the Purchaser or any of its affiliates, whether on the basis of its holdings in Capital Trust or otherwise.

### **Special Dividend**

Concurrently with the setting of the record date for the special meeting, our board of directors will adopt resolutions with respect to the declaration of the special dividend to all holders of record of our Common Stock on the date set as the meeting record date and shall provide the notice of the dividend in accordance with applicable Law, our charter or bylaws and the rules of the NYSE, and as soon as practicable following the closing, we will pay the special dividend to all holders of record of our Common Stock on the record date. The Purchaser, in its capacity as the holder of the New CT Shares, will not be entitled to participate in the special dividend.

### **Tax Matters**

We will prepare and file, or cause to be prepared and filed, all tax returns that are required to be filed by or with respect to us, any Acquired Entity, any Fund Entity and their respective subsidiaries on or before the closing date. The Purchaser will prepare and file, or cause to be prepared and filed, all tax returns that the Purchaser is required by applicable law to file by or with respect to each Acquired Entity and each of its subsidiaries after the closing. In addition, the Purchaser will pay us (a) all refunds of taxes actually received by any Acquired Entity or any of its subsidiaries after the closing date and attributable to taxes paid with respect to a taxable period ending on or prior to the closing date and (b) the portion of all refunds of taxes actually received by any Acquired Entity or any of its subsidiaries after the closing date and attributable to taxes paid by such Acquired Entity or any of its subsidiaries with respect to the portion of any straddle period ending on the closing date, in each case, net of any taxes imposed on such refund amount. Furthermore, we and the Purchaser are each responsible for 50% of any transfer tax imposed in connection with the Transactions.

We and the Purchaser have agreed to cooperate fully, as and to the extent reasonably requested by each other, in connection with the filing of tax returns and any audit, inquiry, litigation or other proceeding with respect to taxes. In addition, we and the Purchaser have agreed to certain other covenants relating to tax returns, allocation of taxes, tax sharing agreements, tax indemnification and other tax matters.

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### **Additional Agreements**

The Purchase Agreement contains additional agreements between Blackstone and us relating to, among other things:

Consultations regarding public announcements and certain confidentiality obligations;

Delivery and maintenance of, and access to, books and records of any Acquired Entity, Fund Entity and their respective subsidiaries;

Cost and expenses incurred in connection with the Purchase Agreement and the related transaction documents and transactions;

Subject to certain exceptions, termination of all affiliate contracts;

Minimizing the effect of any state anti-takeover or other similar law;

Notification of breaches of representations and warranties or covenants;

NYSE listing of the New CT Shares;

Maintenance of minimum working capital; and

Assignment or termination of the lease of our headquarters at 410 Park Avenue, New York, New York 10022.

### ***Closing***

The closing will occur no later than the second business day, which we refer to as the closing date, following the satisfaction or, to the extent permitted, waiver of all conditions to the obligations of the parties to consummate the Transactions, including our stockholders' approval of the Proposals as described in this proxy statement.

### ***Conditions to Closing***

The mutual obligations of the parties to consummate the Transactions are subject to the satisfaction or waiver of the following conditions:

Receipt of approval by our stockholders of the Proposals;

Receipt of all necessary consents, orders, approvals and waivers of any governmental authority and the NYSE required for the consummation of the Transactions; and

No law order or other legal restraint or prohibition by any governmental authority of competent jurisdiction shall be in effect which prohibits, makes illegal or enjoins (whether on a temporary, preliminary or permanent basis) the consummation of the Transactions.

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In addition, our obligations to consummate the Transactions are subject to the satisfaction (or waiver by us) of the following conditions:

Subject to certain exceptions, the representations and warranties of the Purchaser contained in the Purchase Agreement shall be true and correct in all respects as of the date of the Purchase Agreement and as of the closing date, except that those representations and warranties which address matters only as of a particular date need only be true and correct as of such date, interpreted without giving effect to any material adverse effect or materiality qualifications, except where all failures of all such representations and warranties to be true and correct, in the aggregate, have not had, and would not reasonably be expected to have, a material adverse effect on the Purchaser;

The Purchaser shall have in all material respects complied with and performed all of the covenants and agreements required to be performed by it under the Purchase Agreement; and

We shall have received copies of certain documents and other items required to be delivered under the Purchase Agreement.

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In addition, the obligations of the Purchaser to consummate the Transactions are subject to the satisfaction (or waiver by the Purchaser) of the following conditions:

Subject to certain exceptions, the representations and warranties made by us contained in the Purchase Agreement shall be true and correct in all respects as of the date of the Purchase Agreement and as of the closing date, except that those representations and warranties which address matters only as of a particular date need only be true and correct as of such date, interpreted without giving effect to any material adverse effect or materiality qualifications, except where all failures of all such representations and warranties to be true and correct, in the aggregate, have not had, and would not reasonably be expected to have, a material adverse effect on us, the Acquired Entities or the Fund Entities;

We shall have in all material respects complied with and performed all of the covenants and agreements required to be performed by us under the Purchase Agreement;

Since the date of the Purchase Agreement, there shall not have occurred any material adverse effect on any of us, the Acquired Entities or the Fund Entities;

No Loss of Special Servicer Status (as defined in the Purchase Agreement) shall have occurred since the date of the Purchase Agreement and as of the closing date nor shall any applicable rating agency have announced (publicly or otherwise) its intention to issue, or otherwise implement, any Loss of Special Services Status;

Approval of the listing of the New CT Shares on the NYSE;

We shall have at least \$5,000,000 in cash or cash equivalents as of the closing, subject to certain adjustments and exclusions; and

The Purchaser shall have received copies of certain documents and other items required to be delivered under the Purchase Agreement, including certain consents of our private fund investors and separate account clients.

## ***Indemnification***

### **Indemnification by Capital Trust**

We have agreed that, from and after the closing, we will indemnify each of the Purchaser and its affiliates (including any Acquired Entity, Fund Entity and their respective subsidiaries and affiliates), and the past, current and future respective stockholders, equity owners, members, partners, controlling persons (if any), directors, trustees, managers, officers, employees, agents, successors, assigns and personal representatives of each of them, which we refer to collectively as the purchaser indemnitees, from and against any and all losses that any purchaser indemnitee may suffer due to:

- (i) subject to certain exceptions, any inaccuracy in, or breach of, any representation or warranty made by us contained in the Purchase Agreement or any related transaction document;
- (ii) subject to certain exceptions, any breach of any of our covenants or obligations contained in the Purchase Agreement or any related transaction document;

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- (iii) the ownership, management or operation of any Acquired Entity, any Fund Entity or any of their respective subsidiaries and the respective businesses, properties and assets of each of the foregoing or any other CT Investment Management Interests at or prior to the closing;
- (iv) subject to certain adjustments, any liabilities that we should have taken into account and set forth on the estimated closing balance sheet provided by us to the Purchaser immediately prior to the closing date; and
- (v) subject to certain adjustments, any claims by any transferring employees or current or former officers, directors or employees of the Acquired Entities or their respective subsidiaries relating to matters arising on or prior to the closing and any Closing Employee Amounts to the extent not taken into account in connection with the calculation of the CT Investment Management Interests Purchase Price.

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We will not be liable to any of the purchaser indemnitees, subject to certain exceptions, unless and until the losses incurred by all the purchaser indemnitees exceed, in the aggregate, \$500,000, which we refer to as the deductible, in which case we will be liable for the full amount of the losses in excess of the deductible; provided, that the aggregate amount so required to be paid by us in respect of such losses may not exceed \$10,000,000, which we refer to as the cap. The deductible and the cap will not apply to losses arising from (i) a breach of certain excluded representations and warranties (as described below), (ii) any claim pursuant to items (ii) (v) above or the tax indemnification provisions in the Purchase Agreement, or (iii) fraud, willful or criminal misconduct by us. In no event will we be required to pay any amounts in satisfaction of claims for indemnification in excess of an amount equal to the Purchase Price in the aggregate.

Certain representations and warranties made by us relating to, among other things, no conflicts, corporate status, authority, capitalization and broker's or finder's fees, which we refer to collectively as seller's excluded representations, will remain in full force and effect indefinitely. The representations and warranties made by us relating to, among other things, taxes and employee matters and benefit plans will remain in full force and effect until 30 days following the applicable statute of limitations with respect to the subject matter of such representations and warranties. All other representations and warranties made by us contained in the Purchase Agreement will remain in full force and effect for 18 months following the closing date.

### **Indemnification by the Purchaser**

The Purchaser has agreed that, from and after the closing, it will indemnify each of us and our subsidiaries, and the past, current and future directors, trustees, managers, officers, employees, agents and successors of each of them, which we refer to collectively as the seller indemnitees, from and against any and all losses that any seller indemnitee may suffer due to:

- (i) subject to certain exceptions, any inaccuracy in, or breach of, any representation or warranty of the Purchaser contained in the Purchase Agreement or any related transaction document;
- (ii) subject to certain exceptions, any breach of any of the Purchaser's covenants or obligations contained in the Purchase Agreement or any related transaction document; and
- (iii) subject to certain adjustments, expenses incurred in connection with certain transaction-related expenses.

The Purchaser will not be liable to any of the seller indemnitees, subject to certain exceptions, unless and until the losses incurred by all seller indemnitees exceed, in the aggregate, the deductible, in which case the Purchaser will be liable for the full amount of the losses in excess of the deductible; provided, that the aggregate amount so required to be paid by the Purchaser in respect of such losses may not exceed the cap. The deductible and the cap will not apply to losses arising from (i) a breach of a certain excluded representations and warranties (as described below), (ii) any claim made against the Purchaser pursuant to item (iii) above, or (iii) fraud, willful or criminal misconduct by the Purchaser. In no event will the Purchaser be required to pay any amounts in satisfaction of claims for indemnification in excess of an amount equal to the Purchase Price in the aggregate.

The representations and warranties of the Purchaser relating to, among other things, no conflicts, power and authority and broker's and finder's fees, which we refer to collectively as purchaser excluded representations, will remain in full force and effect indefinitely. The representations and warranties of the Purchaser relating to investment intent will remain in full force and effect until six months following the closing. All other representations and warranties of the Purchaser contained in the Purchase Agreement will remain in full force and effect for 18 months following the closing date.

### **Adjustment for Insurance**

Any indemnification obligation under the Purchase Agreement for any losses will be net of any insurance proceeds actually received by the indemnified party under any insurance policy. We and the Purchaser have



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agreed that in the event that any indemnified party recovers amounts under any insurance policy, the indemnified party shall reimburse the indemnifying party an amount equal to the lesser of the amount of such insurance recovery (after deducting related costs and expenses) and the amount for which the indemnifying party was obligated to indemnify the indemnified party pursuant to the Purchase Agreement.

***Termination***

The Purchase Agreement may be terminated prior to the consummation of the closing:

- (i) upon the mutual written consent of both us and the Purchaser;
- (ii) by either us or the Purchaser, if the closing shall not have occurred on or prior to 5:00 p.m., New York time, on June 27, 2013, which we refer to as the outside date; provided, however, that a party shall not be permitted to terminate the Purchase Agreement if the failure to consummate the closing by the outside date is attributable to the breach by such party of any provision of the Purchase Agreement;
- (iii) by either us or Blackstone, if a court of competent jurisdiction or other governmental authority of competent jurisdiction shall have issued a final, nonappealable order, decree or ruling, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the Transactions; provided, however, that a party shall not be permitted to terminate the Purchase Agreement if the issuance of such final, non-appealable order, decree or ruling is attributable to the breach by such party of any provision of the Purchase Agreement;
- (iv) by either us or the Purchaser, if our stockholders shall have voted on the Proposals at the special meeting and approval by our stockholders of the Proposals was not obtained;
- (v) by the Purchaser, if, before the approval by the stockholders of the Proposals at the special meeting, (i) our board of directors has changed its recommendation that our stockholders approve the Proposals; (ii) we shall have failed to include in this proxy statement our board of directors' recommendation that our stockholders approve the Proposals; (iii) our board of directors or any committee thereof shall have adopted, approved, endorsed or recommended any acquisition proposal; (iv) a tender or exchange offer relating to our securities shall have been commenced and we shall not have sent to our security holders, within ten business days after the commencement of such tender or exchange offer, a statement disclosing that our board of directors recommends rejection of such tender or exchange offer; or (v) we shall have materially breached our obligations relating to non-solicitation or preparation of this proxy statement under the Purchase Agreement;
- (vi) by the Purchaser, if we shall have breached any representation, warranty, covenant or agreement under the Purchase Agreement, which breach cannot be or has not been cured within 30 days after the Purchaser's giving of written notice thereof, such that the closing conditions related to our representations and warranties or covenants would not be satisfied;  
or
- (vii) by us, if the Purchaser shall have breached any representation, warranty, covenant or agreement under the Purchase Agreement, which breach cannot be or has not been cured within 30 days after our giving of written notice thereof, such that the closing conditions related to the Purchaser's representations and warranties or covenants would not be satisfied.

***Expense Reimbursement***

We have agreed to reimburse the Purchaser for all fees and expenses incurred by or on behalf of the Purchaser and its affiliates in connection with the Transactions and the pursuit and negotiation thereof, subject to a cap of \$1,500,000 in the aggregate if (i) subject to certain exceptions, we or the Purchaser terminates the Purchase Agreement pursuant to the item (ii) in Termination above and within 12 months of such

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termination, we or any of our subsidiaries enter into a contract with respect to an acquisition proposal or an acquisition proposal is consummated, (ii) we or the Purchaser terminate the Purchase Agreement pursuant to item

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(iv) in Termination above and either, prior to the special meeting, an acquisition proposal has been publicly announced or, within 12 months of such termination of the Purchase Agreement, we or any of our subsidiaries enter into a contract with respect to an acquisition proposal or an acquisition proposal is consummated or (iii) subject to certain exceptions, the Purchaser terminates the Purchase Agreement pursuant to items (v) or (vi) in Termination above.

The Purchaser has agreed to reimburse us for all fees and expenses incurred after July 3, 2012 by or on behalf of us and our affiliates in connection with the Transactions and the pursuit and negotiation thereof, subject to a cap of \$1,500,000 in the aggregate if we terminate this agreement pursuant to item (vii) in Termination above.

### ***Equitable Remedies***

The parties are entitled to an injunction, specific performance or other equitable relief to specifically enforce and to prevent breaches of the Purchase Agreement in addition to any other remedy to which they are entitled at law or in equity.

### ***Governing Law; Jurisdiction***

The Purchase Agreement is governed by the laws of the State of Maryland with respect to matters relating to the duties of our board of directors and the laws of the State of New York with respect to all other matters, without giving effect to its conflict of laws principles. Each of the parties has consented to submit to the exclusive jurisdiction of the courts of the State of New York and the courts of the United States of America located in the City and County of New York in the State of New York for any litigation arising out of or relating to the Purchase Agreement.

### ***Amendment of the Tax Benefits Preservation Rights Agreement***

We previously entered into the Rights Agreement, which is intended to deter an ownership change, as defined for purposes of Section 382 of the Internal Revenue Code, to preserve its net operating and capital losses. Pursuant to the terms of the Purchase Agreement, on September 27, 2012, we entered into an amendment to the Rights Agreement, which, among other things, renders the Rights Agreement inapplicable to the Transactions. The amendment further provides that neither Blackstone nor its affiliates will become an acquiring person (as such term is defined in the Rights Agreement) or otherwise trigger the Rights Agreement unless their percentage of ownership of Common Stock exceeds their percentage of ownership of Common Stock immediately following the closing. Based on the number of shares of Common Stock outstanding as of the date of this proxy statement, Blackstone would beneficially own [18.2]% of the Common Stock under the Rights Agreement upon the Closing. Accordingly Blackstone and its affiliates could not increase their ownership of the Common Stock above [18.2]% without triggering the Rights Agreement, unless our board of directors approved of any such increase in ownership.

### ***Registration Rights Agreement***

In connection with the Transactions, we will enter into a registration rights agreement with regard to the New CT Shares. Pursuant to the registration rights agreement, the Purchaser and its permitted direct and indirect transferees will have:

beginning one year after the closing, the right to require us to (i) file a shelf registration statement with respect to the New CT Shares, (ii) maintain its effectiveness, (iii) facilitate takedown offerings of the New CT Shares and (iv) assist in the facilitation of sales of such shares by Purchaser;

demand registration rights to have the New CT Shares registered for resale on up to four occasions beginning on the first anniversary of the closing date and the right to require us to assist in the

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facilitation of sales of such shares by Purchaser if we have not effected or are not diligently pursuing a shelf registration statement covering the New CT Shares or are not eligible to file a shelf registration statement or the shelf registration statement covering the New CT Shares shall cease to be effective; and

in certain circumstances, the right to piggy-back the New CT Shares in registration statements we might file in connection with any future public offering of our Common Stock or offerings of our Common Stock undertaken by us or our other stockholders. Notwithstanding the foregoing, certain registrations and offerings are subject to cutback provisions, and we are permitted to suspend the use, from time to time, of the prospectus that is part of a registration statement (and therefore suspend sales under the registration statement) for certain specified periods.

***Explanatory Note Regarding the Purchase Agreement***

The Purchase Agreement and the summary set forth above have been included to provide all stockholders with information regarding the terms of the Purchase Agreement and are not intended to modify or supplement any factual disclosures about us in our public reports filed with the SEC. In particular, the Purchase Agreement and the foregoing summary of its terms are not intended to be, and should not be relied upon as, disclosures regarding any facts or circumstances relating to us, Blackstone, our or their subsidiaries and affiliates or any other party. The representations and warranties contained in the Purchase Agreement have been negotiated only for the purpose of the Purchase Agreement and are intended solely for the benefit of the parties thereto. In many cases, these representations, warranties and covenants are subject to limitations agreed upon by the parties and are qualified by certain supplemental disclosures provided by the parties to one another in connection with the execution of the Purchase Agreement. Furthermore, many of the representations and warranties in the Purchase Agreement are the result of a negotiated allocation of contractual risk among the parties and, taken in isolation, do not necessarily reflect facts about us, Blackstone, our or their subsidiaries and affiliates or any other party. Likewise, any references to materiality contained in the representations and warranties may not correspond to concepts of materiality applicable to investors or stockholders. Certain of these representations were accurate as of a specific date and do not purport to be accurate as of the date of this proxy statement. Finally, information concerning the subject matter of the representations and warranties may change after the date of the Purchase Agreement, and these changes may not be fully reflected in our public disclosures.

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**NEW MANAGEMENT AGREEMENT**

*The following is a summary of selected material provisions of the New Management Agreement, a copy of which is attached as **Annex B** to this proxy statement and incorporated by reference herein. The rights and obligations of the parties are governed by the express terms and conditions of the New Management Agreement and not by this summary or any other information in this proxy statement. This discussion is not complete and is qualified in its entirety by reference to the complete text of the New Management Agreement. We urge all stockholders to read the New Management Agreement, as well as this proxy statement, carefully and in their entirety before making any decision regarding the Proposals.*

**Engagement of New CT Manager and Management Services**

Pursuant to the New Management Agreement, we will engage the New CT Manager to serve as our investment manager and provide for the day-to-day management of our operations. The New Management Agreement will require the New CT Manager to manage our investments and our day-to-day business and affairs in conformity with our investment guidelines and other policies that are approved and monitored by our board of directors. The New CT Manager's role as manager will be under the supervision and direction of our board of directors.

The New CT Manager will be responsible for (i) the selection, the origination or purchase and the sale, of our portfolio investments, (ii) our financing activities and (iii) providing us with investment advisory services. The New CT Manager will be responsible for our day-to-day operations and will perform (or cause to be performed) such services and activities relating to our investments and business and affairs as may be appropriate, which may include, without limitation, the following:

serving as our advisor with respect to the establishment and periodic review of our investment guidelines and other parameters for our investments, financing activities and operations, any modifications to which will be approved by a majority of our board of directors (which must include a majority of the independent directors);

identifying, investigating, analyzing, and selecting possible investment opportunities and originating, negotiating, acquiring, consummating, monitoring, financing, retaining, selling, negotiating for prepayment, restructuring, refinancing, hypothecating, pledging or otherwise disposing of investments consistent in all material respects with our investment guidelines;

with respect to prospective purchases, sales, exchanges or other dispositions of investments, conducting negotiations on our behalf with sellers, purchasers, and other counterparties and, if applicable, their respective agents, advisors and representatives;

negotiating and entering into, on our behalf, repurchase agreements, interest rate or currency swap agreements, hedging arrangements, financing arrangements (including one or more credit facilities), foreign exchange transactions, derivative transactions, and other agreements and instruments required or appropriate in connection with our activities;

engaging and supervising, on our behalf and at our expense, independent contractors, advisors, consultants, attorneys, accountants, auditors, and other service providers (which may include affiliates of the New CT Manager) that provide various services with respect to us, including, without limitation, investment banking, securities brokerage, mortgage brokerage, credit analysis, risk management services, asset management services, loan servicing, other financial, legal or accounting services, due diligence services, underwriting review services, and all other services (including transfer agent and registrar services) as may be required relating to our activities or investments (or potential investments);

coordinating and managing operations of any joint venture or co-investment interests held by us and conducting all matters with the joint venture or co-investment partners;

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providing executive and administrative personnel, office space and office services required in rendering services to us;

administering the day-to-day operations and performing and supervising the performance of such other administrative functions necessary to our management as may be agreed upon by the New CT Manager and our board of directors, including, without limitation, the collection of revenues and the payment of our debts and obligations and maintenance of appropriate computer services to perform such administrative functions;

communicating on our behalf with the holders of any of our equity or debt securities as required to satisfy the reporting and other requirements of any governmental bodies or agencies or trading markets and to maintain effective relations with such holders;

advising us in connection with policy decisions to be made by our board of directors;

engaging one or more subadvisors with respect to our management, including, where appropriate, affiliates of the New CT Manager;

evaluating and recommending to our board of directors hedging strategies and engaging in hedging activities on our behalf, consistent with our qualification as a REIT and with our investment guidelines;

advising us regarding the maintenance of our qualification as a REIT and monitoring compliance with the various REIT qualification tests and other rules set out in the Internal Revenue Code, and the Treasury Regulations thereunder and using commercially reasonable efforts to cause us to qualify for taxation as a REIT;

advising us regarding the maintenance of our exemption from regulation as an investment company under the Investment Company Act, monitoring compliance with the requirements for maintaining such exemption and using commercially reasonable efforts to cause us to maintain such exemption from regulation as an investment company under the Investment Company Act;

furnishing reports to us regarding our activities and services performed for us by the New CT Manager and its affiliates;

monitoring the operating performance of our investments and providing periodic reports with respect thereto to our board of directors, including comparative information with respect to such operating performance and budgeted or projected operating results;

investing and reinvesting any moneys and securities of ours (including investing in short-term investments pending investment in other investments, payment of fees, costs and expenses, or payments of dividends or distributions to our stockholders and partners) and advising us as to our capital structure and capital raising;

causing us to retain a qualified independent public accounting firm and legal counsel, as applicable, to assist in developing appropriate accounting procedures and systems, internal controls and other compliance procedures and systems with respect to financial reporting obligations and compliance with the provisions of the Internal Revenue Code applicable to REITs and to conduct periodic compliance reviews with respect thereto;

assisting us in qualifying to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;

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assisting us in complying with all regulatory requirements applicable to us in respect of our business activities, including preparing or causing to be prepared all financial statements required under applicable regulations and contractual undertakings and all reports and documents, if any, required under the Exchange Act or the Securities Act, or by the NYSE, and facilitating compliance with the Sarbanes-Oxley Act of 2002, the listing rules of the NYSE, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010;

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assisting us in taking all necessary action to enable us to make required tax filings and reports, including soliciting stockholders for all information required to the extent provided by the provisions of the Internal Revenue Code and Treasury Regulations applicable to REITs;

placing, or arranging for the placement of, all orders pursuant to the New CT Manager's investment determinations for us either directly with the issuer or with a broker or dealer (including any affiliated broker or dealer);

handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which we may be involved or to which we may be subject arising out of our day-to-day activities (other than with the New CT Manager or its affiliates), subject to such reasonable limitations or parameters as may be imposed from time to time by our board of directors;

using commercially reasonable efforts to cause expenses incurred by us or on our behalf to be commercially reasonable or commercially customary and within any budgeted parameters or expense guidelines set by our board of directors from time to time;

advising us with respect to and structuring long-term financing vehicles for our portfolio of assets, and offering and selling securities publicly or privately in connection with any such structured financing;

servicing as our advisor with respect to decisions regarding any of our financings, hedging activities or borrowings undertaken by us, including (i) assisting us in developing criteria for debt and equity financing that is specifically tailored to our investment objectives, and (ii) advising us with respect to obtaining appropriate financing for our investments (which, in accordance with applicable law and the terms and conditions of New Management Agreement and our charter and bylaws may include financing by the New CT Manager or its affiliates);

providing us with portfolio management and other related services;

arranging marketing materials and other related documentation, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote our business; and

performing such other services from time to time in connection with the management of our business and affairs and our investment activities as our board of directors shall reasonably request and/or the New CT Manager shall deem appropriate under the particular circumstances.

Pursuant to the terms of the New Management Agreement, the New CT Manager may retain, for and on our behalf, such services of persons and firms described elsewhere herein as the New CT Manager deems necessary or advisable in connection with our management and operations, which may include affiliates of the New CT Manager; provided, that any such services may only be provided by affiliates of the New CT Manager to the extent (i) such services are on arm's-length terms and competitive market rates in relation to terms that are then customary for agreements regarding the provision of such services to companies that have assets similar in type, quality and value to our assets and our subsidiaries' assets, or (ii) such services are approved by a majority of the independent members of our board of directors. Pursuant to the terms of the New Management Agreement, the New CT Manager will keep our board of directors reasonably informed on a periodic basis as to any services provided by affiliates of the New CT Manager not approved by a majority of the independent directors on our board of directors.

## **Liability and Indemnification**

Pursuant to the New Management Agreement, the New CT Manager will assume no responsibility other than to render the services called for thereunder in good faith and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations, including as set forth in our investment guidelines. Under the terms of the New Management Agreement, the New CT



Manager and its

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affiliates, and their respective directors, officers, employees and stockholders, will not be liable to us, any subsidiary of ours, our board of directors, our stockholders or any of our subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to the New Management Agreement, except by reason of acts or omission constituting bad faith, willful misconduct, gross negligence or reckless disregard of their duties under the New Management Agreement. We have agreed to indemnify the New CT Manager, its affiliates, and the directors, officers, employees and stockholders of the New CT Manager and its affiliates of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including reasonable attorneys' fees) in respect of or arising from any acts or omissions of such party performed in good faith under the New Management Agreement and not constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties of such party under the New Management Agreement. In addition, the New CT Manager will not be liable for trade errors that may result from ordinary negligence, including, without limitation, errors in the investment decision making process and/or in the trade process. The New CT Manager has agreed to indemnify us, our subsidiaries and the directors, officers, employees and stockholders of us and our subsidiaries and each person, if any, controlling us, of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including reasonable attorneys' fees) in respect of or arising from (i) any acts or omissions of the New CT Manager constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties of the New CT Manager under the New Management Agreement or (ii) any claims by the New CT Manager's employees relating to the terms and conditions of their employment by the New CT Manager. Notwithstanding the foregoing, the New CT Manager, at its sole cost and expense, will maintain errors and omissions insurance coverage and other customary insurance coverage upon the execution of the New Management Agreement.

Pursuant to the New Management Agreement, any indemnified party entitled to indemnification thereunder shall first seek recovery from any other indemnity then available with respect to portfolio entities and/or any applicable insurance policies by which such indemnified party is indemnified or covered and shall obtain written consent of us or the New CT Manager (as applicable) prior to entering into any compromise or settlement which would result in an obligation of us or the New CT Manager (as applicable) to indemnify such indemnified party. Any amounts actually recovered under any applicable insurance policies or other indemnity then available will offset any amounts owed by us or the New CT Manager (as applicable) pursuant to indemnification obligations under the New Management Agreement.

**Management Team**

Pursuant to the terms of the New Management Agreement, the New CT Manager is required to provide us with a management team, including a chief executive officer and president, chief financial officer or similar positions, along with appropriate support personnel, to provide the management services to be provided by the New CT Manager to us. The New CT Manager is not obligated to dedicate any of its executives or other personnel exclusively to us. In addition, such executives and other personnel, including the management team supplied to us by the New CT Manager, are not obligated to dedicate any specific portion of their time to our business. Instead, members of our management team are required to devote such of their time to our management as necessary and appropriate, commensurate with our level of activity.

The New CT Manager is required to refrain from any action that, in its sole judgment made in good faith:

is not in compliance with our investment guidelines,

would adversely and materially affect our qualification as a REIT under the Internal Revenue Code or our status or our subsidiaries status as entities excluded from investment company status under the Investment Company Act, or

would materially violate compliance and governance policies and procedures applicable to us, any law, rule or regulation of any governmental body or agency having jurisdiction over us and our subsidiaries or of any exchange on which our securities may be listed or that would otherwise not be permitted by our charter and bylaws.

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If the New CT Manager is ordered to take any action by our board of directors, the New CT Manager will promptly notify our board of directors if it is the New CT Manager's judgment that such action would adversely and materially affect such status or violate any such law, rule or regulation, or compliance and governance policies and procedures or our charter or bylaws. Neither the New CT Manager nor any of its affiliates shall be liable to us, our board of directors or our stockholders for any act or omission by the New CT Manager or any of its affiliates, except as provided in the New Management Agreement.

### **Term and Termination**

The initial term of the New Management Agreement expires on the third anniversary of the closing date and will be automatically renewed for a one-year term each anniversary thereafter unless previously terminated as described below. Our independent directors will review the New CT Manager's performance and the fees that may be payable to the New CT Manager annually and, following the initial term, the New Management Agreement may be terminated annually upon the affirmative vote of at least two-thirds of our independent directors, based upon (1) unsatisfactory performance that is materially detrimental to us or (2) our determination that the management fee and incentive fee payable to the New CT Manager are not fair, subject to the New CT Manager's right to prevent such termination due to unfair fees by accepting a reduction of management and/or incentive fees agreed to by at least two-thirds of our independent directors. We must provide 180 days prior written notice of any such termination. Unless terminated for cause, the New CT Manager will be paid a termination fee equal to three times the sum of (i) the average annual management fee and (ii) the average annual incentive fee earned by the New CT Manager, in each case during the 24-month period immediately preceding the most recently completed calendar quarter prior to the date of termination.

We may also terminate the New Management Agreement at any time, including during the initial term, without the payment of any termination fee, with at least 30 days prior written notice from us for cause, which is defined as:

a final judgment by any court or governmental body of competent jurisdiction not stayed or vacated within 30 days that the New CT Manager, its agents or its assignees has committed a felony or a material violation of applicable securities laws that has a material adverse effect on our business or the ability of the New CT Manager to perform its duties under the terms of the New Management Agreement,

an order for relief in an involuntary bankruptcy case relating to the New CT Manager or the New CT Manager authorizing or filing a voluntary bankruptcy petition,

the dissolution of the New CT Manager, or

a determination that the New CT Manager has committed fraud against us, misappropriates or embezzles funds of ours, or has acted, or failed to act, in a manner constituting bad faith, willful misconduct, gross negligence or reckless disregard in the performance of its duties under the New Management Agreement, provided, however, that if any of such actions or omissions are caused by an employee and/or officer of the New CT Manager or one of its affiliates and the New CT Manager takes all necessary action against such person and cures the damage caused by such actions or omissions within 30 days of such determination, then the New Management Agreement shall not be terminable for cause.

The New CT Manager may assign the agreement in its entirety or delegate certain of its duties under the agreement to any of its affiliates without the approval of our independent directors if such assignment or delegation does not require our approval under the Investment Company Act.

The New CT Manager may terminate the New Management Agreement if we become required to register as an investment company under the Investment Company Act, with such termination deemed to occur immediately before such event, in which case we would not be required to pay a termination fee. The New CT Manager may

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decline to renew the New Management Agreement by providing us with 180 days' written notice, in which case we would not be required to pay a termination fee. In addition, if we breach the New Management Agreement in any material respect or are otherwise unable to perform our obligations thereunder and the breach continues for a period of 30 days after written notice to us, the New CT Manager may terminate the New Management Agreement upon 60 days' written notice. If the New Management Agreement is terminated by the New CT Manager upon our breach, we would be required to pay the New CT Manager the termination fee described above.

We may not assign our rights or responsibilities under the New Management Agreement without the prior written consent of the New CT Manager, except in the case of assignment to another REIT or other organization which is our successor, in which case such successor organization will be bound under the New Management Agreement and by the terms of such assignment in the same manner as we are bound under the New Management Agreement.

### **Management Fee, Incentive Fees and Expense Reimbursements**

Upon execution of the New Management Agreement, we will not maintain an office or directly employ personnel. Instead, we will rely on the facilities and resources of the New CT Manager to manage our day-to-day operations.

#### ***Management Fee***

Pursuant to the terms of the New Management Agreement, we will pay the New CT Manager a management fee in an amount equal to the greater of: (i) \$250,000 per annum (\$62,500 per quarter); and (ii) 1.50% per annum (0.375% per quarter) of our Equity. The management fee is payable in cash, quarterly in arrears with respect to each calendar quarter following the closing date. For purposes of calculating the management fee, our Equity means: (a) the sum of (1) the net proceeds received by us from all issuances of our Common Stock from and after the closing date (allocated on a pro rata basis for such issuances during the fiscal quarter of any such issuance), plus (2) our retained earnings at the end of the most recently completed calendar quarter in respect of Core Earnings (as defined below) from and after the closing date, plus (3) cash retained on our balance sheet as of the closing date and cash retained upon realization of the CT Legacy Interests (as defined below), (b) less (1) any distributions to our stockholders in excess of retained Core Earnings, (2) any amount that we or any of our subsidiaries has paid to repurchase our Common Stock since the closing date and (3) any Incentive Compensation (as defined below) paid following the closing date.

The management fee of the New CT Manager shall be calculated within 30 days after the end of each quarter and such calculation shall be promptly delivered to us. We are obligated to pay the management fee within five business days after the date of delivery to us of such computations.

#### ***Incentive Fees***

Pursuant to the terms of the New Management Agreement, the New CT Manager will be entitled to Incentive Compensation which shall be payable in arrears in cash, in quarterly installments. Incentive Compensation means the incentive fee calculated and payable with respect to each calendar quarter following the closing date (or part thereof that the New Management Agreement is in effect) in arrears in an amount, not less than zero, equal to:

- (i) for the first full calendar quarter following the closing date, the product of (a) 20% and (b) the difference between (i) our Core Earnings (as defined below) for such calendar quarter, and (ii) the product of (A) our Equity as of the end of such calendar quarter, and (B) 7%;
- (ii) for each of the second, third and fourth full calendar quarters following the closing date, the difference between (1) the product of (a) 20% and (b) the difference between (i) our Core Earnings for the

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previous calendar quarter, and (ii) the product of (A) our Equity in the previous calendar quarter, and (B) 7%, and (2) the sum of any Incentive Compensation paid to the New CT Manager with respect to the prior calendar quarter(s) following the closing date, as applicable; and

- (iii) for each calendar quarter thereafter, the difference between (1) the product of (a) 20% and (b) the difference between (i) our Core Earnings for the previous 12-month period, and (ii) the product of (A) our Equity in the previous 12-month period, and (B) 7%, and (2) the sum of any Incentive Compensation paid to the New CT Manager with respect to the first three calendar quarters of such previous 12-month period; provided, however, that no Incentive Compensation shall be payable with respect to any calendar quarter unless Core Earnings for the 12 most recently completed calendar quarters (or such lesser number of completed calendar quarters from the date of the first offering of our Common Stock following the closing date) is greater than zero.

For purposes of calculating the incentive fee, our Core Earnings means: the net income (loss) attributable to our stockholders, computed in accordance with GAAP, including realized losses not otherwise included in GAAP net income (loss) and excluding (i) non-cash equity compensation expense, (ii) the Incentive Compensation, (iii) depreciation and amortization, (iv) any unrealized gains or losses or other similar non-cash items that are included in net income for the applicable reporting period, regardless of whether such items are included in other comprehensive income or loss, or in net income, (v) one-time events pursuant to changes in GAAP and certain material non-cash income or expense items, in each case after discussions between the New CT Manager and the independent directors of our board of directors and approved by a majority of such independent directors, and (vi) net income (loss) related to the CT Legacy Interests (as defined below). Pursuant to the terms of the New Management Agreement, the exclusion of depreciation and amortization from the calculation of Core Earnings shall only apply to debt investments related to real estate to the extent that we foreclose upon the property or properties underlying such debt investments.

The New CT Manager will compute each quarterly installment of the incentive fee within 45 days after the end of the calendar quarter with respect to which such installment is payable and promptly deliver such calculation to our board of directors. The amount of the installment shown in the calculation will be due and payable no later than the date which is five business days after the date of delivery of such computations to our board of directors.

For purposes of the terms Equity and Core Earnings, the CT Legacy Interests means our interests in (i) CT Legacy REIT, net of (a) the Series 1 Unit Secured Notes issued by CT Legacy Series 1 Note Issuer, LLC, a Delaware limited liability company, and the Series 2 Unit Secured Notes issued by CT Legacy Series 2 Note Issuer, LLC, a Delaware limited liability company, issued prior to the date of the New Management Agreement, and (b) payments made by us pursuant to those certain award agreements granted under our 2007 Long-Term Incentive Plan related to distributions made by CT Legacy REIT, (ii) our interest in CT OPI GP, LLC, a Delaware limited liability company and general partner of CTOPI, net of the payments made by us pursuant to those certain award agreements related to carried interest distributions made by CTOPI and (iii) the Capital Trust RE CDO 2004-1 Ltd., a Cayman Islands company, Capital Trust RE CDO 2005-1 Ltd, a Cayman Islands company, and CT CDO IV Ltd., a Cayman Islands exempted company.

***Reimbursement of Expenses***

We will reimburse the New CT Manager or its affiliates for documented costs and expenses of the New CT Manager and its affiliates incurred on our behalf except those specifically required to be borne by the New CT Manager under the New Management Agreement as described below. The New CT Manager shall be responsible for the expenses related to any and all personnel of the New CT Manager and its affiliates who provide services to us pursuant to the New Management Agreement or otherwise (including, without limitation, each of our officers and any of our directors who are also directors, officers or employees of the New CT Manager or any of its affiliates), including, without limitation, salaries, bonus and other wages, payroll taxes and the cost of employee benefit plans of such personnel, and costs of insurance with respect to such personnel.

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The expenses required to be paid by us include:

fees, costs and expenses in connection with the issuance and transaction costs incident to the acquisition, negotiation, structuring, trading, settling, disposition and financing of our investments (whether or not consummated), including brokerage commissions, hedging costs, prime brokerage fees, custodial expenses, clearing and settlement charges, forfeited deposits, and other investment costs fees and expenses actually incurred in connection with the pursuit, making, holding, settling, monitoring or disposing of actual or potential investments;

fees costs, and expenses of legal, tax, accounting, consulting, auditing, finance, administrative, investment banking, capital market and other similar services rendered to us (including, where the context requires, through one or more third parties and/or affiliates of the New CT Manager) or, if provided by the New CT Manager's personnel, in accordance with the terms and conditions of the New Management Agreement;

the compensation and expenses of our directors (excluding those directors who are officers of the New CT Manager) and the cost of liability insurance to indemnify our directors and officers;

interest and fees and expenses arising out of borrowings made by us, including, but not limited to, costs associated with the establishment and maintenance of any of our credit facilities, other financing arrangements, or other indebtedness of ours (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of our securities offerings;

expenses connected with communications to holders of our securities or securities of our subsidiaries and other bookkeeping and clerical work necessary in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including, without limitation, all costs of preparing and filing required reports with the SEC, the costs payable by us to any transfer agent and registrar in connection with the listing and/or trading of our securities on any exchange, the fees payable by us to any such exchange in connection with its listing, costs of preparing, printing and mailing our annual report to our stockholders and proxy materials with respect to any meeting of our stockholders and any other reports or related statements;

our allocable share of costs associated with technology-related expenses, including without limitation, any computer software or hardware, electronic equipment or purchased information technology services from third-party vendors or affiliates of the New CT Manager that is used solely for us, technology service providers and related software/hardware utilized in connection with our investment and operational activities;

our allocable share of expenses incurred by managers, officers, personnel and agents of the New CT Manager for travel on our behalf and other out-of-pocket expenses incurred by them in connection with the purchase, financing, refinancing, sale or other disposition of an investment or the establishment and maintenance of any of our securitizations or any of our securities offerings;

our allocable share of costs and expenses incurred with respect to market information systems and publications, research publications and materials, including, without limitation, news research and quotation equipment and services;

the costs and expenses relating to ongoing regulatory compliance matters and regulatory reporting obligations relating to our activities;

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the costs of any litigation involving us or our assets and the amount of any judgments or settlements paid in connection therewith, directors and officers, liability or other insurance and indemnification or extraordinary expense or liability relating to our affairs;

all taxes and license fees;

all insurance costs incurred in connection with the operation of our business except for the costs attributable to the insurance that the New CT Manager elects to carry for itself and its personnel;

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our allocable share of costs and expenses incurred in contracting with third parties, in whole or in part, on our behalf;

all other costs and expenses relating to our business and investment operations, including, without limitation, the costs and expenses of acquiring, owning, protecting, maintaining, developing and disposing of investments, including appraisal, reporting, audit and legal fees;

expenses relating to any office(s) or office facilities, including, but not limited to, disaster backup recovery sites and facilities, maintained for us or our investments separate from the office or offices of the New CT Manager;

expenses connected with the payments of interest, dividends or distributions in cash or any other form authorized or caused to be made by our board of directors to or on account of holders of our securities or of our subsidiaries, including, without limitation, in connection with any dividend reinvestment plan;

any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against us or any subsidiary, or against any trustee, director, partner, member or officer of us or of any subsidiary in his capacity as such for which we or any subsidiary is required to indemnify such trustee, director, partner, member or officer by any court or governmental agency; and

all other expenses actually incurred by the New CT Manager (except as otherwise described above) which are reasonably necessary for the performance by the New CT Manager of its duties and functions under the New Management Agreement.

**Additional Activities of the New CT Manager; Allocation of Investment Opportunities; Conflicts of Interest**

The New Management Agreement expressly provides that it does not (i) prevent the New CT Manager or any of its affiliates, officers, directors or employees, from engaging in other businesses or from rendering services of any kind to any other person or entity, whether or not the investment objectives or policies of any such other person or entity are similar to those of ours, including, without limitation, the sponsoring, closing and/or managing of any investment funds, vehicles, accounts, products and/or other similar arrangements sponsored, advised, and/or managed by Blackstone or its affiliates, whether currently in existence or subsequently established (in each case, including any related successor funds, alternative vehicles, supplemental capital vehicles, co-investment vehicles and other entities formed in connection with Blackstone or its affiliates side-by-side or additional general partner investments with respect thereto), which we refer to as the Other Blackstone Funds, that employ investment objectives or strategies that overlap, in whole or in part, with our investment guidelines, (ii) in any way bind or restrict the New CT Manager or any of its affiliates, officers, directors or employees from buying, selling or trading any securities or commodities for their own accounts or for the account of others for whom the New CT Manager or any of its affiliates, officers, directors or employees may be acting, or (iii) prevent the New CT Manager or any of its affiliates from receiving fees or other compensation or profits from activities described in clause (i) or (ii) which shall be for the New CT Manager's (and/or its affiliates') sole benefit.

The New Management Agreement expressly acknowledges that, while information and recommendations supplied to us shall, in the New CT Manager's reasonable and good faith judgment, be appropriate under the circumstances and in light of our investment objectives and policies, they may be different in certain material respects from the information and recommendations supplied by the New CT Manager or any affiliate of the New CT Manager to others (including, for greater certainty, the Other Blackstone Funds and their investors, as described below). In addition, as acknowledged in the New Management Agreement, (i) affiliates of the New CT Manager sponsor, advise and/or manage one or more Other Blackstone Funds and may in the future sponsor, advise and/or manage additional Other Blackstone Funds, and (ii) the New CT Manager will allocate investment opportunities that overlap with our investment guidelines and such Other Blackstone Funds in a manner that the New CT Manager and applicable affiliates determine to be fair and reasonable in accordance with the investment



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allocation policy and procedures of the New CT Manager and/or its affiliates with respect to the allocation of investment opportunities among us and one or more Other Blackstone Funds (as the same may be amended, updated or revised from time to time without prior notice from the New CT Manager or our consent), which we refer to as the Allocation Policy.

Pursuant to the terms of the New Management Agreement, we acknowledge and/or agree that (i) as part of Blackstone's or its affiliates' regular businesses, personnel of the New CT Manager and its affiliates may from time-to-time work on other projects and matters (including with respect to one or more Other Blackstone Funds), and that conflicts may arise with respect to the allocation of personnel between us and one or more Other Blackstone Funds and/or the New CT Manager and such other affiliates, (ii) there may be circumstances where investments that are consistent with our investment guidelines may be shared with or allocated to one or more Other Blackstone Funds (in lieu of us) in accordance with the Allocation Policy, (iii) Other Blackstone Funds may invest, from time-to-time, in investments in which we may also invest (including at a different level of an issuer's capital structure (*e.g.*, an investment by an Other Blackstone Fund in an equity or mezzanine interest with respect to the same portfolio entity in which we own a debt interest or vice versa) or in a different tranche of fundraising with respect to an issuer in which we have an interest) and while Blackstone and its affiliates will seek to resolve any such conflicts in a fair and equitable manner in accordance with the Allocation Policy, such transactions shall not be required to be presented to our board of directors for approval, and there can be no assurance that any such conflicts will be resolved in our favor, (iv) the New CT Manager and its affiliates may from time-to-time receive fees from portfolio entities or other issuers for the arranging, underwriting, syndication or refinancing of investments or other additional fees, including acquisition fees, loan servicing fees, special servicing fees, administrative fees or advisory or asset management fees, including with respect to Other Blackstone Funds and related portfolio entities, and while such fees may give rise to conflicts of interest we will not receive the benefit of any such fees, and (v) the terms and conditions of the governing agreements of such Other Blackstone Funds (including with respect to the economic, reporting, and other rights afforded to investors in such Other Blackstone Funds) are materially different from the terms and conditions applicable to us and our stockholders, and neither we nor any of our stockholders (in such capacity) shall have the right to receive the benefit of any such different terms applicable to investors in such Other Blackstone Funds as a result of an investment in us or otherwise. In addition, pursuant to the terms of the New Management Agreement, the New CT Manager is required to keep our board of directors reasonably informed on a periodic basis in connection with the foregoing, including with respect to any transactions that present conflicts contemplated by clause (iii) above and is required to provide our board of directors with quarterly updates in respect of such matters.

Pursuant to the terms of the New Management Agreement, the New CT Manager shall not consummate on our behalf any transaction that involves (i) the sale of any investment to or (ii) the acquisition of any investment from, Blackstone, any Other Blackstone Fund or any of their affiliates unless such transaction (A) is on terms no less favorable to us than could have been obtained on an arm's length basis from an unrelated third party and (B) has been approved in advance by a majority of our independent directors. In addition, pursuant to the terms of the New Management Agreement, it is agreed that the New CT Manager will seek to resolve any conflicts of interest in a fair and equitable manner in accordance with the Allocation Policy and its prevailing policies and procedures with respect to conflicts resolution among Other Blackstone Funds generally, and only those transactions set forth above shall be required to be presented for approval to the independent directors of our board of directors.

Pursuant to the terms of the New Management Agreement, at the reasonable request of our board of directors, the New CT Manager will review the Allocation Policy with our board of directors and respond to reasonable questions regarding the Allocation Policy as it relates to services under the New Management Agreement. The New CT Manager will promptly provide our board of directors with a description of any material amendments, updates and revisions to the Allocation Policy.

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### ***Investment Guidelines***

The New Management Agreement will require the New CT Manager to manage our investments and our day-to-day business and affairs in conformity with our investment guidelines and other policies that are approved and monitored by our board of directors. Our investment guidelines are approved by our board of directors and may be amended, restated, modified, supplemented or waived pursuant to the approval of a majority of our board of directors (which must include a majority of the independent directors on our board of directors) from time to time, without the approval of our stockholders.

Our board of directors has approved the following investment guidelines:

No investment shall be made that would cause us to fail to qualify as a REIT under the Internal Revenue Code.

No investment shall be made that would cause us or any of our subsidiaries to be regulated as an investment company under the Investment Company Act.

The New CT Manager shall seek to invest our capital in a broad range of investments in or relating to public and/or private debt, non-controlling equity, loans and/or other interests (including mezzanine interests and/or options or derivatives related thereto) relating to real estate assets (including pools thereof), real estate companies and/or real estate-related holdings.

Prior to the deployment of capital into investments, the New CT Manager may cause our capital to be invested in any short-term investments in money market funds, bank accounts, overnight repurchase agreements with primary federal reserve bank dealers collateralized by direct U.S. government obligations and other instruments or investments reasonably determined by the New CT Manager to be of high quality.

Not more than 25% of Equity will be invested in any individual investment without the approval of a majority of the independent directors on our board of directors (it being understood, however, that for purposes of the foregoing concentration limit, in the case of any investment that is comprised (whether through a structured investment vehicle or other arrangement) of securities, instruments or assets of multiple portfolio issuers, such investment for purposes of the foregoing limitation shall be deemed to be multiple investments in such underlying securities, instruments and assets and not such particular vehicle, product or other arrangement in which they are aggregated).

Any investment in excess of \$150 million shall require the approval of a majority of the independent directors of our board of directors.

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**VOTING AGREEMENT**

Concurrently with the execution and delivery of the Purchase Agreement, on September 27, 2012, W. R. Berkley, Admiral Insurance Company, Berkley Insurance Company, Berkley Regional Insurance Company and Nautilus Insurance Company, which we refer collectively as the W. R. Berkley Stockholders, entered into a voting agreement with the Purchaser. There are 3,843,413 shares, or approximately [17.1]%, of our Common Stock outstanding on the record date that are subject to the voting agreement. Such shares, along with all shares acquired by each of the W. R. Berkley Stockholders as a result of exercise of options or warrants, conversion of convertible securities or otherwise, in each case, after the execution of the voting agreement, are referred to as the covered shares in this proxy statement.

The following is a summary description of the voting agreement.

**Agreement to Vote**

The W. R. Berkley Stockholders have agreed to vote their covered shares at every meeting of our stockholders (whether or not adjourned or postponed) or in any circumstances upon which a vote, consent or other approval of our stockholders is sought as follows:

when a meeting is held, appear at such meeting or otherwise cause the covered shares to be counted as present thereat for the purpose of establishing quorum;

vote (or cause to be voted) all covered shares in favor of the Transactions, including each of the Proposals; and

vote (or cause to be voted) all covered shares against any acquisition proposal (as defined in the Purchase Agreement) and any other action that could reasonably be expected to materially impede, interfere with, delay, postpone or adversely affect the Transactions, including the Proposals, or result in a breach in any material respect of any covenant, representation or warranty or other obligation or agreement of us under the Purchase Agreement.

The W. R. Berkley Stockholders remain free to vote their covered shares in any manner they deem appropriate with respect to any matter not covered by the foregoing. Nothing in the voting agreement shall limit the right of any W. R. Berkley Stockholder to vote any covered shares in connection with the election of directors.

**Transfer Restrictions**

In addition, the W. R. Berkley Stockholders have agreed to certain restrictions on the transfer of their subject shares. Until the termination of the voting agreement, the W. R. Berkley Stockholders may not: (i) sell, transfer, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to a transfer of any of the covered shares or (ii) knowingly take any action that would make any representation or warranty of any of the W. R. Berkley Stockholders contained in the voting agreement untrue or incorrect in any material respect or have the effect of preventing or disabling any of the W. R. Berkley Stockholders from performing his or its obligations under the voting agreement in any material respect.

The foregoing requirements will not prohibit the W. R. Berkley Stockholders from transferring their covered shares to one or more of their subsidiaries, parent or affiliate corporations; provided, however, that the transfer is conditioned upon the transferee agreeing in writing to be bound by all of the terms of the voting agreement.

**Non-Solicitation**

Additionally, each of the W. R. Berkley Stockholders has agreed that, until the termination of the voting agreement, it shall not, and shall cause its subsidiaries and its and their respective representatives not to, directly

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or indirectly through another person: (i) solicit, initiate or knowingly encourage, knowingly induce or knowingly take any other action which would reasonably be expected to lead to, the making, submission or announcement of, any proposal or inquiry that constitutes, or is reasonably likely to lead to, an acquisition proposal; (ii) enter into, continue or participate in any discussions or any negotiations regarding any proposal that constitutes, or would reasonably be expected to lead to the making, submission or announcement of, any acquisition proposal; or (iii) furnish any non-public information regarding us or any of our subsidiaries to any person in connection with or in response to an acquisition proposal or an inquiry that would reasonably be expected to lead to the making, submission or announcement of an acquisition proposal or otherwise knowingly facilitate any acquisition proposal or an inquiry that would reasonably be expected to lead to the making, submission or announcement of an acquisition proposal.

## **Termination**

The voting agreement terminates upon the earliest to occur of (a) the closing of the Transactions, (b) the termination of the Purchase Agreement in accordance with its terms, (c) written notice of termination of this voting agreement by the Purchaser to the W. R. Berkley Stockholders, (d) June 27, 2013, the outside date set forth in the Purchase Agreement, (e) any amendment to the Purchase Agreement or any transaction document, including the New Management Agreement, that could reasonably be expected to be adverse to us in any material respect, including, but not limited to, any amendment that (i) has the effect of decreasing the Purchase Price paid to us relative to the CT Investment Management Interests and New CT Shares acquired by the Purchaser or (ii) has the effect of decreasing the amount of Blackstone's assumed liabilities under the Purchase Agreement and (f) a change in the recommendation of our board of directors that our stockholders approve the Proposals.

## **Letter Agreement with W. R. Berkley**

As an inducement to the W. R. Berkley Stockholders entering into the Voting Agreement, we entered into a letter agreement, which we refer to as the letter agreement, with W. R. Berkley pursuant to which letter agreement we agreed, subject to the terms thereof, that, effective as of the closing, in addition to any vote required by law and our charter and bylaws, we shall not undertake or agree to undertake, or permit any direct or indirect subsidiary to undertake or agree to undertake, any qualified offering (as defined below) unless such qualified offering shall have been approved by a majority of our independent directors (as defined in the New Management Agreement). The requirement to obtain such independent director approval shall terminate upon the closing of the first qualified offering. For purposes of the letter agreement, qualified offering means any equity financing, including without limitation any registered public offering, pursuant to which we or any of our direct or indirect subsidiaries issues equity securities (including any securities, indebtedness or other instruments convertible into Common Stock or other equity securities of us or any direct or indirect subsidiary and excluding securities issued pursuant to any outstanding warrants, any outstanding or future employee or director equity awards or any securities issued to us or any of our direct or indirect subsidiaries), and (i) that is commenced after the closing and (ii) the expected gross proceeds of which, when taken together with the gross proceeds of all the other such offerings commenced after the closing, exceeds \$30,000,000.

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**OPINION OF CAPITAL TRUST'S FINANCIAL ADVISOR**

**Opinion of Capital Trust's Financial Advisor**

In the days leading up to the execution of the Purchase Agreement, the CT Investment Management Interests Purchase Price was increased from \$20,000,000 to \$20,629,004. Since the materials prepared by Evercore and delivered to the Capital Trust board of directors, including Evercore's opinion, were prepared assuming a purchase price of \$20,000,000 for the CT Investment Management Interests (as reflected in Blackstone's proposal), all references to the CT Investment Management Interests Purchase Price in this Section Opinion of Capital Trust's Financial Advisor reflect a price of \$20,000,000 for the CT Investment Management Interests and all references to the Purchase Price in this section reflect a price of \$20,000,000 for the CT Investment Management Interests plus the \$10,000,000 New CT Shares Purchase Price.

On September 27, 2012, Evercore delivered its oral opinion to the special committee, which opinion was subsequently confirmed by delivery of a written opinion dated September 27, 2012, to the effect that, as of such date and based upon and subject to assumptions made, matters considered and limitations on the scope of review undertaken by Evercore as set forth in its opinion, the Purchase Price was fair, from a financial point of view, to Capital Trust.

**The full text of the written opinion of Evercore, dated September 27, 2012, which sets forth, among other things, the procedures followed, assumptions made, matters considered and qualifications and limitations on the scope of review undertaken in rendering its opinion, is attached hereto as Annex F. You are urged to read Evercore's opinion carefully and in its entirety. Evercore's opinion was directed to the special committee and addresses only the fairness, from a financial point of view, of the Purchase Price to be paid to Capital Trust. The opinion does not address any other aspect of the Transactions and does not constitute a recommendation to the special committee or to any other persons in respect of the Transactions, including as to how any holder of shares of Common Stock should vote or act in respect of the Transactions. Evercore's opinion does not address the relative merits of the Transactions as compared to other business or financial strategies that might be available to Capital Trust, nor does it address the underlying business decision of Capital Trust to engage in the Transactions. The summary of the Evercore opinion set forth herein is qualified in its entirety by reference to the full text of the opinion included as Annex F.**

In connection with rendering its opinion, Evercore, among other things:

- (i) reviewed certain publicly available business and financial information, including information relating to Capital Trust that Evercore deemed to be relevant;
- (ii) reviewed certain non-public historical financial statements and other non-public historical financial and operating data relating to Capital Trust prepared and furnished to Evercore by our management;
- (iii) reviewed certain non-public projected financial data relating to Capital Trust under alternative business assumptions prepared and furnished to Evercore by our management;
- (iv) reviewed certain non-public historical and projected operating data relating to Capital Trust prepared and furnished to Evercore by our management;
- (v) discussed the past and current operations, financial projections and current financial condition of Capital Trust with our management (including their views on the risks and uncertainties of achieving such projections);
- (vi) reviewed the reported prices and the historical trading activity of our Common Stock;

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(vii) compared the financial performance of Capital Trust and its stock market trading multiples with those of certain other publicly traded companies that Evercore deemed relevant;

(viii) reviewed the Purchase Agreement; and

(ix) performed such other analyses and examinations and considered such other factors that Evercore deemed appropriate.

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For purposes of its analysis and opinion, Evercore assumed and relied upon, without undertaking any independent verification of, the accuracy and completeness of all of the information publicly available, and all of the information supplied or otherwise made available to, discussed with, or reviewed by Evercore, and Evercore assumed no liability therefor. With respect to the projected financial data relating to Capital Trust referred to above and below, Evercore assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Capital Trust as to the future financial performance of Capital Trust under the alternative business assumptions reflected therein. Evercore expressed no view as to any projected financial data relating to Capital Trust or the assumptions on which they are based.

For purposes of rendering its opinion, Evercore assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the Purchase Agreement were true and correct, that each party would perform all of the covenants and agreements required to be performed by it under the Purchase Agreement and that all conditions to the consummation of the Transactions would be satisfied without material waiver or modification thereof. Evercore further assumed that all governmental, regulatory or other consents, approvals or releases necessary for the consummation of the Transactions would be obtained without any material delay, limitation, restriction or condition that would have an adverse effect on Capital Trust or the consummation of the Transactions or materially reduce the benefits to Capital Trust of the Transactions.

Evercore did not make nor assume any responsibility for making any independent valuation or appraisal of the assets or liabilities of Capital Trust, nor was Evercore furnished with any such appraisals, nor did Evercore evaluate the solvency or fair value of Capital Trust under any state or federal laws relating to bankruptcy, insolvency or similar matters. Evercore's opinion was necessarily based upon information made available to it as of the date of its opinion and financial, economic, market and other conditions as they existed and as could be evaluated on the date of its opinion. It should be understood that subsequent developments may affect Evercore's opinion and that Evercore does not have any obligation to update, revise or reaffirm its opinion.

Evercore was not asked to pass upon, and expressed no opinion with respect to, any matter other than the fairness to Capital Trust, from a financial point of view, of the Purchase Price. Evercore did not express any view on, and its opinion did not address, the fairness of the Transactions to, or any consideration received in connection therewith, by the holders of any securities, creditors or other constituencies of Capital Trust (including the fairness of the Transactions to the holders of shares of Common Stock or the fairness of the special dividend). Evercore also did not express any view on, and its opinion did not address, the tax attributes of the Transactions or the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Capital Trust, or any class of such persons, whether relative to the Purchase Price or otherwise. Evercore assumed that any modification to the structure of the Transactions would not vary in any respect material to its analysis. Evercore's opinion did not address the relative merits of the Transactions as compared to other business or financial strategies that might be available to Capital Trust, nor did it address the underlying business decision of Capital Trust to engage in the Transactions. Evercore's opinion did not constitute a recommendation to the board of directors of Capital Trust or to any other persons in respect of the Transactions, including as to how any holder of Common Stock should vote or act in respect of the Transactions. Evercore did not express any view as to the terms of the New Management Agreement. Evercore expressed no opinion as to the price at which shares of Common Stock or equity interests of the Purchaser or its affiliates will trade at any time. Evercore's opinion noted that it is not an expert in legal, regulatory, accounting or tax matters and assumed the accuracy and completeness of assessments by Capital Trust and its advisors with respect to legal, regulatory, accounting and tax matters.

Set forth below is a summary of the material financial analyses reviewed by Evercore in connection with rendering its opinion. The following summary, however, does not purport to be a complete description of the analyses performed by Evercore. The order of the analyses described and the results of these analyses do not represent relative importance or weight given to these analyses by Evercore. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data that existed on or before September 21, 2012, and is not necessarily indicative of current market conditions.

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**The following summary of financial analyses includes information presented in tabular format. These tables must be read together with the text of each summary in order to understand fully the financial analyses. The tables alone do not constitute a complete description of the financial analyses. Considering the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Evercore's financial analyses.**

### ***Historical Stock Price Performance***

Evercore reviewed certain data with regard to the historical trading price of our Common Stock. In the period from September 21, 2007 through September 21, 2012, our Common Stock traded at a one year average of \$2.88, a two year average of \$2.75, a three year average of \$2.43 and a five year average of \$7.36. Our Common Stock had a closing price of \$2.60 on May 14, 2012, the last trading day prior to our announcement that our board of directors had formed the special committee to consider and explore strategic alternatives available to Capital Trust, and a closing price of \$3.05 on September 26, 2012, the last trading day prior to the date of the announcement of the Transactions. The consideration to be received by Capital Trust in the Transactions without giving effect to the special dividend and the issuance of the New CT Shares implies a per share price of \$4.00 per share, which represents a 54% premium to the closing price of our Common Stock on May 14, 2012 and a 24% premium to the closing price of our Common Stock on September 26, 2012.

### **Discounted Cash Flow Analysis**

Evercore performed an indicative discounted cash flow analysis of Capital Trust to derive an implied aggregate price range for the CT Investment Management Interests and an implied per share value range for the New CT Shares, in each case, based on the implied present value of Capital Trust's projected cash flows as provided by our management. Management provided such projections for fiscal years 2013 through 2017 with respect to assets to be acquired in the Transactions by the Purchaser and fiscal years 2013 through 2016 with respect to assets of Capital Trust that would remain at Capital Trust after the completion of the Transactions. In its analysis of the CT Investment Management Interests Purchase Price and the New CT Shares Purchase Price, Evercore calculated the implied aggregate price range for the CT Investment Management Interests and the implied per share value range for the New CT Shares by discounting back to September 21, 2012 at varying discount rates selected by Evercore based on its judgment and experience and consideration of certain other factors, including those indicated below.

In its analysis of the CT Investment Management Interests Purchase Price, Evercore used varying discount rates from (i) 5% to 15% with respect to the CTIMCO Interests, (ii) 10% to 20% with respect to the CTOPI Co-Invest Interests, which discount rates took into account the relative risk profile of the CTOPI Co-Invest Interests, where the underlying investments of CTOPI include B-notes, preferred equity investments and several subordinate CDO securities and (iii) 5% to 15% with respect to the CTHG2 Co-Invest Interests, which discount rates took into account the relative risk profile of the CTHG2 Co-Invest Interests, where the underlying investments of CTHG2 include first mortgages, investment grade REIT bonds and commercial mortgage backed securities. Key assumptions utilized by Evercore in performing its discounted cash flow analysis, which in each case were based on direction from our management, included the following: (i) with respect to the CTIMCO Interests, that positive cash flows would cease by 2017 and general and administrative expenses would be reduced from \$10 million in 2013 to \$2 million in 2017, (ii) with respect to the CTOPI Co-Invest Interests, that positive cash flows would cease by 2017 and that cash flows would reflect the return of capital per Capital Trust management's fee collections (after payment of a 9% preferential return) as distinct from invested cash flows and (iii) with respect to CTHG2 Co-Invest Interests, that positive cash flows would be approximately \$1.7 million in 2017. This analysis indicated an implied aggregate range of \$18.0 to \$21.5 million for the CT Investment Management Interests taken together.

Evercore assumed, at the direction of our management, that following the Transactions, Capital Trust's assets would be comprised of (i) Capital Trust's interest in CT Legacy REIT, (ii) a 17.7% fee that Capital Trust is



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entitled to receive with respect to CTOPI after a 9% preferred return to CTOPI's limited partners, which we refer to as the CTOPI Promote and (iii) residual interests in three CDOs sponsored by Capital Trust, but only one of which would be reasonably anticipated to have any residual value, which we refer to as the CDO I Recovery. In its analysis of the New CT Shares Purchase Price, Evercore used discount rates ranging (i) from 15% to 25% with respect to CT Legacy REIT, which determination considered, among other factors, the March 2011 restructuring of CT Legacy REIT where lenders provided mezzanine debt financing to Capital Trust at a 15% interest rate and that Capital Trust management has historically used a 20% discount rate to value CT Legacy REIT and (ii) from 20% to 30% with respect to the CTOPI promote and the CDO I Recovery. In performing this analysis, key assumptions utilized by Evercore, based on direction from our management, included that the majority of general and administrative expenses of Capital Trust following the Transaction would pertain to CT Legacy REIT, and Evercore therefore based the general and administrative expenses discount rate range on the relative risk profile of CT Legacy REIT. Our management also provided Evercore with two sets of projected cash flows for the remaining businesses for fiscal years 2013 through 2016, including (i) a downside scenario, reflecting certain additional negative factors identified by management that could impact Capital Trust's financial results, which we refer to as the Downside Case and (ii) a scenario that did not reflect such negative factors, which we refer to as the Upside Case. This analysis indicated a range of (i) \$0.89 to \$1.07 per share for the New CT Shares with respect to the Downside Case and \$2.55 to \$3.01 per share for the New CT Shares with respect to the Upside Case, assuming, in each case, that all outstanding warrants would convert to Common Stock prior to payment of the special dividend and (ii) \$0.95 to \$1.12 per share for the New CT Shares with respect to the Downside Case and \$2.50 to \$2.93 for the New CT Shares with respect to the Upside Case, assuming, in each case, that all warrants would convert to Common Stock after payment of the special dividend.

**Price to Book Value of Public Mortgage REITs**

Evercore compared the share price of our Common Stock to the adjusted book value of Capital Trust, as determined by our management, as of each of September 21, 2012 and May 14, 2012 (the last trading day prior to Capital Trust's announcement that its board of directors had formed the special committee), and on a pro forma basis giving effect to the Investment Management Business Sale, the special dividend, and the Purchaser Investment, assuming the conversion of outstanding warrants prior to the payment of the special dividend to determine price to book value multiples of 1.02x, 0.81x and 1.23x, respectively. Evercore then compared these multiples to the book value multiples as of the second quarter of 2012 (based on public disclosure) of (i) four legacy commercial mortgage REITs, which Evercore deemed to be similar to Capital Trust in that such REITs' assets principally originated prior to the financial crisis of 2008 (which is similar to the assets of Capital Trust) and (ii) four new commercial mortgage REITs which hold assets principally originated after the financial crisis of 2008. The results of this analysis were as follows:

<b>Legacy Commercial Mortgage REITs</b>	<b>Price / Q2 2012 Adjusted Book</b>
	<b>Value</b>
Gramercy Capital Corp.	NM
Newcastle Investment Corp.	2.18x
Northstar Realty Finance	0.92x
iStar Financial, Inc.	1.76x
	<b>Mean: 1.25x</b>
	<b>Median: 0.92x</b>
<b>New Commercial Mortgage REITs</b>	<b>Price / Q2 2012 Adjusted Book</b>
	<b>Value</b>
Apollo Commercial Real Estate, Inc.	1.09x
Colony Financial, Inc.	1.09x
Crexus Investment Corp.	0.95x
Starwood Property Trust, Inc.	1.27x
	<b>Mean: 1.17x</b>
	<b>Median: 1.09x</b>

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### **Premiums Paid Analysis**

Evercore reviewed the premiums offered or paid in 192 all-cash acquisitions of public, United States-based targets with equity values between \$25 million and \$100 million over the past five years and applied the relevant range of premiums to Capital Trust's share price as of September 21, 2012 and August 21, 2012. Such precedent transactions had premiums ranging from approximately 10% to 54% compared to the stock price one day prior to announcement and 8% to 62% compared to the stock price four weeks prior to announcement. Evercore then applied such range of selected premiums to Capital Trust's closing share price on September 21, 2012 and August 21, 2012, which indicated an implied per share equity value range for Capital Trust of \$3.60 to \$5.06 as of September 21, 2012 and \$3.28 to \$4.90 as of August 21, 2012, as compared to the implied per share consideration of \$4.00 per share.

### **General**

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by Evercore. In connection with the review of the Transactions by the special committee, Evercore performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary described above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Evercore's opinion. In arriving at its fairness determination, Evercore considered the results of all the analyses and did not draw, in isolation, conclusions from or with regard to any one analysis or factor considered by it for purposes of its opinion. Rather, Evercore made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all the analyses. In addition, Evercore may have considered various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should therefore not be taken to be Evercore's view of the value of Capital Trust. No company used in the above analyses as a comparison is directly comparable to Capital Trust, and no precedent transaction used is directly comparable to the Transactions. Further, Evercore's analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the Transactions, public trading or other values of the companies or transactions used, including judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Capital Trust.

Evercore prepared these analyses for the purpose of providing an opinion to the special committee as to the fairness, from a financial point of view, of the Purchase Price to Capital Trust. These analyses do not purport to be appraisals or to necessarily reflect the prices at which the business or securities actually may be sold. Any estimates contained in these analyses are not necessarily indicative of actual future results, which may be significantly more or less favorable than those suggested by such estimates. Accordingly, estimates used in, and the results derived from, Evercore's analyses are inherently subject to substantial uncertainty, and Evercore assumes no responsibility if future results are materially different from those forecasted in such estimates. The Purchase Price to be received by Capital Trust was determined through arm's-length negotiations between Capital Trust and the Purchaser and was recommended by the special committee and approved by our board of directors. Evercore did not recommend any specific consideration to Capital Trust or the special committee or that any given consideration constituted the only appropriate consideration.

Evercore received a fee of \$500,000 for its services upon the rendering of its opinion, which was to be paid for delivery of the fairness opinion regardless of the conclusion reached in the opinion and which will be creditable against the success fee, if due. Evercore will also be entitled to receive a success fee of an additional \$100,000 if the Transactions are consummated and may be entitled to an additional discretionary fee in an amount not to exceed \$400,000, which is to be determined by Capital Trust in its sole and absolute discretion. Capital Trust also agreed to reimburse Evercore's expenses and to indemnify it against certain liabilities arising out of Evercore's engagement. Prior to this engagement, no material relationship existed between Evercore or its

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affiliates and Capital Trust pursuant to which compensation was received by Evercore or its affiliates as a result of such relationship. During the two year period prior to the date of its opinion, Evercore and its affiliates did not provide any financial advisory or other services to the Purchaser or its affiliates, other than an investment banking engagement in 2012 for an affiliate of the Purchaser pursuant to which Evercore expects to receive customary compensation. Evercore may provide financial or other services to Capital Trust or the Purchaser and their respective affiliates in the future and in connection with those services Evercore may receive compensation.

In the ordinary course of business, Evercore or its affiliates may actively trade the securities, or related derivative securities, or financial instruments of Capital Trust, the Purchaser and their respective affiliates, for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities or instruments.

The special committee engaged Evercore to act as its financial advisor based on its qualifications, experience and reputation. Evercore is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses in connection with mergers and acquisitions, leveraged buyouts, competitive biddings, private placements and valuations for corporate and other purposes.

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**PROPOSAL 1 INVESTMENT MANAGEMENT BUSINESS SALE PROPOSAL**

**General**

We are asking our stockholders to approve the Investment Management Business Sale, which encompasses the approval of the Purchase Agreement, including the sale of our investment management and special servicing business, including the sale of CTIMCO and related private fund co-investments, to the Purchaser for a purchase price of \$20,629,004 and our entry into the New Management Agreement with the New CT Manager pursuant to which we will become externally managed by the New CT Manager. For further information concerning the terms and conditions of the Investment Management Business Sale and the New Management Agreement, see the information under Purchase Agreement beginning on page 46 and under New Management Agreement beginning on page 63. Please also refer to the information under Background of the Transactions and Recommendation beginning on page 31 for background information on the negotiation of the Transactions and the decision of our board of directors to approve the Transactions.

In connection with the Investment Management Business Sale, we will dispose of all of our active investment management mandates that we manage through CTIMCO and its subsidiaries. The mandates include the following:

CT Opportunity Partners I, LP, or CTOPI: This private investment fund's investment period expired on September 13, 2012. The fund concluded its capital raise in July 2008 with \$540 million in total equity commitments from 28 institutional and individual investors. We made a \$25 million commitment to invest in the fund (of which we funded \$17.1 million). CTOPI has invested \$469.5 million of capital in 37 transactions, of which \$207.9 million of invested capital remains outstanding. CTIMCO earns base management fees of 1.3% per annum of invested capital. We also own the entire carried interest in the fund pursuant to which we earn incentive compensation of 17.7% of profits after a 9% preferred return and a 100% return of capital. This carried interest will be retained by us following consummation of the Transactions.

CT High Grade Partners II, LLC, or CT High Grade II: This private investment fund's investment period expired in May 2011. The fund concluded its capital raise in June 2008 with \$667 million of commitments from two institutional investors. Subsequently, we purchased a 0.44% interest in the fund and one of the two partners purchased all of the interests from the other. CT High Grade II has invested \$588.1 million of capital in 33 transactions, of which \$553.6 million remains invested. CTIMCO earns a base management fee of 0.40% per annum on invested capital.

CT High Grade Mezzanine<sup>SM</sup>, or CT High Grade I: The separate accounts' investment period expired in July 2008, but the account holders have continued to invest in the high grade strategy on a non-discretionary basis since the end of the CT High Grade II investment period in May 2011. We invested \$492.8 million of capital for this account, of which \$250.3 million of invested capital remains outstanding. CTIMCO generally earns management fees of 0.25% per annum on invested capital for all CT High Grade I investments.

CT Large Loan 2006, Inc., or CT Large Loan: This private investment fund's investment period expired in May 2008. The fund concluded its capital raise in May 2006 with total equity commitments of \$325 million from eight institutional investors. CTIMCO earns management fees of \$805,000 per annum reflecting the cap on fees we voluntarily imposed.

During the fiscal year ended December 31, 2011 and the six months ended June 30, 2012, we earned \$6.6 million and \$3.2 million, respectively, in gross investment management fees in connection with the foregoing mandates.

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CTIMCO is also named as the special servicer pursuant to special servicing provisions contained in pooling and servicing agreements governing CMBS securitizations. We were named as special servicer under 16 and 18 such agreements as of September 30, 2012 and June 30, 2012, respectively. Pursuant to these special servicing assignments, we periodically earn special servicing fees prescribed in the agreements for the workout and restructuring services we provide in respect loans that have defaulted or are at risk of default. During the fiscal year ended December 31, 2011 and the six months ended June 30, 2012, we earned \$9.1 million and \$3.5 million, respectively, in gross special servicing fees in connection with special servicing assignments.

CTIMCO also serves as collateral manager to four CDOs sponsored by us. During the fiscal year ended December 31, 2011 and the six months ended June 30, 2012, we earned \$765,000 and \$286,000, respectively, in collateral management fees.

The Purchase Agreement contemplates that CTIMCO will own all 100 outstanding shares of the CTLR Preferred Stock immediately prior to closing. The CTLR Preferred Stock is entitled to \$7.5 million per annum of preferential dividends that step down in January 2013 to the greater of 2.5% of assets and \$1.0 million per annum.

Following consummation of the Transactions, we will remain publicly traded under the external management of the New CT Manager, an affiliate of Blackstone, pursuant to the New Management Agreement. We will no longer be engaged in the investment management and special servicing businesses and we will no longer have our own employees and instead will rely on the services of the New CT Manager for the day-to-day management of our business and affairs. We will retain our interest in CT Legacy REIT, our existing cash balances (as reduced to fund transaction expenses and the special dividend), our carried interest in CTOPI and our interests in three CDOs sponsored by us.

As part of a program designed to provide incentive compensation relating to the carried interest distributions we earn from CTOPI, our compensation committee has previously awarded long-term cash-based performance awards that represent derivative interests in such carried interest distributions. Pursuant to these awards, Stephen D. Plavin, Geoffrey G. Jervis and Thomas C. Ruffing are entitled to receive cash payments equal to 13.5%, 9.0% and 4.5%, respectively, of the carried interest distributions, if any, we receive from CTOPI. The awards are subject to vesting provisions which provide that the right to the payments vests one-third on the January 18, 2011 date of award, one-third upon the termination of the investment period of CTOPI on September 13, 2012, and one-third on the date of our receipt of the incentive management fee, provided that the holder is employed on each such vesting date. Our compensation committee has awarded performance awards covering 92.5% of the 45% CTOPI carried interest pool designated for allocation to our employees pursuant to the CTOPI related program.

As part of a program to provide incentive compensation relating to the recoveries generated by our legacy asset recovery vehicle, CT Legacy REIT, our compensation committee previously awarded long-term cash-based performance awards that represent derivative interests in such legacy asset recoveries. The CT Legacy REIT awards provide for payments to our executive officers and certain other employees of an amount not to exceed 6.75% of the total recovery (subject to certain caps) of the net assets of CT Legacy REIT, referred to as the CT Legacy REIT recovery pool. The legacy asset recovery awards vest 25% on March 31, 2011, 25% on March 31, 2013, 25% on March 31, 2014 and the balance at the time of distribution under the program. We have entered into award agreements covering 83.5% of the 6.75% CT Legacy REIT recovery pool designated for allocation to our employees pursuant to the CT Legacy REIT related program.

In accordance with the Purchase Agreement, the Purchaser may instruct us to award certain employees of Blackstone assigned to its real estate division (including Messrs. Plavin, Jervis and Ruffing and other existing participants, who will become employees of Blackstone and/or its affiliates) performance awards covering the 7.5% of the 45% of the CTOPI carried interest pool and the 16.5% of the 6.75% of the CT Legacy REIT recovery pool which remain unallocated pursuant to the incentive compensation programs and the portions of such pools are forfeited.

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The Purchase Agreement requires us to enter into amendments to the award agreements with existing participants pursuant to which the cash received by us in respect of the portions of the pools that remain unallocated or otherwise have been forfeited will be paid pro rata to the participants who have received performance awards and are otherwise entitled to the payments in accordance with the terms of their award agreements. Stephen D. Plavin, a director and our chief executive officer, Geoffrey G. Jervis, our chief financial officer, and Thomas C. Ruffing, our chief credit officer, each participate in both programs and will enter into such amendments to their award agreements.

Following consummation of the Transactions, our stockholders, including the Purchaser, will continue to hold an ongoing investment in Capital Trust and can benefit from any potential opportunities developed in the future.

### **No Appraisal or Dissenters' Rights**

No appraisal or dissenters' rights are available to our stockholders under Maryland law or our charter or bylaws in connection with Investment Management Business Sale.

### **Regulatory Approvals**

The parties' consummation of the Transactions does not require the consent or approval of any government or regulatory agency. However, the sale of CTIMCO, an SEC registered investment adviser, to the Purchaser as part of the Investment Management Business Sale requires CTIMCO to file an amendment to its current Form ADV on file with the SEC promptly following the closing of such sale to reflect changes relating to the ownership and persons in control of CTIMCO post-closing.

### **Accounting Treatment**

The Investment Management Business Sale will be accounted for as a sale of CTIMCO, which will subsequently no longer be part of the operations of Capital Trust. In addition, as a result of the Investment Management Business Sale, we will cease to be the primary beneficiary of certain currently consolidated securitization vehicles, as determined under the guidance of the FASB Accounting Standards Codification Topic 810. Accordingly, we will no longer consolidate such securitization vehicles upon completion of the Investment Management Business Sale. We will, however, retain our residual interests in such vehicles, which will be accounted for consistent with our other investments in similar securities.

### **Consequences of Failure to Approve the Investment Management Business Sale Proposal**

**Under the Purchase Agreement, receipt of stockholder approval of the Investment Management Business Sale is a condition to consummation of the Transactions. If such approval is not obtained, we will not be able to consummate any of the Transactions.**

### **Required Vote**

The Purchase Agreement requires that this proposal be approved by the affirmative vote of holders of at least a majority of our issued and outstanding shares of Common Stock that are entitled to vote at the special meeting.

Pursuant to the Voting Agreement, we have received commitments from stockholders affiliated with W. R. Berkley to vote their shares representing approximately [17.1]% of our Common Stock outstanding as of the record date in favor of approval for this proposal.

### **Recommendation of our Board of Directors**

**Our board of directors has approved the Investment Management Business Sale and our entry into the New Management Agreement and our directors unanimously recommend that you vote FOR the approval of the Investment Management Business Sale Proposal.**

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**PROPOSAL 2 PURCHASER INVESTMENT PROPOSAL**

**General**

We are asking our stockholders to approve the Purchaser Investment. The Purchase Agreement contemplates the Purchaser Investment which encompasses the issuance and sale of 5,000,000 shares of our Common Stock to the Purchaser for a purchase price of \$10,000,000, or \$2.00 per share, pursuant to the terms and subject to the conditions contained in the Purchase Agreement. For further information concerning the terms and conditions of the Purchaser Investment, see the information under **Purchase Agreement** beginning on page 46. Please also refer to the information under **Background of the Transactions and Recommendation** beginning on page 31 for background information on the negotiation of the Transactions and the decision of our board of directors to approve the Transactions.

The Purchaser's investment in our Common Stock will provide us with approximately \$10 million in new equity capital, an additional source of working capital to fund our ongoing operating activities. The alignment of the Purchaser's interest with that of our stockholders provided by the Purchaser's equity investment was a factor considered by our board of directors in approving the Transactions.

Upon consummation of the sale of the New CT Shares pursuant to the Purchase Agreement, based on the number of shares outstanding on the record date, the Purchaser will own approximately [18.2]% of our outstanding Common Stock. The voting power associated with this ownership along with the right contained in the Purchase Agreement to designate two directors for election to our board of directors, one of whom will be appointed as chairman of our board of directors, will provide the Purchaser the power to significantly influence our affairs and the outcome of matters required to be submitted to stockholders for approval.

Pursuant to the Purchase Agreement, our board of directors has (i) amended our bylaws to render the application of Maryland Control Share Acquisition Act inapplicable to any acquisition of Common Stock by (a) the Purchaser or any of its present affiliates and (b) Blackstone or any of its present and future affiliates and (ii) irrevocably resolved that the Maryland Business Combination Act will not apply to any business combination (as defined in the Maryland Business Combination Act) of Capital Trust with (a) the Purchaser or any of its present affiliates or (b) Blackstone or any of its present or future affiliates; provided, however, that the Purchaser or any of its affiliates or Blackstone and any of its present or future affiliates, shall not enter into any business combination with Capital Trust without the prior approval of at least a majority of the directors who are not affiliates or associates of the Purchaser or Blackstone. The Maryland Control Share Acquisition Act and the Maryland Business Combination Act provide protections that are designed to deter unsolicited takeover attempts and, as a result of these exemptions, those statutory provisions will not be available to deter any transaction involving the Purchaser, Blackstone or their respective affiliates. If the Purchase Agreement is terminated, however, these provisions will again be applicable to the Purchaser, Blackstone and their respective affiliates.

As a condition to the consummation of Transactions, we will also enter into a registration rights agreement pursuant to which, among other things, we will agree, upon demand, subject to certain terms and conditions, to register for resale under the Securities Act the shares of Common Stock sold to the Purchaser. The registration rights agreement provides that the Purchaser will, beginning one year after the closing, have the right to require us to prepare and file a shelf registration statement covering the resale of the shares of Common Stock sold to the Purchaser and to the extent such registration has not been effected, the Purchaser will have the right to four demand registration statements. The Purchaser will also be entitled to certain piggyback registration rights.

**Consequences of Failure to Approve the Purchaser Investment Proposal**

**Under the Purchase Agreement, receipt of stockholder approval of the sale of 5,000,000 shares of our Common Stock to the Purchaser is a condition to consummation of the Transactions. If such approval is not obtained, we will not be able to consummate any of the Transactions.**

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**Required Vote**

The Purchase Agreement requires that this proposal be approved by the affirmative vote of holders of at least a majority of our issued and outstanding shares of Common Stock that are entitled to vote at the special meeting.

Pursuant to the Voting Agreement, we have received commitments from stockholders affiliated with W. R. Berkley to vote their shares representing approximately [17.1]% of our Common Stock outstanding as of the record date in favor of approval for this proposal.

**Recommendation of our Board of Directors**

**Our board of directors has approved the Purchaser Investment and our directors unanimously recommend that you vote FOR the approval of the Purchaser Investment Proposal.**



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**PROPOSAL 3 CHARTER AMENDMENT PROPOSAL**

**General**

We are asking our stockholders to approve the charter amendments contemplated by the Purchase Agreement. The consummation of the Principal Transactions is subject to the satisfaction of, among other things, a closing condition which requires adoption of certain amendments to our charter contemplated by the Purchase Agreement.

Following the consummation of the Principal Transactions, Blackstone and its affiliates will manage our investments as well as the investments of other investment vehicles, including other investment vehicles with investment strategies similar to ours. As a result, we, on the one hand, and Blackstone and its affiliates, on the other hand, may have an interest in the same areas and types of business opportunities.

In order to clarify the duties that Blackstone and its affiliates will owe to us and our stockholders and to specifically allocate business opportunities between us and Blackstone and its affiliates, the Purchase Agreement requires that our board of directors approve and submit for adoption by our stockholders amendments to our charter which provides, among other things, subject to certain exceptions, that none of Blackstone or its affiliates (as such term is defined in the charter amendments), our directors or any person our directors control shall have any duty to refrain, directly or indirectly, from engaging in business opportunities or competing with us.

We also propose to amend our charter to include a severability provision, which will ensure that, if any provision of our charter is deemed to be unenforceable, the remaining provisions of the charter will continue to be enforceable.

For further information concerning the terms and conditions of the Principal Transactions, see the information under Purchase Agreement beginning on page 46. Please also refer to the information under Background of the Transactions and Recommendation beginning on page 31 for background information on the negotiation of the Principal Transactions and the decision of our board of directors to approve the Transactions.

We are requesting our stockholders to approve the following amendment that would add new Article X and XI to our charter:

ARTICLE X

CORPORATE OPPORTUNITIES

(a) The provisions of this Article X are set forth to regulate and define the conduct of affairs of the Corporation with respect to certain business opportunities as they may involve The Blackstone Group L.P. ( Blackstone ), members of the Board of Directors or their respective Affiliates (as defined below) in recognition and anticipation that (i) certain directors, principals, officers, employees and other representatives of Blackstone and its Affiliates may serve as directors, principals, officers, employees and other representatives of the Corporation, its subsidiaries or any entity that provides investment advisory services to the Corporation or its subsidiaries or as a member of the investment committee of any such entity, (ii) Blackstone and its Affiliates may now engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation or its subsidiaries, directly or indirectly, may engage and other business activities that overlap with or compete with those in which the Corporation or its subsidiaries, directly or indirectly, may engage, and (iii) members of the Board of Directors and their respective Affiliates may now

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engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation, directly or indirectly, may engage and other business activities that overlap with or compete with those in which the Corporation or its subsidiaries, directly or indirectly, may engage.

(b) To the fullest extent permitted by law, none of (i) Blackstone or any of its Affiliates or (ii) any director of the Corporation or his or her Affiliates (the Persons (as defined below) identified in (i) and (ii) above being referred to, collectively, as Identified Persons and, individually, as an Identified Person ) shall have any duty to refrain from directly or indirectly (x) engaging in any business opportunity, including but not limited to business opportunities in the same or similar business activities or lines of business in which the Corporation or any of its Affiliates may, from time to time, be engaged or propose to engage (a Business Opportunity ) or (y) competing with the Corporation, and, to the fullest extent permitted by law, no Identified Person shall be liable to the Corporation or its stockholders for breach of any duty by reason of the fact that such Identified Person engages in any such activities. To the fullest extent permitted by law, the Corporation hereby renounces any interest or expectancy in, or in being offered an opportunity to participate in, any Business Opportunity presented to an Identified Person, except as provided in Section (c) of this Article X. Subject to Section (c) of this Article X, in the event that any Identified Person acquires knowledge of a Business Opportunity, such Identified Person shall have no duty to communicate or offer such Business Opportunity to the Corporation or any of its Affiliates and, to the fullest extent permitted by law, shall not be liable to the Corporation or its stockholders for breach of any duty as a stockholder, director or officer of the Corporation by reason of the fact that such Identified Person pursues or acquires such Business Opportunity. A Business Opportunity shall not be deemed to be a potential Business Opportunity for the Corporation if it is a Business Opportunity that the Corporation is not financially able or contractually permitted or legally able to undertake, or that is, from its nature, not in the line of the Corporation's business or is of no practical advantage to it or that is one in which the Corporation has no reasonable expectancy.

(c) The Corporation does not renounce its interest in any Business Opportunity offered to any director or officer of the Corporation if such opportunity is expressly offered to such person in his or her capacity as a director or officer of the Corporation.

(d) For purposes of this Article X, (i) Affiliate shall mean (a) in respect of Blackstone, any Person that, directly or indirectly, is controlled by Blackstone, controls Blackstone or is under common control with Blackstone and shall include any principal, member, director, partner, stockholder, officer, employee or other representative of any of the foregoing (other than the Corporation and any entity that is controlled by the Corporation), (b) in respect of a director, any Person that, directly or indirectly, is controlled by such director (other than the Corporation and any entity that is controlled by the Corporation) and (c) in respect of the Corporation, any Person that, directly or indirectly, is controlled by the Corporation; (ii) Person shall mean any individual (and such individual's heirs, executors or administrators), corporation, general or limited partnership, limited liability company, joint venture, trust, association or any other entity and (iii) for purposes of the definition of Affiliate, control (including, with correlative meanings, the terms controlling, controlled by and under common control with ), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

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ARTICLE XI

SEVERABILITY

If any provision or provisions of this charter shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this charter (including, without limitation, each portion of any paragraph of this charter containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby.

**Consequences of Failure to Approve the Charter Amendment Proposal**

**Under the Purchase Agreement, receipt of stockholder approval of the proposed charter amendments is a condition to consummation of the Transactions. If such approval is not obtained, we will not be able to consummate any of the Transactions.**

**Required Vote**

The Purchase Agreement and applicable Maryland law requires that this proposal be approved by the affirmative vote of holders of at least a majority of our issued and outstanding shares of Common Stock that are entitled to vote at the special meeting.

Pursuant to the Voting Agreement, we have received commitments from stockholders affiliated with W. R. Berkley to vote their shares representing approximately [17.1]% of our Common Stock outstanding as of the record date in favor of approval for this proposal.

**Recommendation of our Board of Directors**

**Our board of directors has approved the proposed charter amendments and our directors unanimously recommend that you vote FOR the approval of the Charter Amendment Proposal.**

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**CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

Our stockholders will not recognize gain or loss for United States federal income tax purposes as a result of the Transactions (excluding the \$2.00 per share special dividend, the consequences of which are addressed immediately below).

As described further below, the special dividend to be paid in connection with the consummation of the Transactions may be taxable to our stockholders. The below discussion is not exhaustive of all possible tax considerations that may be relevant to the receipt of the special dividend by a stockholder. Moreover, the below discussion does not address all aspects of taxation that may be relevant to a stockholder in light of the stockholder's personal tax circumstances, including, for example, certain types of stockholders subject to special treatment under United States federal income tax laws, including insurance companies, tax-exempt organizations, except to the extent discussed under the caption "Taxation of Exempt Organizations," partnerships or entities that are treated as partnerships for United States federal income tax purposes, financial institutions, broker-dealers, and foreign corporations and persons who are not citizens or residents of the United States, except to the extent discussed under the caption "Taxation of Non-U.S. Stockholders." Additionally, this discussion assumes that we are validly classified as a REIT for United States federal income tax purposes. All stockholders, including stockholders that are partnerships and the partners in such partnerships, are urged to consult their own tax advisors regarding the specific tax consequences to them of the special dividend, including the federal, state, local, foreign and other tax consequences of the special dividend.

**Distributions to Taxable U.S. Stockholders Generally**

The following discussion addresses the tax consequences of distributions made by us, including the special dividend, to a holder of our Common Stock that, for United States federal income tax purposes, is (1) a citizen or resident of the United States; (2) a corporation or other entity treated as a corporation for United States federal income tax purposes created or organized in or under the laws of the United States or any state or political subdivision thereof; (3) an estate, the income of which from sources without the United States is includible in gross income for United States federal income tax purposes regardless of its connection with the conduct of a trade or business within the United States; or (4) any trust with respect to which a United States court is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of the trust, which we refer to as a Taxable U.S. Stockholder.

If the special dividend is made out of current or accumulated earnings and profits, and is not designated as a capital gain dividend, it will be taken into account by a Taxable U.S. Stockholder as ordinary income and will not, in the case of a corporate stockholder, be eligible for the dividends received deduction. With limited exceptions, dividends paid by us are not eligible for taxation at the preferential income tax rates (15% maximum federal rate through 2012) for qualified dividends received by Taxable U.S. Stockholders that are individuals, trusts and estates from taxable C corporations. To the extent that the special dividend exceeds our current and accumulated earnings and profits, the special dividend will be treated by a Taxable U.S. Stockholder first as a tax-free return of capital, reducing such stockholder's tax basis in such stockholder's Common Stock, and any portion of the special dividend in excess of the stockholder's tax basis in the stockholder's Common Stock will then be treated as gain from the sale of such Common Stock. Dividends declared by us in October, November, or December of any year payable to a stockholder of record on a specified date in any such month shall be treated as both paid by us and received by stockholders on December 31 of such year, provided that the dividend is actually paid by us during January of the following calendar year.

If any excess inclusion income (as defined for United States federal income tax purposes) from a taxable mortgage pool or REMIC residual interest is allocated by us to any Taxable U.S. Stockholder, that income will be taxable in the hands of the Taxable U.S. Stockholder and would not be offset by any net operating losses of the Taxable U.S. Stockholder that would otherwise be available. As required by IRS guidance, we intend to notify Taxable U.S. Stockholders if a portion of the special dividend is attributable to excess inclusion income.

**Table of Contents***Capital Gain Dividends*

Dividends to Taxable U.S. Stockholders that properly are designated by us as capital gain dividends for the taxable year will be treated by such stockholders as long-term capital gain, to the extent that such dividends do not exceed our actual net capital gain for the taxable year, without regard to the period for which the stockholders have held our Common Stock. Taxable U.S. Stockholders that are corporations may be required, however, to treat up to 20% of particular capital gain dividends as ordinary income. Capital gain dividends, like regular dividends from a REIT, are not eligible for the dividends received deduction for corporations.

*Passive Activity Loss and Investment Interest Limitations*

Distributions, including deemed distributions of undistributed net long-term capital gain, from us will not be treated as passive activity income, and, therefore, Taxable U.S. Stockholders who are subject to the passive loss limitation rules of the Internal Revenue Code will not be able to apply any passive activity losses against such income. Distributions from us, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of the investment income limitation on deductibility of investment interest. However, capital gain dividends generally will be excluded from investment income.

**Taxation of Exempt Organizations**

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, which we refer to as exempt organizations, generally are exempt from United States federal income taxation. Exempt organizations are subject to tax, however, on their unrelated business taxable income, or UBTI. UBTI is defined as the gross income derived by an exempt organization from an unrelated trade or business, less the deductions directly connected with that trade or business, subject to certain exceptions. While many investments in real estate generate UBTI, the IRS has issued a ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI, provided that the shares of the REIT are not otherwise used in an unrelated trade or business of the exempt employee pension trust. Based on that ruling, amounts distributed to exempt organizations generally should not constitute UBTI. However, if an exempt organization finances its acquisition of Common Stock with debt, a portion of its income from a REIT will constitute UBTI pursuant to the debt-financed property rules.

In addition, in certain circumstances, a pension trust that owns more than 10% of the stock of a REIT will be required to treat a percentage of the dividends paid by the REIT as UBTI based upon the percentage of the REIT's income that would constitute UBTI to the stockholder if received directly by it. This rule applies to a pension trust holding more than 10% (by value) of our Common Stock only if (i) the percentage of the income from us that is UBTI (determined as if we were a pension trust) is at least 5% and (ii) we are treated as a pension-held REIT. We do not expect to be classified as a pension-held REIT due to our diverse stock ownership.

To the extent that the company (or a part of the company, or a disregarded subsidiary of the company) is a taxable mortgage pool for United States federal income tax purposes, or if we hold residual interests in a REMIC, a portion of the special dividend paid to an exempt organization that is allocable to excess inclusion income, as described above, may be treated as UBTI. If, however, excess inclusion income is allocable to some categories of exempt organizations that are not subject to UBTI, we might be subject to corporate level tax on such income, and, in that case, may reduce the amount of distributions to those stockholders whose ownership gave rise to the tax. As required by IRS guidance, we intend to notify holders of our Common Stock if a portion of the special dividend is attributable to excess inclusion income.

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**Taxation of Non-U.S. Stockholders**

*General*

The following discussion addresses the tax consequences of distributions made by us, including the special dividend, to nonresident alien individuals, foreign corporations, foreign trusts and certain other foreign stockholders, which we refer to as Non-U.S. Stockholders. The rules governing United States federal income taxation of Non-U.S. Stockholders are complex. This discussion does not consider the tax rules applicable to all Non-U.S. Stockholders and, in particular, does not consider the special rules applicable to United States branches of foreign banks or insurance companies or certain intermediaries. Non-U.S. Stockholders should consult with their own tax advisors to determine the impact of federal, state, local and foreign tax laws with regard to the receipt of the special dividend, including any reporting and withholding requirements.

*Ordinary Dividends*

Distributions to Non-U.S. Stockholders that are not attributable to gain from sales or exchanges by a REIT of United States real property interests and are not designated by a REIT as capital gain dividends (or deemed distributions of retained capital gains) will be treated as ordinary dividends to the extent that they are made out of current or accumulated earnings and profits of the REIT.

*Non-Dividend Distributions*

Unless our Common Stock constitutes a U.S. real property interest for United States federal income tax purposes, which we refer to as a USRPI, the amount of the special dividend paid to a Non-U.S. Stockholder, to the extent not made out of our earnings and profits, will not be subject to United States income tax. If we cannot determine at the time of the special dividend whether or not the amount of the special dividend will exceed current and accumulated earnings and profits, the special dividend will be subject to withholding at the rate applicable to ordinary dividends, as described below.

If our Common Stock constitutes a USRPI, as described below, distributions that we make in excess of the sum of (a) the Non-U.S. Stockholder's proportionate share of our earnings and profits, plus (b) such stockholder's basis in its Common Stock, will be taxed under the Foreign Investment in Real Property Tax Act of 1980, which we refer to as FIRPTA, in the same manner as if the Common Stock had been sold. In such situations, the Non-U.S. Stockholder would be required to file a United States federal income tax return and would be subject to the same treatment and same tax rates as a domestic holder with respect to such excess, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals.

Our Common Stock will not be treated as a USRPI if less than 50% of our assets throughout a prescribed testing period consist of interests in real property located within the United States, excluding, for this purpose, interests in real property solely in a capacity as a creditor. It is not currently anticipated that our Common Stock will constitute a USRPI. However, no assurance can be given that our Common Stock will not become a USRPI.

Even if the foregoing 50% test is not met, our Common Stock nonetheless will not constitute a USRPI if we are a domestically-controlled qualified investment entity. A domestically-controlled qualified investment entity includes a REIT, less than 50% of value of which is held directly or indirectly by Non-U.S. Stockholders at all times during a specified testing period. It is anticipated that we will be a domestically-controlled qualified investment entity, and that a distribution with respect to our Common Stock in excess of our earnings and profits will not be subject to taxation under FIRPTA. No assurance can be given that we will remain a domestically-controlled qualified investment entity.

In the event that we are not a domestically-controlled qualified investment entity, but our Common Stock is regularly traded, as defined by applicable Treasury regulations, on an established securities market, a

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distribution to a Non-U.S. Stockholder nonetheless would not be subject to tax under FIRPTA, provided that the Non-U.S. Stockholder held 5% or less of our Common Stock at all times during a specified testing period. It is anticipated that our Common Stock will be regularly traded.

In addition, if a Non-U.S. Stockholder owning more than 5% of our Common Stock disposes of such stock during the 30-day period preceding the ex-dividend date of the special dividend, and such Non-U.S. Stockholder acquires or enters into a contract or option to acquire our Common Stock within 61 days of the first day of such 30-day period described above, and any portion of such dividend payment would, but for the disposition, be treated as USRPI capital gain to such Non-U.S. Stockholder under FIRPTA, then such Non-U.S. Stockholder will be treated as having USRPI capital gain in an amount that, but for the disposition, would have been treated as USRPI capital gain.

Gain in respect of a non-dividend distribution that would not otherwise be subject to FIRPTA will nonetheless be taxable in the U.S. to a Non-U.S. Stockholder in two cases: (1) if the Non-U.S. Stockholder's investment in our Common Stock is effectively connected with a United States trade or business conducted by such Non-U.S. Stockholder, the Non-U.S. Stockholder will be subject to the same treatment as a Taxable U.S. Stockholder with respect to such gain, or (2) if the Non-U.S. Stockholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a tax home in the U.S., the nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

*Withholding on Ordinary Dividends and Non-Dividend Distributions*

Dividends paid to Non-U.S. Stockholders may be subject to United States withholding tax. If an income tax treaty does not apply and the Non-U.S. Stockholder's investment in the REIT's stock is not effectively connected with a trade or business conducted by the Non-U.S. Stockholder in the United States (or if a tax treaty does apply and the investment in the stock is attributable to a United States permanent establishment maintained by the Non-U.S. Stockholder), ordinary dividends (i.e., distributions out of current and accumulated earnings and profits) will be subject to a United States withholding tax at a 30% rate, or, if an income tax treaty applies, at a lower treaty rate. Reduced treaty rates and other exemptions are not available to the extent that income is attributable to excess inclusion income allocable to the Non-U.S. Stockholders. Accordingly, we will withhold at a rate of 30% on any portion of the special dividend that is paid to a Non-U.S. Stockholder and is or may be treated as attributable to that Non-U.S. Stockholders' share of our excess inclusion income.

Because we generally cannot determine at the time that a distribution is made, whether or not it will be in excess of earnings and profits, or whether it will be attributable to excess inclusion income, we intend to withhold on the gross amount of each distribution at the 30% rate, except to the extent the special dividend is subject to the 35% FIRPTA withholding rules described below. To receive a reduced treaty rate, a Non-U.S. Stockholder must furnish us or our paying agent with a duly completed Form W-8BEN certifying such holder's qualification for the reduced rate. Generally, a Non-U.S. Stockholder will be entitled to a refund from the IRS to the extent the amount withheld by us from a distribution exceeds the amount of United States tax owed by such stockholder.

If an income tax treaty does not apply, ordinary dividends that are effectively connected with the conduct of a trade or business within the United States by a Non-U.S. Stockholder (and, if a tax treaty applies, ordinary dividends that are attributable to a United States permanent establishment maintained by the Non-U.S. Stockholder) are exempt from United States withholding tax. In order to claim such exemption, a Non-U.S. Stockholder must provide us or our paying agent with a duly completed Form W-8ECI certifying such holder's exemption. However, ordinary dividends exempt from United States withholding tax because they are effectively connected or are attributable to a United States permanent establishment maintained by the Non-U.S. Stockholder generally are subject to United States federal income tax on a net income basis at regular graduated rates. In the case of Non-U.S. Stockholders that are corporations, any effectively connected ordinary dividends or ordinary dividends attributable to a United States permanent establishment maintained by the Non-U.S. Stockholder may, in certain circumstances, be subject to an additional branch profits tax at a 30% rate, or lower rate specified by an applicable income tax treaty.

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### *Capital Gain Dividends*

For any year in which we qualify as a REIT, distributions that are attributable to gain from sales or exchanges by us of USRPIs will be taxed to a Non-U.S. Stockholder who owns more than 5% of our shares under the provisions of FIRPTA. Under FIRPTA, distributions attributable to gain from sales of United States real property are taxed to a Non-U.S. Stockholder as if such gain were effectively connected with a United States trade or business. Non-U.S. Stockholders who own more than 5% of our shares would thus be taxed at the regular capital gain rates applicable to Taxable U.S. Stockholders (subject to the applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). Distributions subject to FIRPTA also may be subject to a 30% branch profits tax in the hands of a corporate Non-U.S. Stockholder who owns more than 5% of our shares not otherwise entitled to treaty relief or exemption.

### *FIRPTA Withholding*

Under FIRPTA, a REIT is required to withhold 35% of any distribution that is designated as a capital gain dividend or which could be designated as a capital gain dividend and is attributable to gain from the disposition of a USRPI. Moreover, if a REIT designates previously made distributions as capital gain dividends, subsequent distributions (up to the amount of the prior distributions so designated) will be treated as capital gain dividends for purposes of FIRPTA withholding.

If a Non-U.S. Stockholder does not own more than 5% of our shares during the one-year period prior to a distribution attributable to gain from sales or exchanges by us of USRPIs, such distribution will not be considered to be gain effectively connected with a United States business as long as the class of shares continues to be regularly traded on an established securities market in the United States. As such, a Non-U.S. Stockholder who does not own more than 5% of our shares would not be required to file a United States federal income tax return by reason of receiving such a distribution. In this case, the distribution will be treated as an ordinary REIT dividend to that Non-U.S. Stockholder that is not a capital gain distribution as described above. In addition, the branch profits tax will not apply to such distributions. If our common shares cease to be regularly traded on an established securities market in the United States, all Non-U.S. Stockholders of our Common Stock would be subject to taxation under FIRPTA with respect to capital gain distributions attributable to gain from the sale or exchange of United States real property interests.

### **Information Reporting and Backup Withholding**

A REIT is required to report to its stockholders and to the IRS the amount of distributions paid during each tax year, and the amount of tax withheld, if any. These requirements apply to the special dividend and apply even if withholding is not required with respect to payments made to a stockholder. Backup withholding generally may be imposed on certain payments to stockholders (including the special dividend) unless the stockholder (i) furnishes certain information, or (ii) is otherwise exempt from backup withholding.

A stockholder who does not provide a REIT with his or her correct taxpayer identification number also may be subject to penalties imposed by the IRS. In addition, the REIT may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status to the REIT.

Stockholders should consult their own tax advisors regarding their qualification for an exemption from backup withholding and the procedure for obtaining an exemption. Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a distribution to a stockholder will be allowed as a credit against such holder's United States federal income tax liability and may entitle the Taxable U.S. Stockholder to a refund, provided that the required information is furnished to the IRS.



**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

As of October [ ], 2012, there were a total of 22,515,107 shares of our Common Stock issued and outstanding. The following table sets forth as of October [ ], 2012, certain information with respect to the beneficial ownership of our Common Stock, by:

each person known to us to be the beneficial owner of more than 5% of our outstanding Common Stock;

each director, director nominee and named executive officer currently employed by us; and

all of our directors and executive officers as a group.

Such information (other than with respect to our directors and executive officers) is based on a review of statements filed with the SEC pursuant to Sections 13(d), 13(f) and 13(g) of the Exchange Act with respect to our Common Stock.

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class
<i>Greater than 5% Owner</i>		
W. R. Berkley Corporation, et al.(2)	3,843,413	17.1%
Barclays Global Investors, NA., et al.(3)	1,275,337	5.7%
Bay Resource Partners, L.P., et al.(4)	1,255,500	5.6%
Mittleman Brothers LLC, et al.(5)	1,344,950	6.0%
Vornado Realty, L.P.(6)	1,212,805	5.4%
Veqtor Finance Company, L.L.C, et al.(7)	1,170,829	5.2%
<i>Officers and Directors</i>		
Thomas E. Dobrowski(8)	94,346	*
Martin L. Edelman(9)	127,249	*
Edward S. Hyman(10)	262,679	1.2%
Henry N. Nassau(11)	70,020	*
Geoffrey G. Jervis(12)	219,087	1.0%
Stephen D. Plavin(13)	352,554	1.6%
Joshua A. Polan(14)		
Thomas C. Ruffing(15)	110,156	*
Lynne B. Sagalyn(8)(16)	127,749	*
Samuel Zell(8)(17)	168,915	*
All executive officers and directors as a group (10 persons)	1,532,755	6.8%

\* Represents less than 1%.

- (1) The number of shares are those beneficially owned, as determined under the rules of the SEC, and such information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which a person has sole or shared voting power or investment power and any shares which the person has the right to acquire within 60 days through the exercise of any option, warrant or right, through conversion of any security or pursuant to the automatic termination of a power of attorney or revocation of a trust, discretionary account or similar arrangement.
- (2) Based on both internal information and information contained in a Schedule 13D/A filed with the SEC on August 6, 2007, by (i) W. R. Berkley Corporation, (ii) Admiral Insurance Company, (iii) Berkley Insurance Company, (iv) Berkley Regional Insurance Company and (v) Nautilus Insurance Company, collectively, Berkley. (Berkley's address is 475 Steamboat Road, Greenwich, CT 06830).
- (3) Based solely on information contained in a Schedule 13G filed with the SEC on February 5, 2009, by (i) Barclays Global Investors, NA. and (ii) Barclays Global Fund Advisors, collectively, Barclays (Barclays's address is 400 Howard Street, San Francisco, CA 94105). The Barclays 13G reported beneficial



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- ownership as follows: Barclays Global Investors, NA. reported sole voting power of 654,343 shares and sole dispositive power of 730,090 shares and Barclays Global Fund Advisors reported sole voting power of 545,247 shares and sole dispositive power of 545,247 shares.
- (4) Based solely on information contained in a Schedule 13G filed with the SEC on May 25, 2008, by (i) Bay Resource Partners, L.P., (ii) Bay II Resource Partners, L.P., (iii) Bay Resources Partners Offshore Fund, Ltd., (iv) GMT Capital Corp. and (v) Thomas E. Claugus, collectively, Bay Resources (Bay Resources address is 2100 RiverEdge Parkway, Ste. 840, Atlanta, GA 30328). The Bay Resources Schedule 13G reported beneficial ownership as follows: Bay Resource Partners, L.P. reported shared voting power of 297,100 shares and shared dispositive power of 297,100 shares; Bay II Resource Partners, L.P. reported shared voting power of 207,600 shares and shared dispositive power of 207,600 shares; Bay Resource Partners Offshore Fund, Ltd. reported shared voting power of 593,700 shares and shared dispositive power of 593,700 shares; GMT Capital Corp. reported shared voting power of 1,219,800 shares and shared dispositive power of 1,219,800 shares; and Thomas E. Claugus reported sole voting power of 35,700 shares, shared voting power of 1,219,800 shares, sole dispositive power of 35,700 shares and shared dispositive power of 1,219,800 shares.
- (5) Based solely on information contained in a Form 13F filed with the SEC on August 13, 2012 by Mittleman Brothers LLC, or Mittleman. Mittleman's address is 188 Birch Hill Road Locust Valley, NY 11560.
- (6) Based on both internal information and information contained in a Schedule 13D/A filed with the SEC on October 4, 2004, by Vornado Realty L.P., or Vornado. Vornado's address is 888 Seventh Avenue, New York, NY 10019.
- (7) Based solely on information contained in a Schedule 13D/A filed with the SEC on November 17, 2009, by (i) Veqtor Finance Company, L.L.C. ( Veqtor ), (ii) Samstock, L.L.C. ( Samstock ), (iii) EGI-Properties Fund (08-10), L.L.C. ( EGI ), (iv) SZ Investments, L.L.C. ( SZI ), (v) Zell General Partnership, Inc. ( ZGPI ), (vi) Sam Investment Trust ( SIT ) and (vii) Chai Trust Company, LLC ( Chai ), collectively, the EGI Entities (EGI Entities address is Two North Riverside Plaza, Suite 600, Chicago, IL 60606). The EGI Entities Schedule 13D/A reported beneficial ownership as follows: Veqtor reported sole voting power of 897,429 shares and sole dispositive power of 897,429 shares; Samstock reported sole voting power of 25,000 shares and sole dispositive power of 25,000 shares; EGI reported sole voting power of 248,400 shares and sole dispositive power of 248,400 shares; SZI reported sole voting power of 273,400 shares and sole dispositive power of 273,400 shares; ZGPI reported sole voting power of 1,170,829 shares and sole dispositive power of 1,170,829 shares; SIT reported sole voting power of 1,170,829 shares and sole dispositive power of 1,170,829 shares; and Chai reported sole voting power of 1,170,829 shares and sole dispositive power of 1,170,829 shares. SZI is the managing member of Samstock and is the manager of EGI. ZGPI is the managing member of Veqtor and SZI. SZI is indirectly owned by various trusts established for the benefit of Mr. Zell and his family, the trustee of each of which is Chai. The sole shareholder of ZGPI is SIT, a trust established for the benefit of Samuel Zell and members of his family. Chai serves as the trustee of SIT. Mr. Zell is not an officer or director of Chai and does not have voting or dispositive power over such shares, and therefore Mr. Zell disclaims beneficial ownership thereof except to the extent of his pecuniary interest therein.
- (8) Represents 94,346 shares obtainable upon conversion of vested stock units.
- (9) In the case of Mr. Zell, Mr. Edelman and Dr. Sagalyn, includes 118,915 shares obtainable by each upon conversion of vested stock units.
- (10) Includes 95,404 shares obtainable upon conversion of vested stock units.
- (11) Includes 70,020 shares obtainable upon conversion of vested stock units.
- (12) Includes 150,000 shares for Mr. Jervis that are the subject of restricted stock awards for which he retains voting rights and 25,000 shares obtainable upon conversion of stock units.
- (13) Includes 195,000 shares for Mr. Plavin that are the subject of restricted stock awards for which he retains voting rights and 35,000 shares obtainable upon conversion of stock units.
- (14) Does not include the shares owned by W. R. Berkley Corporation, as to which Mr. Polan disclaims beneficial ownership.
- (15) Includes 80,000 shares for Mr. Ruffing that are the subject of restricted stock awards for which he retains voting rights.

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- (16) Includes 500 shares owned by Dr. Sagalyn's spouse.
- (17) Includes (i) 118,915 shares obtainable upon conversion of vested stock units; (ii) 40,000 shares owned by Mr. Zell; and (iii) 10,000 shares owned by Helen Zell Revocable Trust, the trustee of which is Helen Zell, Mr. Zell's spouse. Does not include 897,429 shares held by Veqtor Finance Company, L.L.C.; 25,000 shares held by Samstock, L.L.C.; and 248,400 shares held by EGI-Properties Fund (08-10), L.L.C., as to which such shares Mr. Zell does not hold voting or dispositive power, which power is indirectly held by Chai Trust Company, LLC, of which Mr. Zell is not an officer or director, and as to which such shares Mr. Zell disclaims beneficial ownership of except to the extent of his pecuniary interest therein.

Our officers and directors may pledge shares of our Common Stock they own as security for potential or actual borrowings. Mr. Plavin has pledged all or a portion of his shares of our Common Stock in a margin account.

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**HOUSEHOLDING OF MATERIALS**

Some banks, brokers and other nominee record holders may be participating in the practice of householding. This means that only one copy of this proxy statement may have been sent to multiple stockholders in a household. We will promptly deliver, upon oral or written request, a separate copy of the proxy statement to any stockholder residing at an address to which only one copy was mailed. Requests for additional copies should be directed in writing to a stockholder's broker, bank or other nominee holding shares of our Common Stock for such stockholder or to us at Capital Trust, Inc., 410 Park Avenue 14th Floor, New York, NY 10022, Attention: Secretary, or call our Secretary at (212) 655-0220. Stockholders wishing to receive separate copies of our proxy statements in the future, and stockholders sharing an address that wish to receive a single copy of our proxy statements if they are receiving multiple copies of our proxy statements, should contact his or her bank, broker or other nominee record holder, or may contact the corporate secretary at the above address.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Representatives of Ernst & Young LLP, our independent registered public accounting firm for 2011 and 2012, will be present at the special meeting. They will have an opportunity to make a statement if they wish and will be available to respond to appropriate questions from stockholders.

**OTHER MATTERS**

Our management does not know of any other matters to come before the special meeting.

**STOCKHOLDER PROPOSALS**

If you wish to submit a stockholder proposal pursuant to Rule 14a-8 under the Exchange Act for inclusion in our proxy statement and proxy card for our 2013 annual meeting of stockholders, you must submit the proposal to our secretary no later than January 9, 2013. In addition, if you desire to bring business (including director nominations) before our 2013 annual meeting, you must comply with our bylaws, which currently require that you provide written notice of such business to our secretary no earlier than December 10, 2012 and no later than 5:00 p.m. Eastern Time on January 9, 2013. For additional requirements, stockholders should refer to our bylaws, Article II, Section 12, Nominations and Proposals by Stockholders, a current copy of which may be obtained from our secretary.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any materials we have filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information concerning issuers that file electronically with the SEC, including us. Our Common Stock is listed and traded on the NYSE. We also maintain an internet site at [www.capitaltrust.com](http://www.capitaltrust.com) that contains information concerning us. The information contained or referred to on our website is not incorporated by reference and is not a part of this proxy statement.

For printed copies of any of our reports, including this proxy statement, please contact Douglas Armer in writing at Capital Trust, Inc., 410 Park Avenue 14th Floor, New York, NY 10022 or call us at (212) 655-0220.

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A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and a copy of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 are attached to this proxy statement as Annex D and Annex E, respectively.

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**Annex A**

***EXECUTION VERSION***

**PURCHASE AND SALE AGREEMENT**

**BY AND BETWEEN**

**CAPITAL TRUST, INC.**

**AND**

**HUSKIES ACQUISITION LLC**

**September 27, 2012**

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**PURCHASE AND SALE AGREEMENT**

THIS PURCHASE AND SALE AGREEMENT (this Agreement ) is made this 27th day of September 2012, by and between Capital Trust, Inc., a Maryland corporation ( CT or Seller ), and Huskies Acquisition LLC, a Delaware limited liability company ( Purchaser ). Purchaser and Seller may also be referred to as a Party or collectively, as the Parties.

**RECITALS**

WHEREAS, CT currently owns one hundred percent (100%) of the issued and outstanding limited liability company interests (the CTIMCO Interests ) in CT Investment Management Co., LLC, a Delaware limited liability company ( CTIMCO );

WHEREAS, CT currently owns one hundred percent (100%) of the issued and outstanding limited liability company interests (the CTOPI Co-Invest Interests ) in CT OPI Investor, LLC, a Delaware limited liability company, a wholly owned subsidiary of CT, and a limited partner ( CTOPI Co-Invest ) in CT Opportunity Partners I, L.P., a Delaware limited partnership ( CTOPI );

WHEREAS, CT currently owns one hundred percent (100%) of the issued and outstanding limited liability company interests (the CTHG2 Co-Invest Interests ) in CT High Grade Partners II Co-Invest, LLC, a Delaware limited liability company, a wholly owned subsidiary of CT, and a non-managing member ( CTHG2 Co-Invest ) of CT High Grade Partners II, LLC, a Delaware limited liability company ( CTHG2 );

WHEREAS, immediately prior to the Closing (as defined herein), CTIMCO will hold one hundred percent (100%) of the issued and outstanding Class A Preferred Stock, par value \$0.001 per share (the CTLR Preferred Stock ), of CT Legacy REIT Mezz Borrower, Inc., a Maryland corporation ( CT Legacy REIT );

WHEREAS, the CTIMCO Interests, the CTOPI Co-Invest Interests, the CTHG2-Co-Invest Interests and the CTLR Preferred Stock are hereby collectively referred to as the CT Investment Management Interests ;

WHEREAS, CT desires to sell to Purchaser, and Purchaser desires to purchase from CT, pursuant to this Agreement, the CT Investment Management Interests;

WHEREAS, CT desires to sell to Purchaser, and Purchaser desires to purchase from CT, five million (5,000,000) shares (the New CT Shares ) of class A common stock, par value \$0.01 per share, of CT (the Common Stock ) pursuant to this Agreement;

WHEREAS, as a condition to the sale of the CT Investment Management Interests and the New CT Shares, it is advisable and in the best interests of CT for the Board of Directors of CT (the CT Board ) to authorize and for CT to declare a special dividend in an amount per share equal to the Special Dividend Amount, on the Closing, payable to all holders of record of the Common Stock as of the close of business on the Meeting Record Date (as defined below), which shall be determined by the CT Board pursuant to this Agreement (the Special Dividend );

WHEREAS, in connection with the sale of the CT Investment Management Interests, CT desires to enter into the New CT Management Agreement (as defined below) governing the management of CT by New CT Manager (as defined below) following the Closing;

WHEREAS, to provide CT with the right to that certain carried interest to which CTOPI GP (as defined below) would otherwise be entitled, the Purchaser and Seller agree that an indirect wholly owned subsidiary of CT shall be admitted as a member of CTOPI GP pursuant to the Amended and Restated CTOPI GP Operating Agreement (as defined below) immediately prior to, and as a condition to, the sale of the CTIMCO Interests;

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WHEREAS, Purchaser and Seller agree that, no later than the Closing Date, CTIMCO shall elect on IRS Form 8832 to be disregarded as a separate entity for U.S. federal income tax purposes, such election to be made effective as of a date prior to both (i) the date on which CT is admitted as a member of CTOPI GP and (ii) the Closing Date;

WHEREAS, as a condition to the sale of the CT Investment Management Interests, the sale of the New CT Shares and the entry into the New CT Management Agreement, it is advisable and in the best interests of CT for the CT Board to submit such transactions for approval by the stockholders of CT at the CT Stockholders Meeting;

WHEREAS, in order to induce Purchaser to enter into this Agreement, and as a condition to its doing so, simultaneously with the execution and delivery of this Agreement, Purchaser is entering into a Voting Agreement with certain stockholders of CT (the Voting Agreement), pursuant to which such stockholders have agreed to vote or cause to be voted all shares of Common Stock beneficially owned by such stockholders in favor of the transactions contemplated by this Agreement that will be submitted to a vote of CT stockholders in accordance with and subject to the terms set forth in the Voting Agreement; and

WHEREAS, Seller and Purchaser desire to enter into this Agreement and to consummate the transactions contemplated hereby.

NOW, THEREFORE, in consideration of the representations, warranties, promises, covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

**ARTICLE 1**

**CERTAIN DEFINITIONS; INTERPRETATION**

**1.1 Certain Defined Terms.**

(a) For purposes of this Agreement, the following terms shall have the following meanings:

1997 Director Stock Plan shall have the meaning given such term in Section 5.1(b).

2007 LTIP shall have the meaning given such term in Section 5.1(b).

2011 LTIP shall have the meaning given such term in Section 5.1(b).

Accounting Firm shall have the meaning given such term in Section 2.4(d).

Acquired Entities means CTIMCO, CTOPI Co-Invest and CTHG2 Co-Invest.

Acquired Entities Employee Plans shall have the meaning given such term in Section 4.9(a).

Acquired Entity Licensed Intellectual Property means all Intellectual Property licensed to the Acquired Entities or any of their respective Subsidiaries pursuant to a Contract and used in the conduct of their respective businesses.

Acquired Entity Owned Intellectual Property means all of the Intellectual Property owned by the Acquired Entities or any of their respective Subsidiaries.

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Acquisition Proposal means any offer, proposal or inquiry (other than an offer, proposal or inquiry by Purchaser or its Affiliates) contemplating or otherwise relating to any Acquisition Transaction.

Acquisition Transaction means any transaction or series of related transactions involving:

(i) any merger, consolidation, share exchange, business combination, issuance of securities, direct or indirect acquisition of securities, recapitalization, tender offer, exchange offer or other similar transaction in which (i) a Person or group (as defined in the Exchange Act and the rules promulgated thereunder) of Persons directly or indirectly acquires, or if consummated in accordance with its terms would acquire, beneficial or record ownership or control of securities representing 9.9% or more of the outstanding shares of any class of voting or equity securities of CT (or any parent company resulting from such transaction), or (ii) CT issues securities representing 9.9% or more of the outstanding shares of any class of voting or equity securities of CT (or any parent company resulting from such transaction);

(ii) any sale, lease, assignment, license, exchange, transfer, acquisition or disposition of any rights or assets (including equity interests of any Subsidiary of CT) that constitute or account for (i) 15% or more of the consolidated net revenues of CT and its Subsidiaries, consolidated net income of CT and its Subsidiaries or consolidated book value of CT and its Subsidiaries, or (ii) 15% or more of the fair market value of the assets of CT and its Subsidiaries;

(iii) any sale of all or substantially all of the assets or properties constituting, or the sale of Control of, the investment management business conducted by CT and its Subsidiaries, including any sale (whether by merger, consolidation, share exchange, business combination, issuance of securities, direct or indirect acquisition of securities, recapitalization, tender offer, exchange offer or other similar transaction) of a majority of the equity interests of CTIMCO;

(iv) any liquidation or dissolution of CT; or

(v) any combination of the foregoing.

Affiliate of a Person means a Person that Controls, is Controlled by, or is under common Control with, such Person.

Affiliated Group means an affiliated group within the meaning of Section 1504 of the Code or any comparable or analogous state, local or foreign consolidated, combined or unitary Tax group under applicable Law.

Agreement shall have the meaning specified in the preamble to this Agreement, as the same may be amended from time to time.

Amended and Restated CTOPI GP Operating Agreement means the amended and restated CTOPI GP Operating Agreement in a form mutually agreed by Purchaser and Seller and containing the terms specified in Section 1.1(a)(I) of the Disclosure Schedules.

Assignment of Lease means the assignment of the Lease of even date herewith from CT to Purchaser or its designee, in the Form attached hereto as Exhibit A.

Balance Sheets shall have the meaning given such term in Section 4.19(b).

Berkley Investors means each of Admiral Insurance Company, Berkley Insurance Company and Berkley Regional Insurance Company.

Bill of Sale means the Bill of Sale, of even date herewith, between CT and CTIMCO, in the Form attached in Section 4.27 of the Disclosure Schedules.

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Business Day means any day other than a Saturday, Sunday or day on which banks in New York City are required or authorized to be closed.

Business Employee means any foreign or domestic current or former employee, director, consultant, independent contractor, or other service provider of CT, any Acquired Entity, any Fund Entity, or any of their respective Subsidiaries.

Cap shall have the meaning given such term in Section 10.4(a).

CDO Subs shall have the meaning given such term in Section 5.17.

CDO Sub Consents means the written consent of the CDO Subs authorized by the board of directors of each of the CDO Subs, which shall include those terms set forth in Section 1.1(a)(II) of the Disclosure Schedules or shall otherwise be in a form agreed upon by the Purchaser and the Seller.

Change in CT Board Recommendation shall have the meaning given such term in Section 7.2(d).

Claim means a claim for indemnity for Damages made by any Seller Indemnitee or Purchaser Indemnitee.

Client means any Person to which CT or any of its Subsidiaries provides Investment Management Services; *provided*, that in the case of a Fund, the definition of Client includes the Fund, but does not include each investor in respect of its investment in such Fund.

Closing shall have the meaning given such term in Section 2.2.

Closing Date shall have the meaning given such term in Section 2.2.

Closing Employee Amounts shall have the meaning given such term in Section 2.3(d).

Code means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

Co-Invest Capital Contributions shall have the meaning given such term in Section 2.3(b).

Co-Invest Distributions shall have the meaning given such term in Section 2.3(c).

Common Stock shall have the meaning given such term in the recitals of this Agreement.

Confidentiality Agreement shall have the meaning given such term in Section 7.4.

Contemplated Transaction means any transaction contemplated by this Agreement or any Transaction Document and Contemplated Transactions means all of the transactions contemplated by this Agreement and the Transaction Documents.

Continuing Employees shall have the meaning given such term in Section 7.9(b).

Contract means any written, oral or implied contract, mortgage, deed of trust, lease, sublease, offer to lease, agreement to lease, sales order, purchase order, indenture, note, bond, loan, instrument, license, permit, franchise, commitment or other instrument, arrangement or agreement that is or purports to be binding on any Person or all or any part of its property or assets under applicable Law.

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Control (including the terms Controlled by and under common Control with ) means the possession, directly or indirectly, through one or more intermediaries, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of equity interests, as trustee or executor, by contract or credit arrangement or otherwise.

CT shall have the meaning given such term in the preamble to this Agreement.

CT Acquisition Agreement means any merger, acquisition or other agreement which gives effect to any Acquisition Transaction (other than the Contemplated Transactions).

CT Balance Sheet means that consolidated balance sheet of CT and its consolidated Subsidiaries as of June 30, 2012 included in CT's Quarterly Report on Form 10-Q filed with the SEC on August 1, 2012.

CT Balance Sheet Date shall have the meaning given such term in Section 5.4.

CT Board shall have the meaning given such term in the recitals to this Agreement.

CT Board Recommendation means the recommendation by the CT Board for CT's stockholders to approve each of (i) the CT Investment Management Interests Purchase, pursuant to the terms and subject to the conditions of this Agreement, (ii) the New CT Shares Purchase, pursuant to the terms and subject to the conditions of this Agreement, (iii) the New CT Management Agreement and (iv) the CT Charter Amendment Proposal.

CT Bylaws means the Capital Trust, Inc. Second Amended and Restated Bylaws, adopted as of February 27, 2007 and amended on July 20, 2011, as further amended in accordance with this Agreement.

CT Charter means the charter of Capital Trust, Inc., as amended, supplemented and restated through the date hereof.

CT Charter Amendment Proposal means the proposal to amend the CT Charter at the CT Stockholders Meeting to include those amendments attached hereto as Exhibit B.

CT Employee Plans shall have the meaning given such term in Section 5.9(a).

CT Expense Reimbursement shall have the meaning given such term in Section 11.3(c).

CT Investment Management Interests shall have the meaning given such term in the recitals to this Agreement.

CT Investment Management Interests Purchase shall have the meaning given such term in Section 2.1(a).

CT Investment Management Interests Purchase Price shall have the meaning given such term in Section 2.1(b).

CT Legacy REIT shall have the meaning given such term in the recitals to this Agreement.

CT Legacy REIT Incentive Plan means the rights of the employees of CTIMCO identified on Section 4.2(d) of the Disclosure Schedules to receive payments under the 2007 LTIP pursuant to award agreements related to distributions made by CT Legacy REIT.

CT Management Business Material Contract shall have the meaning given such term in Section 4.21(b).

CT SEC Documents shall have the meaning given such term in Section 5.2(a).



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CT Stockholder Approval means approval of each of (i) the CT Investment Management Interests Purchase, pursuant to the terms and subject to the conditions of this Agreement, (ii) the New CT Shares Purchase, pursuant to the terms and subject to the conditions of this Agreement, (iii) the New CT Management Agreement, and (iv) the CT Charter Amendment Proposal, in each case, by the affirmative vote of the holders of a majority of the shares of Common Stock outstanding on the record date for the CT Stockholder Meeting and entitled to vote.

CT Stockholders Meeting shall have the meaning given such term in Section 7.3(b).

CTHG1 Consent means the written consent of each of the Berkley Investors, which shall include those terms set forth in Section 1.1(a)(III) of the Disclosure Schedules or shall otherwise be in a form agreed upon by the Purchaser and the Seller.

CTHG1 Management Agreements means, collectively, (a) the Investment Management Agreement, dated as of November 9, 2006, by and between CT High Grade Mezzanine Manager, LLC and Admiral Insurance Company, as amended by Amendment No. 1 thereto, dated as of July 20, 2007, and as further amended by Amendment No. 2 thereto, dated as of January 29, 2010, (b) the Investment Management Agreement, dated as of November 9, 2006, by and between CT High Grade Mezzanine Manager, LLC and Berkley Insurance Company, as amended by Amendment No. 1 thereto, dated as of July 20, 2007, and as further amended by Amendment No. 2 thereto, dated as of January 29, 2010, and (c) the Investment Management Agreement, dated as of November 9, 2006, by and between CT High Grade Mezzanine Manager, LLC and Berkley Regional Insurance Company, as amended by Amendment No. 1 thereto, dated as of July 20, 2007, and as further amended by Amendment No. 2 thereto, dated as of January 29, 2010.

CTHG1 Management Agreement Amendments means, collectively, three (3) separate amendments, each of which is applicable to one of each of the three (3) CTHG1 Management Agreements, to be entered into in connection with the Contemplated Transactions, in a form to be mutually agreed by the Purchaser and the Seller.

CTHG1 Separate Accounts means the three (3) separate accounts established pursuant to the CTHG1 Management Agreements.

CTHG2 shall have the meaning given such term in the recitals to this Agreement.

CTHG2 Co-Invest shall have the meaning given such term in the recitals to this Agreement.

CTHG2 Co-Invest Assignment and Assumption Agreement means the Assignment and Assumption Agreement regarding the Purchaser's acquisition of the CTHG2 Co-Invest Interests from the Seller, in a form to be mutually agreed by the Purchaser and the Seller.

CTHG2 Co-Invest Interests shall have the meaning specified in the recitals to this Agreement and set forth on Schedule I.

CTHG2 Consent means the written consent of each of NJDOI and CTHG2 Co-Invest, which shall include those terms set forth in Section 1.1(a)(IV) of the Disclosure Schedules or shall otherwise be in a form agreed upon by the Purchaser and the Seller.

CTHG2 Management Agreement means the Management Agreement, dated as of May 30, 2008, by and among CTHG2, CTHG2 MM and CT High Grade Partners II Manager, LLC.

CTHG2 MM means CT High Grade Partners II MM, LLC, a Delaware limited liability company, a wholly owned subsidiary of CTIMCO and the managing member of CTHG2.

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CTHG2 Operating Agreement means the Second Amended and Restated Limited Liability Company Operating Agreement of CT High Grade Partners II, LLC, dated as of April 6, 2012.

CTHG2 Operating Agreement Amendment means the amendment to the CTHG2 Operating Agreement to be entered into in connection with the Contemplated Transactions in a form to be mutually agreed by the Purchaser and the Seller.

CTHG2 Side Letter means that certain letter agreement, dated as of April 6, 2012, by and among NJDOI, CTHG2 and CTHG2 MM, as the same may be amended from time to time in accordance with the terms thereof.

CTHG2 Side Letter Amendment means the amendment to the CTHG2 Side Letter to be entered into in connection with the Contemplated Transactions, in a form to be mutually agreed by the Purchaser and the Seller.

CTIMCO shall have the meaning given such term in the recitals to this Agreement.

CTIMCO Assignment and Assumption Agreement means the Assignment and Assumption Agreement regarding the Purchaser's acquisition of the CTIMCO Interests from the Seller, in a form to be mutually agreed by the Purchaser and the Seller.

CTIMCO Interests shall have the meaning given such term in the recitals to this Agreement and set forth on Schedule I.

CTLH means CT Legacy Holdings, LLC, a Delaware limited liability company.

CTLL means CT Large Loan 2006, Inc., a Maryland corporation.

CTLL Consent means the written consent of the holders of a majority of the issued and outstanding shares of common stock of CTLL, which shall include those terms set forth in Section 1.1(a)(V) of the Disclosure Schedules or shall otherwise be in a form agreed upon by the Purchaser and the Seller.

CTLL Management Agreement means the Amended and Restated Management Agreement, dated as of June 26, 2006, by and between CTLL and CT Large Loan Manager, LLC, as amended by Amendment No. 1, dated as of October 18, 2006.

CTLL Stockholders Agreement means the Amended and Restated Stockholders Agreement of CTLL, dated as of June 26, 2006, by and among the holders of all of the issued and outstanding shares of the common stock of CTLL, as amended by Amendment No. 1 thereto, dated as of October 18, 2006, and as further amended by Amendment No. 2 thereto, dated as of April 26, 2007.

CTLL Stockholders Agreement Amendment means the amendment to the CTLL Stockholders Agreement to be entered into in connection with the Contemplated Transactions, in a form to be mutually agreed by the Purchaser and the Seller.

CTLR Preferred Stock shall have the meaning given such term in the recitals to this Agreement.

CTOPI shall have the meaning given such term in the recitals to this Agreement.

CTOPI Co-Invest shall have the meaning given such term in the recitals to this Agreement.

CTOPI Co-Invest Assignment and Assumption Agreement means the Assignment and Assumption Agreement regarding the Purchaser's acquisition of the CTOPI Co-Invest Interests from the Seller, in a form to be mutually agreed by the Purchaser and the Seller.

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CTOPI Co-Invest Interests shall have the meaning given such term in the recitals to this Agreement and as set forth on Schedule I.

CTOPI Consent means the written consent of the holders of 90% or more of the limited partner interests in CTOPI held by limited partners who are not Affiliates of the Seller, which shall include those terms set forth in Section 1.1(a)(VI) of the Disclosure Schedules or shall otherwise be in a form agreed upon by the Purchaser and the Seller.

CTOPI GP means CT OPI GP, LLC, a Delaware limited liability company, a wholly owned subsidiary of CTIMCO and the general partner of CTOPI.

CTOPI GP Operating Agreement means the Limited Liability Company Operating Agreement of CT OPI GP, LLC, dated as of September 28, 2007.

CTOPI Incentive Plan means the rights of the employees of CTIMCO identified on Section 4.2(d) of the Disclosure Schedules to receive payments pursuant to award agreements related to carried interest distributions made by CTOPI.

CTOPI Management Agreement means the Management Agreement, dated as of December 13, 2007, by and among CTOPI, CTOPI GP and CT OPI Manager, LLC, as amended by Amendment No. 1 thereto, dated as of April 16, 2008, and as further amended by Amendment No. 2 thereto, dated as of May 3, 2010.

CTOPI Partnership Agreement means that certain Second Amended and Restated Limited Partnership Agreement of CTOPI, dated as of April 16, 2008, by and among CTOPI GP and all of the limited partners of CTOPI, as amended by Amendment No. 1 thereto, dated as of July 8, 2008, and further amended by Amendment No. 2 thereto, dated as of May 3, 2010, and Amendment No. 3 thereto, dated as of December 13, 2011.

CTOPI Partnership Agreement Amendment means the amendment to the CTOPI Partnership Agreement to be entered in connection with the Contemplated Transactions, in a form to be mutually agreed by the Purchaser and the Seller.

CTOPI PPM means the Private Placement Memorandum of CTOPI, together with any supplements thereto.

CTOPI REIT means CT OPI REIT, Inc., a Maryland corporation.

Damages means any losses, damages (including all direct damages of whatever nature but excluding any indirect, exemplary or punitive damages, other than in respect of Third Party Claims, in which cases indirect, exemplary or punitive damages shall be included in addition to all other damages of whatever nature), injuries, liabilities, claims, demands, settlements, judgments, awards, fines, penalties, Taxes, fees (including reasonable attorneys' fees and disbursements), charges, costs (including costs of investigation and defense) or expenses of any nature.

Debt means, with respect to any Person, (A) any indebtedness for borrowed money of such Person (including any interest accruing on such indebtedness), (B) any indebtedness of such Person evidenced by bonds, debentures, specified notes or similar instruments, (C) any indebtedness of such Person under any conditional sales or other title retention agreements relating to property or assets purchased by such Person, (D) any obligation of such Person issued or assumed as the deferred purchase price of property, assets or services (excluding trade accounts payable and accrued obligations incurred in the Ordinary Course of Business), (E) any capital lease obligation or any other similar capital obligation of such Person, (F) any synthetic lease obligation or any other similar lease obligation of such Person, (G) any purchase money obligation of such Person, (H) any obligation of such Person as an account party in respect of any letters of credit or bankers' acceptances, (I) any

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obligation of such Person under any derivative agreement or any other similar agreement (including interest-rate, exchange-rate, commodity and equity-linked agreements), (J) any obligation of such Person in respect of any off-balance-sheet agreement or transaction that is in the nature of, or in substitution of, a financing, (K) any indebtedness or other obligation of any other Person of the type specified in any of the foregoing clauses, the payment or collection of which such Person has guaranteed or in respect of which such Person is liable, contingently or otherwise, including liable by way of agreement to purchase products or securities, to provide funds for payment, to maintain working capital or other balance sheet conditions or otherwise to assure a creditor against loss, (L) any indebtedness or other obligation of any other Person of the type specified in any of the foregoing clauses that is secured (or, pursuant to an existing right, could be secured at a later date) by an Encumbrance on any property or assets of such Person or (M) any obligation for penalties or collection costs in respect of any of the foregoing.

Disclosure Schedules means Schedule II attached hereto, dated as of the date hereof, and forming a part of this Agreement.

Dispute Notice shall have the meaning given such term in Section 10.6.

DOL shall have the meaning given such term in Section 4.9(a).

Encumbrance means any security interest, pledge, mortgage, lien, charge, encumbrance, imposition, adverse claim, preferential arrangement, option, privilege, entitlement, right of first refusal, easement, encroachment, indenture, right of way, deed of trust, lease, security agreement or restriction of any kind.

Environmental Claim means any claim, demand, Order, Proceeding, cause of action or notice by any Person or Governmental Authority alleging or assessing liability arising out of, based on or resulting from (A) the presence, release or threatened release into the environment, of any Materials of Environmental Concern at, on, in, under or from any location or (B) circumstances forming the basis of any violation or non-compliance or alleged violation or non-compliance, of any Environmental Law.

Environmental Law means any Laws relating to pollution or protection of human health, safety, or the environment, including any Law relating to emissions, discharges, releases or threatened releases of Materials of Environmental Concern, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of any harmful or deleterious substances.

Environmental Permit means any Permit under or pursuant to any applicable Environmental Laws.

ERISA means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

ERISA Affiliate means any Person (whether or not incorporated) that is (or at any relevant time was) treated as a single employer with any other Person under Section 414 of the Code or Section 4001 of ERISA.

Estimated Closing Balance Sheet shall have the meaning given such term in Section 2.4(a).

Estimated Closing Tangible Net Worth shall have the meaning given such term in Section 2.4(a).

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Excluded Transaction Documents means the New CT Management Agreement and the Registration Rights Agreement.

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Final Determination means a determination as defined in Section 1313(a) of the Code (or any comparable provisions of state income Tax law) or any other event (including the execution of Form 870-AD) which finally and conclusively establishes the amount of any liability for Tax.

Final Fund Documents means, with respect to each Fund Entity, the final, executed organizational documents related thereto.

Form 10-K shall have the meaning given such term in Section 3.2(c).

Fund means any investment vehicle, including a general or limited partnership, a limited liability company, a trust, a company or a commingled fund, organized in any jurisdiction, and any alternative investment vehicles, co-investment vehicles and parallel funds formed in connection with any of such entities (i) sponsored or promoted by CT or any of its Subsidiaries, (ii) for which CT or any of its Subsidiaries acts as a general partner, trustee or managing member (or in a similar capacity) or (iii) for which CT or any of its Subsidiaries acts as an investment adviser, investment manager or otherwise provides investment advisory or sub-advisory services, including the Fund Entities and CDO Subs.

Fund Client means, with respect to any Fund, each Person that is an investor in such Fund, with respect to its investment in such Fund.

Fund Entities means CTLL, CTOPI and CTHG2.

Fund Entity Audited Balance Sheets shall have the meaning given such term in Section 4.19(a).

Fund Entity Audited Financial Statements shall have the meaning given such term in Section 4.19(a).

Fund Entity Reports shall have the meaning given such term in Section 4.18(a).

Fund Entity Unaudited Balance Sheets shall have the meaning given such term in Section 4.19(b).

Fund Entity Unaudited Financial Statements shall have the meaning given such term in Section 4.19(b).

Fund Financial Statements shall have the meaning given such term in Section 4.19(b).

GAAP means United States generally accepted accounting principles consistently applied.

Governmental Authority means any foreign or United States federal, state or local governmental, regulatory or administrative agency or authority or any court or tribunal or other entity exercising executive, legislative, judicial, regulatory or administrative powers or functions of government.

HIPAA means the Health Insurance Portability and Accountability Act of 1996, as amended, and the rules and regulations promulgated thereunder.

Incentive Plans means the CT Legacy REIT Incentive Plan and the CTOPI Incentive Plan.

Incentive Plans Award Agreement Amendments means the amendments to the award agreements under the Incentive Plans in a form to be mutually agreed by the Purchaser and the Seller, and to reflect the agreements contained in Section 7.9(c) of the Disclosure Schedules.

Indemnification Arrangements shall have the meaning given such term in Section 7.10(c).

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Information Systems means information technology and computer systems relating to the transmission, storage, maintenance, organization, presentation, generation, processing or analysis of data and information whether or not in electronic format, used in or necessary to the conduct of the business of a Person.

Intellectual Property means all (A) U.S. and foreign patents and applications therefor and all divisionals, reissues, renewals, registrations, confirmations, re-examinations, certificates of inventorship, extensions, continuations and continuations-in-part thereof, (B) U.S. and foreign trademarks, trade dress, service marks, service names, trade names, Internet domain names, brand names, logo or business symbols, whether registered or unregistered, and pending applications to register the same, including all extensions and renewals thereof and all goodwill associated therewith, (C) U.S. and foreign copyrights in writings, designs, software, mask works or other works, whether registered or unregistered, and pending applications to register the same, (D) confidential or proprietary know-how, trade secrets, methods, processes, practices, formulas and techniques, and (E) computer software programs and software systems.

Intervening Event shall have the meaning given such term in Section 7.2(d)(B).

Investment Advisers Act means the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder.

Investment Advisory Contract means a Contract (including the Organizational Documents of CT or any of its Subsidiaries, including any Fund Entity, any side letters or any other similar written agreements relating to such Contract) under which CT or any of its Subsidiaries, including CTIMCO and its Subsidiaries, provides investment advisory or sub-advisory services to, or manages any investment or trading account of, any Client whether as the general partner, managing member, adviser, or sub-adviser or otherwise.

Investment Company Act means the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

Investment Management Services means any services that involve (i) the management of capital or assets of any Client (or any portions thereof), including, with respect to CT and its Subsidiaries, the management of the Fund Entities, CT Legacy REIT, the CDO Subs, and their respective Subsidiaries, (ii) the giving of investment advice or the provision of asset management services with respect to the investment and/or reinvestment of any capital or assets of any client, including, with respect to CT and its Subsidiaries, the management of the Fund Entities, CT Legacy REIT, the CDO Subs, and their respective Subsidiaries, or (iii) otherwise providing any services that result in any Person acting as an investment adviser under the Investment Advisers Act.

IRS shall have the meaning given such term in Section 4.9(a).

Knowledge means (A) with respect to an individual, actual knowledge (whether past or present) of a particular fact or other matter, (B) with respect to CT, the knowledge (whether past or present), after reasonable inquiry, of Stephen D. Plavin, Geoffrey G. Jervis, Thomas C. Ruffing, Douglas Armer and/or Jai Agarwal of a particular fact or other matter, (C) with respect to Purchaser, the knowledge (whether past or present), after reasonable inquiry, of Michael Nash, Randall Rothschild, Tim Johnson, Michael Eglit and/or Paul Quinlan and (D) with respect to any other Person who is not an individual, the knowledge (whether past or present) of any individual who is serving, or who has at any time served, as a director, executive officer, partner, executor or trustee of such Person (or in any similar capacity), of a particular fact or other matter.

Landlord means 410 Park Avenue Associates, L.P., as owner of the property subject to the Lease.

Law means any law, statute, ordinance, treaty, code, rule or regulation of any Governmental Authority, or any binding agreement with any Government Authority, or any principle of common law.

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Lease means that certain Agreement of Lease dated as of May 3, 2000, by and between Landlord, as owner, and Capital Trust, Inc., as tenant, as amended by that certain Additional Space, Lease Extension and First Lease Modification Agreement, dated as of May 23, 2007, as further amended by that Second Lease Modification Agreement, dated as of May 26, 2009, as further amended by that certain Surrender and Third Lease Modification Agreement, dated as of August 31, 2009, and as further amended by that certain Fourth Lease Modification Agreement, dated as of September 17, 2009.

Lease Deposit Amount shall have the meaning given such term in Section 7.18.

Lease Settlement shall have the meaning given such term in Section 7.18.

Leased Real Property shall have the meaning given such term in Section 5.12.

Loss of Special Servicer Status means the loss by CTIMCO of its approved special servicer status by Standard & Poor's, Moody's and/or Fitch Ratings.

Made Available to Purchaser shall have the meaning given such term in Section 4.1.

Material Adverse Effect means, with respect to any Person, any change, development, effect or condition that, individually or in the aggregate with all other changes, developments, effects and conditions, (A) is, or would reasonably be expected to be, materially adverse to the business, assets, liabilities, results of operations or condition (financial or otherwise) of such Person and its Subsidiaries, if any, taken as a whole, or (B) will, or would reasonably be expected to, prevent or materially impair or delay the ability of such Person to fulfill its obligations under this Agreement or any Transaction Document; *provided, however*, that any such change, development, effect or condition having the results described in the foregoing clauses (A) and (B) that results from (i) a change in Law or GAAP or interpretations thereof or rules and policies of the Public Company Accounting Oversight Board that applies to such Person, in each case, occurring after the date of this Agreement, (ii) general economic, business or market conditions, general changes in the financial, credit or securities markets, including general changes in interest rates, exchange rates, stock, bond or debt prices, (iii) economic, business or market conditions that directly or indirectly affect the commercial real estate finance industry generally, (iv) any natural or man-made disasters or acts of war (whether or not declared), sabotage or terrorism, or armed hostilities, or any escalation or worsening thereof in each case occurring after the date of this Agreement, (v) the entry into, announcement or performance of this Agreement and of the Contemplated Transactions or any action taken or omitted to be taken by CT at the written request of Purchaser (*provided* that this clause (v) shall not be applicable with respect to breaches of CT's representations and warranties set forth in Sections 1.1(a) (No Conflict; Governmental Authorization), 4.7(d)(ii) (Compliance with Laws; Permits), 4.21(c) (Contracts; No Default) or 5.11(b) (Material Contracts; No Default) or CT's failure to satisfy the conditions set forth in Section 9.3(a) (Conditions to Obligations of Purchaser) as they relate to the representations and warranties set forth in Sections 3.1(a) (No Conflict; Governmental Authorization), 4.7(d)(ii) (Compliance with Laws; Permits), 4.21(c) (Contracts; No Default) or 5.11(b) (Material Contracts; No Default)), (vi) any change in the market price or trading volume of the Common Stock or any failure to meet internal or published projections, forecasts, budgets, estimates or expectations of CT's revenue, earnings or other financial performance or results of operations for any period (*provided*, that the underlying cause of such change or failure shall not be excluded pursuant to this exception (vi)) or (vii) any litigation arising from allegations of a breach of fiduciary duty or other violation of applicable Law to the extent arising out of or relating to this Agreement or the Contemplated Transactions shall not be considered when determining whether a Material Adverse Effect on such Person or its Subsidiaries has occurred, except with respect to foregoing clauses (i) through (iv) to the extent that such change, development, effect or condition disproportionately affects such Person or its Subsidiaries relative to other participants in the industry in which such Person and its Subsidiaries operate.

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Material Contract means:

- (i) any material contract required to be filed with the SEC by CT in accordance with Item 601(b)(10) of Regulation S-K;
- (ii) any Servicing Agreement, Investment Advisory Contract, or Contract with any Client or Fund Client, including any side letters, amendments, supplements or ancillary documents to any such Contracts and any Contract for the placement, distribution or sale of shares, units or other ownership interests of a Fund, including solicitation agreements and investor referral agreements;
- (iii) any Organizational Document of a Fund Entity including limited partnership agreements, limited liability company agreements and shareholder or other equityholder agreements, including any agreements with shareholders beneficially owning five percent (5%) or more of the Common Stock;
- (iv) any Contract (A) relating to Debt, or any hedging, derivatives or similar Contract with a nominal amount, in any such case, in excess of, ten thousand dollars (\$10,000); or (B) that is primarily a Contract of guarantee, support, indemnification, assumption, endorsement or similar obligation of or with respect to Liabilities of any Person other than CT or any of its Subsidiaries or, with respect to the Fund Entities, Subsidiaries of such Fund Entities other than portfolio companies where the potential exposure under such Contract exceeds ten thousand dollars (\$10,000);
- (v) any Contract entered into relating to the disposition or acquisition of any assets of CT or any of its Subsidiaries, and any joint venture, strategic alliance, distribution, partnership or similar Contract (other than involving a sharing of profits or expenses or payments based on revenues, profits or assets under management of CT or any of its Subsidiaries (including CT Legacy REIT) or any Client);
- (vi) any Contract for Intellectual Property granting or restricting the right to use material Intellectual Property used in the provision of Investment Management Services (other than Contracts granting rights to use readily available commercial off the shelf software and Contracts the restrictions of which would not reasonably be expected to interfere with the provision of Investment Management Services by CT or any of its Subsidiaries in any material respect);
- (vii) any Contract (other than those set forth in clauses (i) through (vi) above or as disclosed in Section 1.1(a)(VII) of the Disclosure Schedules) having a duration in excess of one (1) year and not terminable without penalty or payment upon ninety (90) days or less prior notice to or by CT or any of its Subsidiaries involving annual payments in excess of \$10,000 or aggregate remaining payments after the date hereof in excess of \$10,000, including any Contract for the provision of administrative services (including any middle or back office service agreements), or any custodial agreement, brokerage agreement or other similar agreement;
- (viii) any Contract containing (A) covenants of any of CT, CTIMCO or any of their respective Subsidiaries or Affiliates (before or after the Closing Date) not to compete or engage in any line of business or in any geographical area or covenants that in any way limit the ability of CT, CTIMCO or any of their respective Subsidiaries or Affiliates (before or after the Closing Date) to compete with any Person or (B) an exclusivity provision or a provision regarding the priority with respect to the allocation of investment opportunities;
- (ix) any Contract requiring CT, CTIMCO or any of their respective Subsidiaries, including any Fund Entity (A) to co-invest with any other Person; (B) to provide seed capital or similar investment or (C) to invest in any investment product (including, any such Contract requiring additional or follow-on capital contributions to any Fund);
- (x) any Contract that contains key person provisions pertaining to Business Employees; and
- (xi) any Contract with any Governmental Authority.



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Materials of Environmental Concern means any materials, substances or chemicals, pollutants, contaminants, wastes, including toxic substances, hazardous substances, radioactive materials, asbestos, asbestos-containing materials, lead-based paint, radon, mold, fungus, moisture, microbial contamination, pathogenic organisms, petroleum and petroleum products, regulated or that could result in liability under Environmental Laws.

Meeting Record Date shall have the meaning given such term in Section 7.3(b).

MGCL shall have the meaning given such term in Section 7.11(a).

Multiemployer Plan means any multiemployer plan, as defined in Section 3(37) or 4001(a) of ERISA or Section 414(f) of the Code that any Person or ERISA Affiliate maintains, sponsors, participates in or contributes to, or has maintained, established, sponsored, participated in, or contributed to within the last six (6) years, or under which such entity has or may incur any liability or obligation.

New CT Management Agreement means the Management Agreement, by and between CT and New CT Manager, in the Form attached hereto as Exhibit C.

New CT Manager means an Affiliate of Purchaser to be determined prior to Closing.

New CT Shares shall have the meaning given such term in the recitals of this Agreement.

New CT Shares Purchase shall have the meaning given such term in Section 2.1(c).

New CT Shares Purchase Price shall have the meaning given such term in Section 2.1(d).

NJDOJ means Common Pension Fund E.

Notice of Claim shall have the meaning given such term in Section 10.6.

NYSE means the New York Stock Exchange.

Objection Notice shall have the meaning given such term in Section 2.4(c).

Old CT/CTIMCO Management Agreement means the Amended and Restated Investment Management Agreement, dated December 16, 2011, by and between CT and CTIMCO.

Old CT/CTIMCO Management Agreement Termination Agreement means the Termination Agreement, by and between CT and CTIMCO, whereby the Old CT/CTIMCO Management Agreement is terminated, in the Form attached hereto as Exhibit D.

Order means any order, writ, certificate, judgment, injunction, decree, stipulation, determination, assessment, decision, ruling, declaration, award, subpoena or verdict entered, issued, made or rendered by any Governmental Authority or any arbitrator.

Ordinary Course of Business means any action taken by a Person that (A) is consistent in nature, scope and magnitude with the past practices of such Person and is taken in the ordinary course of the normal, day-to-day operations of such Person, and (B) except with respect to Subsidiaries of CT, does not require authorization by the board of directors or stockholders of such Person (or by any Person or group of Persons exercising similar authority).

Organizational Documents shall have the meaning given such term in Section 4.1.

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Outside Date shall have the meaning given such term in Section 11.1(b).

Party or Parties shall have the meaning specified in the preamble to this Agreement.

Pension Plan means any employee pension benefit plan as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) that any Person or, solely with respect to any Pension Plan that is subject to Title IV of ERISA, any ERISA Affiliate of any such Person maintains, sponsors, participates in or contributes to, or has within the last six (6) years maintained, established, sponsored, participated in, or contributed to, or under which any such Person has or may incur any liability or obligation.

Permit means any permit, consent, franchise, waiver, authorization, license, registration or other approval issued, granted, given, or otherwise made available by or under any Governmental Authority or pursuant to any Law.

Permitted Encumbrance means (A) any Encumbrance for Taxes and other similar charges of any Governmental Authority not yet due or delinquent or being contested in good faith by appropriate proceedings for which appropriate reserves have been made on the CT Balance Sheet or which may thereafter be paid without penalty, (B) any statutory Encumbrance arising in the Ordinary Course of Business by operation of Law with respect to a liability that is not yet due or delinquent and that is not material to CT, CTIMCO or their respective Subsidiaries, (C) any Encumbrance to secure lease obligations, to the extent set forth in Section 1.1(a)(VIII) of the Disclosure Schedules and (D) any imperfection of title or similar Encumbrance that, individually or in the aggregate with other such Encumbrances, does not result in a Material Adverse Effect with respect to CT, any Acquired Entity, any Fund Entity or any of their Subsidiaries, as the case may be.

Person means an individual, corporation, partnership, limited liability company, association, trust, unincorporated organization or other entity.

Plan means each employee benefit plan (within the meaning of Section 3(3) of ERISA), including any Multiemployer Plan, Pension Plan, and Welfare Plan, and each other material employment, executive compensation, bonus, deferred compensation, pension, collective bargaining, stock option, stock appreciation right, stock purchase, equity-based compensation, incentive, voluntary employee benefit association within the meaning of Section 501(c)(9) of the Code, profit-sharing, retirement, medical, dental, life insurance, disability, vacation, sick pay, paid time off, salary continuation, retention, severance pay, fringe benefit, or employee loan plan, arrangement, agreement, program, policy or practice (including any severance, change in control or similar agreement) whether formal or informal, oral or written, and whether or not subject to ERISA, in each case under which (a) any foreign or domestic current or former employee, director, consultant, independent contractor, or other service provider of any Person or ERISA Affiliate, or their beneficiaries has any present or future right to benefits and which are contributed to, sponsored, or maintained by any Person or any ERISA Affiliate, or (b) with respect to which any Person or any ERISA Affiliate has, has had within the previous six (6) years or may incur any liability or obligation on behalf of any foreign or domestic current or former employee, director, consultant, independent contractor, or other service provider of any Person or ERISA Affiliate.

Post-Closing Adjustment Certificate shall have the meaning given such term in Section 2.4(b).

Post-Closing Tax Period means any taxable period ending after the Closing Date.

Pre-Closing Tax Period means any taxable period ending on or before the Closing Date.

Proceeding means any claim, action, proceeding, investigation, audit, hearing, arbitration, administrative or agency complaint or charge, litigation or suit (whether civil, criminal, administrative, investigative or informal).

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Proxy Statement shall have the meaning given such term in Section 7.3(a).

Purchase Price shall have the meaning given such term in Section 2.1(d).

Purchase Price Adjustment Certificate shall have the meaning given such term in Section 2.4(a).

Purchaser shall have the meaning given such term in the preamble to this Agreement.

Purchaser Closing Balance Sheet shall have the meaning given such term in Section 2.4(b).

Purchaser Designees shall have the meaning given such term in Section 7.11(a).

Purchaser Expense Reimbursement shall have the meaning given such term in Section 11.3(a).

Purchaser Indemnitee means Purchaser, its past, current and future Affiliates and Subsidiaries, including, after the Closing, any Acquired Entity, any Fund Entity and their respective Subsidiaries and Affiliates and the past, current and future respective stockholders, equity owners, members, partners, controlling Persons (if any), directors, trustees, managers, officers, employees, agents, successors, assigns and personal representatives of each of them.

Purchaser Information shall have the meaning given such term in Section 7.4(b).

Purchaser's Excluded Representations shall have the meaning specified in Section 10.1.

Recommendation Change Notice shall have the meaning given such term in Section 7.2(e).

Registration Rights Agreement means the Registration Rights Agreement between CT and Purchaser in the Form attached hereto as Exhibit E.

REIT means a real estate investment trust as defined in Sections 856 through 860 of the Code.

Relying Advisers shall have the meaning given such term in Section 4.16.

Representatives shall have the meaning given such term in Section 7.3(a).

Restricted Cash means all cash of a Person which is restricted from use except for a contractually specified purpose; *provided*, that for the avoidance of doubt, Restricted Cash of CT and its Subsidiaries shall include any cash and cash equivalents held by CT Legacy REIT or any of its Subsidiaries.

Restricted Share shall mean a share of Common Stock held by or in the name of any Business Employee that is subject to vesting or delivery requirements.

Retention Arrangement shall mean any transaction, retention, change in control, or stay bonus, payment or award, or any similar arrangement, which is payable by an Acquired Entity, or Fund Entity, or any of their respective Subsidiaries, in each case, in connection with or after the Closing, including, for the avoidance of doubt, the Plans set forth on Section 1.1(a)(IX) of the Disclosure Schedules.

Review Period shall have the meaning given such term in Section 2.4(c).

Rights Agreement means the Tax Benefits Preservation Rights Agreement, dated as of March 3, 2011, by and between CT and American Stock Transfer & Trust Company, LLC.

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Sarbanes-Oxley Act mean the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated thereunder.

SEC means the U.S. Securities and Exchange Commission.

Section 7.9(c) Expense Amount shall have the meaning given such term in Section 2.3(e).

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Seller shall have the meaning given such term in the preamble to this Agreement.

Seller Indemnitee means Seller, its Subsidiaries following the Closing, and the past, current and future directors, trustees, managers, officers, employees, agents and successors of each of them.

Seller's Excluded Representations shall have the meaning given such term in Section 10.1.

Servicing Agreement means any servicing agreement, pooling and servicing agreement, mortgage selling and servicing contract, indenture or other agreement or instrument, whether written or oral, pursuant to which any Acquired Entity or any of their respective Subsidiaries provides servicing for loans directly or indirectly secured by commercial real estate (by mortgages thereon or otherwise) (such loans, collectively, the Specially Serviced Loans), all of which agreements are listed on Section 4.21(a) of the Disclosure Schedules (to the extent identified as such) and have been Made Available to Purchaser.

Special Dividend shall have the meaning given such term in the recitals to this Agreement.

Special Dividend Amount means (i) \$2.00 *minus* (ii) the aggregate per share amount of any dividends declared or paid by CT after the date hereof and prior to the Closing (other than the Special Dividend).

Special Dividend Payment Record Date shall have the meaning given such term in Section 7.12.

Specially Serviced Loans shall have the meaning given such term in the definition of Servicing Agreement.

Straddle Period shall have the meaning given such term in Section 8.3.

Subsidiary means, with respect to any Person, any corporation or other legal entity (A) of which such Person (either alone or through or together with any other Subsidiary or Subsidiaries) is the general partner or managing entity or (B) a majority of the capital stock or other equity interests of which generally entitled to vote for the election of the board of directors or others performing similar functions of such corporation or other legal entity is directly or indirectly owned or controlled by such Person (either alone or through or together with any other Subsidiary or Subsidiaries or Affiliates). For purposes of this Agreement, each CDO Sub shall be deemed a Subsidiary of CT (and for the avoidance of doubt, Subsidiaries of CT shall include each Acquired Entity, each Fund Entity, and their respective Subsidiaries).

Superior Proposal means an unsolicited *bona fide* written Acquisition Proposal obtained after the date of this Agreement in circumstances not involving a breach of Section 7.2 by CT for an Acquisition Transaction (a) of the type set forth in clause (i) of the definition thereof; *provided* that all references to 9.9% therein shall be references to 50%; (b) involving a majority of the assets of CT set forth on the adjusted balance sheet of CT and its Subsidiaries set forth in Section 1.1(a)(X) of the Disclosure Schedules or (c) involving (x) the acquisition (by whatever means, whether by merger, consolidation, share exchange, share or asset purchase or otherwise, as applicable) of either the CT Investment Management Interests or any sale described in clause (iii) of the

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definition of Acquisition Transaction and (y) the purchase of newly-issued shares of Common Stock representing more than 9.9% of the outstanding Common Stock at the time of such issuance, which, in any such case described in clauses (a), (b) or (c), the CT Board determines in good faith (after consultation with its outside counsel and financial advisor) (A) to be reasonably likely to be consummated if accepted and (B) to be more favorable to CT's stockholders from a financial point of view than the Contemplated Transactions, in each case, taking into account at the time of determination all relevant circumstances, including the various legal, financial and regulatory aspects of the proposal, all the terms and conditions of such proposal and this Agreement, any changes to the terms of this Agreement offered by Purchaser in response to such Acquisition Proposal and the ability of the Person making such Acquisition Proposal to consummate the transactions contemplated by such Acquisition Proposal (based upon, among other things, expectation of obtaining required approvals or any necessary financing).

Tangible Assets shall have the meaning given such term in Section 4.27.

Tangible Net Worth means with respect to an Acquired Entity, an amount, determined in accordance with GAAP, equal to the entity's cash and cash equivalents net of uncleared checks and drafts issued by such Acquired Entity and excluding Restricted Cash, increased by its: (i) accounts receivable, (ii) prepaid expenses (excluding prepaid income taxes) and (iii) other tangible assets (including, without limitation, investments in unconsolidated subsidiaries, but excluding furniture, fixtures and equipment); decreased by its (x) accounts payable and accrued expenses (except for: (a) accrued expenses related to the CT Legacy REIT Incentive Plan, (b) liabilities related to straight-line accounting for lease payments, (c) accrued income taxes payable and (d) the Section 7.9(c) Expense Amount), (y) unearned revenues (except for unearned revenues related to the CTOPI Incentive Plan) and (z) borrower expense deposits.

Tax or Taxes means any and all domestic or foreign, federal, state, local or other taxes, assessments, duties, charges, fees, levies or required deposits of any kind (together with any and all interest, penalties, additional tax and additional amounts imposed with respect thereto) imposed by any Taxing Authority, including taxes with respect to income, franchises, windfall or other profits, gross receipts, transfer, real, personal or intangible property, sales, use, capital stock, employment, unemployment, social security, workers' compensation or net worth, ad valorem, value added, single business, taxes in the nature of excise or withholding and any liability under Treasury Regulation Section 1.1502-6 or as a transferee or successor, or by contract or agreement.

Tax Proceeding shall have the meaning given such term in Section 8.5.

Tax Return means any report, return or similar filing (including any schedule attached thereto) required to be filed with respect to Taxes, including any information return, claim for refund, amended return or declaration of estimated Taxes.

Tax Sharing Agreement means any written or oral agreement, indemnity or other arrangement for the allocation or payment of Tax liabilities or payment for Tax benefits between Seller, any Acquired Entity, any Fund Entity or their respective Subsidiaries and any Person.

Taxing Authority means the Internal Revenue Service and any other domestic or foreign Governmental Authority responsible for the administration or collection of any Taxes.

Termination Date shall have the meaning given such term in Section 7.11(a).

Third Party means any Person, including as defined in Section 13(d) of the Exchange Act, other than Purchaser or any of its Affiliates or CT and any of its Affiliates, and the Representatives of such Person, in their capacity as such.

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Third Party Claim means any claim asserted by any Person (other than a Seller Indemnitee or a Purchaser Indemnitee) for Damages that may reasonably be expected to give rise to a Claim.

Transaction Documents means this Agreement, the Voting Agreement and the agreements, certificates and instruments executed by a Party or its Affiliate and delivered pursuant to Sections 9.4 and 9.5.

Transfer Taxes means all transfer, real property transfer, gains, stock transfer, documentary, sales, use stamp, registration value added, property, recording and other similar taxes and fees including penalties, interest and additions to such Taxes.

Triggering Event shall be deemed to have occurred if: (a) the CT Board shall have effected a Change in the CT Board Recommendation; (b) CT shall have failed to include in the Proxy Statement the CT Board Recommendation; (c) the CT Board or any committee thereof shall have adopted, approved, endorsed or recommended any Acquisition Proposal; (d) a tender or exchange offer relating to securities of CT shall have been commenced and CT shall not have sent to its security holders, within ten (10) Business Days after the commencement of such tender or exchange offer, a statement disclosing that the CT Board recommends rejection of such tender or exchange offer; or (e) CT shall have materially breached its obligations under Section 7.2 or 7.3.

Voting Agreement shall have the meaning given such term in the recitals of this Agreement.

Warrants means, collectively, the warrants issued pursuant to (i) that Warrant to purchase Common Stock issued by CT to JPMorgan Chase Funding, Inc., dated March 16, 2009, (ii) that Warrant to purchase Common Stock issued by CT to Morgan Stanley Asset Funding, Inc., dated March 16, 2009, and (iii) that Warrant to purchase Common Stock issued by CT to Citigroup Financial Products, Inc., dated March 16, 2009.

WARN Act means the Worker Adjustment and Retraining Notification Act, as amended.

Welfare Plan means any employee welfare benefit plan, as defined in Section 3(1) of ERISA that any Person maintains, sponsors, participates in or contributes to or under which any such Person has or may incur any liability or obligation.

**1.2 Other Interpretive Provisions.** When a reference is made in this Agreement to an Article, Section or Schedule, such reference is to an Article or a Section of, or Schedule to, this Agreement, unless otherwise indicated. The words include, includes or including and such as do not limit the preceding words or terms and shall be deemed to be followed by the words without limitation. The words hereof, herein, hereunder, hereby and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require. All terms defined in this Agreement in their singular or plural forms, have correlative meanings when used in their plural or singular forms, respectively. Reference in any Transaction Document to any Contract or document means such Contract or document as amended or modified and in effect from time to time in accordance with the terms thereof and includes all addenda, amendments, exhibits, and schedules (*provided* that, to the extent this Agreement or any Transaction Document requires the disclosure or provision of any such Contract or document to Purchaser, all such amendments, modifications, added, exhibits and schedules, as applicable, have been so disclosed to Purchaser). The inclusion of any matter in the Disclosure Schedules in connection with any representation, warranty, covenant or agreement that is qualified as to materiality or Material Adverse Effect shall not be an admission by the Party delivering such Disclosure Schedule that such matter is material or would reasonably be expected to result in a Material Adverse Effect with respect to such Party.

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**ARTICLE 2**

**PURCHASE AND SALE; CLOSING**

**2.1 Purchase and Sale.**

(a) CT Investment Management Interests. Upon the terms and subject to the conditions of this Agreement, Seller agrees to sell, assign, transfer and otherwise convey to Purchaser the CT Investment Management Interests free and clear of all Encumbrances (other than restrictions on transfer under applicable state and federal securities Laws), and Purchaser agrees to purchase the CT Investment Management Interests from Seller (the CT Investment Management Interests Purchase ).

(b) Purchase Price for CT Investment Management Interests. Subject to the terms and conditions of this Agreement, at the Closing, the CT Investment Management Interests Purchase shall be consummated upon the payment by Purchaser of twenty million six hundred twenty-nine thousand and four dollars (\$20,629,004) (as adjusted pursuant to Sections 2.3 and 2.4 below, the CT Investment Management Interests Purchase Price ).

(c) Purchase of New CT Shares. Upon the terms and subject to the conditions of this Agreement, CT agrees to issue and sell to Purchaser the New CT Shares free and clear of all Encumbrances (other than restrictions on transfer under applicable state and federal securities Laws), and Purchaser agrees to purchase the New CT Shares from CT (the New CT Shares Purchase ).

(d) Purchase Price for New CT Shares. The aggregate purchase price of the New CT Shares shall be ten million dollars (\$10,000,000) (the New CT Shares Purchase Price and, together with the CT Investment Management Interests Purchase Price, the Purchase Price ).

(e) Method of Payment of Purchase Price. The Purchase Price shall be payable in cash by wire transfer of immediately available funds to accounts designated in writing by CT on Schedule 2.1(e).

(f) Allocation. As promptly as practical after the date hereof and in any event prior to the Closing Date, the Parties shall allocate the CT Investment Management Interests Purchase Price (i) among the CT Investment Management Interests and (ii) further among the assets of CTIMCO and its Subsidiaries (after giving effect to CT's contribution of the CTLR Preferred Stock prior to the Closing) in accordance with Section 1060 of the Code (and any similar provision of Law, as appropriate) (the Closing Date Allocation ). If the Parties cannot agree on the Closing Date Allocation within 30 days following the date hereof, they shall submit any disputed items to the Accounting Firm and shall direct the Accounting Firm to render its determination prior to the Closing Date. The determination of the Accounting Firm, if applicable, shall be final and binding upon the Parties. After the final determination of the CT Investment Management Interests Purchase Price pursuant to Sections 2.3 and 2.4, the Parties shall agree on appropriate modifications to the Closing Date Allocation to take into account any adjustments under Sections 2.3 and 2.4, and such modified Closing Date Allocation shall be the Final Allocation. From time to time as applicable, the Parties shall agree on appropriate modifications to the Final Allocation to take into account subsequent adjustments or additional payments which are treated as purchase price for U.S. federal income Tax purposes, and such modified Final Allocation shall become the new Final Allocation. Each Party shall cooperate fully with the other Party to prepare all Tax forms, including Internal Revenue Service Form 8594 relating to the Final Allocation. No Party shall take a position inconsistent with the Final Allocation on any Tax Return (including Internal Revenue Service Form 8594), unless otherwise required by a Final Determination by a Taxing Authority.

(g) Assumed Liabilities. Effective as of the Closing, Purchaser shall, or shall cause one or more of its Affiliates, including any Acquired Entity or any of its Subsidiaries to, assume and agree to pay, discharge or perform, as appropriate, the obligations of Seller under the Contracts set forth on Section 4.21(a) of the Disclosure Schedules relating to the CT Investment Management Interests to the extent such obligations accrue

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after the Closing. Except as set forth in the immediately preceding sentence, Sections 2.1(b), 2.1(d) and 2.1(e) and, subject to the provisions of this Agreement, with respect to liabilities of the Acquired Entities and their Subsidiaries (excluding the Fund Entities and their Subsidiaries), Seller acknowledges and agrees with Purchaser that Seller shall not convey to Purchaser, or cause or permit Purchaser to incur, assume or otherwise become liable for, and Purchaser shall not assume or otherwise be obligated for, in each case, any liability whatsoever (whether fixed or contingent, known or unknown, liquidated or unliquidated, suspected or unsuspected, material or immaterial, absolute or contingent, matured or unmatured, determinable or undeterminable, direct or indirect, secured or unsecured, or otherwise).

**2.2 Closing.** The closing of the purchase and sale transactions contemplated by Sections 2.1(a) and 2.1(c) (the Closing ) will take place at the offices of Paul Hastings LLP, 75 East 55th Street, New York, NY, 10022, or at such other place as Purchaser and CT mutually agree, including by electronic exchange of documents. The Closing shall take place at 10:00 am on or prior to the second (2nd) Business Day following the date on which each of the conditions precedent in Article 9 have been satisfied or waived (other than those conditions that are to be satisfied at Closing, but subject to their due satisfaction or waiver at the Closing) or such other date as CT and Purchaser may agree in writing. The date upon which Closing actually occurs is referred to herein as the Closing Date.

**2.3 Purchase Price Adjustments.** The CT Investment Management Interests Purchase Price shall be increased or decreased in accordance with this Section 2.3 as follows:

- (a) Increased to the extent the Estimated Closing Tangible Net Worth of CTIMCO exceeds zero dollars (\$0) or decreased to the extent the Estimated Closing Tangible Net Worth of CTIMCO is less than zero dollars (\$0);
- (b) Increased by the amount of capital contributions funded subsequent to June 30, 2012 and prior to the Closing Date by CT in respect of capital commitments by CTOPI Co-Invest to CTOPI and by CTHG2 Co-Invest to CTHG2, in each case, solely to the extent consistent with the parameters set forth in Section 2.3(b) of the Disclosure Schedules (the Co-Invest Capital Contributions );
- (c) Decreased by distributions received by CT subsequent to June 30, 2012 and prior to the Closing Date from CTOPI or CTHG2 in respect of CTOPI Co-Invest's interest in CTOPI or CTHG2 Co-Invest's interest in CTHG2 (the Co-Invest Distributions );
- (d) Decreased by the amounts payable in respect of all Retention Arrangements, and all other accrued or historic employee-related liabilities that are outstanding and unpaid immediately prior to the Closing (to the extent not already taken into account in determining Tangible Net Worth of CTIMCO pursuant to the adjustment set forth in Section 2.3(a)) (collectively, the Closing Employee Amounts ); and
- (e) Increased by an amount equal to one half of amounts paid by CT for expenses incurred in connection with taking the actions specified in clause (1) of Section 7.9(c) of the Disclosure Schedules (such amount, the Section 7.9(c) Expense Amount ).

### **2.4 Purchase Price Adjustment Certificate.**

(a) No later than the close of business on the second Business Day immediately prior to the Closing Date, Seller shall deliver to Purchaser a certificate (the Purchase Price Adjustment Certificate ), which shall set forth: (i) Seller's good faith estimates of (A) the balance sheet of CTIMCO, prepared by CT and determined in accordance with GAAP, as of the close of business on the Business Day immediately prior to the Closing Date (the Estimated Closing Balance Sheet ) and (B) the aggregate Tangible Net Worth of CTIMCO as of the close of business on the Business Day immediately prior to the Closing Date (the Estimated Closing Tangible Net Worth ) and (ii) schedules of: (A) Co-Invest Capital Contributions, (B) Co-Invest Distributions and (C) the Section 7.9(c) Expense Amount, together with reasonable supporting detail therefor sufficient for Purchaser to



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confirm the amounts of Co-Invest Capital Contributions, Co-Invest Distributions and the Section 7.9(c) Expense Amount and, with respect to the Co-Invest Capital Contributions, the nature thereof (including whether they meet the parameters set forth in Section 2.3(b) of the Disclosure Schedules). The Estimated Closing Tangible Net Worth shall be prepared by CT consistent with past practices and the illustrative example set forth in Section 2.4(a) of the Disclosure Schedules and shall be reconciled to the Estimated Closing Balance Sheet on the Purchase Price Adjustment Certificate.

(b) Within sixty (60) calendar days after the Closing Date, Purchaser shall prepare and deliver to Seller a certificate (the Post-Closing Adjustment Certificate ), which shall set forth: (i) the balance sheet of CTIMCO, prepared by Purchaser and determined in accordance with GAAP, as of the close of business on the Business Day immediately prior to the Closing Date (the Purchaser Closing Balance Sheet ), (ii) Purchaser's calculation of the aggregate Tangible Net Worth of CTIMCO as of the close of business on the Business Day immediately prior to the Closing Date, prepared in a manner consistent with the illustrative example set forth in Section 2.4(a) of the Disclosure Schedules and reconciled to the Purchaser Closing Balance Sheet on the Post-Closing Adjustment Certificate, and (iii) Purchaser's calculation of the Co-Invest Capital Contributions, Co-Invest Distributions and the Section 7.9(c) Expense Amount.

(c) Seller shall notify Purchaser in writing of its acceptance or dispute of any amounts reflected on the Post-Closing Adjustment Certificate, including Purchaser's calculation of the Tangible Net Worth of CTIMCO or the Co-Invest Capital Contributions, Co-Invest Distributions or Section 7.9(c) Expense Amount within forty-five (45) calendar days after Seller's receipt of the Post-Closing Adjustment Certificate (such forty-five (45)-day period hereinafter referred to as the Review Period ). Any such notice of disagreement (the Objection Notice ) shall specify those items or amounts as to which Seller disagrees and describe the basis of such disagreement (and shall include Seller's proposed changes to the calculation of the CT Investment Management Interests Purchase Price). Seller shall be deemed to have agreed with all other items and amounts included in the Post-Closing Adjustment Certificate delivered pursuant to Section 2.4(b) and not specifically identified in the Objection Notice.

(d) In the event of a dispute with respect to the Post-Closing Adjustment Certificate, Purchaser and Seller shall negotiate in good faith to reconcile their differences and any resolution by them as to any disputed amounts shall be final, binding and conclusive on the Parties. If Purchaser and Seller are unable to reach a resolution to such effect within thirty (30) calendar days after Purchaser's receipt of the Objection Notice, Purchaser and Seller shall submit the amounts in dispute for resolution to the New York, New York office of an independent accounting firm of international reputation as is mutually agreed to and appointed by Seller and Purchaser (such independent accounting firm being herein referred to as the Accounting Firm ). Seller and Purchaser shall use their commercially reasonable efforts to cause the Accounting Firm to, as soon as practicable but in any event within thirty (30) calendar days after such submission, determine and report to the Parties upon the disputed amounts with respect to the Post-Closing Adjustment Certificate and corresponding calculation of the CT Investment Management Interests Purchase Price, and such report shall be final, binding and conclusive on the Parties hereto and shall constitute an arbitral award upon which a judgment may be entered in any court having jurisdiction thereof. The Accounting Firm shall be authorized to resolve only those items in dispute between the Parties, within the range of the difference between Purchaser's position with respect thereto and Seller's position with respect thereto, and such resolution shall be based solely on the written materials submitted by the Parties and the terms and conditions of this Agreement and not on independent review. Purchaser, on the one hand, and Seller, on the other hand, will each bear fifty percent (50%) of the costs and expenses of the Accounting Firm. Purchaser and Seller shall make available to such accounting firm all relevant books and records relating to the calculations submitted and all other information reasonably requested by the Accounting Firm.

(e) No later than five (5) Business Days after the Co-Invest Capital Contributions, Co-Invest Distributions, Section 7.9(c) Expense Amount and Tangible Net Worth of CTIMCO as of the close of business on the Business Day immediately prior to the Closing Date shall be finally determined in accordance with

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Sections 2.4(c) and 2.4(d) above, Purchaser or Seller, as applicable, shall make the following payments (which may be offset against one another to arrive at a single adjustment amount payable pursuant to this Section 2.4(e)):

- (i) If the Tangible Net Worth of CTIMCO as finally determined in accordance with Sections 2.4(c) and 2.4(d) above is less than the Estimated Closing Tangible Net Worth, Seller shall pay the amount of such shortfall to Purchaser.
- (ii) If the Tangible Net Worth of CTIMCO as finally determined in accordance with Sections 2.4(c) and 2.4(d) above is greater than the Estimated Closing Tangible Net Worth, Purchaser shall pay the amount of such excess to the Seller.
- (iii) If the Co-Invest Capital Contributions as finally determined in accordance with Sections 2.4(c) and 2.4(d) above are less than the Co-Invest Capital Contributions as set forth in the Purchase Price Adjustment Certificate, Seller shall pay the amount of such shortfall to Purchaser.
- (iv) If the Co-Invest Capital Contributions as finally determined in accordance with Sections 2.4(c) and 2.4(d) above are more than the Co-Invest Capital Contributions as set forth in the Purchase Price Adjustment Certificate, Purchaser shall pay the amount of such excess to the Seller.
- (v) If the Co-Invest Distributions as finally determined in accordance with Sections 2.4(c) and 2.4(d) above are less than the Co-Invest Distributions as set forth in the Purchase Price Adjustment Certificate, Purchaser shall pay the amount of such difference to Seller.
- (vi) If the Co-Invest Distributions as finally determined in accordance with Sections 2.4(c) and 2.4(d) above are more than the Co-Invest Distributions as set forth in the Purchase Price Adjustment Certificate, Seller shall pay the amount of such difference to Purchaser.
- (vii) If the Section 7.9(c) Expense Amount as finally determined in accordance with Sections 2.4(c) and 2.4(d) above is more than the Section 7.9(c) Expense Amount as set forth in the Purchase Price Adjustment Certificate, Purchaser shall pay the amount of such difference to Seller.
- (viii) If the Section 7.9(c) Expense Amount as finally determined in accordance with Sections 2.4(c) and 2.4(d) above is less than the Section 7.9(c) Expense Amount as set forth in the Purchase Price Adjustment Certificate, Seller shall pay the amount of such difference to Purchaser.
- (f) Any payment to be made as a result of an adjustment to the CT Investment Management Interests Purchase Price pursuant to Section 2.4(e) shall be paid by wire transfer of immediately available funds, together with interest thereon for the period commencing on the Closing Date through the date on which such payment is made calculated at the prime rate of Citibank, N.A., in effect on the date such payment was required to be made. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated daily on the basis of a year of three hundred sixty-five (365) days and the actual number of days elapsed.

**2.5 CT Restricted Shares.**

- (a) Effective as of the Closing, and without any further action on the part of CT or any holder of any Restricted Share, any vesting requirement or transfer restriction applicable to each Restricted Share granted under the 2011 LTIP or the 2007 LTIP that is outstanding as of the Closing Date (whether vested or unvested) shall be deemed satisfied or lapsed, as applicable, and each such Restricted Share shall be deemed 100% vested and non-forfeitable.

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(b) CT shall, prior to the Closing, take or cause to be taken all actions necessary with respect to the 2007 LTIP, the 2011 LTIP, and any other applicable agreements to allow for the treatment of the Restricted Shares described herein.

**ARTICLE 3**

**GENERAL REPRESENTATIONS AND WARRANTIES OF CT**

CT hereby represents and warrants to Purchaser that the statements contained in this Article 3 are true and correct as of the date hereof and as of the Closing Date, except (1) as expressly set forth herein, (2) subject to Section 12.6, as set forth in the Disclosure Schedules or (3) as set forth in the CT SEC Documents filed since January 1, 2012 and prior to the date hereof to the extent that the relevance of such disclosure to the applicable representation and warranty is reasonably apparent on its face (other than any forward-looking disclosures set forth in any risk factor section (except for any disclosure therein related to historical facts), any disclosures in any section relating to forward-looking statements and any other statements that are similarly forward-looking in nature included therein to the extent that they are primarily cautionary in nature).

**3.1 No Conflict; Governmental Authorization.**

(a) The execution, delivery and performance of (1) this Agreement, (2) each of the Transaction Documents to which CT or its Subsidiaries is a party and (3) the consummation by CT and/or its Subsidiaries, as applicable, of the Contemplated Transactions do not and will not:

(i) violate, conflict with or result in the breach of any provision of the CT Charter or the CT Bylaws or any Organizational Documents of any of CT's Subsidiaries;

(ii) conflict with or violate any Law or Order applicable to CT or any of its Subsidiaries or by which any property or assets of CT or any of its Subsidiaries is bound or subject;

(iii) require any consent or other action of or notice to, or result in any violation or breach of, or conflict with, or constitute (with or without notice or lapse of time or both) a default (or give rise to any right of or result in any purchase, termination, amendment, acceleration or cancellation) under, result in the loss of any benefit under, or result in the triggering of any payments or other obligations pursuant to, any of the terms, conditions or provisions of any Contract to which CT or any of its Subsidiaries is a party or by which any of their respective properties or other assets is bound; or

(iv) result in the creation of an Encumbrance on any equity, property or asset of CT or any of its Subsidiaries;

except, with respect to clauses (ii) through (iv), for such triggering payments, Encumbrances, filings, notices, Permits, authorizations, consents, approvals, violations, terminations, amendments, accelerations, cancellations, conflicts, breaches or defaults, which would not, individually or in the aggregate, result in a Material Adverse Effect on CT, the Acquired Entities or any Fund Entity.

(b) No material consent of, or registration, declaration, notice or filing with, any Governmental Authority or third party is required to be obtained or made by CT or any of its Subsidiaries in connection with the execution, delivery and performance of this Agreement, any Transaction Document to which it is a party or the consummation of the Contemplated Transactions, except for those set forth on Section 3.1(b) of the Disclosure Schedules.

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**3.2 Corporate Status.**

(a) CT is duly incorporated, validly existing and in good standing under the laws of the State of Maryland, has the power and authority to own, lease and operate its properties and to carry on its business as currently conducted and is duly qualified, licensed or authorized to transact business and is in good standing in each jurisdiction in which the ownership, operation or leasing of its properties and assets and the conduct of its business requires it to be so qualified, licensed or authorized, except where the failure to be so qualified, licensed or authorized or to be in good standing would not, individually or in the aggregate, result in a Material Adverse Effect on CT, the Acquired Entities or any Fund Entity.

(b) Each Subsidiary of CT has been duly incorporated or otherwise formed, is validly existing in good standing under the laws of the jurisdiction of its incorporation or formation, has the power and authority to own, lease and operate its properties and to carry on its business as currently conducted and is duly qualified, licensed or authorized to transact business and is in good standing in each jurisdiction in which the ownership, operation or leasing of its properties and assets and the conduct of its business requires it to be so qualified, licensed or authorized, except where the failure to be so qualified, licensed or authorized or to be in good standing would not, individually or in the aggregate, result in a Material Adverse Effect on CT, the Acquired Entities or any Fund Entity; all of the issued shares of capital stock or other equity interests (whether membership, partnership or otherwise) of each Subsidiary of CT have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by CT or indirectly through one of its wholly-owned Subsidiaries, free and clear of all Encumbrances (other than Permitted Encumbrances and those disclosed in Section 3.2(b) of the Disclosure Schedules).

(c) Except for the Subsidiaries listed in Exhibit 21.1 to CT's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the Form 10-K), CT does not own or Control, directly or indirectly, any corporation, limited partnership, limited liability company, trust, association or other entity that would be required to be listed in an exhibit to an annual report on Form 10-K filed by CT with the SEC pursuant to Item 601(b)(21) of Regulation S-K.

**3.3 Authority; Binding Effect.** CT has the requisite power to execute and deliver this Agreement and CT and each of its Subsidiaries party to a Transaction Document have the requisite power and authority to execute and deliver each of the Transaction Documents to which it is or will be a party, to perform its obligations hereunder or thereunder and to consummate the Contemplated Transactions. This Agreement has been and each of the Transaction Documents to which CT or any of its Subsidiaries is or will be a party have been (in the case of this Agreement) or will be when entered into (in the case of any other Transaction Document) duly authorized, executed and delivered by CT or its Subsidiary, as applicable, and (assuming the due authorization, execution and delivery by Purchaser) this Agreement constitutes, and each of the Transaction Documents to which CT or any of its Subsidiaries is a party, when executed and delivered, will constitute, the legal, valid and binding obligation of CT and/or its Subsidiaries, as applicable, enforceable against CT and/or its Subsidiaries, as applicable, in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, or similar Laws and principals affecting creditors' rights generally and by general principles of equity.

**3.4 Insurance.** Section 3.4 of the Disclosure Schedules identifies all of the policies of insurance and bonds of CT, which insures the businesses of the Acquired Entities, the Fund Entities and each of their respective Subsidiaries. The policies set forth in Section 3.4 of the Disclosure Schedules are of the type and in the amounts customarily carried by Persons conducting businesses or owning assets similar, respectively, to those of the Acquired Entities, the Fund Entities and each of their respective Subsidiaries. There is no material claim pending under any of such policies or bonds as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds of CT. All premiums due and payable under all such policies and bonds of CT have been paid and the Acquired Entities, the Fund Entities and each of their respective Subsidiaries are otherwise in material compliance with the terms of such policies and bonds. None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries have separate policies of insurance and bonds.

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**ARTICLE 4**

**REPRESENTATIONS AND WARRANTIES OF CT WITH RESPECT TO THE**

**CT INVESTMENT MANAGEMENT INTERESTS PURCHASE**

CT hereby represents and warrants to Purchaser that the statements contained in this Article 4 are true and correct as of the date hereof and as of the Closing Date, except as expressly set forth herein or, subject to Section 12.6, in the Disclosure Schedules.

4.1 **Corporate Status.** Each of the Acquired Entities and Fund Entities and each of the Acquired Entities and Fund Entities respective Subsidiaries is duly incorporated or otherwise formed, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization and each such Person has the power and authority to own, lease and operate its properties and assets and to carry on its business as currently conducted, and is duly qualified, licensed or authorized to transact business and is in good standing in each jurisdiction, licensed or authorized in which the ownership, operation or leasing of its properties and assets and the conduct of its business requires it to be so qualified, licensed or authorized, except where the failure to be so qualified, licensed or authorized or to be in good standing would not, individually or in the aggregate, result in a Material Adverse Effect on any such Person. CT has Made Available to Purchaser true, complete and accurate copies of the certificate of incorporation or formation, limited liability company agreement, limited partnership agreement, by-laws, regulations or other organizational or governing documents (such certificates, documents and agreements, Organizational Documents ) of each of the Acquired Entities and Fund Entities and each of the Acquired Entities and Fund Entities respective Subsidiaries, each as in effect on the date hereof. When used in this Agreement, the term Made Available to Purchaser with respect to any document shall mean posted to the online data room at [projectnutmeg.box.com](http://projectnutmeg.box.com) and available as of the date immediately prior to the date of this Agreement.

4.2 **Capitalization.**

(a) Section 4.2(a) of the Disclosure Schedules sets forth a list of the authorized and outstanding equity interests, name and jurisdiction of organization of each Acquired Entity, Fund Entity and their respective Subsidiaries and beneficial and record owner of the equity interests of each Acquired Entity, Fund Entity and their respective Subsidiaries. All of such equity interests are duly authorized, validly issued, fully paid and nonassessable (except with respect to any capital commitments owed to a Fund Entity and not yet paid, the amounts and details of which, as existing as of the date hereof, are set forth in Section 4.2(a)(I) of the Disclosure Schedules), are free and clear of any and all Encumbrances, except for restrictions on transfer imposed under federal and state securities Laws and restrictions on transfer and ownership in the charter of Subsidiaries of the Fund Entities, and have not been issued in violation of any pre-emptive or similar rights or obligations. Except as set forth in Section 4.2(a) of the Disclosure Schedules, there are no outstanding equity interests (or any securities convertible into or exchangeable for equity interests) of any of the Acquired Entities, Fund Entities or their respective Subsidiaries.

(b) None of the Acquired Entities, Fund Entities or their respective Subsidiaries is a party, or is otherwise subject, to any voting trust or other voting agreement with respect to any equity interests or other securities of any Acquired Entity, any Fund Entity or any of their respective Subsidiaries, or, other than this Agreement, to any Contract relating to the issuance, sale, redemption, transfer, acquisition or other disposition of the stock, equity or other securities of any Acquired Entity, Fund Entity or any of their respective Subsidiaries. Except as disclosed in Section 4.2(b) of the Disclosure Schedules, as of the date of this Agreement, none of the Acquired Entities, Fund Entities or any of their respective Subsidiaries has any Debt.

(c) Except as disclosed in Section 4.2(c) of the Disclosure Schedules, there are no joint ventures or other Persons in which any Acquired Entity, any Fund Entity and their respective Subsidiaries own, of record or beneficially, any direct or indirect equity or other similar interest or any right (contingent or otherwise) to acquire the same.

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(d) Section 4.2(d) of the Disclosure Schedules sets forth all outstanding grants and awards issued pursuant to the Incentive Plans, the 1997 Director Stock Plan, the 2007 LTIP, and the 2011 LTIP, and the number of performance units or other equity interests subject to each such grant or award.

(e) None of the execution, delivery and performance of this Agreement and the Transaction Documents and the consummation of any Contemplated Transaction will result in any violation of an Order or Law or cause any Person to accelerate the maturity or performance under, amend, call a default under or decrease any right or privilege of any Acquired Entity, any Fund Entity or any of their respective Subsidiaries.

(f) CT is the record and beneficial owner and holder of the securities and other interests to be sold to Purchaser pursuant to Section 2.1(a), free and clear of all Encumbrances (other than restrictions on transfer under applicable state and federal securities Laws), and on the Closing Date, Purchaser will receive good and valid title to the CT Investment Management Interests, free and clear of all Encumbrances (other than restrictions on transfer under applicable state and federal securities Laws).

**4.3 Financial Statements**

(a) Each of the Acquired Entities and the Fund Entities and each of their respective Subsidiaries, as applicable, maintains accurate books and records reflecting its assets and liabilities and maintains proper and adequate internal accounting controls that provide assurance of the following: (i) transactions are executed with management's authorization; and (ii) transactions are recorded as necessary to permit preparation of the financial statements of the Acquired Entities and the Fund Entities and each of their respective Subsidiaries, as applicable, in accordance with GAAP.

(b) Section 4.3(b) of the Disclosure Schedules sets forth (i) the unaudited financial statements as of and for the years ended December 31, 2011 and December 31, 2010 of CTIMCO which were used in the preparation of the consolidated financial statements as of and for the years ended December 31, 2011 and December 31, 2010 of CT and (ii) the unaudited financial statements as of and for the period ended June 30, 2012 of CTIMCO which were used in the preparation of the consolidated financial statements as of and for the period ended June 30, 2012 of CT.

(c) None of CTOPI Co-Invest and CTHG2 Co-Invest has any obligations or liabilities of any nature (whether known or unknown, absolute, accrued, matured or unmatured, fixed or contingent and whether due or to become due, asserted or unasserted) other than to make future capital contributions to CTOPI and CTHG2, as applicable, to the extent that any such capital contributions are called pursuant to the CTOPI Partnership Agreement and CTHG2 Operating Agreement, respectively, as applicable, and other than liabilities or obligations of its Subsidiaries. None of the Acquired Entities, Fund Entities or any of their respective Subsidiaries has any obligations or liabilities of any nature (whether known or unknown, absolute, accrued, matured or unmatured, fixed or contingent and whether due or to become due, asserted or unasserted) other than (i) those reflected or reserved against (in accordance with the past practice of the applicable Acquired Entity, Fund Entity or Subsidiary (which was in accordance with GAAP) with respect to the methodology used to calculate any such liabilities or obligations) in the financial statements of any Acquired Entity, any Fund Entity or any of their respective Subsidiaries as of June 30, 2012 and set forth in Section 4.3(b) of the Disclosure Schedules or in the Fund Financial Statements, as applicable, or set forth in Section 4.3(c) of the Disclosure Schedules, (ii) those incurred in the Ordinary Course of Business since June 30, 2012 or that, individually or in the aggregate, are not material to any Acquired Entity or Fund Entity, as applicable, and its respective Subsidiaries, taken as a whole, (iii) contractual liabilities and contractual obligations incurred in the Ordinary Course of Business which are not required by GAAP to be reflected in the financial statements of such Acquired Entity or Fund Entity, as applicable, prepared in accordance with GAAP, (iv) those incurred in connection with the execution of this Agreement and the other Transaction Documents, and (v) the obligations of CTOPI GP, CTOPI Co-Invest and CTHG2 Co-Invest to make future capital contributions to CTOPI and CTHG2, as applicable, to the extent that any such capital contributions are called pursuant to the CTOPI Partnership Agreement and CTHG2 Operating Agreement, respectively.

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### **4.4 Absence of Certain Changes.**

(a) Since June 30, 2012, (i) there has been no change, development, effect or condition that, individually or in the aggregate with all other changes, developments, effects and conditions, has resulted or would reasonably be expected to result in a Material Adverse Effect on any Acquired Entity or any Fund Entity, and (ii) each Acquired Entity, each Fund Entity and each of their respective Subsidiaries has in all material respects, conducted its business in the Ordinary Course of Business consistent with past practice.

(b) Except as disclosed in Section 4.4(b) of the Disclosure Schedules, since June 30, 2012 through the date of this Agreement, none of the Fund Entities or Acquired Entities has made any capital contributions or made or received any dividends or distributions that would result in an adjustment to the Purchase Price pursuant to Section 2.3.

(c) There is no fact known to CT, any Acquired Entity or any Fund Entity or any of their respective Subsidiaries that now or, to the Knowledge of CT, any Acquired Entity or any Fund Entity, in the future would, individually or in the aggregate, result or would reasonably be expected to result in a Material Adverse Effect on any Acquired Entity or any Fund Entity.

### **4.5 Taxes.**

(a) Each Acquired Entity, each Fund Entity and each of their respective Subsidiaries has (i) duly and timely filed (or there has been filed on its behalf) all material Tax Returns required to be filed by it (taking into account all applicable extensions) with the appropriate Taxing Authority and all such Tax Returns are true, complete and accurate in all material respects and (ii) timely paid all material Taxes required to be paid whether or not shown as due on such Tax Returns. Adequate reserves in accordance with GAAP have been established by or on behalf of each Acquired Entity, Fund Entity and their respective Subsidiaries for all Taxes not yet due and payable in respect of taxable periods ending on the date hereof.

(b) There are no Encumbrances for Taxes upon any property or assets of any Acquired Entity, any Fund Entity or any of their respective Subsidiaries, except for Encumbrances for Taxes not yet due and payable or which are being contested in good faith and for which adequate reserves have been provided in accordance with GAAP in the latest CT Balance Sheet.

(c) There is no notice of audit, examination, deficiency, assessment, refund litigation or proposed adjustment that has been received by, asserted or assessed in writing with respect to any Acquired Entity, any Fund Entity or any of their respective Subsidiaries with respect to any material Taxes. None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries has received notice of any claim made by a Taxing Authority in a jurisdiction where such Acquired Entity, such Fund Entity or such Subsidiary does not file a Tax Return, that such Acquired Entity, such Fund Entity or such Subsidiary is or may be subject to material taxation by that jurisdiction, where such claim has not been resolved favorably to such Acquired Entity, such Fund Entity or such Subsidiary.

(d) There are no outstanding written requests, agreements, consents or waivers to extend the statutory period of limitations applicable to the assessment or collection of any income Taxes or income Tax deficiencies against any Acquired Entity, any Fund Entity or any of their respective Subsidiaries.

(e) Each Acquired Entity, each Fund Entity and each of their respective Subsidiaries is in material compliance with all applicable information reporting and Tax withholding requirements under U.S. federal, state and local, and non-U.S. Tax laws and each has timely withheld, collected, deposited, remitted and paid all required amounts with respect to all employee, independent contractor or service provider relationships.

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(f) None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries has engaged in, entered into, participated or sponsored a listed transaction within the meaning of Treasury Regulation Sections 1.6011-4 or 301.6111-2 in any tax year for which the statute of limitations has not expired.

(g) Section 4.5(g) of the Disclosure Schedules lists (i) each pass through partnership or limited liability company or other entity that is treated as a partnership, trust or disregarded entity for U.S. federal income Tax purposes in which any Acquired Entity, any Fund Entity or any of their respective Subsidiaries has an equity interest and (ii) the entity classification of each Acquired Entity, Fund Entity and their respective Subsidiaries for U.S. federal income Tax purposes.

(h) None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries is a party to or is bound by any Tax Sharing Agreement.

(i) None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries has been a member of a group filing a U.S. federal consolidated income Tax Return or a combined, consolidated, unitary or other affiliated group for state, local or foreign Tax purposes, and none of any Acquired Entity, any Fund Entity or any of their respective Subsidiaries has any liability for the Taxes of any Person as a transferee or successor. To the Knowledge of CT, no Tax Proceeding is being conducted with respect to any consolidated, combined, unitary or other affiliated group, for U.S. federal, state or local Tax purposes, of which any of any Acquired Entity, any Fund Entity or any of their respective Subsidiaries was a member.

(j) None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries has agreed, or is required or has requested, to make any adjustment under Section 481(a) of the Code (or any corresponding or similar provision of state, local or foreign Law) by reason of a change in accounting method or otherwise, which adjustment would result in an income inclusion, or disallowance of deductions, under Section 481(a) of the Code (or any corresponding or similar provision of state, local or foreign Law) in any period (or portion thereof) beginning after the Closing Date.

(k) No closing agreement is currently in force pursuant to Section 7121 of the Code (or any similar provision of state, local or foreign Law) with respect to any Acquired Entity, any Fund Entity or any of their respective Subsidiaries and there are no Tax rulings or requests for Tax rulings or closing agreements that could affect the liability for Taxes of any Acquired Entity after the Closing.

(l) None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries will be required to include amounts in income, or exclude items of deduction, after the Closing as a result of (i) any intercompany transaction or excess loss account described in the Treasury Regulations promulgated pursuant to Section 1502 of the Code (or any corresponding or similar provision of state, local or foreign Law) arising or occurring on or prior to the Closing, (ii) any installment sale or open transaction disposition made on or prior to the Closing, (iii) the application of the long-term contract method of accounting on or prior to the Closing (iv) any agreement with a Governmental Authority entered into on or prior to the Closing, (v) any election under Section 108(i) of the Code (or any corresponding or similar provision of state, local or foreign Law) or (vi) any prepaid amount received on or prior to the Closing Date.

(m) Except as provided on Section 4.5(m) of the Disclosure Schedules, none of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries is a foreign corporation for United States federal income Tax purposes.

(n) CT has Made Available to Purchaser true, complete and accurate copies of all material Tax Returns with respect to any Acquired Entity, any Fund Entity or any of their respective Subsidiaries for the last three (3) years, and examination reports, and statements of deficiencies assessed against or agreed to by, or with respect to any Acquired Entity, any Fund Entity or any of their respective Subsidiaries with respect to such Taxes for the last five (5) taxable years.



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- (o) No power of attorney that is currently in effect has been granted with respect to any matter relating to Taxes of any Acquired Entity, any Fund Entity or any of their respective Subsidiaries.
- (p) Since December 31, 2011, none of any Acquired Entity, any Fund Entity or any of their respective Subsidiaries has (i) made, rescinded or changed any material Tax election or adopted or changed any method of accounting other than as reflected on the originally filed income Tax Returns of such entities for the taxable years of such entities ending on or before December 31, 2011, (ii) entered into any settlement of or compromise of any material Tax liability, (iii) changed any annual accounting period, (iv) entered into a closing agreement, (v) surrendered any right to any material Tax refund or (vi) filed any amended Tax return or refund claim with respect to any material Tax.
- (q) Each of CTHG2 and CTOPI at all times has been properly treated as a partnership under the Code for U.S. federal income Tax purposes and for all state and local Tax purposes, and no election has been made to treat any such entity as a corporation or disregarded entity for Tax purposes. None of CTHG2 and CTOPI is or at any time has been or under applicable Law properly should be or should have been treated as a publicly traded partnership within the meaning of Section 7704(b) of the Code.
- (r) None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries has constituted either a distributing corporation or a controlled corporation in a distribution of shares qualifying for tax-free treatment under Section 355 of the Code in the two (2) years prior to the date of this Agreement.
- (s) Since its formation, CTOPI REIT has been organized in conformity with the requirements for qualification and taxation as a REIT, and its actual method of operation through the date hereof has enabled, and its proposed method of operation will continue to enable, it to meet the requirements for qualification and taxation as a REIT. CTOPI REIT has not taken any action or omitted to take any action which would reasonably be expected to result in a successful challenge by the IRS to its status as a REIT, and no challenge to its status as a REIT is pending or has been threatened in writing. No Subsidiary of CTOPI REIT is a corporation for U.S. federal income Tax purposes, other than a corporation that is a qualified REIT subsidiary, within the meaning of Section 856(i)(2) of the Code, or a taxable REIT subsidiary, within the meaning of Section 856(1) of the Code. Any such Subsidiary that is a taxable REIT subsidiary has made a timely and valid election and is listed on Section 4.5(s) of the Disclosure Schedules.
- (t) Neither CTOPI REIT nor any of its Subsidiaries holds any asset the disposition of which would be subject to rules similar to Section 1374 of the Code.
- (u) Since its formation, CTOPI REIT has not incurred any liability for Taxes under Sections 857(b), 860(c) or 4981 of the Code or any rules similar to Section 1374 of the Code which has not yet been paid. No event has occurred, and no condition or circumstance exists, which presents a risk that any material Tax described in the preceding sentence will be imposed on CTOPI REIT. Neither CTOPI REIT nor any of its Subsidiaries (other than a taxable REIT subsidiary) has engaged at any time in any prohibited transactions within the meaning of Section 857(b)(6) of the Code. Neither CTOPI REIT nor any of its Subsidiaries has engaged in any transaction that would give rise to redetermined rents, redetermined deductions and excess interest described in Section 857(b)(7) of the Code.

**4.6 Proceedings.**

- (a) Except as disclosed in Section 4.6(a) of the Disclosure Schedules, there is no Proceeding commenced by or against, or otherwise involving or, to the Knowledge of CT, threatened against, any Acquired Entity, any Fund Entity or any of their respective Subsidiaries or to which any of their properties or assets are subject. There is no Proceeding that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, the execution, delivery or performance of this Agreement or any Transaction Document or the consummation of the Contemplated Transactions. To the Knowledge of CT, no

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event has occurred or circumstance exists that (with or without notice or lapse of time, or both) may give rise to or serve as a basis for the commencement of any such Proceeding by or against, or otherwise involving, any Acquired Entity, any Fund Entity or any of the respective Subsidiaries of any Acquired Entity or Fund Entity. To the Knowledge of CT, no Proceeding is threatened (i) with respect to the record or beneficial ownership of, or the right to acquire the capital stock or other equity interest of any Acquired Entity, any Fund Entity or any of the respective Subsidiaries of any Acquired Entity or Fund Entity, (ii) that challenges any Contemplated Transaction, (iii) that would make any Contemplated Transaction illegal, (iv) that would impose any limitation on the ability of Purchaser to exercise its rights of ownership with respect to any CT Investment Management Interests, the New CT Shares or any property or assets to be acquired or otherwise assigned or transferred to Purchaser hereunder or pursuant to any Transaction Document or (v) that would otherwise delay, prohibit or restrict consummation of any Contemplated Transaction or materially impair the contemplated benefits to Purchaser of any Contemplated Transaction.

(b) There is no Order to which any Acquired Entity, any Fund Entity or any of their respective Subsidiaries or any of the assets or properties owned or used by or purported to be owned or used by any such entity, is subject. To the Knowledge of the Seller, no officer, director, agent or employee of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries is subject to any Order that prohibits such officer, director, agent or employee from engaging in or continuing any conduct, activity or practice relating to the provision of Investment Management Services.

(c)

(i) The Acquired Entities, the Fund Entities and their respective Subsidiaries are, and at all times have been, in material compliance with all of the terms and requirements of each Order to which it, or any of the assets or properties owned or used by it, is or has been subject; and

(ii) none of CT, the Acquired Entities, the Fund Entities or any of their respective Subsidiaries has received at any time any notice or other communication (whether oral or written) from any Governmental Authority or any other Person regarding any actual, alleged, possible or potential material violation of, or material failure to comply with, any term or requirement of any Order to which any of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries, or any of the assets or properties owned or used by it, is or has been subject.

**4.7 Compliance with Laws; Permits.**

(a) Except as would not, individually or in the aggregate, result in a Material Adverse Effect on the Acquired Entities, the Fund Entities or their respective Subsidiaries, the Acquired Entities, the Fund Entities and their respective Subsidiaries are, and since January 1, 2009 have been, in compliance with all applicable Laws.

(b) To the Knowledge of CT, no event has occurred or circumstance exists that (with or without notice or lapse of time, or both) may give rise to any obligation on the part of any of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries to undertake, or to bear all or any portion of the cost of, any material remedial action of any nature.

(c) No investigation or review by any Governmental Authority with respect to the Acquired Entities, the Fund Entities or their respective Subsidiaries is pending or, to the Knowledge of CT, threatened, nor to the Knowledge of CT, has any Governmental Authority indicated an intention to conduct any such investigation or review with respect to non-compliance of such Laws that would, individually or in the aggregate, result in a Material Adverse Effect on the Acquired Entities, the Fund Entities or their respective Subsidiaries.

(d) Section 4.7(d) of the Disclosure Schedules contains a complete and accurate list of each Permit that is held by any of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries and identifies the holder thereof. The Acquired Entities, the Fund Entities and their respective Subsidiaries have obtained all

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material Permits that are necessary to the conduct of their respective businesses as presently being conducted and to the ownership of their respective assets and properties. All such material Permits are in full force and effect and:

(i) each of the Acquired Entities, Fund Entities and their respective Subsidiaries is and since January 1, 2009 has been, in material compliance with all such Permits, and no such Permits are subject to any pending or, to the Knowledge of CT, threatened revocation, withdrawal, suspension, cancellation, termination or modification Proceeding;

(ii) no event has occurred or circumstance exists that may (with or without notice or lapse of time, or both) (A) constitute or result directly or indirectly in a material violation of or a material failure to comply with any term or requirement of any Permit listed or required to be listed in Section 4.7(d) of the Disclosure Schedules or (B) result directly or indirectly in the revocation, withdrawal, suspension, cancellation or termination of, or any modification to, any material Permit listed or required to be listed in Section 4.7(d) of the Disclosure Schedules;

(iii) none of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries has received, at any time since January 1, 2009, any notice or other communication (whether oral or written) from any Governmental Authority or any other Person regarding (A) any actual or alleged material violation of or material failure to comply with any term or requirement of any Permit or (B) any actual or potential revocation, withdrawal, suspension, cancellation, termination of, or modification to any material Permit, which in each case has not been satisfied in all material respects; and

(iv) all applications required to have been filed for the renewal of all material Permits have been duly filed on a timely basis with the appropriate Governmental Authority, and all other filings required to have been made with respect to such material Permit have been duly made on a timely basis with the appropriate Governmental Authority and no such application or other filing contained a material misrepresentation or omission of a material fact.

### **4.8 Environmental and Safety and Health Matters.**

(a) Each Acquired Entity, Fund Entity and any of their respective Subsidiaries is, and, as applicable, any of their respective operations, businesses, assets and properties are, and at all times has or have been, in compliance in all material respects with all applicable Environmental Laws; and

(b) There is no Environmental Claim pending or, to the Knowledge of CT, threatened against any Acquired Entity, any Fund Entity or any of their respective Subsidiaries, or, as applicable, relating to their respective operations, businesses, assets and properties, nor, to the Knowledge of CT, is there any basis for any such Environmental Claim that could reasonably be expected to be material.

### **4.9 Employee Matters and Benefit Plans.**

(a) Section 4.9(a) of the Disclosure Schedules sets forth a true, complete and accurate list of all material Plans sponsored by or contributed to by the Acquired Entities, the Fund Entities and their respective Subsidiaries, and the ERISA Affiliates of the Acquired Entities and their respective Subsidiaries, or in respect of which any such entity has any liability or has a reasonably foreseeable risk of liability in respect of any Business Employee (collectively, whether or not material, but disregarding all CT Employee Plans, the Acquired Entities Employee Plans ), and separately identifies those which contain provisions relating to any change of control or potential change in control of any entity. True, complete and accurate copies of each of the following documents have been made available by CT, the Acquired Entities and the Fund Entities (as applicable) to Purchaser:

(i) each Acquired Entities Employee Plan (and, if applicable, related trust agreements) and all amendments thereto, (including a written summary of any Acquired Entities Employee Plan that is not

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in writing) and, to the extent applicable, (A) any summary plan descriptions and summaries of material modifications which have been distributed to employees, or to participants or beneficiaries in such Acquired Entities Employee Plan, (B) all written Contracts, instruments or agreements relating thereto (including administrative service agreements, insurance contracts or other funding instruments), (C) the most recent actuarial reports, (D) the three (3) most recent annual reports (Form Series 5500), including all schedules and financial statements attached thereto, if any, required under ERISA and the Code, and (E) any reports, filings or other correspondence with the U.S. Department of Labor ( DOL ) or the Internal Revenue Service ( IRS ) within the last six (6) years; and

(ii) the most recent determination letter or opinion letter, if any, issued by the IRS with respect to each Acquired Entities Employee Plan that is a Pension Plan (or comparable letter, such as an opinion or notification letter as to the form of plan or prototype plan adopted by one or more of Seller, the Acquired Entities, the Fund Entities or their Subsidiaries or the ERISA Affiliates of Seller, the Acquired Entities and their respective Subsidiaries upon which such entity is permitted to rely).

(b) Each Acquired Entities Employee Plan and related trust that is intended to qualify under Sections 401(a) and 501(a) of the Code, respectively, is the subject of a favorable determination letter from the Internal Revenue Service (or comparable letter, such as an opinion or notification letter as to the form of plan or prototype plan that has been adopted by the plan sponsor of an Acquired Entities Employee Plan), and, to the Knowledge of CT, no event has occurred since the date of the most recent determination letter, opinion letter or application thereof (whether by action or failure to act) that could reasonably be expected to affect its qualification or that caused or could cause the imposition or any material penalty or Tax liability.

(c) Each Acquired Entities Employee Plan has been established, administered, and operated in compliance in all material respects with its terms and with all applicable Laws (except that in any case in which any Acquired Entities Employee Plan is currently required to comply with a provision of ERISA or of the Code, but is not yet required to be amended to reflect such provision, it has been maintained, operated and administered in accordance with such provision), and may by its terms be amended and/or terminated at any time without the consent of any other Person subject to applicable Laws and the terms of each Acquired Entities Employee Plan.

(d) Each of the Acquired Entities, the Fund Entities and their respective Subsidiaries, and the ERISA Affiliates of the Acquired Entities, the Fund Entities, and their respective Subsidiaries has performed all material obligations required to be performed by them under, and are not in any material respect in default under or in violation of, any Acquired Entities Employee Plan. To the knowledge of CT, there is no material default or violation by any Person other than a Business Employee with respect to, any of the Acquired Entities Employee Plans.

(e) None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries, or the ERISA Affiliates of the Acquired Entities and their respective Subsidiaries, or, to the Knowledge of CT, any Acquired Entities Employee Plan or any party in interest (as defined in Section 3(14) of ERISA) with respect to any such Acquired Entities Employee Plan has engaged in any prohibited transaction as defined in Section 406 of ERISA or Section 4975 of the Code with respect to a Acquired Entities Employee Plan for which there is no statutory exemption under Section 408 of ERISA or Section 4975 of the Code. There is no action, suit, litigation, lien, disputed claim, governmental proceeding or investigation (other than routing claims for benefits in the ordinary course) pending, reasonably anticipated or, to the Knowledge of CT, threatened with respect to any of such Acquired Entities Employee Plans, the assets of such Acquired Entities Employee Plans, any related trusts, or any fiduciary, trustee, administrator or sponsor of such Acquired Entities Employee Plans, or any ERISA Affiliate, on behalf of any employee, director, or other service provider of the Acquired Entities, the Fund Entities or their respective Subsidiaries (whether current, former or retired) or their beneficiaries, and, to the Knowledge of CT, no facts or circumstances exist that could give rise to any such action, suit, litigation, lien, disputed claim, governmental proceeding or investigation. No administrative investigation, audit, or other administrative proceeding by the DOL, the IRS, or other governmental agencies are in progress, pending, or, to the Knowledge of CT, threatened.

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(f) No Acquired Entities Employee Plan provides for, and none of the Acquired Entities, the Fund Entities, or any of their respective Subsidiaries has incurred any liability in respect of, any post-retirement medical, life insurance or disability benefits, except as required under the provisions of Part 6 of Title I of ERISA, Section 4980B of the Code, or any other applicable Law, and, to the Knowledge of CT, no fiduciary of any Acquired Entities Employee Plan has breached any of the responsibilities or obligations imposed upon fiduciaries under Title I of ERISA.

(g) None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries or any ERISA Affiliate of Seller, any Acquired Entities or their respective Subsidiaries, or any of their respective predecessors, has at any time during the previous six (6) years maintained, contributed to or been required to contribute to or otherwise had any obligation or liability, directly or indirectly, with respect to (i) any Multiemployer Plan, (ii) any Pension Plan subject to Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code, or (iii) any multiple employer welfare arrangement as defined in Section 3(40) of ERISA.

(h) With respect to each Acquired Entities Employee Plan, all required payments, premiums, and contributions for all periods ending prior to the date hereof have been made or accrued on the books and records of the Acquired Entities, the Fund Entities or the applicable Subsidiaries or the ERISA Affiliate of the Acquired Entities and their respective Subsidiaries, and as of the Closing, all required payments, premiums, and contributions for all periods ending prior to or as of the Closing shall have been made or accrued on the books and records of the Acquired Entities, the Fund Entities or the applicable Subsidiaries or the ERISA Affiliate of the Acquired Entities and their respective Subsidiaries.

(i) (A) No payment made pursuant to any Contract or Acquired Entities Employee Plan has resulted or could reasonably be expected to result, individually or in the aggregate, in connection with this Agreement or any change of control of any Company, whether or not pursuant to the execution and delivery of this Agreement or the consummation of the Contemplated Transactions (either alone or upon the occurrence of any additional or subsequent events), in the payment of any excess parachute payments within the meaning of Section 280G of the Code, and (B) CT, the Acquired Entities, the Fund Entities, and their respective Subsidiaries have not made any payments, are not obligated to make any payments, and are not party to any Contract or Acquired Entities Employee Plan that could reasonably be expected to obligate it to make any payments that will not be deductible by reason of Sections 280G or 404 of the Code.

(j) Since the CT Balance Sheet Date, none of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries has adopted or entered into any formal plan or commitment (whether or not legally binding) either to create any plan or arrangement that would constitute an Acquired Entities Employee Plan, or to make any contributions, modifications, or changes to any Acquired Entities Employee Plan which would require the consent of Purchaser if such adoption or commitment occurred following the date hereof and prior to the Closing.

(k)

(i) None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries currently maintains an employee stock ownership plan (within the meaning of Section 4975(e)(7) of the Code).

(ii) Except as expressly described in Section 4.9(k)(ii) of the Disclosure Schedules, CT Stockholder Approval and the Contemplated Transactions (whether alone or in connection with any subsequent event(s)), would not: (A) entitle any Business Employee to severance pay or any increase in severance pay upon any termination of employment after the date of this Agreement, (B) result in any payment or funding (through a grantor trust or otherwise), an increase in the amount of compensation or benefits, or acceleration of the vesting or timing of payment of any benefits or compensation payable to, or required to be paid or accrued in respect of, any Business Employee under any Acquired Entities Employee Plan, (C) result in the limitation of or restriction of the right of the Acquired

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Entities, the Fund Entities, or their respective Subsidiaries or any successors thereof to merger, amend, or terminate any of the Acquired Entities Employee Plans, or (D) increase the obligation of the Acquired Entities, the Fund Entities or their respective Subsidiaries to make contributions or any other payments to fund benefits accrued under the Acquired Entities Employee Plans.

(iii) The Acquired Entities, the Fund Entities and their respective Subsidiaries and the ERISA Affiliates of the Acquired Entities or their respective Subsidiaries have complied in all material respects with (A) the notice and continuation coverage requirements of Section 4980B of the Code and the regulations thereunder with respect to each Acquired Entities Employee Plan that is a group health plan within the meaning of Section 5000(b)(1) of the Code and (B) with the applicable provisions of HIPAA and the regulations issued thereunder.

(iv) There are no pending audits or investigations by any governmental agency involving any Acquired Entities Employee Plan, no termination proceedings involving any Acquired Entities Employee Plan, and no threatened or pending claims (except for individual claims for benefits payable in the normal operation of the Acquired Entities Employee Plans), suits or proceedings involving any Acquired Entities Employee Plan or asserting any rights or claims to benefits under any Acquired Entities Employee Plan, nor, to the Knowledge of CT, are there any facts which could reasonably give rise to any material liability in the event of any such audit, investigation, claim, suit or proceeding.

(v) To the extent that any Acquired Entities Employee Plan is or ever has been a non-qualified deferred compensation plan within the meaning of Section 409A of the Code and associated Treasury Department guidance, such Acquired Entities Employee Plan (A) is identified on Section 4.9(k)(v)(A) of the Disclosure Schedules, (B) was operated in good faith compliance with Section 409A of the Code prior to January 1, 2009, and (C) has been operated in compliance with Section 409A of the Code in all material respects since January 1, 2009.

(vi) Except as disclosed in Section 4.9(k)(vi) of the Disclosure Schedules, no payment which is or may be made by, from or with respect to any Acquired Entities Employee Plan, to any employee, former employee, director or agent of the Acquired Entities, the Fund Entities and their respective Subsidiaries and the ERISA Affiliates of the Acquired Entities or their respective Subsidiaries, either alone or in conjunction with any other payment, event or occurrence will not be fully deductible as a result of Code 162(m) (or any corresponding provision of state, local or foreign Tax law).

(l) There are no collective bargaining agreements, memoranda of understanding, side letters or other written agreements with any union or labor organization applicable to the employees of any of the Acquired Entities, the Fund Entities and their respective Subsidiaries or to which any of the Acquired Entities, the Fund Entities and their respective Subsidiaries is a party, a signatory, or otherwise bound.

(m) There have not been and there are no pending or to the Knowledge of CT, threatened labor disputes, strikes, slow downs, picketings, work stoppages, concerted refusals to work overtime, or similar labor activities representation proceedings, or attempted union organizing campaigns with respect to any employees of the Acquired Entities, the Fund Entities or their respective Subsidiaries and there are no unions, work counsels or other organizations representing, purporting to represent or attempting to represent the employees of the Acquired Entities, the Fund Entities or their respective Subsidiaries or any other collective bargaining representative of such employees. None of the Acquired Entities, the Fund Entities or their respective Subsidiaries has engaged in any unfair labor practices within the meaning of the National Labor Relations Act. The Acquired Entities, the Fund Entities and their respective Subsidiaries are in compliance in all material respects with all applicable Laws relating to employment and employment practices, workers compensation, terms and conditions of employment, worker safety, wages and hours, civil rights, discrimination, immigration, collective bargaining, and the WARN Act. There have been no claims of harassment, discrimination, retaliatory act or similar actions against any employee, officer or director of the Acquired Entities, the Fund Entities or their respective Subsidiaries at any time during the past four (4) years and, to the Knowledge of CT, no facts exist that could reasonably be expected to give rise to such claims or actions. The Acquired Entities, the Fund Entities and

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their respective Subsidiaries are not required to have, and do not have, any affirmative action plans or programs. To the Knowledge of CT, no employees of the Acquired Entities, the Fund Entities or their respective Subsidiaries are in any material respect in violation of any term of any employment Contract, non-disclosure agreement, non-competition agreement, or any restrictive covenant to a former employer relating to the right of any such employee to be employed by the Acquired Entities, the Fund Entities or their respective Subsidiaries because of the nature of the business conducted or presently proposed to be conducted by the Acquired Entities, the Fund Entities or their respective Subsidiaries or to the use of trade secrets or proprietary information of others.

(n) Neither the consideration nor implementation of the Contemplated Transactions will increase (i) the obligation of the Acquired Entities, the Fund Entities or their respective Subsidiaries to make contributions or any other payments to fund benefits accrued under the Acquired Entities Employee Plans or (ii) the benefits accrued or payable with respect to any participant under the Acquired Entities Employee Plans.

(o) Section 4.9(o) of the Disclosure Schedules identifies all written employment, consulting or independent contractor agreements to which any of the Acquired Entities, the Fund Entities or their respective Subsidiaries is a party with respect to any employee of the Acquired Entities, the Fund Entities and their respective Subsidiaries that are in effect currently or under which any of the Acquired Entities, the Fund Entities or their respective Subsidiaries have any liability.

(p) CT has provided Purchaser with (i) a true, complete and accurate list, dated as of June 30, 2012, of all employees of the Acquired Entities, the Fund Entities and their respective Subsidiaries, including their names, date of hire, current rate of compensation, employment status (*i.e.*, active, inactive, on authorized leave and reason therefor), department, title, exempt or non-exempt status, and full-time or part-time status; (ii) a copy of all employee handbooks, supervisory handbooks, employment procedures manuals, and written employment policies that are in effect currently; and (iii) a copy of all EEO-1 or similar reports and of all affirmative action plans prepared or submitted to any Governmental Authority by or on behalf of any of the Acquired Entities, the Fund Entities or their respective Subsidiaries since two (2) years prior to the Closing.

(q) Any individual who performs services for any of the Acquired Entities, the Fund Entities or their respective Subsidiaries and who is not treated as an employee for federal income Tax purposes by the Acquired Entities, the Fund Entities or their respective Subsidiaries is not an employee under applicable Law or for any purpose including, for Tax withholding purposes or Acquired Entities Employee Plan purposes. Each employee of any of the Acquired Entities, the Fund Entities and their respective Subsidiaries has been properly classified as exempt or non-exempt under applicable Law.

**4.10 Arrangements with Certain Persons.**

(a) Excluding this Agreement and the Transaction Documents, and except as disclosed in Section 4.10(a) of the Disclosure Schedules, none of CT and its Affiliates (other than any Acquired Entity, any Fund Entity or any of their respective Subsidiaries), has any interest in or is a party to any Contract with, or relating to, any Acquired Entity, any Fund Entity or any of their respective Subsidiaries or their respective businesses.

(b) Except as disclosed in Section 4.10(b) of the Disclosure Schedules, as of the date of this Agreement, no Debt is owing by (i) CT or any of its Affiliates (other than any Acquired Entity, any Fund Entity or any of their respective Subsidiaries) to any Acquired Entity, Fund Entity or any of their respective Subsidiaries or (ii) any Acquired Entity, Fund Entity or any of their respective Subsidiaries to CT or any of its Affiliates (other than any Acquired Entity, any Fund Entity or any of their respective Subsidiaries).

**4.11 Intercompany Accounts.** The financial statements of CT and its Subsidiaries as of and for the period ended June 30, 2012 included in the CT SEC Documents accurately sets forth all intercompany transactions in

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accordance with GAAP between CT and its Subsidiaries (other than any Acquired Entity, any Fund Entity or any of their respective Subsidiaries), on the one hand, and any of the Acquired Entities, Fund Entities or their respective Subsidiaries, on the other hand.

4.12 **Finder's Fee.** None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries has incurred or will incur any obligation or liability to any Person for any brokerage or finder's fee or agent's commission, or the like, in connection with the Contemplated Transactions.

4.13 **Books and Records.** The books of account, minute books, stock record books, and other records of the Acquired Entities, the Fund Entities and their respective Subsidiaries, the Fund Entities and their respective Subsidiaries, all of which have been Made Available to Purchaser, are complete and correct in all material respects and have been maintained in accordance with sound business practices applicable to companies comparable in size and nature to each of the Acquired Entities, the Fund Entities and their respective Subsidiaries, including the maintenance of an adequate system of internal controls. The minute books of the Acquired Entities, the Fund Entities and their respective Subsidiaries contain accurate and complete records, in all material respects, of all duly-called and held meetings of, and actions taken by, the stockholders, the members, the boards of directors or trustees, and committees of the boards of directors or trustees of the Acquired Entities, the Fund Entities and their respective Subsidiaries, and no duly-called meeting of any such stockholders, members, boards of directors or trustees or committees has been held for which minutes have not been prepared and are not contained in such minute books. As of the date hereof and as of the Closing, all of such books and records of the Acquired Entities, the Fund Entities and their respective Subsidiaries will be in the possession of CTIMCO, physically or electronically (on a server located in CTIMCO's office and dedicated to CTIMCO's business) in its New York, New York office.

4.14 **Fund Entities.** Since each Fund Entity's respective date of organization, such Fund Entity has not sponsored or participated in the distribution by public or private offering of any interests in such Fund Entity or other entities or Persons other than pursuant to the applicable Final Fund Documents and, with respect to CTOPI, the CTOPI PPM.

4.15 **Investment Company.**

(a) None of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries is or has ever been, nor immediately following the consummation of Contemplated Transactions will be (assuming that each of these entities remains a separate entity immediately following the consummation of the Contemplated Transactions and is not merged with Purchaser or any of its Affiliates at such time), required to register as an investment company under the Investment Company Act.

(b) None of Acquired Entities or any Person who is an affiliated person (as defined in the Investment Company Act) or any other interested person of any of the Acquired Entities (as defined in the Investment Company Act), receives or is entitled to receive any compensation directly or indirectly from any of the Funds or Fund Entities or their security holders for other than *bona fide* investment advisory, administrative or other services.

4.16 **Investment Advisor.** Except for CTIMCO and its relying advisors identified in Section 4.16 of the Disclosure Schedules (the Relying Advisers), none of the Acquired Entities or any of their respective Subsidiaries is or has ever been, or immediately following the consummation of the Contemplated Transactions will be, required to register as an investment adviser under the Investment Advisers Act. CTIMCO and the Relying Advisers are and have been at all times as required by Law, duly registered as an investment adviser with the SEC under the Investment Advisers Act. CTIMCO and the Relying Advisers are not, nor is any of their associated persons, subject to a statutory disqualification (as such terms are defined in the Investment Company Act) or subject to a disqualification that would be a basis for censure, limitations on the activities, functions or operations of, or suspension or revocation of the registration of CTIMCO and the Relying Advisers



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as an investment adviser under the Investment Advisers Act. There are no proceedings or, to the knowledge of CT, investigations pending by any Governmental Authority that could result in any such censure, limitations, suspension or revocation. Each Form ADV and any amendments thereto filed with the SEC by CTIMCO and the Relying Advisers complied in all material respects at the time of filing with the Investment Advisers Act and was at the time of filing complete and accurate in all material respects. As to each Client, there has been in full force and effect an Investment Advisory Contract in writing at all times that any Acquired Entity or any of its Subsidiaries were performing investment advisory services for such Client as an investment adviser registered with the SEC under the Investment Advisers Act, and each such Investment Advisory Contract was duly approved in accordance with all applicable Laws. Except for the Clients listed on Section 4.16 of the Disclosure Schedules, none of the Acquired Entities or its Subsidiaries currently provides Investment Management Services to any Client.

4.17 **Offering Memorandum**. The CTOPI PPM and each of the other private placement or other offering memoranda of each of the other Funds sponsored or otherwise managed by CT and its Subsidiaries and the CDO Subs, together with any supplements thereto, when read together with, and as updated by, any such supplements in its entirety, did not, as of the dates thereof, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

### 4.18 **Fund Entity Reports**.

(a) CT has previously Made Available to Purchaser true, complete and accurate copies of the last annual and periodic reports, and other communications, including but not limited to investor letters, furnished by the managing member and/or general partner to the members of each Fund Entity (collectively, the Fund Entity Reports ).

(b) Each Fund Entity has made available all reports to its members that are required to be furnished by it under the respective certificate of incorporation or formation, limited liability company agreement, by-laws, regulations or other organizational or governing documents of the Fund Entities. All financial statements contained in the Fund Entity Reports fairly present in all material respects in accordance with GAAP the financial position and results of operations of the respective Fund Entity at the date and for the periods indicated. The accountants who expressed an opinion on such financial statements are, with respect to each Fund Entity, reasonably believed to be independent public accountants.

(c) From the respective dates as of which information is given in any of the Fund Entity Reports and the CTOPI PPM (whichever is most recently distributed) to the date hereof, except as may otherwise be stated in or contemplated by such document, there has not been any material transaction entered into by the Fund Entity (except as otherwise in conformity with the investment objective of such Fund Entity), other than in the Ordinary Course of Business and other than as contemplated by the Contemplated Transactions.

(d) Each of the Fund Entities and their respective Subsidiaries, as applicable, maintains accurate books and records reflecting its assets and liabilities and maintains proper and adequate internal accounting controls which provide assurance that (i) transactions are executed with management s authorization (including, with respect to the Fund Entities and their respective Subsidiaries, the authorization of the managing member thereof and required approval, if any, of any investment advisory or similar oversight committee, whether for interested party transactions or otherwise) and (ii) transactions are recorded as necessary to permit preparation of the consolidated financial statements of each of the Fund Entities in accordance with GAAP and to maintain accountability for the Fund Entities consolidated assets. To the Knowledge of CT, there are no significant deficiencies or material weaknesses in the design or operation of the internal control structure and procedures over financial reporting of the Fund Entities or any of their respective Subsidiaries.

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**4.19 Fund Entity Financial Statements.**

(a) CT has delivered or otherwise Made Available to Purchaser copies of the audited balance sheets of each Fund Entity as of December 31, for all fiscal years since inception through December 31, 2011, inclusive (the Fund Entity Audited Balance Sheets ) and the related audited consolidated statements of operations and cash flows of each such Fund Entity for all fiscal years since inception, through December 31, 2011, inclusive, in each case accompanied by the audit report of an independent certified public accounting firm (the Fund Entity Audited Financial Statements ).

(b) CT delivered or otherwise Made Available to Purchaser copies of the unaudited balance sheets of each Fund Entity as of June 30, 2012 (the Fund Entity Unaudited Balance Sheets and together with the Fund Entity Audited Balance Sheets, the Balance Sheets ) and the related unaudited statements of operations and cash flows of each such Fund Entity for the year then ended (the Fund Entity Unaudited Financial Statements and together with the Fund Entity Audited Financial Statements and the Balance Sheets, the Fund Financial Statements ).

(c) The Fund Financial Statements, including the notes thereto, were complete and correct in all material respects as of their respective dates, complied as to form in all material respects with applicable accounting requirements, to the extent applicable, and have been prepared in accordance with GAAP applied on a basis consistent throughout the periods indicated (except as may be indicated in the notes thereto). The Fund Financial Statements fairly present in all material respects the consolidated financial position and results of operations and cash flows of each of the Fund Entities and their consolidated Subsidiaries at the dates and for the periods indicated therein (subject, in the case of unaudited statements, to normal, recurring year-end adjustments). There has been no change in the Fund Entities' accounting policies except as described in the notes to the Fund Financial Statements.

(d) The Fund Financial Statements were prepared from and are in all material respects in accordance with, the books and records of the Fund Entities and their respective Subsidiaries, as applicable, which books and records have been maintained in all material respects in accordance with sound business practices and all applicable Laws and reflect all financial transactions of the Fund Entities and their respective Subsidiaries that are required to be reflected in accordance with GAAP.

(e) None of the Fund Entities has any obligations or liabilities of any nature (whether known or unknown, absolute, accrued, matured or unmatured, fixed or contingent and whether due or to become due, asserted or unasserted) other than (i) liabilities reserved on the applicable Balance Sheet as of June 30, 2012 set forth in the Fund Entity Unaudited Financial Statements, (ii) liabilities incurred since June 30, 2012 in the Ordinary Course of Business and (iii) contractual liabilities and obligations incurred in the Ordinary Course of Business which are not required by GAAP to be reflected on such applicable Balance Sheet.

**4.20 Registration.** Assuming the truth of the representations and warranties of each of the investors in the Fund Entities and their Subsidiaries, the offer and sale of securities by any Fund Entity or any of its Subsidiaries was conducted in accordance with exemptions from registration under the Securities Act and applicable state securities Laws.

**4.21 Contracts; No Default.**

(a) (i) Section 4.21(a) of the Disclosure Schedules contains, as of the date of this Agreement, a true, complete and accurate list of the Servicing Agreements and each of the other Material Contracts to which any Acquired Entity, Fund Entity or any of their respective Subsidiaries is a party or by which their respective properties or assets are bound and (ii) CT has Made Available to Purchaser prior to the date hereof true, complete and accurate copies of each such Material Contract.

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(b) Each such Material Contract made available or that should have been Made Available to Purchaser pursuant to Section 4.21(a) (a CT Management Business Material Contract ) is in full force and effect, is a legal, valid and binding obligation of the applicable Acquired Entity, Fund Entity or Subsidiary and, to the knowledge of CT, each of the other parties thereto, in each case, enforceable against each party thereto in accordance with its terms.

(c) CT and each of its Subsidiaries party to a CT Management Business Material Contract and, to the Knowledge of CT, each of the other parties thereto, have performed in all material respects all obligations required to be performed by them under each such CT Management Business Material Contract, and, to the Knowledge of CT, no event has occurred or circumstance exists that (with or without notice or lapse of time, or both) may contravene, conflict with, or result in a violation or breach of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify, any such CT Management Business Material Contract.

(d) As of the date of this Agreement, none of CT or any of its Subsidiaries has received any notice from any other party of its intent to cancel or terminate any CT Management Business Material Contract or has given to or received from any Person any notice or other communication (whether oral or written) regarding any actual or alleged violation or breach of, or default under, any such Material Contract.

(e) As of the date of this Agreement, no investor in any Fund Entity has been declared in default with respect to its capital commitment under the governing documents of the Fund Entities, and CTIMCO has not received notice from an investor that it intends to default with respect to its capital commitment.

(f) Other than as set forth in Section 4.21(f) of the Disclosure Schedules, no fees or other payments under any CT Management Business Material Contract have been paid to CTIMCO or any of its Subsidiaries in advance that would be allocable to any period from and after the close of business on the Closing Date.

**4.22 Leases.** Other than through investment vehicles and except as disclosed in Section 4.22 of the Disclosure Schedules, none of the Acquired Entities, the Fund Entities or their respective Subsidiaries owns or leases any real property nor is subject to any occupancy agreements, rights of first refusal, options to purchase or other rights of occupancy.

**4.23 Servicing.** Each of the Acquired Entities and their respective Subsidiaries has complied with (a) all applicable Laws in all material respects and rating agency servicing standards with respect to all outstanding Specially Serviced Loans as to which it acts as a servicer, whether as special servicer, subservicer or otherwise, and (b) the material terms of the applicable Servicing Agreement and mortgage loan documents relating to such Specially Serviced Loans. As of the date of this Agreement, (i) CTIMCO is an approved special servicer by Standard & Poor's and Moody's and has a special servicer rating of CSS3+ by Fitch Ratings and (ii) CTIMCO has not received any notice of any ratings downgrade from Fitch Ratings.

**4.24 ERISA.** None of the Fund Entities are parties to, or have any liability or obligation with respect to, any Plan. With respect to each Fund Entity:

(a) such Fund Entity (i) is not (A) an employee benefit plan within the meaning of Section 3(3) of ERISA, (B) a plan defined in Section 4975 of the Code, (C) a governmental plan within the meaning of Section 3(32) of ERISA or (D) a collective investment vehicle made up of two (2) or more of such plans and (ii) no portion of the assets of any such Fund Entity constitutes plan assets within the meaning of Section 3(42) of ERISA or otherwise; and

(b) none of CT, any Fund Entity or their respective Subsidiaries, nor any party in interest (as defined in Section 3(14) of ERISA) with respect to any Fund Entity has engaged in any non-exempt prohibited transaction.

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4.25 **Disclosure**. No representation or warranty of CT in this Agreement or any Transaction Document and no statement of CT in the Disclosure Schedules contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading.

4.26 **Sufficiency of Assets**. The assets owned, leased and licensed by the Acquired Entities and their Subsidiaries, together with the rights to be granted to Purchaser pursuant to the Transactions Documents, will constitute all of the assets required for (i) the continued conduct of the business by any Acquired Entity and its Subsidiaries after the Closing as such business is currently conducted and (ii) the provision of Investment Management Services by CT and its Subsidiaries as provided as of the date hereof.

4.27 **Tangible Assets**. Section 4.27 of the Disclosure Schedules is a true, accurate and complete copy of the Bill of Sale pursuant to which CT will, at the Closing, transfer to CTIMCO all equipment, materials, tools, supplies, furniture and other tangible assets which are owned, leased or used by CTIMCO, or required for the operation of CTIMCO's business as currently conducted, and located in the space which is the subject of the Lease (collectively, the Tangible Assets ). Upon the Closing, CTIMCO will own, lease or have the legal right to use all of the Tangible Assets. At the time of the Closing, CTIMCO will have good and marketable title to, or a valid leasehold interest in, its Tangible Assets, free and clear of all Encumbrances.

4.28 **CT Funds**.

(a) Section 4.28(a) of the Disclosure Schedules contains a list of each Fund managed by CT or any of its Subsidiaries as of January 1, 2012 and which sets forth (i) the name of such Fund, (ii) the investors of such Fund other than the CDO Subs, (iii) with respect to the Fund Entities, the limited partners, members, or stockholders, as applicable, of each such Fund Entity, (iv) the amount of assets under management or aggregate capital commitments, as applicable, as of January 1, 2012, in respect of each such Fund, (v) the amount of undrawn capital commitments, if any, in respect of each such Fund which is a draw down fund and (vi) the amount of capital commitments or net asset value with respect to each Fund that is not subject to management fees and/or carried interest, if any.

(b) As of the date of this Agreement, no Fund managed by CT or any of its Subsidiaries has any investor which is in default under the terms of the governing documentation thereof or which is the subject of a pending default notice. As of the date of this Agreement, there are no disputes pending or, to the Knowledge of CT, threatened with any investors in any Fund managed by CT or any of its Subsidiaries.

(c) Except as disclosed in Section 4.28(c) of the Disclosure Schedules, no Fund managed by CT or any of its Subsidiaries is the subject of any priority or exclusivity arrangements with respect to the allocation of investment opportunities contained in the governing documentation of any such Fund or otherwise that would materially restrict the ability to allocate investment opportunities among such Fund and the Purchaser's funds.

(d) CT owns all of the issued and outstanding limited liability company interests in CTIMCO, CTOPI Co-Invest and CTHG2 Co-Invest.

(e) CTLL, the CTHG1 Separate Accounts, CTOPI and CTHG2 are solely managed by Subsidiaries of CTIMCO pursuant to the CTLL Management Agreement, the CTHG1 Management Agreements, the CTOPI Management Agreement and the CTHG2 Management Agreement, respectively.

(f) CTIMCO and each of its Subsidiaries party to a management agreement is not in breach of, or default under (nor has any event occurred which, with notice, lapse of time or both would constitute a breach of, or default under), any management agreement for which CTIMCO or any of its Subsidiaries is acting as a manager, except for any breach or default that would not, individually or in the aggregate, have a Material Adverse Effect on CT; each management agreement is in full force and effect, has not been amended and

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constitutes the legal, valid and binding agreement of the parties thereto enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

(g) Other than in respect of general partner or managing member obligations set forth in the respective Organizational Documents of CTLL, the CTHG1 Separate Accounts, CTOPI and CTHG2 or as set forth in Section 4.28(g) of the Disclosure Schedules, none of the Acquired Entities or any of its Subsidiaries (excluding the Fund Entities and their Subsidiaries) is liable in connection with, on behalf of, or for, any obligation of CTLL, the CTHG1 Separate Accounts, CTOPI, CTHG2 or any of their respective Subsidiaries.

(h) To the extent any Fund managed by CT or any of its Subsidiaries has an administrator, prime broker, custodian or trustee, such Person is a third-party entity independent of CTIMCO or any of its Subsidiaries undertaking asset management services for any such Fund.

(i) Except with respect to awards under the Incentive Plans, no carried interest, management fees or other fee revenue attributable to any Client or to CT Legacy REIT is payable to any Person other than CTIMCO and its Subsidiaries (other than the Fund Entities and their Subsidiaries).

4.29 **Intellectual Property**. Except as would not, individually or in the aggregate, have a Material Adverse Effect on the Acquired Entities, the Fund Entities and their respective Subsidiaries:

(a) The Acquired Entities, the Fund Entities and their respective Subsidiaries own or have a valid right to use all of the Intellectual Property used in or necessary to carry on the business of any Acquired Entity, any Fund Entity and their respective Subsidiaries as currently conducted

(b) Section 4.29(b) of the Disclosure Schedules sets forth all of the following that are owned by the Acquired Entities, the Fund Entities and their respective Subsidiaries or that any Acquired Entity, any Fund Entity and their respective Subsidiaries have a valid right to use: (i) patents and patent applications, registered trademarks and registered service marks and trademark and service mark applications and registered copyrights and copyright applications; (ii) Internet domain names; and (iii) proprietary and third party software applications (other than off the shelf software available to businesses and/or consumers generally, each with a value of less than ten thousand dollars (\$10,000));

(c) No Acquired Entity Owned Intellectual Property or, to the Knowledge of CT, Acquired Entity Licensed Intellectual Property has been or is now the subject of any opposition or cancellation or other proceeding, and to the Knowledge of CT, no such proceeding is or has been threatened with respect to any of the foregoing;

(d) None of the Acquired Entities or any of their respective Subsidiaries has received any notice or claim challenging the validity, enforceability or ownership by the Acquired Entities or any of their respective Subsidiaries of any of the Acquired Entity Owned Intellectual Property nor, to the Knowledge of CT, is there a reasonable basis for any such claim. None of the Acquired Entities or any of their respective Subsidiaries has taken any action or failed to take any action that could reasonably be expected to result in the abandonment, cancellation, forfeiture, relinquishment, invalidation or unenforceability of any of the Acquired Entity Owned Intellectual Property (including the failure to pay any filing, examination, issuance, post registration and maintenance fees, annuities and the like) used in or necessary to carry on the business of any Acquired Entity, any Fund Entity or any of their Subsidiaries as currently conducted. Each of the Acquired Entities has obtained an assignment of all Intellectual Property rights by all employees, independent contractors and/or outside contractors that contributed to the creation, development or improvement of any Acquired Entity Owned Intellectual Property;

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(e) The Acquired Entities, the Fund Entities and their respective Subsidiaries have taken reasonable steps in accordance with standard industry practices to protect their respective rights in the Acquired Entity Owned Intellectual Property and at all times have taken commercially reasonable steps to maintain the confidentiality of all information that constitutes a trade secret included therein; and

(f) To the Knowledge of CT, the activities of the Acquired Entities, the Fund Entities and their respective Subsidiaries, all as currently conducted, do not infringe upon, misappropriate, violate, or constitute the unauthorized use of, any Intellectual Property of any third party, and none of the Acquired Entities, the Fund Entities or any of their respective Subsidiaries has, within the last two (2) years, received any written notice or claim asserting or suggesting that any such infringement, misappropriation, violation, or unauthorized use is or may be occurring or has or may have occurred. To the Knowledge of CT, no third party is infringing, misappropriating or otherwise violating any Acquired Entity Owned Intellectual Property.

4.30 **Information Systems.**

(a) Each of the Acquired Entities, the Fund Entities and their respective Subsidiaries owns or has a valid and subsisting license for all of the Information Systems currently used by them in their business. Such Information Systems of the Acquired Entities are, in all material respects, operational and perform the functions for which they were intended to be used.

(b) Within the past twelve (12) months of the date hereof, none of the Acquired Entities, the Fund Entities or their respective Subsidiaries has experienced any material disruption to, or material interruption in, the conduct of its business and operations attributable to a defect, bug, breakdown or other failure or deficiency on the part of the Information Systems. Each of the Acquired Entities, each of the Fund Entities and their respective Subsidiaries has taken commercially reasonable steps to provide for the backup and recovery of the data and information critical to the conduct of its business and operations.

4.31 **No Reliance.** CT acknowledges and agrees that, except for the representations and warranties in this Agreement and the other Transaction Documents, none of Purchaser, its Affiliates or any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding Purchaser, its Affiliates, its real property (whether owned or leased) or its business or other matters.

**ARTICLE 5**

**REPRESENTATIONS AND WARRANTIES OF CT WITH RESPECT TO THE**

**NEW CT SHARES PURCHASE**

CT hereby represents and warrants to Purchaser that the statements contained in this [Article 5](#) are true and correct as of the date hereof and as of the Closing Date, except (1) as expressly set forth herein, (2) subject to [Section 12.6](#), as set forth in the Disclosure Schedules or (3) as set forth in the CT SEC Documents filed since January 1, 2012 and prior to the date hereof, to the extent that the relevance of such disclosure to the applicable representation and warranty is reasonably apparent on its face (other than any forward-looking disclosures set forth in any risk factor section (except for any disclosure therein related to historical facts), any disclosures in any section relating to forward-looking statements and any other statements that are similarly forward-looking in nature included therein to the extent that they are primarily cautionary in nature).

5.1 **Capitalization.**

(a) The CT Charter authorizes the issuance of 200,000,000 shares consisting of two (2) classes: (i) 100,000,000 shares of common stock, par value \$0.01 per share, of which 100,000,000 shares are designated as Common Stock and (ii) 100,000,000 shares of preferred stock, par value \$0.01 per share, of which 50,000

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shares are designated as Series A Junior Participating Preferred Stock. As of the date hereof, the issued and outstanding shares of capital stock consist of 22,515,107 shares of Common Stock. All of the issued and outstanding shares of Common Stock (i) have been duly authorized and are validly issued, (ii) are fully paid and non-assessable, and (iii) are free and clear of any and all Encumbrances, except for restrictions on transfer imposed under federal and state securities Laws and the CT Charter. No shares of Common Stock are owned by any Subsidiary of CT.

(b) There is no (i) outstanding subscription, option, call, warrant or right (whether or not currently exercisable) to acquire any shares of Common Stock or other securities of CT or any stock appreciation right, phantom stock right, performance unit or other right that is linked to the value of Common Stock, including any right to receive cash in respect of the value of the shares of Common Stock, or (ii) outstanding security, instrument or obligation that is or may become convertible into or exchangeable for any shares of Common Stock, or an amount of cash determined with reference to the value of the shares of Common Stock, or that otherwise has the right to vote on any matters on which the stockholders of CT have the right to vote, except for (a) 3,479,691 shares of Common Stock issuable upon the exercise of the Warrants, (b) 68,544 shares of Common Stock reserved for issuance pursuant to the 1997 Non-Employee Director Stock Plan (the 1997 Director Stock Plan) to the holders of Stock Units (as defined in the 1997 Director Stock Plan); (c) 498,260 shares of Common Stock issuable pursuant to the Capital Trust, Inc. 2007 Long-Term Incentive Plan (the 2007 LTIP) to the holders of Deferred Share Units (as defined in the 2007 LTIP); (d) 91,315 shares of Common Stock issuable pursuant to the Capital Trust, Inc. 2011 Long-Term Incentive Plan (the 2011 LTIP) to the holders of Deferred Share Units (as defined in the 2011 LTIP); (e) 633,685 additional shares of Common Stock reserved for issuance pursuant to the 2011 LTIP; and (f) rights issuable pursuant to the Rights Agreement.

(c) Except as provided or disclosed in the Registration Rights Agreement, (i) CT has not granted any right that remains in effect as of the Closing Date or agreed to grant any right that will be effective at any time on or after the Closing Date, to require registration under the Securities Act, or under any applicable state securities or blue sky Laws, of any of CT's presently outstanding securities or any of its securities that may be issued subsequently, and (ii) CT is not bound by any Contract with respect to the capital stock of or other voting or equity securities of CT, including any outstanding Contract, arrangement or obligations of any character, in any such case, calling for it to purchase, redeem or otherwise acquire, or, except as provided in Section 2.1(c) and Section 5.1(b), to sell, transfer or otherwise dispose of any shares of capital stock of or other voting or equity interests in CT, or securities or rights convertible into or exchangeable therefor, or any securities representing the right to purchase or redeem or otherwise receive any shares of capital stock of or other voting or equity interests in CT.

(d) The issuance of the New CT Shares has been duly authorized by all necessary corporate action by CT, including action by the CT Board, and, upon the issuance of such shares as provided herein, the New CT Shares will be validly issued, fully paid and nonassessable. Upon issuance, the New CT Shares will be free and clear of all Encumbrances (other than restrictions on transfer under applicable state and federal securities Laws and the CT Charter and any Encumbrance incurred by the Purchaser). There is no preemptive right that has not been waived or terminated with respect to such issuance of the New CT Shares. Section 5.1(d) of the Disclosure Schedules sets forth the capitalization of CT immediately following the Closing.

(e) Except as disclosed in Section 5.1(e) of the Disclosure Schedules, as of the date of this Agreement, none of CT or any of its Subsidiaries (excluding the Acquired Entities, Fund Entities and their respective Subsidiaries) has any Debt.

**5.2 CT SEC Documents; CT Financial Statements.**

(a) CT has timely filed or otherwise furnished (as applicable) all reports, schedules, forms, statements and other documents (including exhibits, other information incorporated therein, and any amendments thereto) with the SEC required to be filed by CT under the Securities Act or the Exchange Act, as the case may be, from

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(and including) January 1, 2009 (such documents, together with all exhibits and schedules thereto and other information incorporated therein, the CT SEC Documents ).

(b) As of their respective dates, or if amended, as of the date of the last such amendment, the CT SEC Documents (i) were prepared in accordance and complied in all material respects with the requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act (to the extent applicable) and (ii) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) Each of the financial statements (which term as used in this Agreement includes the related notes thereto) contained in the CT SEC Documents: (i) complied as to form in all material respects with the published rules and regulations of the SEC applicable thereto and with applicable accounting requirements; (ii) were prepared in accordance with GAAP applied on a consistent basis throughout the periods covered (except as may be indicated in the notes to such financial statements or, in the case of unaudited statements, as permitted by Form 10-Q or Form 8-K of the SEC, and except that the unaudited financial statements may not contain footnotes and are subject to normal and recurring year-end adjustments that have not been and are not expected to be individually or in the aggregate material to CT); and (iii) fairly present in all material respects the consolidated financial position of CT and its consolidated Subsidiaries as of the respective dates thereof and the consolidated results of operations and cash flows of CT and its consolidated Subsidiaries for the periods covered thereby.

(d) Ernst & Young LLP, which has expressed its opinion with respect to the financial statements and supporting schedules in the CT SEC Documents, are independent registered public accountants with respect to CT and its Subsidiaries within the applicable rules and regulations adopted by the SEC and the Public Company Accounting Oversight Board and as required by the Securities Act.

(e) CT and its Subsidiaries maintain an effective system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) that complies with the requirements of the Exchange Act and is designed to ensure that information required to be disclosed by CT in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to CT's management as appropriate to allow timely decisions regarding required disclosure. CT and its Subsidiaries have carried out evaluations of the effectiveness of their disclosure controls and procedures as required by Rule 13a-15 of the Exchange Act.

(f) CT and its Subsidiaries maintain systems of internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) that comply with the requirements of the Exchange Act and are sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The chief executive officer and principal financial officer of CT have made all certifications required by the Sarbanes-Oxley Act and any related rules and regulations promulgated by the SEC thereunder, and CT is otherwise in compliance with all applicable provisions of the Sarbanes-Oxley Act and the rules and regulations issued thereunder by the SEC currently in effect and requiring compliance as of the date hereof and as of the Closing Date. Since the end of CT's fiscal year, there has been no change in CT's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, CT's internal control over financial reporting.

(g) CT has disclosed, based on the most recent evaluation, to Ernst & Young LLP and the audit committee of the CT Board (i) 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 CT's ability to record,



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process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in CT's internal control over financial reporting.

(h) Since January 1, 2009, to the Knowledge of CT, (i) neither CT nor any of its Subsidiaries or any director, officer, employee, auditor, accountant or similar representative of CT or any of its Subsidiaries, has received knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of CT or any of its Subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that CT or any of its Subsidiaries has engaged in improper accounting or auditing practices, and (ii) no attorney representing CT or any of its Subsidiaries, whether or not employed by CT or any of its Subsidiaries, has reported evidence of a material violation of securities Laws, breach of fiduciary duty or similar violation by CT or any of its Subsidiaries or their respective officers, directors, employees or agents to the CT Board or any committee thereof or to any director or officer of CT.

(i) Neither CT nor any of its Subsidiaries has outstanding, or has arranged any outstanding, extensions of credit to directors or executive officers within the meaning of Section 402 of the Sarbanes-Oxley Act.

5.3 **Absence of Undisclosed Liabilities.** None of CT and its Subsidiaries has any material obligation or liability of any nature (whether known or unknown, absolute, accrued, matured or unmatured, fixed or contingent and whether due or to become due, asserted or unasserted) other than those (i) reflected or reserved against (in accordance with CT's past practice with respect to the methodology used to calculate any such liabilities or obligations and otherwise in accordance with GAAP) in the CT Balance Sheet, (ii) incurred in the Ordinary Course of Business since the CT Balance Sheet Date or that, individually or in the aggregate, are not material to CT and its consolidated Subsidiaries, taken as a whole, (iii) contractual liabilities and contractual obligations incurred in the Ordinary Course of Business which are not required by GAAP to be reflected in the financial statements of CT prepared in accordance with GAAP or (iv) incurred in connection with the execution of this Agreement and the other Transaction Documents.

5.4 **Absence of Certain Changes.** Since December 31, 2011 (the CT Balance Sheet Date), (a) there has been no change, development, effect or condition that, individually or in the aggregate with all other changes, developments, effects and conditions, has resulted or would reasonably be expected to result in a Material Adverse Effect on CT and (b) CT and its Subsidiaries have, in all material respects, conducted their business in the Ordinary Course of Business consistent with past practice and have not undertaken any act that, if taken as of or after the date hereof, would have required the consent of Purchaser pursuant to Section 7.1.

5.5 **Taxes.**

(a) CT and its Subsidiaries have filed all material Tax Returns and have paid all material Taxes required to be paid by any of them and, if due and payable, any related or similar assessment, fine or penalty levied against any of them. CT has made adequate charges, accruals and reserves in the applicable financial statements contained in the CT SEC Documents in respect of all Taxes for all periods as to which the Tax liability of CT, any of its Subsidiaries has not been finally determined. There is no notice of audit, examination, deficiency, assessment, refund litigation or proposed adjustment that has been received by, asserted or assessed in writing with respect to CT or any of its Subsidiaries with respect to any material Taxes.

(b) Since January 1, 2003, CT has been organized in conformity with the requirements for qualification and taxation as a REIT, and CT's actual and proposed method of operation has enabled it and will continue to enable it to meet the requirements for qualification and taxation as a REIT.

(c) The entities listed on Section 5.5(c) of the Disclosure Schedules are wholly-owned Subsidiaries of CT that are taxable mortgage pools within the meaning of Section 7701(i) of the Code. Neither CT nor any of its other Subsidiaries is or has ever been a taxable mortgage pool.

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(d) As of January 1, 2012, CT had no accumulated earnings or profits attributable to any period for which it did not qualify as a REIT.

(e) Since its formation, CT Legacy REIT has been organized in conformity with the requirements for qualification and taxation as a REIT, and its actual method of operation through the date hereof has enabled, and its proposed method of operation will continue to enable, it to meet the requirements for qualification and taxation as a REIT.

(f) Neither CT nor CT Legacy REIT has taken any action or omitted to take any action which would reasonably be expected to result in a successful challenge by the IRS to its status as a REIT, and no challenge to its status as a REIT is pending or has been threatened in writing. No Subsidiary of CT or CT Legacy REIT is a corporation for U.S. federal income Tax purposes, other than a corporation that is a qualified REIT subsidiary, within the meaning of Section 856(i)(2) of the Code, or as a taxable REIT subsidiary, within the meaning of Section 856(1) of the Code, other than a Subsidiary listed on Section 5.5(f) of the Disclosure Schedules. Any such Subsidiary that is a taxable REIT subsidiary has made a timely and valid election and is listed on Section 5.5(f) of the Disclosure Schedules.

(g) None of CT, CT Legacy REIT or any of their Subsidiaries holds any asset the disposition of which would be subject to rules similar to Section 1374 of the Code.

(h) Since its formation, neither CT nor CT Legacy REIT has incurred any liability for taxes under Sections 857(b), 860(c) or 4981 of the Code or any rules similar to Section 1374 of the Code which has not yet been paid. No event has occurred, and no condition or circumstance exists, which presents a risk that any material Tax described in the preceding sentence will be imposed on either CT or CT Legacy REIT. None of CT, CT Legacy REIT or any of their Subsidiaries (other than a taxable REIT subsidiary) has engaged at any time in any prohibited transactions within the meaning of Section 857(b)(6) of the Code. None of CT, CT Legacy REIT or any of their Subsidiaries has engaged in any transaction that would give rise to redetermined rents, redetermined deductions and excess interest described in Section 857(b)(7) of the Code.

**5.6 Proceedings.**

(a) Except as disclosed in the CT SEC Documents filed since January 1, 2012 and prior to the date hereof to the extent that the relevance of such disclosure to the applicable representation and warranty below in this Section 5.6(a) is reasonably apparent on its face (other than any forward-looking disclosures set forth in any risk factor section (except for any disclosure therein related to historical facts), any disclosures in any section relating to forward-looking statements and any other statements that are similarly forward-looking in nature included therein to the extent that they are primarily cautionary in nature) or as would not, individually or in the aggregate, result in a Material Adverse Effect on CT:

(i) there is no Proceeding pending or, to the Knowledge of CT, threatened against, CT, any of its Subsidiaries or any of its officers or directors; and

(ii) there is no Order to which CT or any of its Subsidiaries, or any of the assets or properties owned or used by CT or any of its Subsidiaries, is subject.

(b) There is no pending, or to the Knowledge of CT, threatened Proceeding that challenges, or that, if decided adversely to CT or any of its Subsidiaries, would reasonably be expected to have the effect of preventing, delaying, making illegal, or otherwise interfering with, the execution, delivery or performance of this Agreement or any Transaction Document or the consummation of the Contemplated Transactions.

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**5.7 Compliance with Laws; Permits.**

(a) Except as would not, individually or in the aggregate, result in a Material Adverse Effect on CT, CT and each of its Subsidiaries are, and have been since January 1, 2009, in compliance, with all applicable Laws. No investigation or review by any Governmental Authority with respect to CT or any of its Subsidiaries is pending or, to the Knowledge of CT, threatened, nor to the Knowledge of CT, has any Governmental Authority indicated an intention to conduct any such investigation or review with respect to non-compliance of such Laws that would, individually or in the aggregate, result in a Material Adverse Effect on CT.

(b) Except as would not, individually or in the aggregate, result in a Material Adverse Effect on CT, CT and its Subsidiaries hold all Permits that are necessary for the lawful conduct of their respective businesses or ownership of their respective assets and properties, and all such Permits are in full force and effect. Each of CT and its Subsidiaries is in material compliance with all such Permits, and no such Permits are subject to any pending or, to the Knowledge of CT, threatened revocation, withdrawal, suspension, cancellation, termination or modification Proceeding.

(c) None of CT or any of its Subsidiaries or any of their respective directors, officers, agents, employees or other Persons (in their capacities as such) that act for or on behalf of CT or any of its Subsidiaries has (i) made any bribe, rebate, payoff, influence payment, kickback or other payment that would be unlawful under any applicable Law or (ii) without limiting the foregoing, offered, paid, promised to pay or offered, given, promised to give or authorized the giving of anything of value to any Person acting in an official capacity for any Governmental Authority for the purpose of influencing any act or decision of such government official, securing any improper advantage or inducing such government official to assist CT or any of its Subsidiaries in obtaining or retaining business for or with, or in directing business to, any Person.

**5.8 Environmental and Safety and Health Matters.**

(a) (i) Each of CT and its Subsidiaries is in compliance in all material respects with all, and has not violated in any material respects any, applicable Environmental Laws; (ii) each of CT and its Subsidiaries possesses and is in material compliance with all applicable Environmental Permits required under Environmental Laws to operate as each currently operates, no such Environmental Permits are subject to any pending or, to the Knowledge of CT, threatened revocation, withdrawal, suspension, cancellation, termination or modification Proceeding; (iii) neither CT nor any of its Subsidiaries have generated, treated, stored, used, emitted, released, discharged, transported or disposed of any Materials of Environmental Concern except in material compliance with applicable Environmental Laws and in a manner that could not reasonably be expected to result in a material liability to any of CT or its Subsidiaries; (iv) neither CT nor any of its Subsidiaries have received any written notification alleging that it is liable for, or request for information pursuant to Section 104(e) of the Comprehensive Environmental Response, Compensation and Liability Act or similar foreign, state or local law concerning, any release or threatened release of Materials of Environmental Concern at any location except, with respect to any such notification or request for information concerning any such release or threatened release, to the extent such matter has been fully resolved with the appropriate foreign, federal, state or local regulatory authority or otherwise; and (v) there is no Environmental Claim pending, or to the Knowledge of CT, threatened against CT or any of its Subsidiaries, nor, to the Knowledge of CT, is there any basis for any such Environmental Claim that could reasonably be expected to be material.

**5.9 Employee Matters and Benefit Plans.**

(a) With the exception of the Acquired Entities Employee Plans (as defined and addressed in Section 4.9(a) above), Section 5.9(a) of the Disclosure Schedules lists all material Plans, written or otherwise, as amended, modified or supplemented, sponsored by or contributed to by, CT or any of its Subsidiaries or any other Person (whether or not incorporated) which is an ERISA Affiliate of CT or any of its Subsidiaries, or in respect of which any such entity has any liability or has a reasonably foreseeable risk of any liability in respect of

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any Business Employee (collectively, whether or not material, but without regard to Acquired Entity Employee Plans, the CT Employee Plans ), and separately identifies those which contain provisions relating to any change of control or potential change in control of any entity. CT has Made Available to Purchaser copies of (i) each such CT Employee Plan (including a written summary of any CT Employee Plan that is not in writing), all amendments thereto and all related trust agreements, administrative service agreements, group annuity contracts, group insurance contracts, and policies pertaining to liability insurance covering the fiduciaries for each CT Employee Plan, summary plan descriptions, summaries of material modifications, registration statements (including all attachments), prospectuses and communications distributed to employees, plan participants or their beneficiaries; (ii) with respect to any such CT Employee Plan and related trust which is intended to qualify under Sections 401(a) and 501(a) of the Code, respectively, the most recent favorable determination or opinion letter from the IRS as to its qualified status under the Code; (iii) the three (3) most recent annual reports on Form 5500 series, with accompanying schedules and attachments, filed with respect to each CT Employee Plan required to make such a filing; (iv) any reports which have been filed with the DOL or the IRS within the last six (6) years with respect to each CT Employee Plan required to make such filing; and (v) all correspondence between the IRS and/or the DOL and CT, its Subsidiaries and/or ERISA Affiliates.

(b) All CT Employee Plans have been established, administered, operated, and maintained substantially in accordance with their terms (except that in any case in which any CT Employee Plan is currently required to comply with a provision of ERISA or of the Code, but is not yet required to be amended to reflect such provision, it has been maintained, operated and administered in accordance with such provision) and have been operated in compliance in all respects with all applicable Laws, and may by their terms be amended and/or terminated at any time without the consent of any other Person subject to applicable Laws and the terms of each CT Employee Plan. There are no pending audits or investigations by any governmental agency involving any CT Employee Plan, and no pending or, to the Knowledge of CT, threatened claims (except for individual claims for benefits payable in the normal operation of the CT Employee Plans), suits or proceedings involving any CT Employee Plan or asserting any rights or claims to benefits under any CT Employee Plan, nor, to the Knowledge of CT, are there any facts which could reasonably give rise to any material liability in the event of any such audit, investigation, claim, suit or proceeding.

5.10 **Arrangements with Certain Persons.** There is no transaction, arrangement or other relationship among CT, any of its Subsidiaries and/or any unconsolidated or other off-balance sheet entity that is required to be disclosed by CT in its filings with the SEC and is not so disclosed.

5.11 **Material Contracts; No Default.**

(a) Except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect on CT, each Material Contract to which the Company or any of its Subsidiaries is a party or by which their properties or assets is bound is valid and in full force and effect, and is enforceable by CT or its Subsidiaries and to the Knowledge of CT, each other party thereto, in accordance with its terms.

(b) To the Knowledge of CT, no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) would reasonably be expected to: (i) result in a violation or breach of any provision of any Material Contract to which the Company or any of its Subsidiaries is a party or by which their properties or assets is bound; (ii) give any Person the right to declare a default or exercise any remedy under any such Material Contract; (iii) give any Person the right to receive or require a rebate, chargeback, penalty or change in delivery schedule under any such Material Contract; (iv) give any Person the right to accelerate the maturity or performance of any such Material Contract; or (v) give any Person the right to cancel, terminate or modify any such Material Contract, in each case of clauses (i) through (v) above, except as would not, individually or in the aggregate, result in a Material Adverse Effect on CT.

5.12 **Leases.** Neither CT nor any of its Subsidiaries owns any real property or any interest in any real property, other than through investment vehicles. Other than the Lease, CT has no leasehold interests. To the

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Knowledge of CT, CT has a good and valid leasehold interest in the parcel of real property subject to the Lease to the extent necessary for the conduct of the business of CT (the Leased Real Property ), which leasehold interest is free and clear of all Encumbrances (other than Permitted Encumbrances). (a) CT has the right to use and occupancy of the Leased Real Property for the full term of the Lease, (b) the Lease for the Leased Real Property is in good standing, legal, binding, valid and effective and enforceable agreement of CT and of the other party thereto in accordance with its terms, and neither CT nor any of its Subsidiaries has received written notice of any default (or any condition or event, which, after notice or a lapse of time or both, would constitute a default thereunder) and (c) CT has not assigned its interest under the Lease, except as contemplated by the Assignment of Lease being entered into pursuant to the Contemplated Transactions. To the Knowledge of CT, there are no pending or threatened condemnation proceedings with respect to the Leased Real Property that would materially and adversely affect the use, occupancy or value thereof.

5.13 **Servicing**. Except as would not, individually or in the aggregate, result in a Material Adverse Effect on CT, each of CT and its Subsidiaries has complied with (a) all applicable Laws and rating agency servicing standards with respect to all outstanding Specially Serviced Loans as to which it acts as a servicer, whether as a master servicer, special servicer, subservicer or otherwise and (b) the material terms of the applicable Servicing Agreement.

5.14 **Finder s Fee**. Except for fees payable to Evercore Partners (whose fees are the sole responsibility of CT), no Person is entitled to any broker s, finder s financial advisor s or other similar fee or commission in connection with this Agreement or the Contemplated Transactions based upon arrangements made by or on behalf of CT or any of its Subsidiaries.

5.15 **Investment Company**.

(a) CT is not and, after giving effect to the Contemplated Transactions, will not be required to register as an investment company as such term is defined in the Investment Company Act

(b) None of CT or its Subsidiaries has at any time (i) sponsored any collective investment vehicles required to be registered as an investment company under the Investment Company Act, (ii) provided Investment Management Services to or through any investment company registered, or required to be registered, under the Investment Company Act, or any issuer or other Person that would be an investment company (within the meaning of the Investment Company Act) but for one or more of the exclusions provided in Section 3(c) of the Investment Company Act other than Sections 3(c)(1), 3(c)(7) or 3(c)(5)(C) (assuming in the case of reliance on the exclusion provided by Section 3(c)(7), the truth and accuracy of the investment representations made by investors) and, in the case of any non-United States issuer that might be relying on the exclusion afforded by Section 3(c)(1) or Section 3(c)(7) for offers and sales made to U.S. persons, Section 7(d), or (iii) provided Investment Management Services to or through any issuer or other Person that is required to be registered under the applicable Laws of the appropriate securities regulatory authority in the jurisdiction in which the issuer is domiciled (other than the United States or the states thereof), which is or holds itself out as engaged primarily in the business of investing, reinvesting or trading in securities.

5.16 **Insurance**. Each of CT and its Subsidiaries are insured in such amounts and with such deductibles and covering such risks as are generally deemed adequate and customary for their businesses, including, but not limited to, policies covering real and personal property owned or leased by CT and its Subsidiaries against theft, damage, destruction, acts of vandalism, general liability and directors and officers liability. Neither CT, nor its Subsidiaries have received notice that it will not be able to or has reason to believe that it will not be able to (i) renew their existing insurance coverage as and when such policies expire, or (ii) obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct their business as now conducted and at a cost that would not, individually or in the aggregate, have a Material Adverse Effect on CT.

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5.17 **CDOs.**

(a) CT indirectly owns all of the interests listed in Schedule 5.17(a) attached hereto (the CDO Subs ).

(b) Neither CT nor any of its Subsidiaries has been asked to replace or substitute collateral in any of its collateralized debt obligations or to indemnify any party under any collateralized debt obligations except for with respect to the indemnification of certain parties such as underwriters, trustees and hedge counterparties in connection with collateralized debt obligation issuances.

(c) Neither CTIMCO nor any of its Subsidiaries (excluding the Fund Entities and their Subsidiaries) are subject to any obligations to repurchase, redeem or otherwise acquire any Debt issued or held by the CDO Subs or their Subsidiaries.

5.18 **Compliance with Guidelines, Policies and Procedures.** CT and its Subsidiaries are as of the date hereof, have been during the period from January 1, 2012 until the date hereof, and will be as of the Closing Date, in compliance with their respective investment, underwriting and risk-adjusted capital guidelines, policies and procedures, except where any noncompliance would not, individually or in the aggregate, result in a Material Adverse Effect on CT, any Acquired Entity or any Fund Entity.

5.19 **Rights Agreement; State Takeover Statutes; Stock Ownership Restrictions in CT Charter.**

(a) CT has taken all necessary actions to render the Rights Agreement inapplicable to the Contemplated Transactions (including to the extent Purchaser assigns any rights hereunder to any Affiliate of Purchaser pursuant to Section 12.5).

(b) The CT Board has amended the CT Bylaws to provide that Title 3, Subtitle 7 of the Corporations and Associations Article of the Annotated Code of Maryland (or any successor statute) shall not apply to any acquisition of shares of Common Stock by (i) Purchaser or any of its present Affiliates or (ii) The Blackstone Group L.P. or any of its present or future Affiliates and such bylaw provision further provides that, unless this Agreement is terminated pursuant to Article 11, it will not be altered or repealed without the consent of Purchaser or The Blackstone Group L.P., as applicable.

(c) The CT Board has irrevocably resolved that, pursuant to Section 3-603(c) of the MGCL, Section 3-602 of the MGCL shall not apply to any business combination (as defined in Section 3-601 of the MGCL) between CT and (i) Purchaser or any of its present Affiliates or (ii) The Blackstone Group L.P. and any of its present or future Affiliates; *provided, however*, that Purchaser or any of its present Affiliates or The Blackstone Group L.P. and any of its present or future Affiliates shall not enter into any business combination with CT without the prior approval of at least a majority of the directors who are not Affiliates or associates of Purchaser or The Blackstone Group L.P.; *provided further*, that the foregoing exemption shall terminate and be void *ab initio* if this Agreement is terminated in accordance with Article 11.

(d) No action is required pursuant to Section 7.2.7 of the CT Charter or otherwise, to exempt Purchaser and any Affiliate of Purchaser holding Common Stock from the Aggregate Stock Ownership Limit (as defined in the CT Charter).

(e) CT and the CT Board has otherwise taken all action required to be taken by it so that the execution and delivery of this Agreement and the Transaction Documents to which it is a party and the consummation of the Contemplated Transactions, including the issuance of the New CT Shares to Purchaser (and/or any assignee pursuant to Section 12.5), will be exempt from the requirements of any fair price , moratorium , control share acquisition , affiliate transaction , business combination or other anti-takeover statute of the State of Maryland.

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5.20 **Opinion of Financial Advisor**. CT has received the opinion of Evercore Group LLC, dated September 27, 2012, to the effect that, as of such date, the Purchase Price to be received by CT is fair, from a financial point of view, to CT.

5.21 **Vote Required**. The CT Stockholder Approval is the only vote of the holders of any class or series of CT's capital stock necessary to approve the Contemplated Transactions.

5.22 **No Reliance**. Each of CT and its Subsidiaries acknowledges and agrees that, except for the representations and warranties in this Agreement and the other Transaction Documents, none of Purchaser, its Affiliates or any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding Purchaser, its Affiliates, its real property (whether owned or leased) or its business or other matters. Without limiting the generality of the foregoing, none of Purchaser, its Affiliates or any other Person has made a representation or warranty to CT or any of its Subsidiaries with respect to (a) any projections, estimates or budgets for the businesses of Purchaser or any of its Affiliates or (b) any material, documents or information relating to Purchaser or any of its Affiliates made available to CT, any of its Subsidiaries, or their counsel, accountants or advisors, except as expressly covered by this Agreement or any Transaction Document.

5.23 **No General Solicitation**. Neither Seller nor any person acting on its behalf has offered to sell the New CT Shares by any form of general solicitation or general advertising.

**ARTICLE 6**

**REPRESENTATIONS AND WARRANTIES OF PURCHASER**

Purchaser hereby represents and warrants to CT that the statements contained in this Article 6 are true and correct as of the date hereof and as of the Closing Date:

6.1 **No Conflict; Required Filings**.

(a) Assuming the making and obtaining of all filings, notifications, consents, approvals, authorizations and other actions referred to in Section 6.1(b), the execution, delivery and performance of this Agreement and any Transaction Document by Purchaser does not and will not (with or without notice or lapse of time, or both) (i) violate, conflict with or result in the breach of any provision of the certificate of incorporation or formation, limited liability company agreement, by-laws, regulations or other organizational or governing documents of Purchaser, (ii) contravene, conflict with or violate any Law or Order applicable to Purchaser in any material respect, (iii) conflict in any material respect with or violate or breach in any material respect any provision of, or give any third party the right to declare a default or exercise a remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify any Contract of Purchaser, (iv) result in the creation of any Encumbrance (other than restrictions on transfer under applicable state and federal securities Laws) on any of the properties or assets of Purchaser pursuant to any Contract to which Purchaser is a party or by which any of Purchaser's properties or assets are or purported to be bound or affected, (v) entitle any Person to any right or privilege to which such Person was not entitled immediately before this Agreement or any Transaction Document was executed, or (vi) create any obligation on the part of Purchaser that it was not obligated to perform immediately before this Agreement or any Transaction Document was executed, except in the case of clauses (ii) through (vi) above, for such contraventions, conflicts, violations, breaches, defaults, exercises, accelerations, cancellations, terminations, modification and creations which would not result in a Material Adverse Effect on Purchaser.

(b) No consent of, or registration, declaration, notice or filing with, any Governmental Authority or third party is required to be obtained or made by Purchaser in connection with the execution, delivery and

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performance of this Agreement, any Transaction Document or the Contemplated Transactions which have not been obtained prior to the Closing, other than (i) those set forth in Section 6.1(b) of the Disclosure Schedules and (ii) those that, if not made or obtained would not, individually or in the aggregate, materially hinder or materially delay the Closing or would not reasonably be expected to result in a Material Adverse Effect on Purchaser.

6.2 **Corporate Status.** Purchaser is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and Purchaser (a) has all requisite power and authority to carry on its business as it is now being conducted, and (b) is duly qualified to do business and is in good standing in each of the jurisdictions in which the ownership, operation or leasing of its properties and assets and the conduct of its business requires it to be so qualified, licensed or authorized, except where the failure to have such power and authority or to be so qualified, licensed or authorized would not result in a Material Adverse Effect on Purchaser.

6.3 **Power and Authority.** Purchaser has all necessary power and authority to enter into this Agreement and the Transaction Documents to which it is a party, to carry out its obligations hereunder and to consummate the Contemplated Transactions. This Agreement and the Transaction Documents to which it is a party have been (in the case of this Agreement) or will be when executed and delivered (in the case of the other Transaction Documents) duly executed and delivered by Purchaser, and (assuming due authorization, execution and delivery by Seller or its Subsidiaries, as applicable) this Agreement and the Transaction Documents to which Purchaser is a party constitute or will constitute, as applicable, a legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with their respective terms.

6.4 **Proceedings.** As of the date hereof, there are no Proceedings pending or, to the Knowledge of Purchaser, threatened against Purchaser or any of its properties that would result in a Material Adverse Effect on Purchaser, or that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, the execution, delivery and performance of this Agreement or any other Transaction Document or the consummation of the Contemplated Transactions by Purchaser.

6.5 **Finder's Fee.** Purchaser has not incurred any obligation or liability to any party for any brokerage or finder's fee or agent's commission or the like, in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser for which CT or any of its Subsidiaries following the Closing would be liable.

6.6 **Investment Intent.** Purchaser has knowledge and experience in financial and business matters such that it (i) is capable of evaluating the risks and merits associated with the acquisition of the New CT Shares, (ii) is an accredited investor as defined in Regulation D as promulgated under the Securities Act and (iii) is acquiring the New CT Shares for its own account for investment, with no present intention of making a public distribution thereof. Purchaser will not sell or otherwise dispose of the New CT Shares in violation of the Securities Act or any state securities Laws.

6.7 **Information.** Purchaser and its Representatives have been furnished with or have otherwise had access to materials relating to the business, finances and operations of the CT and Acquired Entities and materials relating to the offer and sale of the New CT Shares, including the CT SEC Documents. Purchaser has been afforded the opportunity to ask questions of CT. Neither such inquiries nor any other investigation conducted by or on behalf of Purchaser or its Representatives shall modify, amend or affect Purchaser's right to rely on the truth, accuracy and completeness of the CT SEC Documents and CT's representations and warranties contained herein.

6.8 **Legends; Restrictions on Transfer.** Purchaser understands any certificate representing the New CT Shares will bear restrictive legends as required by the CT Charter and in the following form (and a stop-transfer order may be placed against transfer of any certificate for such New CT Shares):

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. THE SECURITIES MAY



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NOT BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF WITHOUT SUCH REGISTRATION OR THE DELIVERY TO THE ISSUER OF AN OPINION OF COUNSEL, OR IF PURSUANT TO RULE 144, A WRITTEN STATEMENT, SATISFACTORY TO THE ISSUER, THAT SUCH DISPOSITION WILL NOT REQUIRE REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS.

Purchaser further understands that any New CT Shares held in book-entry format will be similarly restricted and that a stop-transfer order may be placed against the transfer of any New CT Shares held in book-entry format.

6.9 **Common Stock Ownership**. Except as contemplated in the Transaction Documents, including this Agreement and the Voting Agreement, and in connection with the Contemplated Transactions, as of the date hereof, the Purchaser does not, and at all times from the date hereof until the Closing, the Purchaser will not, Beneficially Own (as such term is defined in the Rights Agreement) any shares of Common Stock.

6.10 **No Reliance**. Purchaser acknowledges and agrees that, except for the representations and warranties in this Agreement and the other Transaction Documents, none of CT, the Acquired Entities, the Fund Entities, their respective Subsidiaries, or any other Person acting on behalf of any of the foregoing has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding Seller, the Acquired Entities, the Fund Entities, their respective Subsidiaries, their real property (whether owned or leased) or their business or other matters.

6.11 **Owner of Purchaser**. The Blackstone Group L.P. controls a majority of the authorized and outstanding equity interests in Purchaser.

**ARTICLE 7**

**COVENANTS**

7.1 **Conduct of Business**.

(a) Except as required by applicable Law or expressly required by this Agreement, or as described in Section 7.1(a) of the Disclosure Schedules, during the period from the date of this Agreement until the Closing Date (or such earlier date on which this Agreement is terminated pursuant to Article 11), unless Purchaser otherwise consents in writing (such consent not to be unreasonably withheld, delayed or conditioned), CT shall, and shall cause each of its Subsidiaries to, carry on its business in all material respects in the Ordinary Course of Business. Without limiting the foregoing, CT shall, and shall cause its Subsidiaries to, use its and their commercially reasonable efforts to (i) preserve its and each of its Subsidiaries' business organizations intact and maintain existing relations with key customers, suppliers, distributors, employees, Governmental Authorities and other Persons with whom CT or its Subsidiaries have business relationships, assets, rights and properties and (ii) preserve the status of each of CT, CTOPI REIT and CT Legacy REIT as a REIT. Without limiting the generality of the foregoing, and except (w) as required by applicable Law, (x) as expressly required or contemplated by this Agreement, (y) as described in Section 7.1(a) of the Disclosure Schedules or (z) solely in respect of the Fund Entities and the CDO Subs and the Subsidiaries of the Fund Entities and the CDO Subs, to the extent that the failure to take any such action described in this Section 7.1(a) below would, based on the advice of CT's outside counsel, constitute a breach of the duties of the general partner, managing member, collateral manager or similar governing body of such Fund Entity or CDO Sub, as applicable (or in the case of a Subsidiary of a Fund Entity or CDO Sub, the Fund Entity or CDO Sub controlling such Subsidiary) under applicable Law or the Organizational Documents of such Fund Entity or CDO Sub, as applicable (in which case CT shall give prompt written notice to Purchaser of any such determination prior to undertaking any such action), during the period from the date of this Agreement until the Closing Date (or such earlier date on which this Agreement is terminated pursuant to Article 11), CT shall not, and shall not permit any of its Subsidiaries to,

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unless Purchaser otherwise consents in writing (such consent not to be unreasonably withheld, delayed or conditioned):

(i) amend or propose to amend the CT Charter or CT Bylaws, or cause or permit any of its Subsidiaries to amend or propose to amend its Organizational Documents, including any operating agreements or partnership agreements;

(ii) (A) declare, set aside or pay any dividends on, or make any distributions (whether in cash, securities or other property) in respect of its capital stock, or securities convertible into or exchangeable or exercisable for, any of its capital stock or other equity interests (other than, with respect to any Subsidiaries of CT, as required pursuant to the Organizational Documents of such Subsidiary), except as required to maintain REIT status; (B) adjust, split, combine or reclassify any of its capital stock or equity interests; or (C) purchase, redeem or otherwise acquire any of its equity interests or other securities;

(iii) increase the number of directors on the CT Board to greater than eight (8) members or change the current structure of the CT Board or enter into any agreement or arrangement relating thereto;

(iv) (A) authorize for issuance, issue, deliver, sell, pledge, dispose of, grant, encumber or transfer or agree or commit to issue, deliver, sell, pledge, dispose of, grant, encumber or transfer any shares of any class of capital stock of or other equity interest in CT or any of its Subsidiaries or securities convertible into or exchangeable for, or any options, warrants, or other rights of any kind to acquire, any shares of any class or series of such capital stock, or any other equity interest or any other securities of the CT or any of its Subsidiaries (including any right to participate in the revenue, earnings or distributions of or from CT or any of its Subsidiaries), other than (x) in accordance with the Rights Agreement and (y) the issuance of CT Common Stock (and associated rights issued in accordance with the Rights Agreement) issuable pursuant to the Warrants, (B) enter into any amendment of any term of any of its outstanding securities or waive or modify any rights thereunder or (C) accelerate the vesting of any options, warrants or other rights of any kind to acquire any shares of capital stock or other equity interests (or to participate in the revenue, earnings or distributions of or from CT or any of its Subsidiaries) to the extent that such acceleration of vesting does not occur automatically under the terms of any such interests or plans governing such interests as in effect as of the date hereof;

(v) (A) incur, assume, guarantee, issue, modify, renew, syndicate, refinance or become obligated with respect to any Debt, (B) enter into any swap or hedging transaction or other derivative agreements or (C) make any loans, capital contributions or advances to any Person (other than CT and any of its wholly-owned Subsidiaries) other than in an amount not to exceed two hundred fifty thousand dollars (\$250,000) in the aggregate and otherwise in the Ordinary Course of Business;

(vi) sell, license, or lease, in a single transaction or series of related transactions, or otherwise subject to any Encumbrance (other than Permitted Encumbrances), any of its properties or assets (including any shares or other equity interests of any of its Subsidiaries), other than any such sales, licenses, leases or Encumbrances of properties or assets in the Ordinary Course of Business and in an amount not to exceed two hundred fifty thousand dollars (\$250,000) in the aggregate;

(vii) make or authorize any capital expenditures except in an amount not to exceed one hundred thousand dollars (\$100,000) in the aggregate;

(viii) make any acquisition (including by merger) of the capital stock or the assets of any other Person, in any transaction or series of related transactions for consideration in excess of two hundred fifty thousand dollars (\$250,000) in the aggregate;

(ix) make any investment in another Person or Persons with a value in excess of two hundred fifty thousand dollars (\$250,000) in the aggregate;

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(x) (A) increase or accelerate the timing of payment of compensation or benefits to any Business Employee, other than increases in salary or hourly wage rates for non-management employees in the Ordinary Course of Business consistent with past practice, as required by the terms of any CT Employee Plans set forth on Section 5.9(a) of the Disclosure Schedules or applicable Law, or pursuant to this Agreement, (B) loan or advance any money or other property to any Business Employee, (C) enter into any transaction, retention, change in control, or stay bonus, payment or award, or severance protection or change-in-control agreement with any Business Employee, (D) hire any Business Employee for a position having a total annual cash compensation opportunity of fifty thousand dollars (\$50,000) or more, or terminate a Business Employee from such a position other than for cause, or (E) terminate, establish, adopt, enter into, or amend any Acquired Entities Employee Plan or CT Employee Plan or any plan, program, arrangement, practice or agreement that would be an Acquired Entities Employee Plan or CT Employee Plan if it were in existence on the date hereof, except an amendment to any such plan, program, arrangement, practice or agreement to the extent that such amendment is required by the applicable terms of the Acquired Entities Employee Plan or CT Employee Plan or by Law;

(xi) make any changes in financial accounting methods, principles or practices (or change an annual accounting or period) materially affecting the consolidated assets, liabilities or results of operations of CT and its Subsidiaries, except insofar as may be required (A) by GAAP (or any interpretation thereof), including pursuant to standards, guidelines and interpretations of the Financial Accounting Standards Board or any similar organization, or (B) by Law, including statutory or regulatory accounting rules;

(xii) modify, amend, terminate or waive any material right under any Material Contract (except for any modification or amendment to any Material Contract that is beneficial to CT and/or its Subsidiaries) or, except in the Ordinary Course of Business, enter into any Contract which if entered into prior to the date hereof would have been a Material Contract if entered into as of the date hereof;

(xiii) (A) adopt a plan or agreement of complete or partial liquidation or dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of CT or any of its Subsidiaries or (B) file, or consent by answer or otherwise to the filing against CT or any of its Subsidiaries of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, make any assignment for the benefit of creditors or consent to the appointment of any custodian, receiver, trustee or other officer with similar powers;

(xiv) settle or compromise any pending or threatened suit, action, claim or other Proceeding;

(xv) make or change any material election, change any material method of Tax accounting, file any amended Tax Return, enter into any closing agreement, settle or compromise any material Tax liability, surrender any right to claim a refund of Taxes, or enter into any agreement or waiver extending the period for assessment or collection of any Taxes, *provided, however*, that notwithstanding anything in this Section 7.1(a)(xv), each of CT, CTOPI REIT and CT Legacy REIT shall continue to file Tax Returns in accordance with past practice and shall be permitted to make elections or take other actions that are required in order to preserve their status as a REIT;

(xvi) make or change any election relating to the entity classification of any Acquired Entity for U.S. federal income Tax purposes;

(xvii) reduce or agree to reduce any investors unfunded commitments in any Fund Entity other than to the extent required by the existing Organizational Documents;

(xviii) initiate or threaten any litigation or the institution of any Proceeding against any Client or any investor in any Fund;

(xix) wind up, terminate or dissolve any Fund;

(xx) extend or otherwise modify any investment period with respect to any Fund; or

(xxi) authorize any of, or commit or agree to take any of, the foregoing actions.

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(b) Subject to the terms and conditions of this Agreement and the rights of Purchaser hereunder, Purchaser agrees that, from the date hereof until the Closing Date (or such earlier date on which this Agreement is terminated pursuant to [Article 11](#)), without the prior written consent of CT, except as required by applicable Law, Purchaser shall not knowingly, and shall use commercially reasonable efforts to cause each of its Affiliates not to, take or omit to take any action that would reasonably be expected to prevent or delay the consummation of the Contemplated Transactions.

(c) Nothing contained in this Agreement is intended to give Purchaser, directly or indirectly, the right to control or direct CT's or its Subsidiaries operations.

**7.2 No Solicitation by CT; Other Offers.**

(a) Subject to [Section 7.2\(b\)](#), from the date of this Agreement until the Closing Date or, if earlier, the date on which this Agreement is terminated pursuant to [Article 11](#), CT shall not, and shall cause its Subsidiaries and its and their respective Representatives not to, directly or indirectly through another Person: (i) solicit, initiate or knowingly encourage, knowingly induce or knowingly take any other action which would reasonably be expected to lead to, the making, submission or announcement of, any proposal or inquiry that constitutes, or is reasonably likely to lead to, an Acquisition Proposal; (ii) enter into, continue or participate in any discussions or any negotiations regarding any proposal that constitutes, or would reasonably be expected to lead to the making, submission or announcement of, any Acquisition Proposal; (iii) furnish any non-public information regarding CT or any of its Subsidiaries to any Person in connection with or in response to an Acquisition Proposal or an inquiry that would reasonably be expected to lead to the making, submission or announcement of an Acquisition Proposal or otherwise knowingly facilitate any Acquisition Proposal or an inquiry that would reasonably be expected to lead to the making, submission or announcement of an Acquisition Proposal; (iv) waive, terminate or modify or fail to enforce any provision of any standstill or similar obligation of any Third Party existing on the date hereof, including waiving or exempting any Person from any ownership restrictions under the CT Charter or applicability of any provisions of the Rights Agreement (or from applicability of any antitakeover statute of Maryland law); or (v) resolve or agree to do any of the foregoing. CT shall, and shall cause its Subsidiaries and its and their respective Representatives to, immediately cease and cause to be terminated all discussions or negotiations with any Person conducted prior to the date of this Agreement with respect to any Acquisition Proposal. CT shall promptly deny access to any data room (whether virtual or actual) containing any confidential information previously furnished to any Third Party relating to the consideration of any Acquisition Proposal by any such Third Party and request the prompt return or destruction of all confidential information previously furnished.

(b) Notwithstanding anything in this [Section 7.2](#) to the contrary, at any time prior to obtaining the CT Stockholder Approval, in response to an unsolicited written Acquisition Proposal made after the date of this Agreement by a Third Party in circumstances not involving a breach of this Agreement (including this [Section 7.2](#)) that the CT Board determines in good faith (after consultation with outside legal counsel and its financial advisor) constitutes, or would reasonably be expected to result in, a Superior Proposal, CT may, upon a good faith determination by the CT Board (after receiving the advice of its outside legal counsel) that failure to take such action would reasonably be expected to constitute a breach of the CT Board's duties to CT or CT's stockholders under applicable Law: (i) furnish information (including by providing access to a data room, whether virtual or actual) with respect to the Acquired Entities to the Person making such Acquisition Proposal (and such Person's Representatives); *provided, however*, that all such information shall have been previously provided to Purchaser or is provided to Purchaser at substantially the same time that it is provided by CT to such Person and (ii) participate in discussions or negotiations with the Person making such Acquisition Proposal (and its Representatives) regarding such Acquisition Proposal; and *provided, further*, that, prior to taking any of the actions described in clauses (i) or (ii) above, CT and such Person enter into a confidentiality agreement in customary form that is no less restrictive on such Third Party and its Representatives as the Confidentiality Agreement is on Purchaser and its Affiliates and Representatives.

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(c) CT shall: (i) promptly (and in any event within twenty-four (24) hours) after receipt, notify Purchaser in writing of any Acquisition Proposal, inquiry or request relating to an Acquisition Proposal or request for non-public information relating to an Acquisition Proposal and, in any such notice to Purchaser, indicate the identity of the Person making such Acquisition Proposal, inquiry or request and the material terms and conditions of any proposal or offer or the nature of any inquiries or contacts (and shall include with such notice copies of any written materials received from or on behalf of such Person that describe the material terms and conditions of such proposal, inquiry or request); (ii) promptly (and in any event within twenty-four (24) hours) after the meeting of the CT Board to consider such Acquisition Proposal, notify Purchaser as to whether CT intends to participate or engage in discussions or negotiations with, or furnish nonpublic information to, such Person; (iii) keep Purchaser informed of all material developments affecting the status and terms of any such proposals, inquiries and requests, and (iv) promptly (and in any event within twenty-four (24) hours) provide Purchaser with copies of any additional written materials that describe the material terms and conditions of such proposal, inquiry or request.

(d) The CT Board shall not: (i) fail to make the CT Board Recommendation to CT's stockholders (including through any failure to include the CT Board Recommendation in the Proxy Statement); (ii) withhold, withdraw, amend or modify in a manner adverse to Purchaser, or publicly propose (whether through CT, its Subsidiaries or any of its Representatives) to withhold, withdraw, amend or modify in a manner adverse to Purchaser, the CT Board Recommendation; (iii) in the event that an Acquisition Proposal is publicly announced or disclosed, fail to publicly reaffirm the CT Board Recommendation within ten (10) Business Days after Purchaser's written request to do so; (iv) adopt, approve or recommend, or otherwise declare advisable the adoption of, any Acquisition Proposal or publicly propose to adopt, approve or recommend, or otherwise declare advisable the adoption of, any Acquisition Proposal; or (v) resolve to take any such actions (each such foregoing action or failure to act in clauses (i) through (v) of this Section 7.2(d) being referred to as a Change in CT Board Recommendation). Notwithstanding the foregoing, the CT Board may, at any time prior obtaining CT Stockholder Approval, take any of the actions set forth in Sections 7.2(d)(A) or 7.2(d)(B) below; *provided, however*, that prior to taking any such action CT complies with Section 7.2(e) of this Agreement:

(A) effect a Change in CT Board Recommendation in response to an unsolicited *bona fide* written Acquisition Proposal made after the date of this Agreement in circumstances not involving a breach of this Agreement (including any violation of this Section 7.2) that is not withdrawn if the CT Board concludes in good faith, after consultation with outside legal counsel, that the failure to take such action would reasonably be expected to constitute a breach of its duties to CT or CT's stockholders under applicable Law and the CT Board concludes in good faith, after consultation with outside legal counsel and CT's financial advisor, that such Acquisition Proposal constitutes a Superior Proposal; and

(B) effect a Change in CT Board Recommendation in response to a material development or material change in circumstances occurring or arising after the date of this Agreement with respect to CT and/or its Subsidiaries that was neither known to the CT Board nor reasonably foreseeable as of or prior to the date hereof (and not relating to any Acquisition Proposal or any development or change relating to Purchaser or any of its Affiliates) (any such material development or material change in circumstances, an Intervening Event) if the CT Board concludes in good faith, after consultation with outside legal counsel, that the failure to take such action would reasonably be expected to constitute a breach of its duties to CT or CT's stockholders under applicable Law.

(e) Notwithstanding anything to the contrary set forth in Section 7.2(d), CT shall not be entitled to make a Change in CT Board Recommendation pursuant to Section 7.2(d)(A) or Section 7.2(d)(B), unless: (A) CT shall have first provided prior written notice to Purchaser that it is prepared to make a Change in CT Board Recommendation (a Recommendation Change Notice), which notice shall, if the basis for the proposed action by the CT Board is related to an Intervening Event, contain a description of the events, facts and circumstances giving rise to such proposed action or, if the basis for the proposed action by the CT Board is a Superior Proposal, contains the identity of the Third Party and a description of all of the material terms and conditions of such Superior Proposal, including a copy of CT Acquisition Agreement in the form to be entered into (it being

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understood and agreed that the delivery of such notice shall not, in and of itself, be deemed to be a Change in CT Board Recommendation) and CT has otherwise provided or made available to Purchaser all information concerning CT and/or its Subsidiaries delivered or made available to the Third Party; (B) CT shall have offered to negotiate with (and, if accepted, negotiated in good faith with), and shall have caused its respective financial and legal advisors to offer to negotiate with (and, if accepted, negotiated in good faith with), Purchaser in making adjustments to the terms and conditions of this Agreement during a five (5) Business Day period following receipt by Purchaser of the Recommendation Change Notice as would enable CT to proceed with the Contemplated Transactions; and (C) the CT Board shall have determined in good faith (after consultation with outside legal counsel and, in the case of a Superior Proposal, CT's financial advisor and considering the results of any negotiations and the revised proposals made by Purchaser in connection therewith), after the end of such five (5) Business Day period after the date of receipt of the Recommendation Change Notice, that the Intervening Event continues to require the CT Board to effect a Change in CT Board Recommendation or that the Acquisition Proposal previously constituting a Superior Proposal continues to constitute a Superior Proposal, as applicable. Any material changes with respect to the Intervening Event, or material changes to the material terms of such Superior Proposal (whether financial or otherwise), as the case may be, occurring prior to CT's effecting a Change in CT Board Recommendation in accordance with the terms hereof shall require CT to provide to Purchaser a new Recommendation Change Notice and a new five (5) Business Day period in which to negotiate.

(f) Nothing contained in this Section 7.2 or elsewhere in this Agreement shall prohibit CT from: (i) taking and disclosing to CT's stockholders a position with respect to a tender or exchange offer by a Third Party contemplated by Rule 14e-2(a) or making a statement required under Rule 14d-9 under the Exchange Act or (ii) making any disclosure to CT's stockholders if, in the good faith judgment of the CT Board, after consultation with outside legal counsel, the failure to so disclose would reasonably be expected to constitute a breach of its duties to CT or CT's stockholders under applicable Law; *provided, however*, that this Section 7.2(f) shall not affect the obligations of CT and the CT Board and the rights of Purchaser under Sections 7.2(d), 7.2(e) or Article 11 of this Agreement, to the extent applicable to such disclosure (it being understood that any stop, look and listen letter or similar communication of the type contemplated by Rule 14d-9(f) under the Exchange Act shall not be deemed to be a Change in CT Board Recommendation).

**7.3 Preparation of the Proxy Statement; Stockholders Meeting.**

(a) As soon as reasonably practicable after the execution of this Agreement, CT shall prepare and file with the SEC a proxy statement relating to the CT Stockholders Meeting (as amended or supplemented from time to time, the Proxy Statement ). CT shall use its reasonable best efforts to respond as promptly as reasonably practicable to any comments received from the SEC or its staff concerning the Proxy Statement and shall cause the Proxy Statement to be mailed to its stockholders as promptly as reasonably practicable after the resolution of any such comments. CT shall notify Purchaser promptly upon the receipt of any comments from the SEC or its staff or any other government officials and of any request by the SEC or its staff or any other government officials for amendments or supplements to the Proxy Statement and shall supply Purchaser with copies of all correspondence between CT or any of its directors, officers, employees, investment bankers, attorneys, accountants and other advisors or representatives (collectively, Representatives ), on the one hand, and the SEC, or its staff or any other government officials, on the other hand, with respect to the Proxy Statement. Purchaser shall cooperate with CT in connection with the preparation and filing of the Proxy Statement, including promptly furnishing to CT in writing upon request any and all information relating to it as may be required to be set forth in the Proxy Statement under applicable Law. Purchaser shall ensure that such information supplied by it in writing specifically for inclusion (or incorporation by reference) in the Proxy Statement will not, on the date it is first mailed to stockholders of CT and at the time of the CT Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. Notwithstanding anything to the contrary stated above, prior to filing or mailing the Proxy Statement, or filing any other required filings (or, in each case, any amendment or supplement thereto) or responding to any comments of the SEC with respect thereto, CT shall provide Purchaser with a reasonable

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opportunity to review and comment on such document or response and shall, to the extent consistent with its disclosure obligations, include in such documents or responses such comments reasonably proposed by Purchaser, and, to the extent practicable, CT will provide Purchaser with the opportunity to participate in any substantive telephone calls between CT or any of its Representatives and the SEC concerning the Proxy Statement. CT shall ensure that the Proxy Statement (i) will not, on the date it is first mailed to stockholders of CT and at the time of the CT Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading and (ii) will comply as to form in all material respects with the applicable requirements of the Exchange Act. Purchaser and CT each agree to correct any information provided by it for use in the Proxy Statement which shall have become false or misleading. CT assumes no responsibility with respect to information supplied in writing by or on behalf of Purchaser specifically for inclusion or incorporation by reference in the Proxy Statement.

(b) CT shall take all actions in accordance with applicable Law, the CT Charter or the CT Bylaws and the rules of NYSE to set a record date (the Meeting Record Date ) for stockholders entitled to vote at, duly call, give notice of, convene and hold a meeting of its stockholders (including any adjournment or postponement thereof, the CT Stockholders Meeting ) for the purpose of obtaining the CT Stockholder Approval, as soon as reasonably practicable after the SEC confirms that it has no further comments on the Proxy Statement. Subject to Section 7.2, the CT Board shall include the CT Board Recommendation in the Proxy Statement and CT shall solicit or cause to be solicited from its stockholders proxies in favor of approval of each of the matters subject to the CT Stockholder Approval. CT shall keep Purchaser informed on a reasonably current basis of any information relating to the CT Stockholders Meeting, including any vote of the stockholders. Notwithstanding anything to the contrary contained in this Agreement, CT may (after consultation with Purchaser and based upon the advice of any third party proxy solicitor, where applicable) postpone or adjourn the CT Stockholders Meeting, (i) to the extent necessary to ensure that any supplement or amendment to the Proxy Statement required by applicable Law (based upon the advice of outside counsel) or otherwise agreed between Purchaser and Seller is provided to the stockholders of CT within a reasonable amount of time in advance of the CT Stockholders Meeting or (ii) if as of the time for which the CT Stockholders Meeting is originally scheduled (as set forth in the Proxy Statement) there are insufficient shares of Common Stock represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of the CT Stockholders Meeting. Unless this Agreement shall have been terminated in accordance with Section 11.1, CT shall hold the CT Stockholders Meeting regardless of whether the CT Board has made a Change in CT Board Recommendation.

**7.4 Confidentiality**

(a) Purchaser and Seller each acknowledges that the information being provided or made available to it by the other Party and their respective Subsidiaries or Affiliates (or their respective agents or representatives) is subject to the terms of a confidentiality agreement dated January 18, 2012, between CT and Blackstone Real Estate Advisors L.P., as amended by Amendment No. 1 thereto, dated May 22, 2012 (the Confidentiality Agreement ), and the terms of which (other than Section 10 thereof) are incorporated herein by reference and shall continue to be in force even though the Parties understand that by its terms the Confidentiality Agreement no longer is in force.

(b) CT shall, and shall cause its Subsidiaries, in each case, after the Closing to, to the extent any of them has any nonpublic information relating to Purchaser and/or its Affiliates, including the Acquired Entities and Fund Entities (any such information, Purchaser Information ), (i) treat the Purchaser Information strictly confidentially, except as and to the extent otherwise required by Law (*provided*, that, in the event that CT is required to so disclose any such information, it shall promptly notify Purchaser thereof and cooperate, at Purchaser's expense, in taking such measures as reasonably requested by Purchaser to limit such disclosure) and (ii) not use the Purchaser Information for any purpose except as and to the extent expressly permitted by Purchaser.

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### **7.5 Access: Publicity.**

(a) At all times from the date of this Agreement until the Closing Date or, if earlier, the date on which this Agreement is terminated pursuant to Article 11, CT shall, and shall cause its Subsidiaries to, afford Purchaser, its Affiliates and its and their Representatives reasonable access during normal business hours, upon reasonable notice, to the properties, books and records and personnel of CT and its Subsidiaries, including all correspondence with investors in any Fund; *provided, however*, that CT may restrict or otherwise prohibit access to any documents or information to the extent that (i) any applicable Law requires CT to restrict or otherwise prohibit access to such documents or information or (ii) access to such documents or information would give rise to a material risk of waiving any attorney-client privilege, work product doctrine or other applicable privilege applicable to such documents or information (in which case CT shall use reasonable best efforts to make substitute arrangements) and *provided, further*, that no information or knowledge obtained by Purchaser, its Affiliates or its or their Representatives in any investigation conducted pursuant to the access contemplated by this Section 7.5(a) shall affect or be deemed to modify any representation or warranty of CT set forth in this Agreement or any Transaction Document or otherwise impair the rights and remedies available to Purchaser hereunder or in any Transaction Document. Any investigation conducted pursuant to the access contemplated by this Section 7.5(a) shall be conducted in a manner that does not unreasonably interfere with the conduct of the business of CT and its Subsidiaries.

(b) Neither CT nor Purchaser shall issue any public release or make any public announcement or disclosure concerning this Agreement or the Contemplated Transactions without the prior written consent of the other (which consent shall not be unreasonably withheld, delayed or conditioned), except as such release, announcement or disclosure may be required by applicable Law or the rules or regulations of any applicable United States securities exchange or regulatory or Governmental Authority to which the relevant Party is subject or submits, wherever situated, in which case the Party required to make the release or announcement shall use its reasonable best efforts to allow the other Party reasonable time to comment on such release or announcement in advance of such issuance (it being understood that the final form and content of any such release or announcement, as well as the timing of any such release or announcement, shall be at the final discretion of the disclosing Party).

### **7.6 Books and Records.**

(a) As of the Closing Date, CT will deliver to Purchaser all books, records, Contracts, information and any other documents relating to the business of any Acquired Entity, any Fund Entity and their respective Subsidiaries that are not already in the possession or control of any Acquired Entity, any Fund Entity or any of their respective Subsidiaries.

(b) Subject to the requirements of Section 7.6(a), CT and Purchaser agree that each of them will preserve and keep the records held by it relating to the business of CT, any Acquired Entity, any Fund Entity and their respective Subsidiaries as of the Closing for the longer of (i) a period of five (5) years from the Closing Date and (ii) such period as is required under any Final Fund Documents or related side letters; *provided, however*, that prior to disposing of any such records in accordance with such policies, the applicable Party shall provide written notice to the other Party of its intent to dispose of such records and shall provide such other Party the opportunity to take ownership and possession of such records (at such other Party's sole expense) within thirty (30) days after such notice is delivered. If such other Party does not confirm its intention in writing to take ownership and possession of such records within such thirty (30)-day period, the Party who possesses the records may proceed with the disposition of such records. Seller and Purchaser shall make such records available to the other as may be reasonably required by such Party in connection with, among other things, any insurance claims by or Proceedings or governmental investigations involving Seller or Purchaser or any of their respective Affiliates or in order to enable Seller or Purchaser to comply with their respective obligations under this Agreement or any Transaction Document.



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(a) Subject to the terms and conditions of this Agreement, each Party hereto shall cooperate with the other Party and use (and shall cause their respective Subsidiaries to use) their respective reasonable best efforts (unless, with respect to any action, another standard of performance is expressly provided for herein) to promptly take, or cause to be taken, all actions, and do, or cause to be done, and assist and cooperate with the other parties in doing, all things necessary, proper or advisable to cause the conditions to Closing to be satisfied as soon as practicable and to consummate and make effective as promptly as practicable, the Contemplated Transactions, including (i) preparing and filing promptly and fully all documentation to effect all necessary registrations, notices and forms and other documents, (ii) obtaining all approvals, consents, waivers and other confirmations from any Governmental Authority or third party necessary, proper or advisable to consummate the Transactions; *provided*, that, notwithstanding anything herein to the contrary, none of CT, its Subsidiaries or Purchaser (or Purchaser's Affiliates) will be required to (nor, without the prior written consent of Purchaser, will CT, its Subsidiaries or their respective Representatives on behalf of them) (A) pay or agree to pay any consent, approval or waiver fee, discount, rebate or any money or other consideration beyond administrative costs, including a *de minimis* review charge, to any Person (excluding costs and expenses incurred in connection with obtaining the CT Stockholder Approval, including printing and mailing fees for the Proxy Statement), (B) initiate any Proceeding against any Person or (C) accept any material conditions or obligations, including to existing conditions and obligations (except, in each case, for such changes to existing conditions and obligations as mutually agreed between Seller and Purchaser) in order to obtain any consent, approval or waiver of any third person, including any investor in any Fund managed by CT or any of its Subsidiaries; and *provided, further*, that in seeking any consents or approvals from any Fund investors, CT shall be subject to the provisions of [Section 7.7\(b\)](#), (iii) executing and delivering any additional instruments necessary to consummate the Transactions and (iv) subject to [Section 7.7\(c\)](#), defending or contesting any action or other proceeding brought by a third party that would otherwise prevent or materially delay the consummation of the Contemplated Transactions.

(b) CT shall, and shall cause its Subsidiaries to, provide Purchaser and its Representatives with the opportunity to attend and participate in any meetings with the Clients or any investors in any Fund managed by CT or any of its Subsidiaries during the period after the date hereof and prior to the Closing (and shall provide notice of any such meeting to Purchaser at least 24 hours in advance), unless specifically objected to by the relevant Client or investor. CT shall, and shall cause its Subsidiaries to and use reasonable best efforts to cause its Representatives to, ensure that all communications to any Client or Fund investor relating to the Contemplated Transactions (other than those that would not reasonably be expected to be material to CT, the Fund Entities, the CDO Subs or Purchaser and its Affiliates) shall be jointly reviewed and approved by each of Purchaser and Seller (and CT shall, and shall cause its Subsidiaries to, incorporate any modifications to any such communications reasonably proposed by Purchaser). During the period from the date hereof and prior to the Closing, neither CT nor any of its Subsidiaries shall deliver, send or otherwise distribute any communication or other information or documentation to any Client or investor in any Fund managed by CT or any of its Subsidiaries, including the Fund Entities, without the prior consent of Purchaser; *provided*, that with respect to any communication or other information or documentation required to be sent or otherwise distributed to any such investor pursuant to the terms of the Organizational Documents of the applicable Fund, CT may make any such distribution, but solely to the extent that (i) Purchaser has been provided with a written copy of such communication, information or other documentation at least one (1) Business Day prior to the date of delivery or distribution and (ii) CT includes any modifications to any such communication, information or other documentation reasonably proposed by Purchaser. To the extent permitted by applicable Law and the terms and conditions of any applicable Contract with such investors, CT shall, and shall cause its Subsidiaries to, provide Purchaser with copies of any correspondence received from any Fund investor after the date hereof and prior to the Closing.

(c) CT shall give Purchaser notice of and shall reasonably consult with and consider in good faith any recommendations made by Purchaser in connection with CT's defense of any allegation, claim or other Proceeding commenced or made on or after the date hereof by any holder of securities of CT (on their own

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behalf or on behalf of CT) relating to this Agreement, the Transaction Documents or any Contemplated Transactions.

(d) CT, on the one hand, and Purchaser, on the other hand, agree to cooperate fully after the Closing with each other and to execute and deliver such further documents, certificates, agreements and instruments and to take such other actions as may be reasonably requested by the other Party or Parties to evidence or reflect the Contemplated Transactions and to carry out the intent and purposes of the Transaction Documents.

**7.8 Expenses.** Except as otherwise expressly provided herein, all costs and expenses incurred in connection with this Agreement and the other Transaction Documents and the Contemplated Transactions shall be paid by the Party incurring such expenses, and no such cost or expense will be paid or payable by any Acquired Entity, any Fund Entity or any of their respective Subsidiaries.

**7.9 Employee Matters and Employee Benefit Plans.**

(a) No CT Employee Plan assets or liabilities will be transferred to Purchaser or its Affiliates; rather, all such CT Employee Plan assets and liabilities shall be retained by CT and its Subsidiaries and ERISA Affiliates, other than any Acquired Entity and any Fund Entity.

(b) Effective immediately following the Closing, and until the earlier of December 31, 2013 or the first anniversary of the Closing, all Business Employees who continue employment with Purchaser and its affiliates (including an Acquired Entity or Fund Entity), (the Continuing Employees ) shall receive, subject to such Continuing Employees continued employment, total compensation and benefit opportunities that are substantially comparable, in the aggregate, to those provided to similarly situated employees of Purchaser and its affiliates. For all purposes (other than pension benefit accrual), and except as would result in a duplication of benefits, each Continuing Employee shall be credited with all years of service with any Acquired Entity (or their Affiliates and predecessors) to the extent such service would be credited under a corresponding Acquired Entities Employee Plan or CT Employee Plan providing similar benefits. In addition, except as restricted by the insurance carriers for any Plan, no pre-existing condition limitation or exclusion that would not have been applicable under the Acquired Entities Employee Plans shall apply to participation and coverage for the Continuing Employees, and any amounts previously expended by Continuing Employees and their covered dependents for the current plan year for purposes of satisfying out-of-pocket requirements, deductibles and co-payments under the Acquired Entities Employee Plans that are group health plans shall be credited for purposes of satisfying out-of-pocket requirements, deductibles and co-payments, under any Purchaser Plan that is a group health plan

(c) CT shall take or cause to be taken each of those matters set forth in Section 7.9(c) of the Disclosure Schedules.

(d) No provision of this Agreement shall create any third party beneficiary or confer any rights or remedies in any employee or former employee (including any beneficiary or dependent thereof) of CT, any Acquired Entity, any Fund Entity or their respective Subsidiaries, including in respect of continued employment (or resumed employment) with any Acquired Entity, any Fund Entity, Purchaser or any of its Affiliates; no provision of this Agreement shall create any such rights in any such Persons in respect of any benefits that may be provided, directly or indirectly, under any Plan or any plan of any Acquired Entity, any Fund Entity, or Purchaser, and nothing herein, whether express or implied, shall be deemed to establish any Plan, or constitute an amendment or other modification under any Plan or any plan of Purchaser, or shall limit the right of any Acquired Entity, any Fund Entity, or Purchaser or its Affiliates to amend, terminate or otherwise modify any of their Acquired Entities Employee Plans following the Closing. If (i) a party other than the Parties hereto makes a claim or takes other action to enforce any provision in this Agreement as an amendment to any such Plan or plan and (ii) such provision is deemed to be an amendment to such Plan or plan even though not explicitly designated as such in this Agreement, then, solely with respect to such Plan or plan, such provision shall lapse retroactively and shall have no amendatory effect with respect thereto.

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**7.10 Insurance Matters.**

(a) Following the Closing, Purchaser shall cause any Acquired Entity, any Fund Entity (to the extent controlled by Purchaser or its Affiliates) or any of their respective Subsidiaries (as applicable), (i) to reasonably cooperate with CT, at the request and at the expense of CT, to assist CT in pursuing coverage for any claims made by or against CT or its respective Subsidiaries (other than any Acquired Entity, any Fund Entity and their respective Subsidiaries) with respect to actions taken prior to the Closing and (ii) subject to the provisions of Article 10, to reasonably cooperate with CT, at the request and at the expense of CT, to assist CT in the defense of any claims made against any Seller Indemnitee by a third party with respect to actions taken prior to the Closing.

(b) CT acknowledges and agrees that with respects to acts, omissions, events or circumstances relating to any Acquired Entity, Fund Entity or any of the respective Subsidiaries that occurred or existed prior to the Closing that are covered by insurance policies under which any Acquired Entity, Fund Entity or any of the respective Subsidiaries is an insured on, prior to or after the Closing, any such Acquired Entity, Fund Entity or Subsidiary may make claims under such policies subject to the terms and conditions of the policies or, in the alternative, if the Acquired Entity, Fund Entity or any respective Subsidiary cannot directly make such claims under the terms of the insurance policies, CT agrees to make the claim on their behalf. Without limiting the rights of the Purchaser Indemnitees to indemnification pursuant to Article 10, but subject to the provisions of Article 10, CT agrees to reasonably cooperate with Purchaser and its Affiliates, including, after the Closing, the Acquired Entities, Fund Entities and their respective Subsidiaries, at the request and at the expense of Purchaser, to assist Purchaser and/or its Affiliates, including, after the Closing, the Acquired Entities, Fund Entities and their respective Subsidiaries in the defense of any claims made against any Acquired Entity, Fund Entity or their respective Subsidiaries by a third party with respect to actions taken by any Acquired Entity, Fund Entity or their respective Subsidiaries prior to the Closing.

(c) From and after the Closing, each of Purchaser, CT, each Acquired Entity and each Fund Entity agrees that all rights of its officers and directors to exculpation, advances of expenses and indemnification under any indemnification arrangements contained in such entity's trust agreement, certificate of incorporation or organization, limited liability company operating agreement or by-laws (Indemnification Arrangements) for acts or omissions occurring at or prior to the Closing shall survive the Closing Date and shall continue in full force and effect in accordance with their respective terms and that such rights shall not be amended or otherwise modified in any manner that would adversely affect the rights of the officers and directors, in each case with respect to matters occurring on or prior to the Closing. CT, each Acquired Entity and each Fund Entity covenants and agrees that it shall not amend or modify after the Closing any Indemnification Arrangements in a manner that would deprive CT's officers and directors of (or adversely modify) their rights to exculpation, advances of expenses and indemnification under any Indemnification Arrangements with respect to matters prior to the time of any such amendment. From and after the Closing, CT shall purchase and maintain (i) for a period of six (6) years, a directors' and officers' liability insurance policy or, in the alternative, obtain a six (6)-year extended reporting period or tail policy, insuring the current or former officers or directors of CT with respect to any acts or omissions occurring at or prior to the Closing; and (ii) for a period of six (6) years, an investment fund professional and management liability policy or, in the alternative, obtain a six (6)-year extended reporting period or tail policy, insuring the current or former officers or directors of CT with respect to any acts or omissions occurring at or prior to the Closing. The provisions of this Section 7.10(c) are intended to be for the benefit of, and shall be enforceable by, each of the directors and officers of CT, his or her heirs and his or her representatives and are in addition to, and not in substitution for, any other rights to indemnification or contribution that any such person may have by Contract or otherwise.

**7.11 Board Designation Rights.**

(a) Effective as of the Closing, CT shall, in accordance with and subject to the Maryland General Corporation Law (MGCL), acting through the CT Board, appoint to the CT Board two (2) directors designated

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by Purchaser, one of whom shall, subject to the MGCL, be appointed as Chairman of the CT Board. From and after the Closing Date until such time as Purchaser and its Affiliates collectively shall have disposed of more than fifty percent (50%) of the New CT Shares purchased by Purchaser hereunder (appropriately adjusted for any stock splits, reverse stock splits or similar events) (the Termination Date ), CT shall, in accordance with and subject to the MGCL and the rules of the NYSE, acting through the CT Board, (i) nominate for election to the CT Board two (2) director nominees designated by Purchaser (the Purchaser Designees ) at each annual or special meeting of CT stockholders at which directors are to be elected and use its best efforts to cause the election of such Purchaser Designees by CT's stockholders and (ii) ensure that the CT Bylaws provide that the CT Board shall be comprised of no more than eight (8) members unless otherwise agreed to in writing by Purchaser.

(b) For so long as Purchaser and/or its Affiliates are entitled to designate Purchaser Designees pursuant to this Section 7.11, Purchaser shall, subject to the rules of the NYSE, be entitled to proportionate representation (for such purposes, calculated rounding the number of committee members to be comprised of Purchaser Designee(s) up to the nearest whole number) on each committee of the CT Board, other than CT's audit and compensation committees. Subject to the foregoing and acting through the CT Board, CT agrees to cause the Purchaser Designee(s) required to provide such proportionate representation to be appointed to and maintained as such committee member(s).

(c) In the event that a vacancy in the CT Board or committee of the CT Board is created at any time by the death, disability, retirement, resignation or removal of a Purchaser Designee, Purchaser shall have the right to designate any Person as a replacement Purchaser Designee to fill such vacancy and, subject to the MGCL and the rules of the NYSE, CT agrees to use its best efforts to cause such vacancy to be filled as promptly as possible with a replacement Purchaser Designee. Subject to the MGCL and the rules of the NYSE, CT shall not take any action to cause the removal of a Purchaser Designee.

(d) Until the later to occur of (i) such time as Purchaser and/or its Affiliates, as applicable, do not have the right to designate Purchaser Designees to the CT Board pursuant to this Section 7.11, and (ii) Affiliates of Purchaser cease to manage the business of CT and its Subsidiaries, through the New CT Management Agreement or otherwise, CT shall not, without the prior written consent of Purchaser, (x) amend the CT Charter to remove or otherwise modify the provisions of the CT Charter that are the subject of the CT Charter Amendment Proposal or (y) otherwise amend the CT Charter or CT Bylaws or enter into any Contract or otherwise take any action that could reasonably be expected to (A) result in CT being unable to fulfill its obligations under this Agreement or (B) discriminate against Purchaser or any of its Affiliates, whether on the basis of its holdings in CT or otherwise.

(e) For the avoidance of doubt, Purchaser shall be entitled to assign any of its rights pursuant to this Section 7.11 to any of its Affiliates without the consent of CT.

7.12 **Special Dividend**. Concurrently with the setting of the Meeting Record Date for the CT Stockholders Meeting, the CT Board shall adopt the resolutions with respect to the declaration of the Special Dividend to all holders of record of the Common Stock on the date set as the Meeting Record Date (the Special Dividend Payment Record Date ) and shall provide the notice of the dividend in accordance with applicable Law, the CT Charter or the CT Bylaws and the rules of NYSE, and as soon as practicable following the Closing, CT shall pay the Special Dividend to all holders of record of the Common Stock on the Special Dividend Payment Record Date. For the avoidance of doubt, Purchaser, in its capacity as the holder of the New CT Shares, shall not be entitled to participate in the Special Dividend.

7.13 **Affiliate Contracts**. CT shall cause each Contract between CT or any its Subsidiaries (other than any Acquired Entity, Fund Entity or any of their respective Subsidiaries), on the one hand, and any Acquired Entity, Fund Entity or any of their respective Subsidiaries, on the other hand, other than this Agreement, the Transaction Documents and other than those agreements and arrangements set forth in Section 7.13 of the Disclosure Schedules, to be terminated prior to the Closing.

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7.14 **Anti-Takeover Laws**. In the event that any state anti-takeover or other similar Law is or becomes applicable to this Agreement, the Transaction Documents or any of the Contemplated Transactions, CT and Purchaser shall use their respective reasonable best efforts to ensure that the Contemplated Transactions may be consummated as promptly as practicable on the terms and subject to the conditions set forth in this Agreement and otherwise to minimize the effect of such Law on this Agreement, the Transaction Documents and the Contemplated Transactions.

7.15 **Notification of Certain Matters**. At all times from the date of this Agreement until the Closing Date or, if earlier, the date on which this Agreement is terminated pursuant to Article 11, (a) CT shall give prompt written notice to Purchaser of the occurrence or non-occurrence of any event known to CT the occurrence or non-occurrence of which would reasonably be expected to cause any representation or warranty contained in Article 3, Article 4 or Article 5 to be untrue, or the failure of CT to comply with or satisfy any covenant or agreement under this Agreement and (b) Purchaser shall give prompt written notice to CT of the occurrence or non-occurrence of any event known to Purchaser the occurrence or non-occurrence of which would reasonably be expected to cause any representation or warranty contained in Article 6 to be untrue, or the failure of Purchaser to comply with or satisfy any covenant or agreement under this Agreement; *provided*, that, in each case, the giving of such notice shall not (and no investigation conducted by any Party with respect to, or any knowledge acquired by any Party, whether before or after the date hereof, in respect of, the accuracy or inaccuracy of or compliance with any representation, warranty, covenant, obligation or other agreement in this Agreement or in any other Transaction Document) affect the rights or remedies of any party hereunder (including any right to indemnification).

7.16 **New CT Share Listing**. CT shall use reasonable best efforts to cause the New CT Shares issuable hereunder to be authorized for listing on the NYSE, upon official notice of issuance, as of the Closing.

7.17 **Working Capital**. CT shall use commercially reasonable efforts to have cash and cash equivalents (determined in accordance with GAAP) net of uncleared checks and drafts issued by CT and/or its Subsidiaries and excluding Restricted Cash of CT and/or its Subsidiaries as of the close of business on the Business Day immediately prior to the Closing Date of at least five million dollars (\$5,000,000).

7.18 **Lease**. Purchaser and Seller each agree to use commercially reasonable efforts to cause the Landlord to either (i) consent to the Assignment of Lease or (ii) agree to terminate the Lease, in each case, upon the Closing (clause (i) or (ii) of the foregoing, as applicable, the Lease Settlement ). If the Landlord consents to the Assignment of Lease at Closing, then at Closing (A) the Lease shall be assigned to or at the direction of Purchaser and (B) Purchaser shall post a replacement deposit with the Landlord and the security deposit posted by Seller shall be returned to Seller, after taking into account amounts deducted by Landlord, if any, for matters which arose or accrued prior to the Closing (the Lease Deposit Amount ) or the Lease Deposit Amount shall, to the extent that the security deposit is assignable pursuant to Law and is assigned to the Purchaser at Closing, be paid by the Purchaser to the Seller at Closing, and, after the Closing, Seller shall have no further right to the security deposit posted under the Lease. To the extent the Lease Settlement has not occurred by the Closing, (a) the Lease shall not be assigned to Purchaser and Seller shall remain liable on the Lease, (b) the Lease Deposit Amount shall be paid by the Purchaser to the Seller at Closing and thereafter Seller shall have no further right to the security deposit posted under the Lease and shall promptly remit all amounts received in respect thereof to Purchaser, (c) Purchaser shall promptly reimburse Seller for all amounts payable by the Seller under the Lease that first arise or accrue from and after the Closing, (d) Purchaser shall have the right, in its discretion, to market the Lease for assignment or sublet and (e) Seller shall not, without the prior written consent of Purchaser, which may be granted or withheld in its sole discretion, amend or modify the terms of the Lease, grant or waive any rights, consents or approvals thereunder or default in the performance of its obligations thereunder in any material respect. Seller shall reasonably cooperate with Purchaser's efforts to assign the Lease or sublet the premises, including (1) provide Purchaser, its representatives and potential assignees or subtenants with access to the premises and any information with respect to the premises or the Lease in Seller's possession or control, (2) if requested by Purchaser, facilitate and participate in any submissions to or conversations with Landlord in

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connection therewith and (3) execute and deliver any documents reasonably requested by Purchaser and/or the Landlord to implement such assignment or sublet. If the Lease is assigned to a third party following the Closing, then upon the effectiveness of such assignment, to the extent Seller has no further obligations or liabilities under the Lease after such assignment, Purchaser shall have no further obligations or liabilities to Seller with respect to the Lease for the period from and after such assignment. If the Lease is assigned to Purchaser following the Closing, Purchaser shall become primarily liable on the Lease. If the Premises are sublet at any time following the Closing and while the Seller remains liable on the Lease, then any rents paid by such subtenant shall be credited against the amount payable by Purchaser to Seller pursuant to clause (b) above. Except as expressly provided in this Section 7.18 to the contrary, upon the assignment or termination of the Lease following the Closing, Purchaser shall have no further obligations or liabilities to Seller with respect to the Lease. The terms of this Section 7.18 shall survive the Closing. For so long as Seller is the lessee under the Lease and the Lease has not been assigned to Purchaser or its designee, the Seller shall not take any action without the prior written consent of Purchaser that would reasonably be expected to result in a claim by the landlord or any other person against the security deposit for the Lease.

**ARTICLE 8**

**CERTAIN TAX MATTERS**

**8.1 Tax Returns.**

(a) Seller shall prepare and file or cause to be prepared and filed when due all Tax Returns that are required to be filed by or with respect to each of CT, any Acquired Entity, any Fund Entity and their respective Subsidiaries on or before the Closing, and CT shall remit or cause to be remitted all Taxes shown due on such Tax Returns.

(b) Purchaser shall prepare and file or cause to be prepared and filed when due all Tax Returns that Purchaser is required by applicable Law to file by or with respect to each Acquired Entity and each of its Subsidiaries after the Closing, and Purchaser shall remit or cause to be remitted any Taxes shown due on such Tax Returns. Prior to Purchaser filing, or causing to be filed any such Tax Return of any Acquired Entity or its Subsidiaries for (A) a Pre-Closing Tax Period or (B) a Straddle Period, to the extent CT could have any liability for Taxes with respect to such Tax Return in accordance with this Agreement, Purchaser shall provide to CT, at least thirty (30) days prior to the filing deadline for such Tax Return (taking into account any applicable extensions), a draft of such Tax Return. Within twenty (20) days of delivery to CT of any such draft Tax Return, CT shall inform Purchaser of any objections CT has to such draft Tax Return, and if CT has no such objections, then Purchaser shall cause to be timely filed such Tax Return completed on the basis of the draft provided to CT. If within twenty (20) days of delivery to CT of any such draft Tax Return, CT informs Purchaser of CT's objection(s) to such draft Tax Return, then CT and Purchaser shall negotiate in good faith to resolve such objection(s). If CT and Purchaser are able to resolve such objection(s) prior to the filing deadline for such Tax Return (taking into account any applicable extensions), then Purchaser shall cause to be timely filed such Tax Return on the basis agreed upon by CT and Purchaser. If despite such good faith efforts, CT and Purchaser are unable to resolve such objection(s) within such period of time, then the matter shall be submitted to an independent accounting firm reasonably acceptable to each of CT and Purchaser for review and resolution by such accounting firm, which review and resolution shall (i) occur no later than five (5) days prior to the filing deadline of such Tax Return (taking into account any applicable extensions), and (ii) be limited to such objection(s); and, thereafter, Purchaser shall cause to be timely filed such Tax Return on the basis of the draft provided to CT, as modified to reflect such accounting firm's resolution of CT's objection(s) thereto. The fees and expenses of the independent accounting firm shall be paid one-half by CT and one-half by Purchaser. CT shall pay to Purchaser CT's portion of the Taxes due with respect to any Tax Return referred to in this Section 8.1(b), which equals the entire amount of Taxes due with respect to any Pre-Closing Tax Period and the portion of any Straddle Period ending on the Closing Date determined pursuant to the last two (2) sentences of Section 8.3, no later than three (3) days prior to the due date of such Tax Return.

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(c) Purchaser shall pay to CT (a) all refunds of Taxes actually received by any Acquired Entity or any of its Subsidiaries after the Closing Date and attributable to Taxes paid by such Acquired Entity or any of its Subsidiaries with respect to a Pre-Closing Tax Period and (b) the portion of all refunds of Taxes actually received by any Acquired Entity or any of its Subsidiaries after the Closing Date and attributable to Taxes paid by such Acquired Entity or any of its Subsidiaries with respect to the portion of any Straddle Period ending on the Closing Date (such portion to be allocated consistent with the principles set forth in Section 8.3), in each case, net of any Taxes imposed on such refund amount.

**8.2 Transfer Taxes.** All applicable Transfer Taxes incurred in connection with the Contemplated Transactions and all out-of-pocket expenses incurred in connection with the filing of all necessary Tax Returns and other documentation with respect to all such Transfer Taxes shall be borne fifty percent (50%) by each of CT and Purchaser. To the extent allowed by applicable Law, Purchaser shall duly and timely prepare, execute and file all necessary Tax Returns, questionnaires, applications or other documents with respect to any Transfer Taxes in connection with the Contemplated Transactions. If required by applicable Law, CT will join in the execution of any such Tax Return. Purchaser shall provide CT with a copy of such Tax Returns no later than ten (10) Business Days prior to the date of filing. CT and Purchaser shall jointly participate in the defense and settlement of any audit of, dispute with taxing authorities regarding, and any judicial or administrative proceeding relating to the liability for Transfer Taxes incurred in connection with this Agreement; *provided, however*, that neither CT nor Purchaser shall settle any such audit, examination or proceeding without the prior written consent of the other party, which consent shall not be unreasonably withheld. Each of CT and Purchaser shall bear its own costs in participating in any such audit, examination or proceeding.

**8.3 Allocation of Taxes.** To the extent applicable for purposes of this Agreement and within the control of Purchaser and/or CT, Purchaser and CT shall cause any Acquired Entity, Fund Entity and any of their respective Subsidiaries that is treated as a partnership for U.S. federal income Tax purposes to elect the closing of the books method to allocate items of income, gain, loss, deduction and credit through the Closing Date. For any taxable period of any Acquired Entity or any of its Subsidiaries that includes, but does not end on, the Closing Date (any such taxable period, a Straddle Period), the allocation of Taxes as between the portion of such Straddle Period ending on and including the Closing Date and the portion of such Straddle Period beginning after the Closing Date shall be made as follows: (i) in the case of Taxes based upon income, gross receipts (such as sales Taxes) or specific transactions involving Taxes other than Taxes based upon income or gross receipts, the amount of Taxes attributable to any Straddle Period shall be determined by closing the books of such Acquired Entity as of the close of business on the Closing Date and by treating the portion of such Straddle Period ending on and including the Closing Date and the portion beginning after the Closing Date as, respectively, separate taxable years (*provided*, that any exemptions, allowances or deductions that are calculated on an annual basis (including but not limited to depreciation and amortization deductions) shall be allocated between the period ending on the Closing Date and the period ending after the Closing Date in proportion to the number of days in each such period); and (ii) in the case of Taxes that are determined on a basis other than income, gross receipts or specific transactions, the amount of Taxes shall be allocable to the portion of the Straddle Period ending on and including the Closing Date and the portion of the Straddle Period beginning after the Closing Date based on a pro ration of days in such Straddle Period. For purposes of this Article 8, any transaction that takes place after the Closing, including transactions taking place after the Closing but on the Closing Date, shall be considered made after the Closing Date.

**8.4 Cooperation on Tax Matters.** Purchaser and CT shall cooperate fully, as and to the extent reasonably requested by each other, in connection with the filing of Tax Returns and any audit, inquiry, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other Party's request) the provision of records and information which are reasonably relevant to any such audit, inquiry, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

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8.5 **Tax Proceedings**. Notwithstanding anything to the contrary contained herein, Purchaser shall have the right to control any audit or examination by any Taxing Authority, initiate any claim for refund, and contest, resolve and defend against any assessment for additional Taxes, notice of Tax deficiency or other adjustment of Taxes (a Tax Proceeding ) of, or relating to, the income, assets or operations of any of any Acquired Entity, any Fund Entity and their respective Subsidiaries; *provided, however*, that CT shall have the right, at its expense, to participate in any Tax Proceeding with respect to a Pre-Closing Tax Period or a Straddle Period, and the Purchaser may not settle or compromise any Tax Proceeding with respect to a Pre-Closing Tax Period or a Straddle Period that could result in an indemnity payment from CT without CT's consent, which consent shall not be unreasonably withheld or delayed.

8.6 **Tax Sharing Agreements**. Prior to the Closing, CT shall cancel or cause to be cancelled any Tax Sharing Agreements to which any Acquired Entity, any Fund Entity or any of their respective Subsidiaries is a party.

8.7 **Tax Indemnification**.

(a) From and after the Closing, the Seller shall pay and shall indemnify, defend and hold harmless each Purchaser Indemnitee from and against any and all Damages asserted against, resulting to, imposed upon or suffered by any Purchaser Indemnitee, arising out of or related to:

(i) all Taxes imposed on or payable with respect to the Acquired Entities or their respective Subsidiaries or their businesses relating or attributable to any Pre-Closing Tax Period and, with respect to any Straddle Period, the portion of such Straddle Period deemed to end on and include the Closing Date (in the manner determined pursuant to Section 8.3);

(ii) Taxes of a person other than any of the Acquired Entities or their respective Subsidiaries for which the Acquired Entities or their respective Subsidiaries may be liable (A) under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local, or non-U.S. Tax Law) as a result of being a member of any group which files or has filed a Tax Return on a consolidated, combined, or unitary basis for a Pre-Closing Tax Period or (B) as a transferee or successor, by contract, or otherwise;

(iii) any breach of or inaccuracy in any representation or warranty contained in Section 4.5 or 5.5 hereof;

(iv) any payments required to be made after the Closing Date under any Tax Sharing Agreement or similar contracts (whether or not written) to which the Acquired Entities or any of their Subsidiaries was obligated, or was a party, on or prior to the Closing Date; and

(v) any breach by the Seller or the failure by the Seller to perform any of the covenants made by it or agreements entered into contained in this Article 8.

(b) From and after the Closing, Purchaser shall pay and shall indemnify, defend and hold harmless each Seller Indemnitee from and against any and all Damages asserted against, resulting to, imposed upon or suffered by any Seller Indemnitee, arising out of or related to:

(i) all Taxes imposed on or payable by the Acquired Entities or their respective Subsidiaries relating or attributable to any Post-Closing Tax Period and the portion of any Straddle Period deemed to begin after the Closing Date (in the manner determined pursuant to Section 8.3);

(ii) the Taxes set forth in Section 8.7(b)(ii) of the Disclosure Schedules; and

(iii) any breach by Purchaser or the failure by Purchaser to perform any of the covenants made by it or agreements entered into contained in this Article 8.



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(c) In calculating amounts payable to a Purchaser Indemnitee or a Seller Indemnitee under this Section 8.7, the amount of any Damages shall be determined without duplication of any other Damages for which an indemnification claim has been made under any other covenant, agreement, representation or warranty, including Article 10 hereof. Any Purchaser Indemnitee or Seller Indemnitee having a claim under these indemnification provisions shall make a good faith effort to recover all losses, damages, costs and expenses from insurers of such Purchaser Indemnitee or Seller Indemnitee under applicable insurance policies so as to reduce the amount of any Damages hereunder, *provided* that such recovery is not reasonably anticipated to result in an increase in the insurance premiums to be paid by such Purchaser Indemnitee or Seller Indemnitee. The foregoing shall not require the maintenance of any insurance. The amount of any Damages shall be reduced to the extent that the Purchaser Indemnitee or Seller Indemnitee receives any insurance proceeds or other payment with respect to any Damages from an unaffiliated party (it being understood that the Acquired Entities and their respective Subsidiaries shall not be considered, for this purpose, Affiliates of the Seller or its Affiliates).

8.8 **Election**. Prior to or on the Closing Date, Seller will cause a valid election on IRS Form 8832 to be made with respect to CTIMCO under Treas. Reg. Section 301.7701-3(c), to treat CTIMCO as an entity that is disregarded from its owner, CT, for U.S. federal income Tax purposes as of a date prior to both (i) the date on which CT is admitted as member of CTOPI GP and (ii) the Closing Date, and shall provide a copy of such Form 8832 to Purchaser along with proof of filing no later than the Closing Date. CT shall provide such draft Form 8832 to Purchaser at least five (5) Business Days prior to the intended date of filing for review and approval.

**ARTICLE 9**

**CONDITIONS PRECEDENT; CLOSING DELIVERIES**

9.1 **Conditions to Obligations of Each Party to Effect the Contemplated Transactions**. The obligations of each Party hereto to consummate the Closing are subject to satisfaction (or waiver by each Party if permissible under applicable Law) of the following conditions as of the time of Closing:

(a) **Stockholder Approval**. The CT Stockholder Approval shall have been obtained.

(b) **Consents**. All necessary consents, Orders, approvals and waivers of any Governmental Authority and NYSE required for the consummation of the Contemplated Transactions, if any, shall have been obtained.

(c) **No Injunctions or Restraints**. No Law, Order, or other legal restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Governmental Authority of competent jurisdiction, shall be in effect, which prohibits, renders illegal or enjoins (whether on a temporary, preliminary or permanent basis) the consummation of the Contemplated Transactions.

9.2 **Conditions to Obligations of CT**. The obligations of CT to consummate the Closing are subject to satisfaction (or waiver by CT in whole or in part, if permissible under applicable Law) of the following conditions as of the time of Closing:

(a) **Representations and Warranties**. (i) The representations and warranties of Purchaser contained in Sections 6.2 (Corporate Status) and 6.3 (Power and Authority) shall be true and correct in all respects as of the date of this Agreement and as of the Closing Date as though made on and as of such date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case, such representation and warranty shall be true and correct in all respects as of such earlier date) and (ii) the other representations and warranties of Purchaser contained in this Agreement shall be true and correct as of the date of this Agreement and as of the Closing Date (except to the extent such representations and warranties speak as of an earlier date, in which case, such representations and warranties shall be true and correct in all respects as of such earlier date), interpreted without giving effect to any Material Adverse Effect or materiality qualifications, except where all failures of all such representations and warranties to be true and correct, in the aggregate, has not had, and would not reasonably be expected to have, a Material Adverse Effect on Purchaser.

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(b) Performance of Obligations of Purchaser. Purchaser shall have performed or complied with, in all material respects, all of the covenants and agreements required to be performed or complied with by it under this Agreement at or prior to the Closing Date.

(c) Closing Deliveries. Seller shall have received all of the Closing deliveries to be provided to Seller pursuant to Section 9.5.

9.3 Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the Closing are subject to satisfaction (or waiver by Purchaser in whole or in part, if permissible under applicable Law) of the following conditions as of the time of Closing:

(a) Representations and Warranties. (i) The representations and warranties of CT contained in Sections 3.2 (Corporate Status), 3.3 (Authority; Binding Effect), 4.1 (Corporate Status), 4.12 (Finder's Fee), 4.15 (Investment Company), 4.4 and 5.4 (Absence of Certain Changes), 5.14 (Finder's Fee), 5.15 (Investment Company), 5.19 (Rights Agreement; State Takeover Statutes; Stock Ownership Restrictions in CT Charter) and 5.21 (Vote Required) shall be true and correct in all respects as of the date of this Agreement and as of the Closing Date (other than representations and warranties that address matters only as of a certain date, which shall be true and correct as of such certain date), (ii) the representations and warranties contained in Sections 4.2 and 5.1 (Capitalization) shall be true and correct in all respects as of the date of this Agreement and as of the Closing Date as though made on and as of such dates, except for any inaccuracy that results in *de minimis* liability, expense or cost to Purchaser and its Affiliates, including, following the Closing, the Acquired Entities, Fund Entities and their respective Subsidiaries and (iii) the other representations and warranties of CT contained in this Agreement shall be true and correct as of the date of this Agreement and as of the Closing Date (other than representations and warranties that address matters only as of a certain date, which shall be true and correct as of such certain date), interpreted without giving effect to any Material Adverse Effect or materiality qualifications, except where all failures of all such representations and warranties to be true and correct, in the aggregate, has not had, and would not reasonably be expected to have a Material Adverse Effect on (x) CT, (y) the Acquired Entities or (z) the Fund Entities.

(b) Performance of Obligations of CT. CT shall have performed or complied with, in all material respects, all of the covenants and agreements required to be performed or complied with by it under this Agreement at or prior to the Closing Date.

(c) Material Adverse Effect. Since the date of this Agreement, there shall have not occurred any change, development, effect or condition that, individually or in the aggregate with all other changes, developments, effects and conditions occurring since the date of this Agreement, has had, or would reasonably be expected to have, a Material Adverse Effect on any of (x) CT, (y) the Acquired Entities or (z) the Fund Entities.

(d) No Loss of Special Servicer Status. Since the date of this Agreement, there shall not have occurred, and as of the Closing, there shall not be in effect any, and no applicable rating agency shall have announced (whether publicly or otherwise) its intention to issue or otherwise implement, any Loss of Special Servicer Status.

(e) Listing of New CT Shares. The New CT Shares deliverable to Purchaser as contemplated by this Agreement shall have been approved for listing on the NYSE, subject to official notice of issuance.

(f) Working Capital. There shall be at least five million dollars (\$5,000,000) of cash and cash equivalents (determined in accordance with GAAP) net of uncleared checks and drafts issued by CT and/or its Subsidiaries and excluding Restricted Cash of CT and/or its Subsidiaries as of the close of business on the Business Day immediately prior to the Closing Date.

(g) Closing Deliveries. Purchaser shall have received all of the Closing deliveries to be provided to Purchaser pursuant to Section 9.4.

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**9.4 Closing Deliveries by CT. At the Closing:**

(a) **CT Investment Management Interests Purchase.** In respect to the CT Investment Management Interests Purchase, CT shall deliver to Purchaser, the delivery of which shall be a condition to the obligation of Purchaser to consummate the Closing:

(i) the Old CT/CTIMCO Management Agreement Termination Agreement, duly executed by CT;

(ii) the New CT Management Agreement, duly executed by CT;

(iii) the Bill of Sale, duly executed by CT and CTIMCO;

(iv) the Amended and Restated CTOPI GP Operating Agreement, duly executed by CTIMCO and CT;

(v) the CTOPI Co-Invest Assignment and Assumption Agreement, duly executed by CT, as assignor;

(vi) the CTIMCO Assignment and Assumption Agreement, duly executed by CT, as assignor;

(vii) the CTHG2 Co-Invest Assignment and Assumption Agreement, duly executed by Purchaser, as assignor;

(viii) FIRPTA certificates in substantially the Form attached hereto as Schedule 9.4(a)(viii), duly executed by an executive officer of CT;

(ix) the CTLL Stockholders Agreement Amendment, duly adopted by the holders of a majority of the issued and outstanding shares of common stock of CTLL;

(x) the CTHG1 Management Agreement Amendments, duly executed by CT High Grade Mezzanine Manager, LLC and the Berkley Investors;

(xi) the CTOPI Partnership Agreement Amendment, duly adopted by CTOPI GP and limited partners holding a majority of the partner interests in CTOPI;

(xii) the CTHG2 Operating Agreement Amendment, duly executed by CTHG2 MM, CTHG2 Co-Invest and NJDOI;

(xiii) the CTLL Consents, duly executed by holders of a majority of the issued and outstanding shares of common stock of CTLL;

(xiv) the CTHG1 Consents, duly executed by each of the Berkley Investors;

(xv) the CTOPI Consents, duly executed by the holders of 90% or more of the limited partner interests in CTOPI held by limited partners who are not Affiliates of the Seller;

(xvi) the CTHG2 Consents, duly executed by each of NJDOI and CTHG2 Co-Invest;

(xvii) the CDO Sub Consents, duly executed by the board of directors of each of the CDO Subs;

(xviii) the CTHG2 Side Letter Amendment, duly executed by CTHG2, CTHG2 MM, CT, and NJDOI;

(xix) an Incentive Plan Award Agreement Amendment, duly executed by CT and each recipient of an award under either of the Incentive Plans; and

(xx) a copy of IRS Form 8832, as approved by Purchaser pursuant to Section 8.8 of this Agreement, and evidence of filing of such Form 8832.

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(b) **New CT Shares Purchase**. In respect to the New CT Shares Purchase, CT shall deliver to Purchaser, the delivery of which shall be a condition to the obligation of Purchaser to consummate the Closing:

(i) (A) a direct registration statement or other document evidencing the book-entry issuance of the New CT Shares to Purchaser or (B) if the New CT Shares are to be issued in certificated form, share certificates(s) representing the New CT Shares in the name of the Purchaser;

(ii) a certificate in substantially the Form attached hereto as Schedule 9.4(b)(ii), duly executed by any Secretary or any Assistant Secretary of CT, dated as of the Closing Date;

(iii) a certificate in substantially the form attached hereto as Schedule 9.4(b)(iii), duly executed by an executive officer of CT, dated as of the Closing Date; and

(iv) the Registration Rights Agreement, duly executed by CT.

(c) **Opinions**. CT shall deliver to Purchaser opinions of (i) Skadden, Arps, Slate, Meagher & Flom LLP as to the REIT status of CT, CTOPI REIT and CT Legacy REIT and (ii) Venable LLP, each dated as of the Closing Date, in substantially the forms attached hereto as Schedules 9.4(c)(i) and 9.4(c)(ii), respectively. In addition, CT shall deliver to Purchaser the opinion of Paul Hastings LLP, dated as of the Closing Date, in a form agreed upon by the Purchaser and the Seller.

9.5 **Closing Deliveries by Purchaser**. At the Closing:

(a) **CT Investment Management Interests Purchase**. In respect to the CT Investment Management Interests Purchase, Purchaser shall deliver to CT, the delivery of which shall be a condition to the obligation of CT to consummate the Closing:

(i) the CT Investment Management Interests Purchase Price in accordance with Section 2.1(b) (reflecting the adjustments made pursuant to Section 2.3 on the basis of the Purchase Price Adjustment Certificate delivered pursuant to Section 2.4(a));

(ii) evidence of the consents or approvals of the Persons whose consents or approvals are required for Purchaser to consummate the Contemplated Transactions, which consents are set forth on Schedule 9.5(a)(ii);

(iii) the Lease Deposit Amount, to the extent due pursuant to Section 7.18;

(iv) the Old CT/CTIMCO Management Agreement Termination Agreement, duly executed by CTIMCO;

(v) the New CT Management Agreement, duly executed by New CT Manager;

(vi) the CTIMCO Assignment and Assumption Agreement, duly executed by Purchaser, as assignee;

(vii) the CTOPI Co-Invest Assignment and Assumption Agreement, duly executed by Purchaser, as assignee;

(viii) the CTHG2 Co-Invest Assignment and Assumption Agreement, duly executed by Purchaser, as assignee; and

(ix) the CTHG2 Side Letter Amendment, duly executed by Purchaser.

(b) **New CT Shares Purchase**. In respect to the New CT Shares Purchase, Purchaser shall deliver to CT, the delivery of which shall be a condition to the obligation of CT to consummate the Closing:

(i) the New CT Shares Purchase Price in accordance with Section 2.1(d);

(ii) the Registration Rights Agreement, duly executed by Purchaser;

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(iii) a certificate in substantially the form attached hereto as Schedule 9.5(b)(iii), duly executed by the Secretary, Assistant Secretary or manager of Purchaser, dated as of the Closing Date; and

(iv) a certificate in substantially the form attached hereto as Schedule 9.5(b)(iv), duly executed by an executive officer of Purchaser, dated as of the Closing Date.

**ARTICLE 10**

**SURVIVAL; INDEMNIFICATION**

10.1 **Survival Limitation**. All of the representations and warranties contained in this Agreement shall survive the Closing until the date that is eighteen (18) months following the Closing; *provided, however*, that (x) all the representations and warranties contained in Sections 5.5 and 4.5 (Taxes) and 5.9 and 4.9 (Employee Matters and Benefits Plans) shall survive the Closing until the date that is thirty (30) days after the expiration of the applicable statute of limitations period (taking into account any waiver, extension or tolling thereof), (y) the representations and warranties contained in Sections 3.1(a) and 3.1(a)(ii), (No Conflict: Governmental Authorization), Sections 3.2 and 4.1 (Corporate Status), 3.3 (Authority: Binding Effect), 4.2 and 5.1 (Capitalization) and 4.12 and 5.14 (Finder's Fee) (collectively, the Seller's Excluded Representations) shall survive indefinitely and (z) the representations and warranties contained in Sections 6.1(a)(i) and 6.1(a)(ii) (No Conflict: Required Filings), 6.3 (Power and Authority) and 6.5 (Finder's Fee) shall survive indefinitely and the representations and warranties contained in Section 6.6 (Investment Intent) shall survive the Closing until the date that is six (6) months following the Closing (collectively, the Purchaser's Excluded Representations); and *provided, further*, that if, at any time prior to such expiration of the representations and warranties, any indemnified Party delivers to any indemnifying Party a written notice alleging the existence of an inaccuracy in or a breach of any of the representations and warranties made by any indemnifying Party and asserting a Claim for recovery under Section 10.2 or 10.3 based on such alleged inaccuracy or breach, then the representation or warranty underlying the Claim asserted in such notice shall continue to survive (solely with respect to the alleged inaccuracy or breach and to no other fact, event, occurrence, circumstance or condition) until such time as such Claim is fully and finally resolved. The covenants, agreements and obligations of the Parties contained in this Agreement shall survive the Closing.

10.2 **Indemnification by Seller**. CT shall, from and after the Closing, indemnify, defend and hold harmless each Purchaser Indemnitee from and against, and shall compensate, reimburse and pay for, any Damages that are or may be directly or indirectly suffered or incurred by any Purchaser Indemnitee or to which any Purchaser Indemnitee may otherwise become subject (regardless of whether or not such Damages relate to any Third Party Claim) and arise out of, are caused by, or result from:

(a) any inaccuracy in, or breach of, any representation or warranty of Seller set forth in this Agreement or any Transaction Document (other than the Excluded Transaction Documents), including Article 3, Article 4 and Article 5, in each case relating to any representation or warranty set forth in this Agreement, interpreted without giving effect to any Material Adverse Effect or materiality qualifications (other than the representations and warranties set forth in Section 4.4(a)(i));

(b) any breach of any covenant or obligation of CT set forth in this Agreement or any Transaction Document (other than any material breach of any covenant or obligation of CT that is caused by New CT Manager acting in such capacity under the New CT Management Agreement (it being understood and agreed that New CT Manager's actions under the New CT Management Agreement are subject to the supervision and control of the CT Board));

(c) the ownership, management or operation of any Acquired Entity, including, for the avoidance of doubt, the CTHG2 Co-Invest Interests and the CTOPI Co-Invest Interests, any Fund Entity or any of their respective Subsidiaries and the respective businesses, properties and assets of each of the foregoing or any other

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CT Investment Management Interests at or prior to the Closing (whether or not disclosed in any Disclosure Schedules);

(d) any liabilities that CT should have taken into account and set forth on the Estimated Closing Balance Sheet, *provided* such liabilities were not taken into account in adjusting the CT Investment Interests Purchase Price pursuant to Section 2.4; and

(e) any claims by any Continuing Employees or current or former officers, directors or employees of the Acquired Entities or their respective Subsidiaries relating to matters arising (i) on or prior to the Closing (whether or not disclosed in the Disclosure Schedules) (other than to the extent (and solely to the extent) the Damages are indemnifiable by Purchaser pursuant to Section 10.3(c)), or (ii) in respect of or related to any Taxes or additional Taxes arising out of or related to the Incentive Plans, or claims by any Continuing Employees or current or former officers, directors or employees of the Acquired Entities or their respective Subsidiaries related to or arising out of such Taxes or additional Taxes, and any Closing Employee Amounts to the extent not taken into account in connection with the calculation of the CT Investment Management Interests Purchase Price pursuant to Section 2.3.

**10.3 Indemnification by Purchaser.** Purchaser shall, from and after the Closing, indemnify, defend and hold harmless each Seller Indemnitee from and against, and shall compensate, reimburse and pay for, any Damages that are or may be directly or indirectly suffered or incurred by any Seller Indemnitee or to which any Seller Indemnitee may otherwise become subject (regardless of whether or not such Damages relate to any Third Party Claim) and arise out of, are caused by, or result from:

(a) any inaccuracy in, or breach of, any representation or warranty of Purchaser set forth in this Agreement or any Transaction Document (other than the Excluded Transaction Documents), including Article 6;

(b) any breach of any covenant or obligation of Purchaser in this Agreement or any Transaction Document (other than the Excluded Transaction Documents); and

(c) any actions taken pursuant to clause (1) of Section 7.9(c) of the Disclosure Schedules to the extent not otherwise taken into account in determining the CT Investment Management Interests Purchase Price pursuant to Section 2.3(e); *provided* that Purchaser shall only be obligated to indemnify, defend and hold the Seller Indemnitees harmless from and against 50% of any such Damages.

**10.4 Limitations.**

(a) CT shall have no liability (for indemnification or otherwise) under this Agreement to any of the Purchaser Indemnitees unless the aggregate amount of all Damages incurred by the Purchaser Indemnitees exceeds five hundred thousand dollars (\$500,000) and CT shall be liable only to the extent such Damages exceed the initial five hundred thousand dollars (\$500,000); *provided, however*, that the foregoing limitation shall not apply to indemnification obligations arising out of or resulting from (i) a breach of any of the Seller's Excluded Representations or (ii) any Claim made against CT pursuant to Section 8.7, 10.2(b), 10.2(d), or 10.2(e). CT shall not be liable under this Agreement to the Purchaser Indemnitees for any Damages which are otherwise indemnifiable hereunder in an amount that exceeds ten million dollars (\$10,000,000) (the Cap); *provided, however*, that the foregoing limitation shall not apply to indemnification obligations arising out of or resulting from (i) a breach of any of Seller's Excluded Representations, and (ii) any Claim made against CT pursuant to Section 8.7, 10.2(b), 10.2(c), 10.2(d) or 10.2(e). The foregoing limitations in this Section 10.4(a) shall not apply to any claim arising from the fraud, willful or criminal misconduct of any indemnifying Party. For the avoidance of doubt, the limitations in this Section 10.4(a) shall not apply to claims arising out of, caused by, or resulting from agreements entered into at the Closing between or among the Parties that relate to ongoing business relationships among the Parties, including the Excluded Transaction Documents. Notwithstanding anything to the contrary contained herein, except as set forth in the immediately preceding sentence, the maximum liability of

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CT to Purchaser Indemnitees for any and all Damages that are otherwise indemnifiable hereunder shall be equal to an amount not to exceed one hundred percent (100%) of the Purchase Price.

(b) Purchaser shall have no liability (for indemnification or otherwise) under this Agreement to any of the Seller Indemnitees unless the aggregate amount of all Damages incurred by the Seller Indemnitees exceeds five hundred thousand dollars (\$500,000) and Purchaser shall be liable only to the extent such Damages exceed the initial five hundred thousand dollars (\$500,000); *provided, however*, that the foregoing limitation shall not apply to indemnification obligations arising out of or resulting from (i) a breach of any of the Purchaser's Excluded Representations or (ii) any Claim made against Purchaser pursuant to Section 10.3(b) or Section 10.3(c). Purchaser shall not be liable under this Agreement to the Seller Indemnitees for any Damages which are otherwise indemnifiable hereunder in an amount that exceeds the Cap; *provided, however*, that the foregoing limitation shall not apply to indemnification obligations arising out of or resulting from (i) a breach of any of Purchaser's Excluded Representations and (ii) any Claim made against Purchaser pursuant to Section 10.3(b) or Section 10.3(c). Purchaser shall not be liable to the Seller Indemnitees for any Damages which are otherwise indemnifiable hereunder in an amount that exceeds one hundred percent (100%) of the Purchase Price. The foregoing limitations in this Section 10.4(b) shall not apply to any claim arising from the fraud, willful or criminal misconduct of any indemnifying Party. For the avoidance of doubt, the limitations in this Section 10.4(b) shall not apply to claims arising out of, caused by, or resulting from agreements entered into at the Closing between or among the Parties that relate to ongoing business relationships among the Parties, including the Excluded Transaction Documents.

(c) Except for actions grounded in fraud, willful or criminal misconduct, from and after the Closing, the indemnities provided in Section 8.7 and this Article 10 shall, together with the remedies provided in Sections 2.1(f) and 2.4 with respect to the matters set forth therein, constitute the sole and exclusive remedy of any indemnified Party for Damages arising out of, resulting from or incurred in connection with any Claims related to this Agreement or arising out of the transactions contemplated hereby (excluding, for the avoidance of doubt, any Claims related to, arising out of or resulting from the Excluded Transaction Documents); *provided, however*, that this exclusive remedy for Damages does not preclude any Party from bringing an action for specific performance or other equitable remedy to require any Party to perform its obligations under this Agreement.

**10.5 Defense of Third Party Claims.**

(a) Promptly following receipt by an indemnified Party of notice of a Third Party Claim with respect to which such indemnified Party may be entitled to indemnification pursuant hereto, such indemnified Party shall provide written notice thereof to the Party obligated to indemnify under this Agreement; *provided, however*, that the failure to so notify the indemnifying Party shall not relieve the indemnifying Party from liability hereunder with respect to such Third Party Claim, except to the extent that the indemnifying Party is materially prejudiced thereby, and in any event, only to the extent of such prejudice. The indemnifying Party shall have the right, upon written notice delivered to the indemnified Party within twenty (20) days thereafter, to assume the defense of such Third Party Claim. In the event, however, that the indemnifying Party declines or fails to assume the defense of the Third Party Claim within such twenty (20)-day period, then the indemnified Party shall assume the defense of such Third Party Claim. With respect to any Third Party Claim, the indemnified Party or the indemnifying Party, whichever is not assuming the defense thereof, shall have the right to participate in such defense and to retain its own counsel at such Party's own expense; *provided, however*, that if the indemnifying Party assumes the defense of such Third Party Claim, the indemnified Party shall be entitled to participate in such defense and to retain its own counsel at the indemnifying Party's expense if (i) requested by the indemnifying Party to employ such counsel, (ii) in the opinion of counsel to the indemnified Party (which counsel shall be reasonably satisfactory to the indemnifying Party) the indemnified Party has potential defenses or counter-claims available to it that are inconsistent with or in addition to those available to the indemnifying Party or (iii) the indemnified Party determines in good faith that there is a reasonable probability that a Third Party Claim may adversely affect it other than as a result of monetary damages for which it would be entitled to indemnification under this Article 10. In such circumstances, the indemnifying Party shall reimburse the

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indemnified Party for all reasonable fees and expenses of a single counsel (plus all reasonable fees and expenses of a single local counsel in each applicable jurisdiction) associated with such defense. The indemnifying Party or the indemnified Party (as the case may be) shall at all times use commercially reasonable efforts to keep the other Party reasonably apprised of the status of the defense of any matter the defense of which it is maintaining. If the indemnifying Party shall assume the defense and control of a Third Party Claim, the Indemnifying Party shall select counsel, contractors and/or consultants, as necessary, of recognized standing and competence after consultation with the indemnified Party and shall use commercially reasonable efforts in the defense or settlement of such Third Party Claim. Each of the indemnifying Parties and the indemnified Parties shall reasonably cooperate with each other with respect to the defense of any such matter. In the event of a conflict between this [Section 10.5](#) and [Section 8.5](#), the provisions of [Section 8.5](#) shall control.

(b) No indemnified Party may settle or compromise any Third Party Claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder without the prior written consent of the indemnifying Party (which may not be unreasonably withheld or delayed), unless such settlement, compromise or consent includes an unconditional release of each indemnifying Party from all liability arising out of or resulting from such Third Party Claim. No indemnifying Party may settle or compromise any Third Party Claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder without the prior written consent of the indemnified Party (which may not be unreasonably withheld or delayed) unless such settlement, compromise or consent (x) includes an unconditional release of each indemnified Party from all liability arising out of, or related to, such Third Party Claim (and does not impose any equitable or similar remedies on the indemnified Party) and (y) does not include a statement as to an admission of fault, culpability or failure to act by or on behalf of any indemnified Party.

10.6 **Direct Claims**. In the event an indemnified Party asserts a Claim with respect to any matter not involving a Third Party Claim, such indemnified Party shall promptly provide written notice of such Claim to the appropriate indemnifying Party (a [Notice of Claim](#) ) specifying in reasonable detail the basis for such Claim; *provided, however*, that the failure to so notify the indemnifying Party shall not relieve the indemnifying Party from liability hereunder with respect to such Claim, except to the extent that the indemnifying Party is materially prejudiced thereby. The indemnifying Party may, within twenty (20) days following its receipt of a Notice of Claim, object to a claim specified in such notice by delivering a written notice (a [Dispute Notice](#) ) specifying in reasonable detail the basis for such objection. If the indemnifying Party has timely delivered a Dispute Notice, then the indemnifying Party and the indemnified Party shall, during a period of thirty (30) days from the indemnified Party's receipt of such Dispute Notice, negotiate in good faith to resolve such dispute and, if not resolved through negotiations, such dispute shall be resolved according to the provisions set forth in [Section 12.8](#). If the indemnifying Party fails to timely deliver a Dispute Notice to the indemnified Party, then the amount specified by the indemnified Party in such Notice of Claim shall be conclusively deemed a liability of the indemnifying Party under this [Article 10](#).

10.7 **Tax Treatment**. The Parties shall report any payment made pursuant to [Article 8](#) or this [Article 10](#) as an adjustment to the Purchase Price unless otherwise required by applicable Law.

10.8 **No Contribution**. In no event shall CT or any Seller Indemnitee have any right to contribution from, or any other right against, any Acquired Entity, any Fund Entity, any of their respective Subsidiaries, or any of their shareholders, officers, directors, employees, agents, members or managers, as the case may be, with respect to any Claim, Third Party Claim or other payment owing by Seller or any of its Subsidiaries.

10.9 **Adjustment for Insurance**. Any indemnification amount payable pursuant to this [Article 10](#) shall be net of any amounts actually recovered (after deducting related costs and expenses) by the indemnified Party for the Damages for which such indemnification payment is made, under any insurance policy (it being understood and agreed that a Party may seek indemnification under this [Article 10](#) while concurrently using commercially reasonable efforts to recover under any insurance policy). In the event that any indemnified Party recovers amounts under any insurance policy as it relates to a particular Claim for which an indemnification payment has



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already been made pursuant to this Article 10, the indemnified Party shall reimburse the indemnifying Party an amount equal to the lesser of the amount of such insurance recovery (after deducting related costs and expenses) and the amount for which the indemnifying Party was obligated to indemnify the indemnified Party pursuant to this Article 10. Each indemnified Party shall use commercially reasonable efforts to recover maximum amounts available under any applicable insurance policy.

**ARTICLE 11**

**TERMINATION OF AGREEMENT**

11.1 **Termination.** This Agreement may be terminated prior to the Closing Date, whether before or after the CT Stockholder Approval:

(a) by mutual written consent of Purchaser and CT;

(b) by either Purchaser or CT, upon written notice to the other party, if the Closing shall not have occurred on or prior to 5:00 p.m., New York time, on June 27, 2013 (the Outside Date ); *provided, however*, that a party shall not be permitted to terminate this Agreement pursuant to this Section 11.1(b) if the failure to consummate the Closing by the Outside Date is attributable to the breach by such party of any provision of this Agreement;

(c) by either Purchaser or CT, upon written notice to the other party, if a court of competent jurisdiction or other Governmental Authority of competent jurisdiction shall have issued a final and nonappealable Order, decree or ruling, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the Contemplated Transactions; *provided, however*, that the right to terminate this Agreement under this Section 11.1(c) shall not be available to a party if the issuance of such final, non-appealable Order, decree or ruling is attributable to the breach by such party of any provision of this Agreement;

(d) by either Purchaser or CT, upon written notice to the other party, if: (i) the CT Stockholders Meeting (including any adjournments or postponements thereof) shall have been held and CT's stockholders shall have taken a vote on the matters subject to the CT Stockholder Approval and (ii) the CT Stockholder Approval was not obtained;

(e) by Purchaser, upon written notice to CT (at any time prior to the CT Stockholder Approval) if a Triggering Event shall have occurred;

(f) by Purchaser, upon written notice to CT, if: (i) any of CT's representations and warranties shall have been inaccurate, such that the condition set forth in Section 9.3(a) would not be satisfied; or (ii) any of CT's covenants or agreements contained in this Agreement shall have been breached, such that the condition set forth in Section 9.3(b) would not be satisfied, and in the case of both clauses (i) and (ii), such breach is not curable within thirty (30) days following notice of such breach, or, if curable, is not cured within thirty (30) days following notice of such breach; or

(g) by CT, upon written notice to Purchaser, if: (i) any of Purchaser's representations and warranties shall have been inaccurate, such that the condition set forth in Section 9.2(a) would not be satisfied or (ii) any of Purchaser's covenants or agreements contained in this Agreement shall have been breached, such that the condition set forth in Section 9.2(b) would not be satisfied, and in the case of both clauses (i) and (ii), such breach is not curable within thirty (30) days following notice of such breach, or, if curable, is not cured within thirty (30) days following notice of such breach.

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11.2 **Effect of Termination.** In the event of the termination of this Agreement as provided in Section 11.1, this Agreement shall be of no further force or effect; *provided, however*, that (i) Section 7.8, this Section 11.2, Section 11.3 and Article 12 shall survive the termination of this Agreement and shall remain in full force and effect, and (ii) nothing herein shall relieve any party for liability for any willful or intentional breach of this Agreement prior to such termination.

11.3 **Expense Reimbursement.**

(a) In the event that (i) CT or Purchaser shall terminate this Agreement pursuant to Section 11.1(b) (other than due to CT's inability to satisfy the closing conditions specified in Sections 9.4(a)(xiii) through 9.4(a)(xviii) despite its good faith efforts to comply with such conditions) and within twelve (12) months of such termination of this Agreement CT or any of its Subsidiaries enters into a Contract with respect to an Acquisition Proposal or an Acquisition Proposal is consummated, (ii) CT or Purchaser shall terminate this Agreement pursuant to Section 11.1(d) and either (x) prior to the CT Stockholders Meeting an Acquisition Proposal has been publicly announced or (y) within twelve (12) months of such termination of this Agreement, CT or any of its Subsidiaries enters into a Contract with respect to an Acquisition Proposal or an Acquisition Proposal is consummated, or (iii) Purchaser shall terminate this Agreement pursuant to Section 11.1(e) or Section 11.1(f) (*provided* that, with respect to a termination pursuant to Section 11.1(f) due to an inaccuracy (or inaccuracies) of CT's representations and warranties, any such inaccuracy (or inaccuracies) must be the result of knowing and intentional action on the part of CT or due to the gross negligence of CT), then, in any such case, CT shall be obligated to reimburse Purchaser for all fees and expenses incurred by or on behalf of Purchaser and its Affiliates in connection with the Contemplated Transactions and the pursuit and negotiation thereof, including any fees and expenses of their Representatives in connection therewith, subject to a cap of one million and five hundred thousand dollars (\$1,500,000) in the aggregate (the Purchaser Expense Reimbursement ).

(b) The Purchaser Expense Reimbursement shall be paid by CT by wire transfer to an account or accounts designated by Purchaser within three (3) Business Days of receipt by CT of a written notice from Purchaser setting forth the amount of such fees and expenses. If CT fails promptly to pay the Purchaser Expense Reimbursement when due, CT shall pay Purchaser its reasonable costs and expenses (including reasonable attorneys fees and expenses) in connection with any Proceeding instituted to obtain such Purchaser Expense Reimbursement, together with interest on the amount of the Purchaser Expense Reimbursement from the date such payment was required to be made until the date of payment at the prime rate of Citibank, N.A., in effect on the date such payment was required to be made.

(c) In the event that CT shall terminate this Agreement pursuant to Section 11.1(g) (*provided* that, with respect to a termination pursuant to Section 11.1(g) due to an inaccuracy (or inaccuracies) of Purchaser's representations and warranties, any such inaccuracy (or inaccuracies) must be the result of knowing and intentional action on the part of Purchaser), then, in any such case, Purchaser shall be obligated to reimburse CT for all fees and expenses incurred after July 3, 2012 by or on behalf of CT and its Affiliates in connection with the Contemplated Transactions and the pursuit and negotiation thereof, including any fees and expenses of their Representatives in connection therewith, subject to a cap of one million and five hundred thousand dollars (\$1,500,000) in the aggregate (the CT Expense Reimbursement ).

(d) The CT Expense Reimbursement shall be paid by Purchaser by wire transfer to an account or accounts designated by CT within three (3) Business Days of receipt by Purchaser of a written notice from CT setting forth the amount of such fees and expenses. If Purchaser fails promptly to pay the CT Expense Reimbursement when due, Purchaser shall pay CT its reasonable costs and expenses (including reasonable attorneys fees and expenses) in connection with any Proceeding instituted to obtain such CT Expense Reimbursement, together with interest on the amount of the CT Expense Reimbursement from the date such payment was required to be made until the date of payment at the prime rate of Citibank, N.A., in effect on the date such payment was required to be made.

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**ARTICLE 12**

**MISCELLANEOUS**

12.1 **Notices.** All notices, demands or requests required or permitted to be given pursuant to this Agreement must be in writing, to the following addresses:

(a) if to Purchaser, to:

c/o The Blackstone Group L.P.  
345 Park Avenue  
New York, New York 10154  
Attention: Chief Legal Officer and  
Randall Rothschild  
Facsimile: 646-253-8983  
646-253-8405  
Email: John.Finley@blackstone.com  
Rothschild@blackstone.com

with a copy to:

Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, NY 10017-3954  
Attention: Brian Stadler  
Patrick Naughton  
Facsimile: 212-455-2502  
Email: bstadler@stblaw.com  
pnaughton@stblaw.com

(b) if to Seller:

Capital Trust, Inc.  
410 Park Avenue, 14th Floor  
  
New York, NY 10022

Attention: Stephen D. Plavin  
Facsimile: 212-655-0044  
Email: splavin@capitaltrust.com

with copies to:

Paul Hastings LLP  
75 East 55th Street

New York, NY 10022

Attention: Michael L. Zuppone, Esq.  
Facsimile: 212-230-7752  
Email: michaelzuppone@paulhastings.com

All notices, demands and requests to be sent to a party pursuant to this Agreement shall be deemed to have been properly given or served if: (i) sent by email; (ii) personally delivered; (iii) deposited for next day delivery by FedEx, or other similar nationally recognized overnight courier services, addressed to such party; (iv) transmitted by facsimile (and telephonically confirmed) or (v) deposited in the United States mail, addressed to such party, prepaid and registered or certified with return receipt requested. All notices, demands and requests so given shall be deemed received: (A) when received, if sent by email; (B) when personally delivered; (C) on the date of facsimile delivery and telephonic confirmation; (D) twenty-four (24) hours after being deposited for next day delivery with an overnight courier; or (E) seventy-two (72) hours

after being deposited in the United States mail.

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12.2 **Severability**. The provisions of this Agreement or any other Transaction Document shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof or thereof. If any provision of this Agreement or such Transaction Document, or the application thereof to any Person or circumstance, is found to be invalid or unenforceable in any jurisdiction, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement or such Transaction Document and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

12.3 **Entire Agreement; No Third Party Beneficiaries**. This Agreement and the Transaction Documents, including all exhibits and schedules attached hereto constitute the entire agreement of the Parties and supersede any and all other prior agreements and undertakings, both written and oral, among the Parties, or any of them, with respect to the subject matter hereof. This Agreement and the other Transaction Documents do not, and are not intended to, confer upon any other Person any right, benefit or remedy hereunder (other than as provided expressly in Section 7.10(c) and Article 10).

12.4 **Amendment; Waiver**. This Agreement may be amended only in a writing signed by all Parties. Any waiver of rights hereunder must be set forth in writing and signed by the Party against whom the waiver is to be effective. A waiver of any breach or failure to enforce any of the terms or conditions of this Agreement or any Transaction Document shall not in any way affect, limit or waive a Party's rights at any time to enforce strict compliance thereafter with every term or condition of this Agreement or such Transaction Document.

12.5 **Binding Effect; Assignment**. This Agreement and the Transaction Documents shall inure to the benefit of and be binding upon the parties hereto and thereto and their respective legal representatives and successors. Notwithstanding the foregoing, this Agreement and the Transaction Documents shall not be assigned by any Party by operation of Law or otherwise without the prior written consent of each of the other Parties and any such purported assignment shall be void *ab initio*, except that Purchaser shall have the right to assign this Agreement, in whole or in part, and any rights and/or obligations hereunder to any of its Affiliates or Subsidiaries without the prior written consent of CT.

12.6 **Disclosure Schedules**. The Disclosure Schedules shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein. The disclosures in any section or subsection of the Disclosure Schedules, as the case may be, shall qualify only (a) the corresponding section or subsection, as the case may be, of this Agreement, (b) other sections or subsections of this Agreement to the extent specifically cross-referenced in such section or subsection of the Disclosure Schedules and (c) other sections or subsections of this Agreement to the extent it is otherwise reasonably apparent, on the face of such disclosure, that such disclosure also applies to another section or subsection of the Disclosure Schedules or another Section or subsection of this Agreement.

12.7 **Governing Law**. This Agreement shall be governed by, and construed and enforced in accordance with, (a) the laws of the State of Maryland with respect to matters, issues and questions relating to the duties of the CT Board and (b) the laws of the State of New York with respect to all other matters, issues and questions, without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

12.8 **Jurisdiction; Jury Trial**.

Except as and to the extent provided in Sections 2.1(f) and 2.4 with respect to disputes relating to adjustments to and the allocation of the Purchase Price, each of the Parties hereby irrevocably and

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unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and the courts of the United States of America located in the City and County of New York in the State of New York for any litigation arising out of or relating to this Agreement, any Transaction Document or any Contemplated Transaction (and agrees not to commence any litigation relating hereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in Section 12.1, shall be effective service of process for any litigation brought against it in any such court. Each of the Parties hereby irrevocably and unconditionally waives any objection to the laying of venue of any litigation arising out of this Agreement or any Transaction Documents in the courts of the State of New York or the courts of the United States of America located in the City and County of New York in the State of New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such litigation brought in any such court has been brought in an inconvenient forum. EACH OF THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN CONNECTION WITH ANY LITIGATION ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY TRANSACTION DOCUMENT OR ANY CONTEMPLATED TRANSACTION.

12.9 **Equitable Remedies**. The Parties agree that the breach of the provisions of any Transaction Document (excluding the Excluded Transaction Documents) would not be adequately compensated by money damages. It is accordingly agreed that prior to termination of this Agreement pursuant to Section 11.1, a Party shall be entitled, in addition to any other right or remedy available to it, to an injunction restraining such breach and to specific performance of any such provision of such Transaction Document, and in either case no bond or security shall be required in connection therewith.

12.10 **Construction**. The headings of the Articles and Sections in this Agreement are provided for convenience only, are not part of the agreement of the Parties and shall not affect its construction or interpretation of this Agreement. The language used in this Agreement or any Transaction Document is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party. The Transaction Documents were negotiated by the Parties with the benefit of legal representation. To the fullest extent permitted by applicable Law, if an ambiguity or question of intent or interpretation arises, the Transaction Documents shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring and or disfavoring a Party by virtue of the authorship of any of the provisions of any Transaction Document.

12.11 **Time of the Essence**. Time is of the essence regarding all dates and time periods set forth or referred to in any Transaction Document.

12.12 **Counterparts**. This Agreement and the Transaction Documents may be executed in one or more counterparts (including by facsimile or electronic PDF submission), each of which when executed shall be deemed to be an original, but all of which shall constitute one and the same instrument.

*[Signature Pages Follow]*

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first written above.

**HUSKIES ACQUISITION LLC**

By: /s/ Laurence A. Tosi

Name: Laurence A. Tosi

Title: Chief Financial Officer

*[Signatures Continued on Following Page]*

*[Signature Page to Purchase and Sale Agreement]*

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**CAPITAL TRUST, INC.**

By: /s/ Stephen D. Plavin  
Name: Stephen D. Plavin  
Title: Chief Executive Officer and President

*[Signature Page to Purchase and Sale Agreement]*

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**Annex B**

MANAGEMENT AGREEMENT

*by and between*

Capital Trust, Inc.

*and*

[ ]

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MANAGEMENT AGREEMENT, dated as of [ ], 2012, by and between Capital Trust, Inc., a Maryland corporation, and [ ], a [ ] (the *Manager* ).

**WITNESSETH:**

WHEREAS, the Company was formed as a corporation which has elected to be treated as a real estate investment trust for U.S. federal income tax purposes pursuant to Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the *Code* );

WHEREAS, the Company was previously internally managed by CT Investment Management Co., LLC ( *CTIMCO* ), a wholly-owned subsidiary of the Company;

WHEREAS, pursuant to the Purchase and Sale Agreement, dated as of September 27, 2012 (as the same may be amended from time to time, the *Omnibus Purchase Agreement* ), by and between the Company and Huskies Acquisition LLC, a Delaware limited liability company, has agreed to acquire CTIMCO 's investment management business and certain related interests on the terms and conditions set forth therein; and

WHEREAS, in connection therewith, the Company desires to retain the Manager to serve as investment manager of the Company and provide various investment management and other services with respect to the Company in the manner and on the terms set forth herein, and the Manager desires to accept such appointment and render such services to the Company in consideration of a management fee and incentive fee as hereinafter set forth.

NOW THEREFORE, in consideration of the premises and agreements hereinafter set forth, the parties hereto hereby agree as follows:

**Section 1. Definitions.**

(a) The following terms shall have the meanings set forth in this Section 1(a):

*Affiliate* means with respect to a Person (i) any Person directly or indirectly controlling, controlled by, or under common control with such other Person, (ii) any executive officer, employee or general partner of such Person, (iii) any member of the board of directors or board of managers (or bodies performing similar functions) of such Person, and (iv) any legal entity for which such Person acts as an executive officer or general partner; *provided*, that, for greater certainty, it is acknowledged and agreed that portfolio entities of any Other Blackstone Funds shall not be deemed Affiliates of the Manager.

*Agreement* means this Management Agreement, as amended, restated, supplemented or otherwise modified from time to time.

*Allocation Policy* means the investment allocation policy and procedures of the Manager and/or its Affiliates with respect to the allocation of investment opportunities among the Company and one or more Other Blackstone Funds (as the same may be amended, updated or revised from time to time).

*Automatic Renewal Term* has the meaning set forth in Section 10(a) hereof.

*Blackstone* means, collectively, The Blackstone Group L.P., a Delaware limited partnership, and any Affiliate thereof.

*Board* means the board of directors of the Company.

*Business Day* means any day except a Saturday, a Sunday or a day on which banking institutions in New York, New York are not required to be open.

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*Cause Event* means (i) a final judgment by any court or governmental body of competent jurisdiction not stayed or vacated within thirty (30) days that the Manager, its agents or its assignees has committed a felony or a material violation of applicable securities laws that has a material adverse effect on the business of the Company or the ability of the Manager to perform its duties under the terms of this Agreement, (ii) an order for relief in an involuntary bankruptcy case relating to the Manager or the Manager authorizing or filing a voluntary bankruptcy petition, (iii) the dissolution of the Manager, or (iv) a determination that the Manager has committed fraud against the Company, misappropriates or embezzles funds of the Company, or has acted, or failed to act, in a manner constituting bad faith, willful misconduct, gross negligence or reckless disregard in the performance of its duties under this Agreement; provided, however, that if any of the actions or omissions described in this clause (iv) are caused by an employee and/or officer of the Manager or one of its Affiliates and the Manager takes all necessary action against such person and cures the damage caused by such actions or omissions within thirty (30) days of such determination, then such event shall not constitute a Cause Event.

*Claim* has the meaning set forth in Section 8(c) hereof.

*Closing Date* means the Closing Date under the Omnibus Purchase Agreement.

*Code* has the meaning set forth in the Recitals.

*Common Stock* means the common stock, par value \$0.01, of the Company.

*Company* means Capital Trust, Inc., a Maryland corporation, and, where the context requires, its Subsidiaries and Affiliates.

*Company Indemnified Party* has meaning set forth in Section 8(b) hereof.

*Conduct Policies* has the meaning set forth in Section 2(n) hereof.

*Confidential Information* has the meaning set forth in Section 5 hereof.

*Core Earnings* means the net income (loss) attributable to the stockholders of the Company, computed in accordance with GAAP, including realized losses not otherwise included in GAAP net income (loss) and excluding (i) non-cash equity compensation expense, (ii) the Incentive Compensation, (iii) depreciation and amortization, (iv) any unrealized gains or losses or other similar non-cash items that are included in net income for the applicable reporting period, regardless of whether such items are included in other comprehensive income or loss, or in net income, (v) one-time events pursuant to changes in GAAP and certain material non-cash income or expense items, in each case after discussions between the Manager and the Independent Directors and approved by a majority of the Independent Directors, and (vi) net income (loss) related to the CT Legacy Interests.

For the avoidance of doubt, the exclusion of depreciation and amortization from the calculation of Core Earnings shall only apply to debt investments related to real estate to the extent that the Company forecloses upon the property or properties underlying such debt investments.

*CT Legacy CDOs* means Capital Trust RE CDO 2004-1 Ltd., a Cayman Islands company, Capital Trust RE CDO 2005-1 Ltd, a Cayman Islands company, and CT CDO IV Ltd., a Cayman Islands exempted company.

*CT Legacy REIT* means CT Legacy REIT Mezz Borrower, Inc., a Maryland corporation.

*CT Legacy REIT Award Agreements* means those certain award agreements granted under the Company's 2007 Long-Term Incentive Plan related to distributions made by CT Legacy REIT.

*CT Legacy Interests* means the Company's interests in (i) CT Legacy REIT, net of the Unit Secured Notes and payments made by the Company pursuant to the CT Legacy REIT Award Agreements, (ii) the CTOPI Interest, net of the payments made by the Company pursuant to the CTOPI Award Agreements and (iii) the CT Legacy CDOs.

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*CTIMCO* has the meaning set forth in the Recitals.

*CTOPI* means CT Opportunity Partners I, L.P., a Delaware limited partnership.

*CTOPI Award Agreements* means those certain award agreements related to carried interest distributions made by CTOPI.

*CTOPI Interest* means the Company's interest in CT OPI GP, LLC, a Delaware limited liability company and general partner of CTOPI.

*Effective Termination Date* has the meaning set forth in Section 10(b) hereof.

*Equity* means (a) the sum of (1) the net proceeds received by the Company from all issuances of the Company's Common Stock from and after the Closing Date (allocated on a pro rata basis for such issuances during the fiscal quarter of any such issuance), plus (2) the Company's retained earnings at the end of the most recently completed calendar quarter in respect of Core Earnings from and after the Closing Date, plus (3) cash retained on the Company's balance sheet as of the Closing Date and cash retained upon realization of the CT Legacy Interests, (b) less (1) any distributions to the Company's stockholders in excess of retained Core Earnings, (2) any amount that the Company or any of its Subsidiaries has paid to repurchase the Company's Common Stock since the Closing Date and (3) any Incentive Compensation paid following the Closing Date.

*Exchange Act* means the Securities Exchange Act of 1934, as amended.

*GAAP* means generally accepted accounting principles in effect in the United States on the date such principles are applied.

*Governing Agreements* means, with regard to any entity, the articles of incorporation or certificate of incorporation and bylaws in the case of a corporation, the certificate of limited partnership (if applicable) and the partnership agreement in the case of a general or limited partnership, the certificate of formation and limited liability company agreement in the case of a limited liability company, the trust instrument in the case of a trust, or similar governing documents in each case as amended.

*Incentive Compensation* means the incentive fee calculated and payable with respect to each calendar quarter following the Closing Date (or part thereof that this Agreement is in effect) in arrears in an amount, not less than zero, equal to:

(i) for the first full calendar quarter following the Closing Date, the product of (a) 20% and (b) the difference between (i) Core Earnings of the Company for such calendar quarter, and (ii) the product of (A) the Company's Equity as of the end of such calendar quarter, and (B) 7%;

(ii) for each of the second, third and fourth full calendar quarters following the Closing Date, the difference between (1) the product of (a) 20% and (b) the difference between (i) Core Earnings of the Company for the previous calendar quarter, and (ii) the product of (A) the Company's Equity in the previous calendar quarter, and (B) 7%, and (2) the sum of any Incentive Compensation paid to the Manager with respect to the prior calendar quarter(s) following the Closing Date, as applicable; and

(iii) for each calendar quarter thereafter, the difference between (1) the product of (a) 20% and (b) the difference between (i) Core Earnings of the Company for the previous 12-month period, and (ii) the product of (A) the Company's Equity in the previous 12-month period, and (B) 7%, and (2) the sum of any Incentive Compensation paid to the Manager with respect to the first three calendar quarters of such previous 12-month period; provided, however, that no Incentive Compensation shall be payable with respect to any calendar quarter unless Core Earnings for the 12 most recently completed calendar quarters (or such lesser number of completed calendar quarters from the date of the first offering of Common Stock following the Closing Date) is greater than zero.

Incentive Compensation shall be *pro rated* for partial periods, to the extent necessary, based on the number of days elapsed or remaining in such period, as the case may be (including any calendar quarter

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during which the Closing Date occurs and any calendar quarter during which any Effective Termination Date occurs).

*Indemnified Party* has the meaning set forth in Section 8(b) hereof.

*Independent Director* means a member of the Board who is independent in accordance with the Company's Governing Agreements and the rules of the NYSE or such other securities exchange on which the shares of Common Stock are listed.

*Initial Term* has the meaning set forth in Section 10(a) hereof.

*Investment Company Act* means the U.S. Investment Company Act of 1940, as amended.

*Investment Guidelines* means the investment guidelines of the Company approved by the Board, as may be amended, restated, modified, supplemented or waived pursuant to the approval of a majority of the Board (which must include a majority of the Independent Directors) from time to time. As of the date hereof, such investment guidelines are listed on Exhibit A.

*Losses* has the meaning set forth in Section 8(a) hereof.

*Management Fee* means the management fee, without duplication, payable quarterly in arrears with respect to each calendar quarter following the Closing Date, in an amount equal to the greater of:

- (i) \$250,000 per annum (\$62,500 per quarter); and
- (ii) 1.50% per annum (0.375% per quarter) of the Company's Equity.

The Management Fee shall be *pro rated* for partial periods, to the extent necessary, as described more fully elsewhere herein.

*Manager* has the meaning set forth in the Recitals.

*Manager Expenses* has the meaning set forth in Section 7(a) hereof.

*Manager Indemnified Party* has the meaning set forth in Section 8(a) hereof.

*Manager Permitted Disclosure Parties* has the meaning set forth in Section 5(a) hereof.

*Notice of Proposal to Negotiate* has the meaning set forth in Section 10(c) hereof.

*NYSE* means The New York Stock Exchange.

*Omnibus Purchase Agreement* has the meaning set forth in the Recitals.

*Other Blackstone Funds* means, collectively, any other investment funds, vehicles, accounts, products and/or other similar arrangements sponsored, advised and/or managed by Blackstone, whether currently in existence or subsequently established, in each case, including any related successor funds, alternative vehicles, supplemental capital vehicles, co-investment vehicles and other entities formed in connection with Blackstone's side-by-side or additional general partner investments with respect thereto.

*Person* means any natural person, corporation, partnership, association, limited liability company, estate, trust, joint venture, any federal, state, county or municipal government or any bureau, department or agency thereof or any other legal entity and any fiduciary acting in such capacity on behalf of the foregoing.

*Regulation FD* means Regulation FD as promulgated by the SEC.

*REIT* means a real estate investment trust as defined under the Code.

*SEC* means the United States Securities and Exchange Commission.

*Securities Act* means the Securities Act of 1933, as amended.

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*Subsidiary* means a corporation, limited liability company, partnership, joint venture or other entity or organization of which: (a) the Company or any other subsidiary of the Company is a general partner or managing member, or (b) voting power to elect a majority of the board of directors, trustees or other Persons performing similar functions with respect to such entity or organization is held by the Company or by any one or more of the Company's subsidiaries.

*Termination Fee* means a termination fee equal to three (3) times the sum of (i) the average annual Management Fee, and (ii) average annual Incentive Compensation, in each case earned by the Manager during the 24-month period immediately preceding the most recently completed calendar quarter prior to the Effective Termination Date.

*Termination Notice* has the meaning set forth in Section 10(b) hereof.

*Termination Without Cause* has the meaning set forth in Section 10(b) hereof.

*Treasury Regulations* means the Procedures and Administration Regulation promulgated by the U.S. Department of Treasury under the Code, as amended.

*Unit Secured Notes* means, collectively, the Series 1 Unit Secured Notes issued by CT Legacy Series 1 Note Issuer, LLC, a Delaware limited liability company, and the Series 2 Unit Secured Notes issued by CT Legacy Series 2 Note Issuer, LLC, a Delaware limited liability company, issued prior to the date hereof.

(b) As used herein, accounting terms relating to the Company and its Subsidiaries, if any, not defined in Section 1(a) and accounting terms partly defined in Section 1(a), to the extent not defined, shall have the respective meanings given to them under GAAP. As used herein, "calendar quarters" shall mean the period from January 1 to March 31, April 1 to June 30, July 1 to September 30 and October 1 to December 31 of the applicable year.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation."

**Section 2. Appointment and Duties of the Manager.**

(a) The Company hereby appoints the Manager, as agent, to manage the investments and day-to-day business and affairs of the Company and its Subsidiaries, subject at all times to the further terms and conditions set forth in this Agreement and to the supervision of the Board. Except as otherwise provided in this Agreement, the Manager hereby agrees to use its commercially reasonable efforts to perform each of the duties set forth herein, provided that the Company reimburses the Manager for costs and expenses in accordance with Section 7 hereof. The appointment of the Manager shall be exclusive to the Manager, except to the extent that the Manager elects, in its sole and absolute discretion, subject to the terms of this Agreement, to cause the duties of the Manager as set forth herein to be provided by third parties and/or its Affiliates.

(b) The Manager, in its capacity as manager of the investments and the operations of the Company, at all times will be subject to the supervision and direction of the Board and will have only such functions and authority as the Board may delegate to it, including, without limitation, managing the Company's investment activities and other business affairs in conformity with the Investment Guidelines and other policies that are approved and monitored by the Board. The Company and the Manager hereby acknowledge the recommendation by the Manager and the approval by the Board of the Investment Guidelines.

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(c) Subject to the oversight of the Board and the terms and conditions of this Agreement (including the Investment Guidelines), the Manager will have plenary authority with respect to the management of the business and affairs of the Company and will be responsible for the day-to-day management of the Company. The Manager will perform (or cause to be performed through one or more of its Affiliates or Subsidiaries) such services and activities relating to the investments and business and affairs of the Company as may be appropriate or otherwise mutually agreed from time to time, which may include, without limitation:

(i) serving as an advisor to the Company with respect to the establishment and periodic review of the Investment Guidelines and other parameters for the Company's investments, financing activities and operations, any modifications to which will be approved by a majority of the Board (which must include a majority of the Independent Directors);

(ii) identifying, investigating, analyzing, and selecting possible investment opportunities and originating, negotiating, acquiring, consummating, monitoring, financing, retaining, selling, negotiating for prepayment, restructuring, refinancing, hypothecating, pledging or otherwise disposing of investments consistent in all material respects with the Investment Guidelines;

(iii) with respect to prospective purchases, sales, exchanges or other dispositions of investments, conducting negotiations on the Company's behalf with sellers, purchasers, and other counterparties and, if applicable, their respective agents, advisors and representatives;

(iv) negotiating and entering into, on the Company's behalf, repurchase agreements, interest rate or currency swap agreements, hedging arrangements, financing arrangements (including one or more credit facilities), foreign exchange transactions, derivative transactions, and other agreements and instruments required or appropriate in connection with the Company's activities;

(v) engaging and supervising, on the Company's behalf and at the Company's expense, independent contractors, advisors, consultants, attorneys, accountants, auditors, and other service providers (which may include Affiliates of the Manager) that provide various services with respect to the Company, including, without limitation, investment banking, securities brokerage, mortgage brokerage, credit analysis, risk management services, asset management services, loan servicing, other financial, legal or accounting services, due diligence services, underwriting review services, and all other services (including transfer agent and registrar services) as may be required relating to the Company's activities or investments (or potential investments);

(vi) coordinating and managing operations of any joint venture or co-investment interests held by the Company and conducting all matters with the joint venture or co-investment partners;

(vii) providing executive and administrative personnel, office space and office services required in rendering services to the Company;

(viii) administering the day-to-day operations and performing and supervising the performance of such other administrative functions necessary to the Company's management as may be agreed upon by the Manager and the Board, including, without limitation, the collection of revenues and the payment of the Company's debts and obligations and maintenance of appropriate computer services to perform such administrative functions;

(ix) communicating on the Company's behalf with the holders of any of the Company's equity or debt securities as required to satisfy the reporting and other requirements of any governmental bodies or agencies or trading markets and to maintain effective relations with such holders;

(x) advising the Company in connection with policy decisions to be made by the Board;

(xi) engaging one or more subadvisors with respect to the management of the Company, including, where appropriate, Affiliates of the Manager;

(xii) evaluating and recommending to the Board hedging strategies and engaging in hedging activities on the Company's behalf, consistent with the Company's qualification as a REIT and with the Investment Guidelines;



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(xiii) advising the Company regarding the maintenance of the Company's qualification as a REIT and monitoring compliance with the various REIT qualification tests and other rules set out in the Code and Treasury Regulations thereunder and using commercially reasonable efforts to cause the Company to qualify for taxation as a REIT;

(xiv) advising the Company regarding the maintenance of the Company's exemption from regulation as an investment company under the Investment Company Act, monitoring compliance with the requirements for maintaining such exemption and using commercially reasonable efforts to cause the Company to maintain such exemption from regulation as an investment company under the Investment Company Act;

(xv) furnishing reports to the Company regarding the Company's activities and services performed for the Company by the Manager and its Affiliates;

(xvi) monitoring the operating performance of the Company's investments and providing periodic reports with respect thereto to the Board, including comparative information with respect to such operating performance and budgeted or projected operating results;

(xvii) investing and reinvesting any moneys and securities of the Company (including investing in short-term investments pending investment in other investments, payment of fees, costs and expenses, or payments of dividends or distributions to the Company's stockholders and partners) and advising the Company as to the Company's capital structure and capital raising;

(xviii) causing the Company to retain a qualified independent public accounting firm and legal counsel, as applicable, to assist in developing appropriate accounting procedures and systems, internal controls and other compliance procedures and systems with respect to financial reporting obligations and compliance with the provisions of the Code applicable to REITs and to conduct periodic compliance reviews with respect thereto;

(xix) assisting the Company in qualifying to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;

(xx) assisting the Company in complying with all regulatory requirements applicable to the Company in respect of the Company's business activities, including preparing or causing to be prepared all financial statements required under applicable regulations and contractual undertakings and all reports and documents, if any, required under the Exchange Act or the Securities Act, or by the NYSE, and facilitating compliance with the Sarbanes-Oxley Act of 2002, the listing rules of the NYSE, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010;

(xxi) assisting the Company in taking all necessary action to enable the Company to make required tax filings and reports, including soliciting stockholders for all information required to the extent provided by the provisions of the Code and Treasury Regulations applicable to REITs;

(xxii) placing, or arranging for the placement of, all orders pursuant to the Manager's investment determinations for the Company either directly with the issuer or with a broker or dealer (including any affiliated broker or dealer);

(xxiii) handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which the Company may be involved or to which the Company may be subject arising out of the Company's day-to-day activities (other than with the Manager or its Affiliates), subject to such reasonable limitations or parameters as may be imposed from time to time by the Board;

(xxiv) using commercially reasonable efforts to cause expenses incurred by the Company or on the Company's behalf to be commercially reasonable or commercially customary and within any budgeted parameters or expense guidelines set by the Board from time to time;

(xxv) advising the Company with respect to and structuring long-term financing vehicles for the Company's portfolio of assets, and offering and selling securities publicly or privately in connection with any such structured financing;

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(xxvi) serving as the Company's advisor with respect to decisions regarding any of the Company's financings, hedging activities or borrowings undertaken by the Company, including (1) assisting the Company in developing criteria for debt and equity financing that is specifically tailored to the Company's investment objectives, and (2) advising the Company with respect to obtaining appropriate financing for the Company's investments (which, in accordance with applicable law and the terms and conditions of this Agreement and the Company's Governing Agreements may include financing by the Manager or its Affiliates);

(xxvii) providing the Company with portfolio management and other related services;

(xxviii) arranging marketing materials and other related documentation, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote the Company's business; and

(xxix) performing such other services from time to time in connection with the management of the business and affairs of the Company and its investment activities as the Board shall reasonably request and/or the Manager shall deem appropriate under the particular circumstances.

(d) For the period and on the terms and conditions set forth in this Agreement, the Company and each of its Subsidiaries hereby constitutes, appoints and authorizes the Manager, and any officer of the Manager acting on its behalf from time to time, as the Company's true and lawful agent and attorney-in-fact, in its name, place and stead, to negotiate, execute, deliver and enter into any certificates, instruments, agreements, authorizations and other documentation in the name and on behalf of the Company as the Manager, in its sole discretion, deems necessary or appropriate in connection with the performance of its services hereunder. This power of attorney is deemed to be coupled with an interest. In performing such services, as an agent of the Company, the Manager shall have the right to exercise all powers and authority which are reasonably necessary and customary to perform its obligations under this Agreement, including, the following powers, subject in each case to the terms and conditions of this Agreement, including, without limitation, the Investment Guidelines:

(i) to purchase, exchange or otherwise acquire and to sell, exchange or otherwise dispose of, any investment at public or private sale;

(ii) to borrow and, for the purpose of securing the repayment thereof, to pledge, mortgage or otherwise encumber investments and enter into agreements in connection therewith, including, without limitation, repurchase agreements, master repurchase agreements, International Swap Dealer Association swap, caps and other agreements and annexes thereto and other futures and forward agreements;

(iii) to purchase, take and hold investments subject to mortgages or other liens;

(iv) to extend the time of payment of any liens or encumbrances which may at any time be encumbrances upon any investment, irrespective of by whom the same were made;

(v) to foreclose, to reduce the rate of interest on, and to consent to the modification and extension of the maturity or other terms of any investments, or to accept a deed in lieu of foreclosure;

(vi) to join in a voluntary partition of any investment;

(vii) to cause to be demolished any structures on any real estate investment;

(viii) to cause renovations and capital improvements to be made to any real estate investment;

(ix) to abandon any real estate investment deemed to be worthless;

(x) to enter into joint ventures or otherwise participate in investment vehicles investing in investments;

(xi) to cause any real estate investment to be leased, operated, developed, constructed or exploited;

(xii) to obtain and maintain insurance in such amounts and against such risks as are prudent in accordance with customary and sound business practices in the appropriate geographic area;

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(xiii) to cause any property to be maintained in good state of repair and upkeep; and to pay the taxes, upkeep, repairs, carrying charges, maintenance and premiums for insurance;

(xiv) to use the personnel and resources of its Affiliates in performing the services specified in this Agreement;

(xv) to designate and engage all professionals, consultants and other service providers subject to and in accordance with, as applicable, Section 2(e), to perform services (directly or indirectly) on behalf of the Company and its Subsidiaries, including, without limitation, accountants, legal counsel and engineers; and

(xvi) to take any and all other actions as are necessary or appropriate in connection with the Company's investments.

The Manager shall be authorized to represent to third parties that it has the power to perform the actions which it is authorized to perform under this Agreement.

(e) The Manager may retain, for and on behalf, and at the sole cost and expense, of the Company, such services of the persons and firms referred to in Section 7(b) hereof as the Manager deems necessary or advisable in connection with the management and operations of the Company, which may include Affiliates of the Manager; *provided*, that any such services may only be provided by Affiliates to the extent (i) such services are on arm's length terms and competitive market rates in relation to terms that are then customary for agreements regarding the provision of such services to companies that have assets similar in type, quality and value to the assets of the Company and its Subsidiaries, or (ii) such services are approved by a majority of the Independent Directors. In performing its duties under this Section 2, the Manager shall be entitled to rely reasonably on qualified experts and professionals (including, without limitation, accountants, legal counsel and other professional service providers) hired by the Manager at the Company's sole cost and expense. The Manager shall keep the Board reasonably informed on a periodic basis as to any services provided by Affiliates of the Manager not approved by a majority of the Independent Directors.

(f) The Manager shall refrain from any action that, in its sole judgment made in good faith, (i) is not in compliance with the Investment Guidelines, (ii) would adversely and materially affect the qualification of the Company as a REIT under the Code or the Company's and its Subsidiaries' status as entities excluded from investment company status under the Investment Company Act, or (iii) would materially violate the Conduct Policies, any law, rule or regulation of any governmental body or agency having jurisdiction over the Company and its Subsidiaries or of any exchange on which the securities of the Company may be listed or that would otherwise not be permitted by the applicable Governing Agreements. If the Manager is ordered to take any action by the Board, the Manager shall seek to promptly notify the Board if it is the Manager's reasonable judgment that such action would adversely and materially affect such status or violate any such law, rule or regulation or Governing Agreements. Notwithstanding the foregoing, neither the Manager nor any of its Affiliates shall be liable to the Company, the Board, or the Company's stockholders for any act or omission by the Manager or any of its Affiliates, except as provided in Section 8 of this Agreement.

(g) The Company (including the Board) agrees to take all actions reasonably required to permit and enable the Manager to carry out its duties and obligations under this Agreement, including, without limitation, all steps reasonably necessary to allow the Manager to make any filing required to be made under the Securities Act, Exchange Act, the NYSE's Listed Company Manual, Code or other applicable law, rule or regulation on behalf of the Company in a timely manner. The Company further agrees to use commercially reasonable efforts to make available to the Manager all resources, information and materials reasonably requested by the Manager to enable the Manager to satisfy its obligations hereunder, including its obligations to deliver financial statements and any other information or reports with respect to the Company.

(h) As frequently as the Manager may deem reasonably necessary or advisable, or at the direction of the Board, the Manager shall prepare, or, at the sole cost and expense of the Company, cause to be prepared,

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(i) reports and other information on the Company's operations and (ii) other information relating to any proposed or consummated investment as may be reasonably requested by the Company.

(i) The Manager shall prepare, or, at the sole cost and expense of the Company, cause to be prepared, all periodic reports and financial statements with respect to the Company reasonably required by the Board in order for the Company to comply with its Governing Agreements, or any other materials required to be filed with any governmental body or agency, including but not limited to the SEC, and shall prepare, or, at the sole cost and expense of the Company, cause to be prepared, all materials and data necessary to complete such reports and other materials, including, without limitation, an annual audit of the Company's books of account by a nationally recognized independent accounting firm.

(j) The Manager shall prepare, or, at the sole cost and expense to the Company, cause to be prepared, regular reports for the Board to enable the Board to review the Company's acquisitions, portfolio composition and characteristics, credit quality, performance, asset performance and compliance with the Investment Guidelines, and policies approved by the Board.

(k) Officers, employees and agents of the Manager and its Affiliates may serve as directors, officers, employees, agents, nominees or signatories for the Company or any of its Subsidiaries, to the extent permitted by their Governing Agreements, by any resolutions duly adopted by the Board. When executing documents or otherwise acting in such capacities for the Company or any of its Subsidiaries, such Persons shall indicate in what capacity they are executing on behalf of the Company or any of its Subsidiaries. Without limiting the foregoing, while this Agreement is in effect, the Manager will provide the Company with a management team, including a Chief Executive Officer and President, Chief Financial Officer or similar positions, along with appropriate support personnel, to provide the management services to be provided by the Manager to the Company hereunder, who shall devote such of their time to the management of the Company as necessary and appropriate, commensurate with the level of activity of the Company from time to time.

(l) At all times during the term of this Agreement, the Manager, at its sole cost and expense, shall maintain errors and omissions insurance coverage and other insurance coverage that is customarily carried by asset and investment managers performing functions similar to those of the Manager under this Agreement with respect to assets similar to the assets of the Company and the Subsidiaries.

(m) The Manager, at its sole cost and expense, shall provide or otherwise cause to be provided, such internal audit, compliance and control services as may be required for the Company to comply with applicable law (including the Securities Act and Exchange Act), regulation (including SEC regulations) and the rules and requirements of the NYSE and as otherwise reasonably requested by the Company or its Board from time to time.

(n) The Manager agrees to be bound by the Company's Code of Business Conduct and Ethics, Corporate Governance Guidelines and Policy on Insider Trading and other compliance and governance policies and procedures required under the Exchange Act, the Securities Act, or by the NYSE or other securities exchange, if any (collectively, the *Conduct Policies*), and to take, or cause to be taken, all actions reasonably required to cause its officers, directors, members, managers and employees, and any principals, officers or employees of its Affiliates (including Blackstone) who are involved in the business and affairs of the Company, to be bound by the Conduct Policies to the extent applicable to such Persons.

### **Section 3. Additional Activities of the Manager; Allocation of Investment Opportunities; Non-Solicitation; Restrictions.**

(a) Nothing in this Agreement shall (i) prevent the Manager or any of its Affiliates, officers, directors or employees, from engaging in other businesses or from rendering services of any kind to any other Person or entity, whether or not the investment objectives or policies of any such other Person or entity are similar to those

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of the Company, including, without limitation, the sponsoring, closing and/or managing of any Other Blackstone Funds that employ investment objectives or strategies that overlap, in whole or in part, with the Investment Guidelines of the Company, (ii) in any way bind or restrict the Manager or any of its Affiliates, officers, directors or employees from buying, selling or trading any securities or commodities for their own accounts or for the account of others for whom the Manager or any of its Affiliates, officers, directors or employees may be acting, or (iii) prevent the Manager or any of its Affiliates from receiving fees or other compensation or profits from such activities described in this Section 3(a) which shall be for the Manager's (and/or its Affiliates') sole benefit. While information and recommendations supplied to the Company shall, in the Manager's reasonable and good faith judgment, be appropriate under the circumstances and in light of the investment objectives and policies of the Company, they may be different in certain material respects from the information and recommendations supplied by the Manager or any Affiliate of the Manager to others (including, for greater certainty, the Other Blackstone Funds and their investors, as described more fully in Section 3(b)). The Manager and the Company acknowledge and agree that, notwithstanding anything to the contrary contained herein, (i) Affiliates of the Manager sponsor, advise and/or manage one or more Other Blackstone Funds and may in the future sponsor, advise and/or manage additional Other Blackstone Funds, and (ii) the Manager will allocate investment opportunities that overlap with the Investment Guidelines of the Company and such Other Blackstone Funds in accordance with the Allocation Policy.

(b) In connection with the services of the Manager hereunder, the Company and the Board acknowledge and/or agree that (i) as part of Blackstone's regular businesses, personnel of the Manager and its Affiliates may from time-to-time work on other projects and matters (including with respect to one or more Other Blackstone Funds), and that conflicts may arise with respect to the allocation of personnel between the Company and one or more Other Blackstone Funds and/or the Manager and such other Affiliates, (ii) there may be circumstances where investments that are consistent with the Company's Investment Guidelines may be shared with or allocated to one or more Other Blackstone Funds (in lieu of the Company) in accordance with the Allocation Policy, (iii) Other Blackstone Funds may invest, from time-to-time, in investments in which the Company may also invest (including at a different level of an issuer's capital structure (e.g., an investment by an Other Blackstone Fund in an equity or mezzanine interest with respect to the same portfolio entity in which the Company owns a debt interest or *vice versa*) or in a different tranche of fundraising with respect to an issuer in which the Company has an interest) and while Blackstone will seek to resolve any such conflicts in a fair and equitable manner in accordance with the Allocation Policy, such transactions shall not be required to be presented to the Board for approval, and there can be no assurance that any such conflicts will be resolved in favor of the Company, (iv) the Manager and its Affiliates may from time-to-time receive fees from portfolio entities or other issuers for the arranging, underwriting, syndication or refinancing of investments or other additional fees, including acquisition fees, loan servicing fees, special servicing fees and administrative fees and fees or advisory or asset management fees, including with respect to Other Blackstone Funds and related portfolio entities, and while such fees may give rise to conflicts of interest the Company will not receive the benefit of any such fees, and (v) the terms and conditions of the governing agreements of such Other Blackstone Funds (including with respect to the economic, reporting, and other rights afforded to investors in such Other Blackstone Funds) are materially different from the terms and conditions applicable to the Company and its stockholders, and neither the Company nor any such stockholders (in such capacity) shall have the right to receive the benefit of any such different terms applicable to investors in such Other Blackstone Funds as a result of an investment in the Company or otherwise. The Manager shall keep the Board reasonably informed on a periodic basis in connection with the foregoing, including with respect to any transactions that present conflicts contemplated by clause (iii) of this Section 3(b) and shall provide the Board quarterly updates in respect of such matters.

(c) Subject to Section 3(b), the Board will periodically review the Investment Guidelines and the Company's investment portfolio when and as determined in its discretion, but will not review each proposed investment; *provided*, that the Manager shall not consummate on behalf of the Company any transaction that involves (i) the sale of any investment to or (ii) the acquisition of any investment from, Blackstone, any Other Blackstone Fund or any of their Affiliates unless such transaction (A) is on terms no less favorable to the

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Company than could have been obtained on an arm's length basis from an unrelated third party and (B) has been approved in advance by a majority of the Independent Directors. In connection with the foregoing, it is understood and/or agreed for greater certainty that while conflicts of interests may arise from time-to-time in connection with the investment activities of the Company, Blackstone and the Other Blackstone Funds (including as more fully described in Section 3(b) above) and that the Manager will seek to resolve any such conflicts of interest in a fair and equitable manner in accordance with the Allocation Policy and its prevailing policies and procedures with respect to conflicts resolution among Other Blackstone Funds generally, only those transactions set forth above shall be required to be presented for approval to the Independent Directors; *provided*, that the foregoing shall not limit the ability of the Manager, in its discretion, to present additional matters involving the Company to the Independent Directors from time-to-time for review, advice and/or approval to the extent the Manager reasonably determines that doing so is appropriate under the circumstances (including, without limitation, as a result of a determination that such matters give rise to material conflicts of interest that are appropriate to be reviewed and/or approved by the Independent Directors).

(d) In the event of a Termination Without Cause of this Agreement by the Company pursuant to Section 10(b) hereof, for two (2) years after such termination of this Agreement, the Company shall not, without the consent of the Manager, employ or otherwise retain any employee of the Manager or any of its Affiliates or any person who has been employed by the Manager or any of its Affiliates at any time within the two (2) year period immediately preceding the date on which such person commences employment with or is otherwise retained by the Company. The Company acknowledges and agrees that, in addition to any damages, the Manager may be entitled to equitable relief for any violation of this Section 3(d) by the Company, including, without limitation, injunctive relief.

(e) At the reasonable request of the Board, the Manager shall review the Allocation Policy with the Board and respond to reasonable questions regarding the Allocation Policy as it relates to services under the Agreement. The Manager shall promptly provide the Board with a description of any material amendments, updates and revisions to the Allocation Policy.

**Section 4. Bank Accounts.** At the direction of the Board, the Manager may establish and maintain, as agent on behalf of the Company, one or more bank accounts in the name of the Company or any Subsidiary, and may collect and deposit into any such account or accounts, and disburse funds from any such account or accounts, under such terms and conditions as the Board may approve; and the Manager shall from time to time render appropriate accountings of such collections and payments to the Board and, upon request, to the auditors of the Company or any Subsidiary.

**Section 5. Records; Confidentiality.**

The Manager shall maintain appropriate books of account, records and files relating to services performed hereunder, and such books of account, records and files shall be accessible for inspection by representatives of the Company or any Subsidiary at any time during normal business hours upon advance written notice. The Manager shall have full responsibility for the maintenance, care and safekeeping of all such books of account, records and files (it being understood that services may be provided with respect to the Company by service providers (*e.g.*, administrators, prime brokers and custodians) and so long as such service providers are monitored by the Manager with due care, the Manager shall be in compliance with the foregoing). The Manager shall keep confidential any and all non-public information, written or oral, obtained by it in connection with the services rendered hereunder ( *Confidential Information* ) and shall not use Confidential Information except in furtherance of its duties under this Agreement or disclose Confidential Information, in whole or in part, to any Person other than (i) to officers, directors, employees, agents, representatives, advisors of the Manager or its Affiliates who need to know such Confidential Information for the purpose of rendering services hereunder, (ii) to appraisers, lenders or other financing sources, co-originators, custodians, administrators, brokers, commercial counterparties or any similar entity and others in the ordinary course of the Company's business ((i) and (ii) collectively, *Manager Permitted Disclosure Parties* ), (iii) in connection with

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any governmental or regulatory filings of the Company (including, if required by law, any filings made by Blackstone as a result of its status as a public company) or disclosure or presentations to Company investors (subject to compliance with Regulation FD), (iv) to governmental officials having jurisdiction over the Company, (v) as requested by law or legal process to which the Manager or any Person to whom disclosure is permitted hereunder is a party, (vi) to existing or prospective investors in Other Blackstone Funds and their advisors to the extent such persons reasonably request such information, subject to an undertaking of confidentiality, non-disclosure and nonuse, or (vii) otherwise with the consent of the Company. The Manager agrees to inform each of its Manager Permitted Disclosure Parties of the non-public nature of the Confidential Information. Nothing herein shall prevent the Manager from disclosing Confidential Information (i) upon the order of any court or administrative agency, (ii) upon the request or demand of, or pursuant to any law or regulation to, any regulatory agency or authority, (iii) to the extent reasonably required in connection with the exercise of any remedy hereunder, or (iv) to its legal counsel or independent auditors; *provided, however* that with respect to clauses (i) and (ii), it is agreed that, so long as not legally prohibited, the Manager will provide the Company with written notice within a reasonable period of time of such order, request or demand so that the Company may seek, at its sole expense, an appropriate protective order and/or waive the Manager's compliance with the provisions of this Agreement. If, failing the entry of a protective order or the receipt of a waiver hereunder, the Manager is required to disclose Confidential Information, the Manager may disclose only that portion of such information that is legally required without liability hereunder; provided, that the Manager agrees to exercise its reasonable best efforts to obtain reliable assurance that confidential treatment will be accorded such information. Notwithstanding anything herein to the contrary, each of the following shall be deemed to be excluded from provisions hereof: any Confidential Information that (A) is available to the public from a source other than the Manager, (B) is released by the Company to the public (except to the extent exempt under Regulation FD) or to persons who are not under similar obligation of confidentiality to the Company, or (C) is obtained by the Manager from a third-party which, to the best of the Manager's knowledge, does not constitute a breach by such third-party of an obligation of confidence with respect to the Confidential Information disclosed. The provisions of this Agreement shall survive the expiration or earlier termination of this Agreement for a period of one year.

**Section 6. Compensation.**

(a) For the services rendered under this Agreement, the Company shall pay the Management Fee and the Incentive Compensation to the Manager. The Manager will not receive any compensation for the period prior to the Closing Date.

(b) The parties acknowledge that the Management Fee is intended in part to compensate the Manager and its Affiliates for the costs and expenses they will incur hereunder and pursuant to any subadvisory agreement, as well as certain expenses not otherwise reimbursable under Section 7 below, in order for the Manager to provide the Company the investment advisory services and certain general management services rendered under this Agreement. The fee paid by the Manager under a subadvisory agreement (if any) shall not constitute an expense reimbursable by the Company under this Agreement or otherwise.

(c) The Management Fee shall be payable in arrears in cash, in quarterly installments commencing with the quarter in which this Agreement is executed. If applicable, the initial and final installments of the Management Fee shall be pro-rated based on the number of days during the initial and final quarter, respectively, that this Agreement is in effect. The Manager shall calculate each quarterly installment of the Management Fee, and deliver such calculation to the Company, within thirty (30) days following the last day of each calendar quarter. The Company shall pay the Manager each installment of the Management Fee within five (5) Business Days after the date of delivery to the Company of such computations.

(d) The Incentive Compensation shall be payable in arrears in cash, in quarterly installments commencing with the quarter in which this Agreement is executed. The Manager shall compute each quarterly installment of the Incentive Compensation within forty-five (45) days after the end of the calendar quarter with respect to which such installment is payable. A copy of the computations made by the Manager to calculate such

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installment shall thereafter promptly be delivered to the Board and, upon such delivery, payment of such installment of the Incentive Compensation shown therein shall be due and payable no later than the date which is five (5) Business Days after the date of delivery to the Board of such computations.

**Section 7. Expenses of the Company.**

(a) Subject to Section 7(b), the Manager shall be responsible for the expenses related to any and all personnel of the Manager and its Affiliates who provide services to the Company pursuant to this Agreement or otherwise (including, without limitation, each of the officers of the Company and any directors of the Company who are also directors, officers or employees of the Manager or any of its Affiliates), including, without limitation, salaries, bonus and other wages, payroll taxes and the cost of employee benefit plans of such personnel, and costs of insurance with respect to such personnel ( *Manager Expenses* ).

(b) The Company shall pay all of its costs and expenses and shall reimburse the Manager or its Affiliates for documented costs and expenses of the Manager and its Affiliates incurred on behalf of the Company, other than Manager Expenses. Without limiting the generality of the foregoing, it is specifically agreed that the following costs and expenses of the Company or any Subsidiary shall be paid by the Company and shall not be paid by the Manager or Affiliates of the Manager:

(i) fees, costs and expenses in connection with the issuance and transaction costs incident to the acquisition, negotiation, structuring, trading, settling, disposition and financing of the investments of the Company and its Subsidiaries (whether or not consummated), including brokerage commissions, hedging costs, prime brokerage fees, custodial expenses, clearing and settlement charges, forfeited deposits, and other investment costs fees and expenses actually incurred in connection with the pursuit, making, holding, settling, monitoring or disposing of actual or potential investments;

(ii) fees costs, and expenses of legal, tax, accounting, consulting, auditing, finance, administrative, investment banking, capital market and other similar services rendered to the Company (including, where the context requires, through one or more third parties and/or Affiliates of the Manager) or, if provided by the Manager s personnel, in accordance with Section 2(e) hereof;

(iii) the compensation and expenses of the Company s directors (excluding those directors who are officers of the Manager) and the cost of liability insurance to indemnify the Company s directors and officers;

(iv) interest and fees and expenses arising out of borrowings made by the Company, including, but not limited to, costs associated with the establishment and maintenance of any of the Company s credit facilities, other financing arrangements, or other indebtedness of the Company (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of the Company s securities offerings;

(v) expenses connected with communications to holders of the Company s securities or securities of the Subsidiaries and other bookkeeping and clerical work necessary in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including, without limitation, all costs of preparing and filing required reports with the SEC, the costs payable by the Company to any transfer agent and registrar in connection with the listing and/or trading of the Company s securities on any exchange, the fees payable by the Company to any such exchange in connection with its listing, costs of preparing, printing and mailing the Company s annual report to the Company s stockholders and proxy materials with respect to any meeting of the Company s stockholders and any other reports or related statements;

(vi) the Company s allocable share of costs associated with technology-related expenses, including without limitation, any computer software or hardware, electronic equipment or purchased information technology services from third-party vendors or Affiliates of the Manager that is used solely for the Company, technology service providers and related software/hardware utilized in connection with the Company s investment and operational activities;



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(vii) the Company's allocable share of expenses incurred by managers, officers, personnel and agents of the Manager for travel on the Company's behalf and other out-of-pocket expenses incurred by them in connection with the purchase, financing, refinancing, sale or other disposition of an investment or the establishment and maintenance of any of the Company's securitizations or any of the Company's securities offerings;

(viii) the Company's allocable share of costs and expenses incurred with respect to market information systems and publications, research publications and materials, including, without limitation, news research and quotation equipment and services;

(ix) the costs and expenses relating to ongoing regulatory compliance matters and regulatory reporting obligations relating to the Company's activities;

(x) the costs of any litigation involving the Company or its assets and the amount of any judgments or settlements paid in connection therewith, directors and officers, liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Company;

(xi) all taxes and license fees;

(xii) all insurance costs incurred in connection with the operation of the Company's business except for the costs attributable to the insurance that the Manager elects to carry for itself and its personnel;

(xiii) the Company's allocable share of costs and expenses incurred in contracting with third parties, in whole or in part, on the Company's behalf;

(xiv) all other costs and expenses relating to the Company's business and investment operations, including, without limitation, the costs and expenses of acquiring, owning, protecting, maintaining, developing and disposing of investments, including appraisal, reporting, audit and legal fees;

(xv) expenses relating to any office(s) or office facilities, including, but not limited to, disaster backup recovery sites and facilities, maintained for the Company or the investments of the Company and its Subsidiaries separate from the office or offices of the Manager;

(xvi) expenses connected with the payments of interest, dividends or distributions in cash or any other form authorized or caused to be made by the Board to or on account of holders of the Company's securities or of the Subsidiaries, including, without limitation, in connection with any dividend reinvestment plan;

(xvii) any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against the Company or any Subsidiary, or against any trustee, director, partner, member or officer of the Company or of any Subsidiary in his capacity as such for which the Company or any Subsidiary is required to indemnify such trustee, director, partner, member or officer by any court or governmental agency; and

(xviii) all other expenses actually incurred by the Manager (except as otherwise specifically excluded herein) which are reasonably necessary for the performance by the Manager of its duties and functions under this Agreement.

(c) The Manager may, at its option, elect not to seek reimbursement for certain expenses during a given quarterly period, which determination shall not be deemed to construe a waiver of reimbursement for similar expenses in future periods.

(d) The Manager shall prepare a written expense statement in reasonable detail documenting the costs and expenses of the Company incurred during each fiscal quarter to be reimbursed by the Company, and shall use commercially reasonable efforts to deliver the same to the Company within forty-five (45) days following the end of the applicable fiscal quarter (subject to reasonable delays resulting from delays in the receipt of information). The amounts payable for such cost and expense reimbursement shall be paid by the Company within ten (10) days following delivery of the expense statement by the Manager; *provided*, that such payments

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may be offset by the Manager against amounts due to the Company from the Manager. Cost and expense reimbursement to the Manager shall be subject to adjustment at the end of each calendar year in connection with the annual audit of the Company.

(e) The provisions of this Section 7 shall survive the expiration or earlier termination of this Agreement to the extent such expenses have previously been incurred or are incurred in connection with such expiration or termination.

**Section 8. Limits of the Manager's Responsibility; Indemnification**

(a) The Manager assumes no responsibility under this Agreement other than to render the services called for hereunder in good faith and shall not be responsible for any action of the Board in following or declining to follow any advice or recommendations of the Manager, including as set forth in the Investment Guidelines. To the fullest extent permitted by law, the Manager and its Affiliates, and the directors, officers, employees and stockholders of the Manager and its Affiliates, will not be liable to the Company, any Subsidiary, the Board, the Company's stockholders or any Subsidiary's stockholders or partners for any acts or omissions by the Manager or its officers, employees or Affiliates performed in accordance with and pursuant to this Agreement, except by reason of acts or omission constituting bad faith, willful misconduct, gross negligence or reckless disregard of their respective duties under this Agreement. The Company shall, to the full extent lawful, reimburse, indemnify and hold harmless the Manager, its Affiliates, and the directors, officers, employees and stockholders of the Manager and its Affiliates (each, a *Manager Indemnified Party*), of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including reasonable attorneys' fees) (collectively *Losses*) in respect of or arising from any acts or omissions of such Manager Indemnified Party performed in good faith under this Agreement and not constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties of such Manager Indemnified Party under this Agreement. In addition, the Manager will not be liable for trade errors that may result from ordinary negligence, including, without limitation, errors in the investment decision making process and/or in the trade process.

(b) The Manager shall, to the full extent lawful, reimburse, indemnify and hold harmless the Company, its Subsidiaries and the directors, officers, employees and stockholders of the Company and its Subsidiaries and each Person, if any, controlling the Company (each, a *Company Indemnified Party*; a Manager Indemnified Party and a Company Indemnified Party are each sometimes hereinafter referred to as an *Indemnified Party*) of and from any and all Losses in respect of or arising from (i) any acts or omissions of the Manager constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties of the Manager under this Agreement or (ii) any claims by the Manager's employees relating to the terms and conditions of their employment by the Manager.

(c) In case any such claim, suit, action or proceeding (a *Claim*) is brought against any Indemnified Party in respect of which indemnification may be sought by such Indemnified Party pursuant hereto, the Indemnified Party shall give prompt written notice thereof to the indemnifying party, which notice shall include all documents and information in the possession of or under the control of such Indemnified Party reasonably necessary for the evaluation and/or defense of such Claim and shall specifically state that indemnification for such Claim is being sought under this Section; *provided, however*, that the failure of the Indemnified Party to so notify the indemnifying party shall not limit or affect such Indemnified Party's rights other than pursuant to this Section unless the failure to provide such notice results in material prejudice to the indemnifying party. Subject to any applicable insurance policy's terms and conditions, upon receipt of such notice of Claim (together with such documents and information from such Indemnified Party), the indemnifying party shall, at its sole cost and expense, in good faith defend any such Claim with counsel reasonably satisfactory to such Indemnified Party, which counsel may, without limiting the rights of such Indemnified Party pursuant to the next succeeding sentence of this Section, also represent the indemnifying party in such investigation, action or proceeding. In the alternative, such Indemnified Party may elect to conduct the defense of the Claim, if (i) such Indemnified Party reasonably determines that the conduct of its defense by the indemnifying party could be materially prejudicial to

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its interests, (ii) the indemnifying party refuses to assume such defense (or fails to give written notice to the Indemnified Party within ten (10) days of receipt of a notice of Claim that the indemnifying party assumes such defense), or (iii) the indemnifying party shall have failed, in such Indemnified Party's reasonable judgment, to defend the Claim in good faith. The indemnifying party may settle any Claim against such Indemnified Party, provided (i) such settlement is without any Losses whatsoever to such Indemnified Party, (ii) the settlement does not include or require any admission of liability or culpability by such Indemnified Party and (iii) the indemnifying party obtains an effective written release of liability for such Indemnified Party from the party to the Claim with whom such settlement is being made, which release must be reasonably acceptable to such Indemnified Party, and a dismissal with prejudice with respect to all claims made by the party against such Indemnified Party in connection with such Claim. The applicable Indemnified Party shall reasonably cooperate with the indemnifying party, at the indemnifying party's sole cost and expense, in connection with the defense or settlement of any Claim in accordance with the terms hereof. If such Indemnified Party is entitled pursuant to this Section 8 to elect to defend such Claim by counsel of its own choosing and so elects, then the indemnifying party shall be responsible for any good faith settlement of such Claim entered into by such Indemnified Party. Except as provided in the immediately preceding sentence, no Indemnified Party may pay or settle any Claim and seek reimbursement therefor under this Section.

(d) Any Indemnified Party entitled to indemnification hereunder shall first seek recovery from any other indemnity then available with respect to portfolio entities and/or any applicable insurance policies by which such Indemnified Party is indemnified or covered prior to seeking recovery hereunder and shall obtain the written consent of the Company or Manager (as applicable) prior to entering into any compromise or settlement which would result in an obligation of the Company or Manager (as applicable) to indemnify such Indemnified Party. If such Indemnified Party shall actually recover any amounts under any applicable insurance policies or other indemnity then available, it shall offset the net proceeds so received against any amounts owed by the Company or Manager (as applicable) by reason of the indemnity provided hereunder or, if all such amounts shall have been paid by the Company or Manager (as applicable) in full prior to the actual receipt of such net insurance proceeds, it shall pay over such proceeds (up to the amount of indemnification paid by the Company or Manager (as applicable) to such Indemnified Party) to the Company or Manager (as applicable). If the amounts in respect of which indemnification is sought arise out of the conduct of the business and affairs of the Company or Manager and also of any other Person or entity for which the Indemnified Party hereunder was then acting in a similar capacity, the amount of the indemnification to be provided by the Company or Manager (as applicable) may be limited to the Company's or Manager's (as applicable) allocable share thereof if so determined by the Company or Manager (as applicable) in good faith. Notwithstanding anything to the contrary in this Section 8 and for greater certainty it is understood and/or agreed that, to the extent that an Indemnified Party is also entitled to be indemnified by one or more portfolio entities, it is intended that (i) such portfolio entities shall be the indemnitors of first resort, (ii) the Company's or Manager's (as applicable) obligation, if any, to indemnify any Indemnified Party shall be reduced by any amount that such Indemnified Party shall collect as indemnification from such entity and from any then available insurance policies, which the Indemnified Party shall have an obligation to seek payment from prior to seeking payment from the Company or Manager in respect of such Claims, and (iii) if the Company or Manager pays or causes to be paid any amounts that should have been paid by such portfolio entity or under such insurance policies, then (x) the Company or Manager (as applicable) shall be fully subrogated to all rights of the relevant Indemnified Party with respect to such payment, and (y) each relevant Indemnified Party shall assign to the Company or Manager (as applicable) all of the Indemnified Party's rights to indemnification from or with respect to such entity's indemnification.

(e) The provisions of this Section 8 shall survive the expiration or earlier termination of this Agreement.

**Section 9. No Joint Venture.** The Company and the Manager are not partners or joint venturers with each other and nothing herein shall be construed to make them such partners or joint venturers or impose any liability as such on either of them.

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**Section 10. Term; Renewal; Termination Without Cause.**

(a) This Agreement shall become effective on the Closing Date and shall continue in operation, unless terminated in accordance with the terms hereof, until the third anniversary of the Closing Date (the *Initial Term* ). After the Initial Term, this Agreement shall be deemed renewed automatically each year for an additional one-year period (an *Automatic Renewal Term* ) unless the Company or the Manager elects not to renew this Agreement in accordance with Section 10(b) or Section 10(d), respectively.

(b) Notwithstanding any other provision of this Agreement to the contrary, upon the expiration of the Initial Term or any Automatic Renewal Term and upon one hundred eighty (180) days prior written notice to the Manager (the *Termination Notice* ), the Company may, without cause, in connection with the expiration of the Initial Term or the then current Automatic Renewal Term, decline to renew this Agreement (any such nonrenewal, a *Termination Without Cause* ) upon the affirmative vote of at least two-thirds (2/3) of the Independent Directors that (1) there has been unsatisfactory performance by the Manager that is materially detrimental to the Company and its Subsidiaries taken as a whole or (2) the Management Fee and Incentive Compensation payable to the Manager are not fair, subject to Section 10(c) below. In the event of a Termination Without Cause, the Company shall pay the Manager the Termination Fee before or on the last day of the Initial Term or such Automatic Renewal Term, as the case may be (the *Effective Termination Date* ). The Company may terminate this Agreement for cause pursuant to Section 12 hereof even after a Termination Notice and, in such case, no Termination Fee shall be payable.

(c) Notwithstanding the provisions of subsection (b) above, if the reason for nonrenewal specified in the Company's Termination Notice is that two-thirds (2/3) of the Independent Directors have determined that the Management Fee or the Incentive Compensation payable to the Manager is unfair, the Company shall not have the foregoing nonrenewal right in the event the Manager agrees that it will continue to perform its duties hereunder during the Automatic Renewal Term that would commence upon the expiration of the Initial Term or then current Automatic Renewal Term at a fee that at least two thirds of the Independent Directors determine to be fair; *provided, however*, the Manager shall have the right to renegotiate the Management Fee and/or the Incentive Compensation, by delivering to the Company, not less than 120 days prior to the pending Effective Termination Date, written notice (a *Notice of Proposal to Negotiate* ) of its intention to renegotiate the Management Fee and/or the Incentive Compensation. Thereupon, the Company and the Manager shall endeavor to negotiate the Management Fee and/or the Incentive Compensation in good faith. Provided that the Company and the Manager agree to a revised Management Fee, Incentive Compensation or other compensation structure within sixty (60) days following the Company's receipt of the Notice of Proposal to Negotiate, the Termination Notice from the Company shall be deemed of no force and effect, and this Agreement shall continue in full force and effect on the terms stated herein, except that the Management Fee, the Incentive Compensation or other compensation structure shall be the revised Management Fee, Incentive Compensation or other compensation structure as then agreed upon by the Company and the Manager. The Company and the Manager agree to execute and deliver an amendment to this Agreement setting forth such revised Management Fee, Incentive Compensation, or other compensation structure promptly upon reaching an agreement regarding same. In the event that the Company and the Manager are unable to agree to a revised Management Fee, Incentive Compensation, or other compensation structure during such sixty (60) day period, this Agreement shall terminate on the Effective Termination Date and the Company shall be obligated to pay the Manager the Termination Fee upon the Effective Termination Date.

(d) No later than one hundred eighty (180) days prior to the expiration of the Initial Term or the then current Automatic Renewal Term, the Manager may deliver written notice to the Company informing it of the Manager's intention to decline to renew this Agreement, whereupon this Agreement shall not be renewed and extended and this Agreement shall terminate effective on the anniversary date of this Agreement next following the delivery of such notice. The Company is not required to pay to the Manager the Termination Fee if the Manager terminates this Agreement pursuant to this Section 10(d).

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(e) Except as set forth in this Section 10, a nonrenewal of this Agreement pursuant to this Section 10 shall be without any further liability or obligation of either party to the other, except as provided in Section 3(b), Section 5, Section 7, Section 8 and Section 14 of this Agreement.

(f) The Manager shall cooperate, at the Company's expense, with the Company in executing an orderly transition of the management of the Company's consolidated assets to a new manager.

### **Section 11. Assignments.**

(a) *Assignments by the Manager.* This Agreement shall terminate automatically without payment of the Termination Fee in the event of its assignment, in whole or in part, by the Manager, unless such assignment is consented to in writing by the Company with the consent of a majority of the Independent Directors. Any such permitted assignment shall bind the assignee under this Agreement in the same manner as the Manager is bound, and the Manager shall be liable to the Company for all acts or omissions of the assignee under any such assignment. In addition, the assignee shall execute and deliver to the Company a counterpart of this Agreement naming such assignee as the Manager. Notwithstanding the foregoing, the Manager may, without the approval of the Company's Independent Directors, (i) assign this Agreement to one or more Affiliates of the Manager and (ii) delegate to one or more of its Affiliates, including subadvisors where applicable, the performance of any of its responsibilities hereunder so long as it remains liable for any such Affiliate's performance, in each case so long as assignment or delegation does not require the Company's approval under the Investment Company Act (but if such approval is required, the Company shall not unreasonably withhold, condition or delay its consent). Nothing contained in this Agreement shall preclude any pledge, hypothecation or other transfer of any amounts payable to the Manager under this Agreement.

(b) *Assignments by the Company.* This Agreement shall not be assigned by the Company without the prior written consent of the Manager, except in the case of assignment by the Company to another REIT or other organization which is a successor (by merger, consolidation, purchase of assets, or other transaction) to the Company, in which case such successor organization shall be bound under this Agreement and by the terms of such assignment in the same manner as the Company is bound under this Agreement.

### **Section 12. Termination for Cause.**

(a) The Company may terminate this Agreement effective upon thirty (30) days' prior written notice of termination from the Company to the Manager, without payment of any Termination Fee, upon the occurrence of a Cause Event.

(b) The Manager may terminate this Agreement effective upon sixty (60) days' prior written notice of termination to the Company in the event that the Company shall default in the performance or observance of any material term, condition or covenant contained in this Agreement and such default shall continue for a period of thirty (30) days after written notice thereof specifying such default and requesting that the same be remedied in such 30-day period. The Company is required to pay to the Manager the Termination Fee if the termination of this Agreement is made pursuant to this Section 12(b).

(c) The Manager may terminate this Agreement if the Company becomes required to register as an investment company under the Investment Company Act, with such termination deemed to occur immediately before such event, in which case the Company shall not be required to pay the Termination Fee.

**Section 13. Action Upon Termination.** From and after the effective date of termination of this Agreement pursuant to Sections 10, 11, or 12 of this Agreement, the Manager shall not be entitled to compensation for further services hereunder, but shall be paid all compensation accruing to the date of termination and, if

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terminated pursuant to Section 12(b) hereof or not renewed pursuant to Section 10(b) hereof (subject to Section 10(c) hereof), the Termination Fee. Upon any such termination, the Manager shall forthwith:

- (a) after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled, pay over to the Company or a Subsidiary all money collected and held for the account of the Company or a Subsidiary pursuant to this Agreement;
- (b) deliver to the Board a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board with respect to the Company and any Subsidiaries; and
- (c) deliver to the Board all property and documents of the Company and any Subsidiaries then in the custody of the Manager, *provided* that the Manager shall be permitted to retain copies of such documents for its records, and if so retained, the Manager shall continue to be bound by the confidentiality obligations and other obligations set forth in Section 5 hereof with respect to the retained documents.

### **Section 14. Release of Money or Other Property Upon Written Request.**

The Manager agrees that any money or other property of the Company (which such term, for the purposes of this Section, shall be deemed to include any and all of its Subsidiaries, if any) held by the Manager shall be held by the Manager as custodian for the Company, and the Manager's records shall be appropriately and clearly marked to reflect the ownership of such money or other property by the Company. Upon the receipt by the Manager of a written request signed by a duly authorized officer of the Company requesting the Manager to release to the Company any money or other property then held by the Manager for the account of the Company under this Agreement, the Manager shall release such money or other property to the Company within a reasonable period of time, but in no event later than thirty (30) days following such request. Upon delivery of such money or other property to the Company, the Manager shall not be liable to the Company, the Board, or the Company's stockholders or partners for any acts or omissions by the Company in connection with the money or other property released to the Company in accordance with this Section. The Company shall indemnify the Manager, its directors, officers, stockholders, employees and agents against any and all Losses which arise in connection with the Manager's proper release of such money or other property to the Company in accordance with the terms of this Section 14. Indemnification pursuant to this provision shall be in addition to any right of the Manager to indemnification under Section 8 of this Agreement.

### **Section 15. Representations and Warranties.**

(a) The Company hereby represents and warrants to the Manager as follows:

(i) The Company is duly organized, validly existing and in good standing under the laws of the State of Maryland, has the corporate power and authority and the legal right to own and operate its assets, to lease any property it may operate as lessee and to conduct the business in which it is now engaged and is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except for failures to be so qualified, authorized or licensed that could not in the aggregate have a material adverse effect on the business operations, assets or financial condition of the Company and its Subsidiaries, if any, taken as a whole.

(ii) The Company has the corporate power and authority and the legal right to make, deliver and perform this Agreement and all obligations required hereunder and has taken all necessary corporate action to authorize this Agreement on the terms and conditions hereof and the execution, delivery and performance of this Agreement and all obligations required hereunder. No consent of any other Person that has not already been obtained, including stockholders and creditors of the Company, and no license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any

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governmental authority is required by the Company in connection with this Agreement or the execution, delivery, performance, validity or enforceability of this Agreement and all obligations required hereunder. This Agreement has been, and each instrument or document required hereunder will be, executed and delivered by a duly authorized officer of the Company, and this Agreement constitutes, and each instrument or document required hereunder when executed and delivered hereunder will constitute, the legally valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

(iii) The execution, delivery and performance of this Agreement and the documents or instruments required hereunder will not violate any provision of any existing law or regulation binding on the Company, or any order, judgment, award or decree of any court, arbitrator or governmental authority binding on the Company, or the Governing Agreements of, or any securities issued by the Company or of any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which the Company is a party or by which the Company or any of its assets may be bound, the violation of which would have a material adverse effect on the business operations, assets or financial condition of the Company and its Subsidiaries, if any, taken as a whole, and will not result in, or require, the creation or imposition of any lien or any of its property, assets or revenues pursuant to the provisions of any such mortgage, indenture, lease, contract or other agreement, instrument or undertaking.

(b) The Manager hereby represents and warrants to the Company as follows:

(i) The Manager is duly organized, validly existing and in good standing under the laws of the State of Delaware, has the limited liability company power and authority and the legal right to conduct the business in which it is now engaged and is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except for failures to be so qualified, authorized or licensed that could not in the aggregate have a material adverse effect on the business operations, assets or financial condition of the Manager.

(ii) The Manager has the limited liability company power and authority and the legal right to make, deliver and perform this Agreement and all obligations required hereunder and has taken all necessary corporate action to authorize this Agreement on the terms and conditions hereof and the execution, delivery and performance of this Agreement and all obligations required hereunder. No consent of any other Person, including members and creditors of the Manager, and no license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required by the Manager in connection with this Agreement or the execution, delivery, performance, validity or enforceability of this Agreement and all obligation required hereunder. This Agreement has been, and each instrument or document required hereunder will be, executed and delivered by a duly authorized officer of the Manager, and this Agreement constitutes, and each instrument or document required hereunder when executed and delivered hereunder will constitute, the legally valid and binding obligation of the Manager enforceable against the Manager in accordance with its terms.

(iii) The execution, delivery and performance of this Agreement and the documents or instruments required hereunder will not violate any provision of any existing law or regulation binding on the Manager, or any order, judgment, award or decree of any court, arbitrator or governmental authority binding on the Manager, or the Governing Agreements of, or any securities issued by the Manager or of any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which the Manager is a party or by which the Manager or any of its assets may be bound, the violation of which would have a material adverse effect on the business operations, assets or financial condition of the Manager, and will not result in, or require, the creation or imposition of any lien or any of its property, assets or revenues pursuant to the provisions of any such mortgage, indenture, lease, contract or other agreement, instrument or undertaking.

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**Section 16. Miscellaneous.**

(a) *Notices.* Any notices that may or are required to be given hereunder by any party to another shall be deemed to have been duly given if (i) personally delivered or delivered by facsimile, when received, (ii) sent by U.S. Express Mail or recognized overnight courier, on the second following Business Day (or third following Business Day if mailed outside the United States), (iii) delivered by electronic mail, when received or (iv) posted on a password protected website maintained by the Manager and for which the Company has received access instructions by electronic mail, when posted:

The Company: Capital Trust, Inc.  
410 Park Avenue, 14th Floor  
New York, New York 10022  
Attention: Chief Financial Officer  
Fax: (212) 655-0044  
Email: splavin@capitaltrust.com

with a copy to: Paul Hastings LLP  
75 East 55th Street  
New York, NY 10022  
Attention: Michael L. Zuppone, Esq.  
Fax: (212) 230-7752  
Email: michaelzuppone@paulhastings.com

The Manager: [ ]  
c/o The Blackstone Group L.P.  
345 Park Avenue  
New York, New York 10154  
Attention: Michael Nash; Randall Rothschild  
Email: nash@blackstone.com; Rothschild@blackstone.com

with a required copy to: Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017  
Attention: Patrick Naughton, Esq.; Brian Stadler, Esq.;;  
Email: pnaughton@stblaw.com; bstadler@stblaw.com

(b) *Binding Nature of Agreement; Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns as provided herein.

(c) *Integration.* This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements (including, without limitation, any prior agreements between the Company and CTIMCO), understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof.

(d) *Amendments.* This Agreement, nor any terms hereof, may not be amended, supplemented or modified except in an instrument in writing executed by the parties hereto.

(e) *GOVERNING LAW.* THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND



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INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR ANY DISTRICT WITHIN SUCH STATE FOR THE PURPOSE OF ANY ACTION OR JUDGMENT RELATING TO OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY AND TO THE LAYING OF VENUE IN SUCH COURT.

(f) *WAIVER OF JURY TRIAL.* EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

(g) *Survival of Representations and Warranties.* All representations and warranties made hereunder, and in any document, certificate or statement delivered pursuant hereto or in connection herewith, shall survive the execution and delivery of this Agreement.

(h) *No Waiver; Cumulative Remedies.* No failure to exercise and no delay in exercising, on the part of a party hereto, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

(i) *Costs and Expenses.* Each party hereto shall bear its own costs and expenses (including the fees and disbursements of counsel and accountants) incurred in connection with the negotiations and preparation of and the closing under this Agreement, and all matters incident thereto.

(j) *Section Headings.* The section and subsection headings in this Agreement are for convenience in reference only and shall not be deemed to alter or affect the interpretation of any provisions hereof.

(k) *Counterparts.* This Agreement may be executed by the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

(l) *Severability.* Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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IN WITNESS WHEREOF, each of the parties hereto has executed this Management Agreement as of the date first written above.

**Capital Trust, Inc.**

By: /s/  
Name:  
Title:

[ ]

By: /s/  
Name:  
Title:

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**Exhibit A**

**Investment Guidelines**

1. No investment shall be made that would cause the Company to fail to qualify as a REIT under the Code.
2. No investment shall be made that would cause the Company or any of its Subsidiaries to be regulated as an investment company under the Investment Company Act.
3. The Manager shall seek to invest the capital of the Company in a broad range of investments in or relating to public and/or private debt, non-controlling equity, loans and/or other interests (including mezzanine interests and/or options or derivatives related thereto) relating to real estate assets (including pools thereof), real estate companies and/or real estate-related holdings.
4. Prior to the deployment of capital into investments, the Manager may cause the capital of the Company to be invested in any short-term investments in money market funds, bank accounts, overnight repurchase agreements with primary federal reserve bank dealers collateralized by direct U.S. government obligations and other instruments or investments reasonably determined by the Manager to be of high quality.
5. Not more than 25% of Equity will be invested in any individual investment without the approval of a majority of the Independent Directors (it being understood, however, that for purposes of the foregoing concentration limit, in the case of any investment that is comprised (whether through a structured investment vehicle or other arrangement) of securities, instruments or assets of multiple portfolio issuers, such investment for purposes of the foregoing limitation shall be deemed to be multiple investments in such underlying securities, instruments and assets and not such particular vehicle, product or other arrangement in which they are aggregated).
6. Any investment in excess of \$150 million shall require the approval of a majority of the Independent Directors.

These Investment Guidelines may be amended, restated, modified, supplemented or waived by the Board (which must include a majority of the Independent Directors) without the approval of the Company's stockholders.

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**Annex C**

CAPITAL TRUST, INC.

ARTICLES OF AMENDMENT

Capital Trust, Inc., a Maryland corporation (the Corporation ), hereby certifies to the State Department of Assessments and Taxation of the State of Maryland that:

FIRST: The charter of the Corporation is hereby amended by inserting the following Article X and Article XI:

ARTICLE X

CORPORATE OPPORTUNITIES

(a) The provisions of this Article X are set forth to regulate and define the conduct of affairs of the Corporation with respect to certain business opportunities as they may involve The Blackstone Group L.P. ( Blackstone ), members of the Board of Directors or their respective Affiliates (as defined below) in recognition and anticipation that (i) certain directors, principals, officers, employees and other representatives of Blackstone and its Affiliates may serve as directors, principals, officers, employees and other representatives of the Corporation, its subsidiaries or any entity that provides investment advisory services to the Corporation or its subsidiaries or as a member of the investment committee of any such entity, (ii) Blackstone and its Affiliates may now engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation or its subsidiaries, directly or indirectly, may engage and other business activities that overlap with or compete with those in which the Corporation or its subsidiaries, directly or indirectly, may engage, and (iii) members of the Board of Directors and their respective Affiliates may now engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation, directly or indirectly, may engage and other business activities that overlap with or compete with those in which the Corporation or its subsidiaries, directly or indirectly, may engage.

(b) To the fullest extent permitted by law, none of (i) Blackstone or any of its Affiliates or (ii) any director of the Corporation or his or her Affiliates (the Persons (as defined below) identified in (i) and (ii) above being referred to, collectively, as Identified Persons and, individually, as an Identified Person ) shall have any duty to refrain from directly or indirectly (x) engaging in any business opportunity, including but not limited to business opportunities in the same or similar business activities or lines of business in which the Corporation or any of its Affiliates may, from time to time, be engaged or propose to engage (a Business Opportunity ) or (y) competing with the Corporation, and, to the fullest extent permitted by law, no Identified Person shall be liable to the Corporation or its stockholders for breach of any duty by reason of the fact that such Identified Person engages in any such activities. To the fullest extent permitted by law, the Corporation hereby renounces any interest or expectancy in, or in being offered an opportunity to participate in, any Business Opportunity presented to an Identified Person, except as provided in Section (c) of this Article X. Subject to Section (c) of this Article X, in the event that any Identified Person acquires knowledge of a Business Opportunity, such Identified Person shall have no duty to communicate or offer such Business Opportunity to the Corporation or any of its Affiliates and, to the fullest extent permitted by law, shall not be liable to the Corporation or its stockholders for breach of any duty as a stockholder, director or officer of the Corporation by reason of the fact that such Identified Person pursues or acquires such Business Opportunity. A Business Opportunity shall not be deemed to be a potential Business Opportunity for the Corporation if it is a Business Opportunity that the Corporation is not financially able or contractually permitted or legally able to undertake, or that is, from its nature, not in the line of the Corporation's business or is of no practical advantage to it or that is one in which the Corporation has no reasonable expectancy.

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(c) The Corporation does not renounce its interest in any Business Opportunity offered to any director or officer of the Corporation if such opportunity is expressly offered to such person in his or her capacity as a director or officer of the Corporation.

(d) For purposes of this Article X, (i) **Affiliate** shall mean (a) in respect of Blackstone, any Person that, directly or indirectly, is controlled by Blackstone, controls Blackstone or is under common control with Blackstone and shall include any principal, member, director, partner, stockholder, officer, employee or other representative of any of the foregoing (other than the Corporation and any entity that is controlled by the Corporation), (b) in respect of a director, any Person that, directly or indirectly, is controlled by such director (other than the Corporation and any entity that is controlled by the Corporation) and (c) in respect of the Corporation, any Person that, directly or indirectly, is controlled by the Corporation; (ii) **Person** shall mean any individual (and such individual's heirs, executors or administrators), corporation, general or limited partnership, limited liability company, joint venture, trust, association or any other entity and (iii) for purposes of the definition of **Affiliate**, **control** (including, with correlative meanings, the terms **controlling**, **controlled by** and **under common control with**), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

ARTICLE XI

SEVERABILITY

If any provision or provisions of this charter shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this charter (including, without limitation, each portion of any paragraph of this charter containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby.

SECOND: The foregoing amendment to the charter of the Corporation does not increase the authorized stock of the Corporation.

THIRD: These Articles of Amendment of the Corporation have been duly advised by the Board of Directors and approved by the stockholders of the Corporation as required by law.

FOURTH: The undersigned Chief Executive Officer of the Corporation acknowledges these Articles of Amendment to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned Chief Executive Officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties of perjury.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be executed under seal in its name and on its behalf by its Chief Executive Officer and attested to by its Secretary, on this [ ] day of [ ], 2012.

ATTEST:

CAPITAL TRUST INC.

By:  
Geoffrey G. Jervis  
Secretary

By:  
Stephen D. Plavin  
Chief Executive Officer

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Annex D

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

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

**For the fiscal year ended December 31, 2011**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the Transition period from                      to**

**Commission File Number 1-14788**

**Capital Trust, Inc.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of

**94-6181186**  
(I.R.S. Employer

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incorporation or organization)	Identification No.)
<b>410 Park Avenue, 14th Floor, New York, NY</b>	<b>10022</b>
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code: <b>(212) 655-0220</b>	

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

Title of Each Class	Name of Each Exchange on Which Registered
class A common stock, \$0.01 par value ( class A common stock ) Preferred Stock Purchase Rights	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 Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) 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 Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No  (not required)

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>

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

### MARKET VALUE

The aggregate market value of the outstanding class A common stock held by non-affiliates of the registrant was approximately \$85,956,988 as of June 30, 2011 (the last business day of the registrant's most recently completed second fiscal quarter) based on the closing sale price on the New York Stock Exchange on that date.

### OUTSTANDING STOCK

As of February 7, 2012 there were 22,211,108 outstanding shares of class A common stock. The class A common stock is listed on the New York Stock Exchange (trading symbol CT ).

### DOCUMENTS INCORPORATED BY REFERENCE

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Part III incorporates information by reference from the registrant's definitive proxy statement to be filed with the Commission within 120 days after the close of the registrant's fiscal year.

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**CAPITAL TRUST , INC.**

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### **PART I**

#### **Item 1. Business**

References herein to we, us or our refer to Capital Trust, Inc., a Maryland corporation, and its subsidiaries unless the context specifically requires otherwise.

#### **Overview**

We are a fully integrated, self-managed, real estate finance and investment management company that specializes in credit sensitive financial products. To date, our investment programs have focused on loans and securities backed by commercial real estate assets. We invest for our own account directly on our balance sheet and for third parties through a series of investment management vehicles. Our business model is designed to produce a mix of net interest margin from our balance sheet investments, and fee income and co-investment income from our investment management vehicles. In managing our operations, we focus on originating investments, managing our portfolios and capitalizing our businesses. From the inception of our finance business in 1997 through December 31, 2011, we have completed approximately \$12.0 billion of commercial real estate debt investments. We conduct our operations as a real estate investment trust, or REIT, for federal income tax purposes. We are traded on the New York Stock Exchange, or NYSE, under the symbol CT, and are headquartered in New York City.

#### **Developments during Fiscal Year 2011**

##### *Current Market Conditions*

Despite improvement relative to 2008/2009, the U.S economy and many economies around the world continue to be in a state of economic volatility, driven most recently by events in Europe. Global capital markets, while also improving, continue to be impaired relative to pre-recession levels. The recession and capital markets turmoil have severely impacted the commercial real estate sector resulting in decreased property level cash flows. In addition, many properties financed prior to the credit crisis remain overleveraged and create a headwind for the normalization of the commercial real estate property and capital markets. These factors decrease property values relative to pre-recession levels, and have and will continue to impact the performance of our existing portfolio of assets. Conversely, these factors create investment opportunities for well capitalized and experienced commercial real estate investors, such as the private equity vehicles that we sponsor and manage.

##### *March 2011 Restructuring*

On March 31, 2011, we completed a comprehensive restructuring of our balance sheet. The restructuring involved contributing substantially all of our legacy assets into a newly formed subsidiary, CT Legacy REIT Mezz Borrower, Inc., or CT Legacy REIT. CT Legacy REIT assumed all of our remaining secured, recourse debt, and our former unsecured lenders converted their loans into debt and equity interests in CT Legacy REIT. The transaction was capitalized primarily by a loan provided by a third party, who also took an equity interest in CT Legacy REIT. As a result of the transaction, we eliminated all of our recourse debt, while retaining an upside interest in the net recovery of our legacy portfolio. Furthermore, the restructuring was accomplished while preserving our 100% ownership of our investment management business, and without the issuance of shares of Capital Trust stock. See below for additional discussion of our March 2011 restructuring.

##### *Investment Management Platform*

During 2011, we continued to focus on our investment management platform, CT Investment Management Co., LLC, or CTIMCO. On a standalone basis, CTIMCO earned management and special servicing fees of

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\$16.5 million during the year, and had assets under management of \$4.5 billion as of December 31, 2011. Significant developments during 2011 included:

We invested \$80.7 million for the CT Opportunities Partners I, LP, or CTOPI, account. In December, our CTOPI investors voted to extend its investment period until September 2012.

CT High Grade Partners II, LLC, or CT High Grade II, completed its investment period this year after investing a final \$66.9 million dollars. Total invested capital in CT High Grade II was \$588.1 million at the end of its investment period.

Our CT High Grade Mezzanine<sup>SM</sup>, or CT High Grade I, platform was re-opened with our one separate account investor to resume investment activity on a discretionary basis, and invested an additional \$71.8 million during the year.

Gross special servicing fees of \$9.1 million were recorded during the year, and we are named special servicer on \$2.5 billion of loans as of December 31, 2011.

CTIMCO's special servicer rating was upgraded by Fitch Ratings to *CSS3+* from *CSS3*.

See below for additional discussion of our investment management platform as well as our active investment management mandates.

*CT Legacy REIT*

Subsequent to our March 31, 2011 restructuring, the CT Legacy REIT portfolio received repayments of 54% of the initial net book value of the CT Legacy REIT portfolio, totaling \$269.6 million of repayments. These repayments included full loan satisfactions of \$266.4 million and partial repayments of \$3.2 million. Proceeds from these repayments have primarily been used to repay debt, including (i) a \$20.0 million repayment of the CT Legacy REIT mezzanine loan, and (ii) repayments of \$246.3 million of legacy repurchase obligations, including the full repayment and termination of the Morgan Stanley and Citigroup facilities and a release of the remaining collateral thereunder, as well as a \$115.1 million repayment of the JPMorgan facility. In the aggregate, 69% of CT Legacy REIT's debt obligations have been repaid since our March 2011 restructuring, with a debt balance of \$123.7 million as of December 31, 2011, down from an initial balance of \$387.8 million of March 31, 2011.

Subsequent to year-end, in February 2012, we refinanced the JPMorgan repurchase facility and the mezzanine loan with a single, new \$124.0 million repurchase facility with JPMorgan. The new facility matures in December 2014, carries a rate of LIBOR+5.50%, and has paydown hurdles and associated potential rate increases over the term of the facility. See Note 22, Subsequent Events, to our consolidated financial statements for additional discussion.

*Capital Trust, Inc.*

During 2011, Capital Trust, Inc. completed a number of corporate actions including, (i) the filing of a new \$500.0 million shelf registration statement with the SEC, (ii) the adoption of a net operating loss, or NOL, preservation plan to protect our tax-basis NOLs which are carried-forward from prior years and can be used to offset future taxable income, and (iii) the approval of a 2011 long-term incentive plan.

Our consolidated financial statements continue to include the assets and liabilities of consolidated securitization vehicles, as well as our restructuring vehicle, CT Legacy REIT. On a consolidated basis, our assets and liabilities declined during 2011 by \$2.8 billion and \$3.0 billion, respectively, as these consolidated securitization vehicles' collateral assets continue to repay. Equity increased during the year from a deficit of \$411.2 million to a deficit of \$110.4 million. This increase was driven primarily by gains realized on the extinguishment of debt in conjunction with our March 2011 restructuring, as well as the termination of certain loan participation agreements and the deconsolidation of certain securitization vehicles which previously had a negative impact on equity.



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Beginning in the first quarter of 2011, we began reporting adjusted operating results as part of our quarterly discussion and analysis. These adjusted results exclude the impact of consolidated securitization vehicles, as well as certain other items. See below in Management's Discussion and Analysis of Financial Condition and Results of Operations for our adjusted financial statements.

### **March 2011 Restructuring**

On March 31, 2011, we restructured, amended, or extinguished all of our outstanding recourse debt obligations. Our March 2011 restructuring involved: (i) the contribution of certain of our legacy assets to a newly formed subsidiary, CT Legacy REIT Mezz Borrower, Inc., or CT Legacy REIT, (ii) the assumption of our legacy repurchase obligations by CT Legacy REIT, and (iii) the extinguishment of the remainder of our recourse obligations, our senior credit facility and junior subordinated notes. The restructuring was financed with a new \$83.0 million mezzanine loan obtained by CT Legacy REIT from an affiliate of Five Mile Capital Partners LLC, or Five Mile, and the issuance of equity interests in the common stock of CT Legacy REIT to the former lenders under our senior credit facility and our former junior subordinated noteholders, as well as to an affiliate of Five Mile.

#### *Capital Trust, Inc.*

Following the completion of our March 2011 restructuring, we no longer have any recourse debt obligations, and retain unencumbered ownership of 100% of (i) our investment management platform, CTIMCO, (ii) our co-investment in CTOPI, (iii) our residual ownership interests in three of the CDOs that we issued, CT CDOs I, II, and IV, and (iv) our tax-basis net operating losses. Furthermore, we have a 52% equity interest in the common stock of CT Legacy REIT. Our economic interest in CT Legacy REIT is, however, subject to (i) the secured notes, which are non-recourse obligations that are collateralized by certain of our retained equity interests in the common stock of CT Legacy REIT, (ii) incentive awards that provide for the participation in our retained equity interests in CT Legacy REIT, and (iii) the subordinate class B common stock of CT Legacy REIT owned by our former junior subordinate noteholders. See below for further discussion of the secured notes, management incentive awards plan, and class B common stock.

In addition to our interest in the common stock of CT Legacy REIT, we also own 100% of its outstanding class A preferred stock. The class A preferred stock initially entitles us to cumulative preferred dividends of \$7.5 million per annum, which dividends will be reduced in January 2013 to the greater of (i) 2.5% of CT Legacy REIT's assets, and (ii) \$1.0 million per annum.

#### *CT Legacy REIT*

In connection with the restructuring, we transferred substantially all of our directly held interest earning assets to CT Legacy REIT. The transferred assets included: (i) all of the loans and securities which serve as collateral for the legacy repurchase obligations, except for certain subordinate interests in CT CDOs I and II, (ii) our subordinate interests in CT CDO III, and (iii) 100% of our previously unencumbered loans and securities, which we collectively refer to as our Legacy Assets.

CT Legacy REIT, which is expected to be taxed as a REIT in 2011, is beneficially owned 52% by us, 24% by an affiliate of Five Mile, and 24% by the former lenders under our senior credit facility. In addition, the former holders of our junior subordinated notes received class B common stock, a subordinate class of common stock of CT Legacy REIT, which is described below. Capital Trust, Inc. will manage CT Legacy REIT and the Legacy Assets as a liquidating portfolio.

#### *Mezzanine Loan*

CT Legacy REIT entered into an \$83.0 million mezzanine loan (which was subsequently reduced to \$65.3 million, including deferred interest, as of December 31, 2011) that carries a 15.0% per annum interest rate,

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of which 7.0% per annum may be deferred, and that matures on March 31, 2016. The mezzanine loan is not recourse to Capital Trust, Inc. except for certain limited non-recourse, bad boy carve outs. Proceeds from the mezzanine loan were used to (i) extinguish the senior credit facility, (ii) extinguish the junior subordinated notes, (iii) provide for cash paydowns of the repurchase obligations, (iv) pay transaction expenses, and (v) establish liquidity reserves at CT Legacy REIT.

The mezzanine loan is collateralized by 100% of the equity interests in a subsidiary of CT Legacy REIT, which in-turn owns all of our Legacy Assets, subject in part to the repurchase obligations. Five Mile has consent rights with respect to material actions on the Legacy Assets such as material modifications, sales, and/or the pursuit of certain remedies with regard to the Legacy Assets. The mezzanine loan also contains covenants that (i) prohibit CT Legacy REIT from paying common stock cash dividends until the mezzanine loan has been repaid, (ii) prohibit us from selling or otherwise transferring our equity interests in CT Legacy REIT, and (iii) require the continued employment of certain key employees.

In addition, as discussed above, an affiliate of Five Mile acquired a 24% equity interest in the common stock of CT Legacy REIT in conjunction with the making of the mezzanine loan.

### *Repurchase Obligations*

Our \$339.6 million of legacy repurchase obligations (which were subsequently reduced to \$58.5 million as of December 31, 2011) with JPMorgan, Morgan Stanley and Citigroup were assumed by wholly-owned subsidiaries of CT Legacy REIT, and the recourse to Capital Trust, Inc. was eliminated. In addition, the facilities were amended with the following terms:

Each of the repurchase lenders received cash paydowns equal to 10% of their then outstanding balances, in the aggregate \$33.9 million.

Except for certain key man provisions, all restrictive covenants governing the operations of Capital Trust, Inc. were eliminated, including covenants restricting employee compensation, dividend payments, and new balance sheet investments.

Net interest margin sweep and periodic amortization provisions were eliminated.

All forms of margin call or similar requirements under the facilities were eliminated.

Maturity dates were extended to December 15, 2014 in the case of JPMorgan, January 31, 2013 in the case of Morgan Stanley, and March 31, 2013 in the case of Citigroup, subject in all three cases to periodic required repayment thresholds.

Interest rates were increased to LIBOR + 2.50% per annum in the cases of JPMorgan and Morgan Stanley, and LIBOR + 1.50% per annum in the case of Citigroup, subject in all three cases to periodic rate increases over the term of each respective facility.

### *Senior Credit Facility*

Our \$98.1 million senior credit facility was fully satisfied and all collateral for the senior credit facility was released in exchange for (i) a cash payment of \$22.9 million, (ii) a 24% equity interest in the common stock of CT Legacy REIT, and (iii) \$2.8 million of secured notes, as further discussed below.

### *Junior Subordinated Notes*

Our \$143.8 million of junior subordinated notes were fully satisfied in exchange for (i) a cash payment of \$4.6 million, (ii) 100% of the subordinate class B common stock of CT Legacy REIT, as further described below, and (iii) \$5.0 million of secured notes, as further discussed below. The subordinate class B common stock is a subordinate class that entitles its holders to receive approximately 25% of the dividends that

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would otherwise be payable to us on certain of our equity interest in the common stock of CT Legacy REIT, after aggregate cash distributions of \$50.0 million have been paid to all other classes of common stock.

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In April 2011, we purchased 118,651 shares of class B common stock of CT Legacy REIT for an average price of \$1.20 per share.