

CAPITAL TRUST INC
Form PRER14A
October 29, 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. 1)

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.

(4) Date Filed:

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PRELIMINARY COPY SUBJECT TO COMPLETION, DATED OCTOBER 29, 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 four 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;
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);
3. the entry by Capital Trust into a new management agreement with an affiliate of The Blackstone Group L.P., which we refer to as the New CT Manager; and
4. 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.

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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

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, 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. 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 the entry by us into a new management agreement with an affiliate of The Blackstone Group L.P., which we refer to as the New CT Manager, in substantially the form attached to the accompanying proxy statement as Annex B, pursuant to which we will become externally managed by the New CT Manager, as more fully described in the accompanying proxy statement. We refer to the new management agreement with the New CT Manager as the New Management Agreement and to this proposal as the Management Agreement Proposal;
4. 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
- 5.

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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, the Management Agreement Proposal or the Charter Amendment Proposal. We refer to this proposal as the Adjournment Proposal.

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The Investment Management Business Sale Proposal, the Purchaser Investment Proposal, the Management Agreement 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.

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, 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. 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;
3. consider and vote upon a proposal to approve the entry by us into a new management agreement with an affiliate of The Blackstone Group L.P., which we refer to as the New CT Manager, in substantially the form attached to the accompanying proxy statement as Annex B, pursuant to which we will become externally managed by the New CT Manager, as more fully described in this proxy statement. We refer to the new management agreement with the New CT Manager as the New Management Agreement and to this

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proposal as the Management Agreement Proposal;

4. 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

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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

5. 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, the Management Agreement 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, the Management Agreement 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, 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 are 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 following, for which we are also seeking the approval of our stockholders at the special meeting:

the entry by Capital Trust 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 is described in this proxy statement under Proposal 3 Management Agreement Proposal beginning on page 87; and

adoption of the amendments to our charter contemplated by the Purchase Agreement in substantially the form attached to this proxy statement as Annex C, 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 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 under Proposal 4 Charter Amendment Proposal beginning on page 88.

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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New Management Agreement

Upon completion of the Transactions, we will enter into the New Management Agreement with the New CT Manager, pursuant to which we will become externally managed by the New CT Manager. While Blackstone has not yet determined the persons who will serve as officers and employees of the New CT Manager, it is expected that the New CT Manager will be managed (including with respect to investment decisions to be made on behalf of CT) by senior professionals of Blackstone and certain of our current executive officers.

For pro forma information relating to the fees we would have paid to the New CT Manager pursuant to the New Management Agreement had it been in effect during the six months ended June 30, 2012 and the year ended December 31, 2011, please see [New Management Agreement Pro Forma New Management Agreement Fees](#) beginning on page 69.

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;

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(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.

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.

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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 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.

It is expected that Mr. Steven Plavin, our chief executive officer, Mr. Geoffrey Jervis, our chief financial officer, and Mr. Thomas Ruffing, our chief credit officer, will continue in such roles as our executive officers following consummation of the Transactions.

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

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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 91).

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.

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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 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.

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 (as discussed below), we will no longer have our own employees and will be externally managed by the New CT Manager.

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 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 Management Agreement Proposal. At the special meeting, our stockholders will be asked to approve the entry by Capital Trust into the New Management Agreement, pursuant to which we will become externally managed by the New CT Manager.

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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. It is expected that the New CT Manager will be managed by senior professionals of Blackstone and certain of our current executive officers and that our former employees, who will be employed by the New CT Manager, will 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 beginning on page 12).

The Management Agreement Proposal is described more specifically herein under Proposal 3 Management Agreement Proposal beginning on page 87.

Proposal 4 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 4 Charter Amendment Proposal beginning on page 88.

Proposal 5 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 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. Blackstone has not yet determined the persons who will serve as the officers and employees of the New CT Manager, but it is expected that the New CT Manager will be managed by senior professionals of Blackstone and certain of our current executive officers. 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 may 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. Certain of these divisions and entities affiliated with the New CT Manager have or may have an investment strategy similar to Capital Trust's and therefore may engage in competing activities with Capital Trust. In particular, Blackstone Real Estate Debt Strategies, which we refer to as BREDS, part of Blackstone's real estate investment business, seeks to invest in a broad range of real estate related debt investments via several different vehicles. The largest vehicle is referred to as BREDS I, which has invested or committed approximately \$2.7 billion of capital as of June 30, 2012. BREDS I is comprised of a series of investment funds, managed accounts and other vehicles managed by affiliates of Blackstone, includes Blackstone Real Estate Special Situations Fund II L.P., which, together with its parallel funds, we refer to as BSSF II, which has approximately \$1.5 billion in committed capital, and certain related managed accounts and vehicles structured as drawdown funds with overlapping investment strategies totaling approximately \$1.3 billion in committed capital, in each case, as of June 30, 2012. BREDS I invests primarily in public and/or private debt and, to a lesser extent, in non-controlling equity and other interests, in each case, in or relating to real estate-related investments primarily in the United States. BREDS I also includes a European focused investment fund, Blackstone Real Estate Special Situations Europe L.P., which has approximately \$240 million in committed capital as of June 30, 2012 and follows a similar strategy but is focused on European investments. BREDS also manages certain investment vehicles structured as hedge funds, which generally target relatively liquid investments in real estate related assets or companies, including Blackstone Real Estate Special Situations Fund L.P., which, together with its parallel funds, we refer to as BSSF I, a hedge fund with approximately \$310 million in assets under management as of June 30, 2012 that generally invests in public and/or private debt, equity or other interests of real estate assets of real estate-related companies and/or real estate-related holdings, and Blackstone Real Estate CMBS Fund L.P., a hedge fund with approximately \$475 million in capital as of as of June 30, 2012 that generally invests in commercial mortgage-backed securities.

Apart from the BREDS funds, Blackstone also oversees Blackstone Real Estate Partners, a real estate private equity platform, which we refer to as BREP, that is complementary in nature to the BREDS funds above. BREP primarily makes control-oriented real estate investments. Blackstone's current flagship global real estate fund is Blackstone Real Estate Partners VII L.P., which, together with its parallel funds, we refer to as BREP VII, which has as of the date of this proxy statement approximately \$13.3 billion in aggregate capital commitments and which has invested or committed approximately \$3.4 billion as of June 30, 2012. The BREP funds seek to make control oriented real estate investments on an opportunistic basis, with a focus on the United States and Canada. Blackstone also manages a European focused fund similar to BREP VII, Blackstone Real Estate Partners Europe III L.P., which has approximately €3.2 billion in capital and which has invested or committed approximately \$1.8 billion as of June 30, 2012.

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

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Blackstone 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 (including the BREDS and BREP funds) 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.

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.

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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 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.

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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.

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

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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 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		
Cash and cash equivalents	\$ 34,604	\$ 23,356	\$	\$ 57,960	(1)(2)(3)
Restricted cash	15,433			15,433	(4)
Debt:					
Secured Notes	8,176			8,176	
Securitized debt obligations	518,140		(364,509)	153,631	(5)
Total debt	526,316		(364,509)	161,807	
Equity:					
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)
Total Capital Trust, Inc. shareholders (deficit) equity	(34,385)	7,613	89,646	62,874	
Noncontrolling interests	56,625			56,625	
Total equity	22,240	7,613	89,646	119,499	
Total Capitalization	\$ 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 contemplated in Proposal 1, the Purchaser Investment contemplated in Proposal 2 and our entry into the New Management Agreement contemplated in Proposal 3, 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, the Purchaser Investment and our entry into of the New Management Agreement 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, the Purchaser Investment and our entry into of the New Management Agreement 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		
Assets					
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	
Subtotal	59,135	4,475		63,610	
Assets of Consolidated Entities					
CT Legacy REIT					
Restricted cash	15,433			15,433	
Investment in CT Legacy Asset, at fair value	90,700			90,700	
Subtotal	106,133			106,133	
Securitization Vehicles					
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)
Subtotal	418,969		(296,542)	122,427	
Total assets	\$ 584,237	\$ 4,475	(\$ 296,542)	\$ 292,170	
Liabilities & Equity					
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	
Subtotal	22,115	(3,139)		18,976	
Non-Recourse Liabilities of Consolidated Entities					
Securitization Vehicles					
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)
Subtotal	539,882		(386,187)	153,695	
Total liabilities	561,997	(3,139)	(386,187)	172,671	

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	Pro Forma Adjustments			Pro Forma Presentation	Notes
	Actual	Principal Transactions	CDO De-Consolidation		
Equity:					
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)
Total Capital Trust, Inc. shareholders (deficit) equity	(34,385)	7,613	89,646	62,874	
Noncontrolling interests	56,625			56,625	
Total equity	22,240	7,613	89,646	119,499	
Total liabilities and equity	\$ 584,237	\$ 4,474	(\$ 296,541)	\$ 292,170	

- (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.

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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		
Income from loans and other investments:					
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)	
Other revenues:					
Management fees from affiliates	3,195	(3,195)			
Servicing fees	3,385	(3,385)			
Total other revenues	6,580	(6,580)			
Other expenses:					
General and administrative	9,052	(6,444)	(158)	2,450	(1)(2)
Total other expenses	9,052	(6,444)	(158)	2,450	
Total other-than-temporary impairments of securities					
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	