ISTAR FINANCIAL INC
Form 424B3
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PROSPECTUS

OFFER TO EXCHANGE

Series B Senior Floating Rate Notes due 2007 which have been registered under the Securities Act for any and all outstanding Series A Senior Floating Rate Notes Due 2007

($200,000,000 principal amount outstanding at maturity)

iSTAR FINANCIAL INC.

The exchange offer and withdrawal rights will expire at 5:00 p.m., New York City time, on July 19, 2004 (unless we extend the exchange offer).

We are offering to exchange our Series B Senior Floating Rate Notes due 2007, referred to herein as the Series B Notes, for the identical principal amount of our Series A Senior Floating Rate Notes due 2007, referred to herein as the Series A Notes. The Series A Notes were sold in two tranches. We sold $175,000,000 of Series A Notes on March 12, 2004, and an additional $25,000,000 of Series A Notes on May 10, 2004. This exchange offer relates to all of the Series A Notes that we have sold to date. Accordingly, the aggregate principal amount at maturity of the Series A Notes, and therefore the principal amount at maturity of Series B Notes which would be issued if all the Series A Notes were exchanged, is $200,000,000. The terms of the Series B Notes will be identical with the terms of the Series A Notes, except that the issuance of the Series B Notes is being registered under the Securities Act of 1933, as amended, and therefore the Series B Notes will not be subject to restrictions on transfer which apply to the Series A Notes.

The Series A Notes were issued in transactions which were exempt from the registration requirements of the Securities Act solely to qualified institutional buyers, as that term is defined in Rule 144A under the Securities Act, or outside the United States in compliance with Regulation S under the Securities Act. The exchange offer is being made in accordance with two registration rights agreements, dated March 12, 2004 and May 10, 2004 between us and Lehman Brothers Inc. Because the two registration rights agreements are identical, we refer to them collectively in this prospectus as the registration rights agreement. Based on interpretations by the staff of the Securities and Exchange Commission, we believe a holder (other than a broker-dealer who acquired Series A Notes directly from us for resale or an affiliate of ours) may offer and sell Series B Notes issued in exchange for Series A Notes without registration under the Securities Act and without the need to deliver a prospectus, if the holder acquired the Series B Notes in the ordinary course of its business and the holder has no arrangement to participate, and is not otherwise engaged, in a distribution of the Series B Notes.

Prior to the exchange offer, there has been no public market for the Series B Notes. We do not currently intend to list the Series B Notes on a securities exchange or seek approval for quotation of the Series B Notes on an automated quotation system. Therefore, it is unlikely that an active trading market for the Series B Notes will develop.

The exchange agent for the exchange offer is U.S. Bank Trust National Association.

See "Risk Factors," which begin on page 14, for a discussion of certain factors that should be considered in evaluating the exchange offer.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is June 18, 2004.

FORWARD-LOOKING STATEMENTS

We make statements in this prospectus and the documents we incorporate by reference that are considered "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are usually identified by the use of words such as "will," "anticipates," "believes," "estimates," "expects," "projects," "plans," "intends," "should" or similar expressions. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. These forward-looking statements reflect our current views about our plans, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions and expectations as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions or expectations will be achieved. We have discussed in this prospectus some important risks, uncertainties and contingencies which could cause our actual results, performance or achievements to be materially different from the forward-looking statements we make in these documents.

We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In evaluating forward-looking statements, you should consider these risks and uncertainties, together with the other risks described from time to time in our reports and documents filed with the SEC, and you should not place undue reliance on those statements.

PROSPECTUS SUMMARY

This summary may not contain all the information that may be important to you. You should read the entire prospectus, as well as the documents incorporated by reference in it, before making an investment decision. All references to "we" or "us" in this prospectus refer to iStar Financial Inc. and its consolidated subsidiaries, unless the context indicates otherwise. For the definitions of "adjusted earnings" and "EBITDA" and for a detailed reconciliation of each of adjusted earnings and EBITDA to net income determined in accordance with GAAP, see "Prospectus Summary Adjusted Earnings and EBITDA."

iStar Financial Inc.

Overview

We are the leading publicly-traded finance company focused exclusively on the commercial real estate industry. We provide custom-tailored financing to high-end private and corporate owners of real estate nationwide, including senior and junior mortgage debt, senior and mezzanine corporate capital, and corporate net lease financing. Our objective is to generate consistent and attractive returns on our invested capital by providing innovative and value-added financing solutions to our customers. We deliver customized financial products and "one-call" responsiveness post-closing to sophisticated real estate borrowers and corporate customers who require a high level of creativity and service. Our ability to provide value-added financial solutions has consistently enabled us to realize margins and returns on capital that are more attractive than those earned by many other commercial finance companies. As of March 31, 2004, our total enterprise value (market value of equity plus book value of preferred stock and debt, less cash balances) was $9.7 billion, and our EBITDA and net income for the quarter ended March 31, 2004 were $33.7 million and ($53.8) million, respectively.

We began our business in 1993 through private investment funds formed to take advantage of the lack of well-capitalized lenders capable of servicing the needs of high-end customers in our markets. During our eleven-year history, we have structured or originated $10 billion of financing commitments.

By capitalizing on our competitive strengths, we have delivered consistent financial performance, developed a high-quality, diversified asset base and established ourselves as a reliable provider of financial solutions for our customers.

The graph below shows our EBITDA and net income since 1999.

EBITDA(1) and Net Income

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(1) EBITDA is calculated as net income plus the sum of interest expense, depreciation and amortization, minority interest in consolidated entities, cumulative effect of change in accounting principle and costs incurred in acquiring the former advisor minus income from discontinued operations and gain from discontinued operations.

Competitive Strengths

We believe the following competitive strengths distinguish our business model from other commercial finance enterprises and contribute to our ability to generate consistent returns on our invested capital.

Creative Capital Solutions We target markets where customers require a knowledgeable provider of capital that is capable of originating customized and flexible financial products. We provide our customers with a level of service and creativity generally unavailable from other lenders. We do not participate in distribution-based commercial finance businesses, such as conduit lending and mortgage-backed securities, which are typically characterized by intense price competition and lower profit margins. Instead, we target the customer-oriented premium-pricing segment of the market.

We believe that we have a reputation in the marketplace for delivering unique financing solutions and a high level of service to our customers in a reliable and credible fashion. Since beginning our business in 1993, we have provided $5.8 billion in financing to customers who have sought our expertise more than once.

As a result of our focus, we have generated consistent and attractive returns on our asset base. The graph below shows our returns on average book assets, after interest expense, since 1999.

Return on Average Book Assets[(1)]

(1) We define "return on average book assets" as the sum of adjusted earnings and preferred dividends divided by the average book value of assets outstanding during the year.

Asset Quality and Diversification Throughout our operating history, we have focused on maintaining diversification of our asset base by product line, asset type, obligor, property type and geographic region. Asset diversification is a key part of our risk management strategy. The pie charts below depict the diversification of our asset base based upon the total gross book value of our loan and Corporate Tenant Lease, or "CTL", assets of approximately $7.2 billion as of March 31, 2004.

Asset Type Diversification	Property Type Diversification	Geographic Diversification

Secured first mortgages and corporate tenant lease assets together comprise approximately 85% of our asset base. The weighted average "first dollar" and "last dollar" loan-to-value ratios on our new loan commitments made during the first quarter of 2004 were 10.1% and 68.7%, respectively. "First dollar" and "last dollar" loan-to-value ratios represent the average beginning and ending points of our lending exposure in the aggregate capitalization of the underlying assets or companies that we finance.

In addition, as of March 31, 2004, 78% of our corporate tenants, based on annual lease payments, were public companies or subsidiaries of public companies. Our corporate tenants include the U.S. Government and well-recognized national and international companies such as Accenture, Ltd., Charles Schwab Corporation, FedEx Corporation, International Business Machines Corporation, Nike, Inc., Nokia Corporation, Northrop Grumman Corporation, Verizon Communications, Inc., Volkswagen of America and Wells Fargo Bank.

Match Funding Discipline Our objective is to match fund our liabilities and assets with respect to maturities and interest rates. This means that we seek to match the maturities of our financial obligations with the maturities of our investments. Match funding allows us to reduce the risk of having to refinance our liabilities prior to the maturities of our assets. In addition, we match fund interest rates with like-kind debt (i.e., fixed-rate assets are financed with fixed-rate debt, and floating-rate assets are financed with floating-rate debt), through the use of hedges such as interest rate swaps, or through a combination of these strategies. This allows us to reduce the impact of changing interest rates on our earnings. Our objective is to limit volatility from a 100 basis point move in short-term interest rates to no more than 2.5% of annual adjusted earnings per share. As of March 31, 2004, a 100 basis point change in short-term interest rates would have a minimal impact on our first quarter adjusted earnings per share.

Significant Equity Base We have approximately $2.5 billion of tangible book equity and a consolidated debt to book equity plus accumulated depreciation and loan loss reserves ratio of 1.7x as of March 31, 2004. We believe that we are one of the most strongly capitalized asset-based finance companies. Our tax-advantaged structure as a real estate investment trust and our ability to operate with less overhead, as a percentage of revenues, than many other commercial finance companies enable us to generate higher returns on our invested capital without excessive reliance on leverage.

Experienced Management The 15 members of our executive management team have an average of more than 20 years of experience in the fields of real estate finance, private investment, capital markets, transaction structuring, risk management, legal and loan servicing, providing us with significant expertise in the key disciplines required for success in our business. We emphasize long-term, incentive-based compensation, such as performance-based grants of restricted common stock, rather than cash compensation, and none of our employees is compensated based on the volume of investment originations. As of March 31, 2004, our directors and employees directly owned approximately 5.3% of our outstanding common stock on a diluted basis, which had a market value of approximately $210 million based upon the last reported sale price of our common stock on May 21, 2004. Our 15-member executive management team is supported by approximately 155 employees operating from six primary offices nationwide.

Tax-Advantaged Corporate Structure Because of our focus on commercial real estate finance, we are able to qualify as a real estate investment trust, or "REIT," under the Internal Revenue Code. Since we are taxed as a REIT, we do not pay corporate-level taxes in most circumstances. This tax-advantaged structure enables us to produce higher returns on our invested capital compared to taxable finance companies, while utilizing significantly less leverage than most taxable finance companies. The graph below shows our returns on average common book equity since 1999.

Return on Average Common Book Equity[(1)]

(1) We define "return on average common book equity" as total adjusted earnings divided by the average book value of common equity outstanding during the year.

Our Target Markets and Product Lines

We believe we are the largest dedicated participant in a $100-$150 billion niche of the approximately $2.1 trillion commercial real estate market, consisting of the $1.5 trillion commercial mortgage market and the $600 billion single-user market for corporate office and industrial facilities. Our primary product lines include structured finance, portfolio finance, corporate tenant leasing, corporate finance and loan acquisition. Our real estate lending assets consist of mortgages secured by real estate collateral, loans secured by equity interests in real estate assets, and secured and unsecured loans to corporations engaged in real estate or real estate-related businesses. Our corporate tenant lease assets consist of office and industrial facilities that we typically purchase from, and lease back to, a diversified group of creditworthy corporate tenants as a form of financing for their businesses. Our leases are generally long-term, and typically provide for all expenses at the facility to be paid by the corporate tenant on a "triple net" basis. Under a typical net lease agreement, the corporate customer agrees to pay a base monthly operating lease payment and all facility operating expenses, including taxes, maintenance and insurance.

The pie chart below shows the composition of our asset base by product line, based on the total gross book value of our loan and CTL assets of approximately $7.2 billion as of March 31, 2004.

Product Line Diversification

Investment Strategy

Our investment strategy focuses on the origination of structured mortgage, corporate and lease financings backed by high-quality commercial real estate assets located in major U.S. metropolitan markets. Because we deliver the intensive structuring expertise required by our customers, we are able to avoid significant direct competition from other capital providers. We focus on developing direct relationships with borrowers and corporate tenants, as opposed to sourcing transactions through intermediaries, and offer our customers added value in the form of specific lending expertise, flexibility, certainty and post-closing support. We also take advantage of market anomalies in the real estate financing markets when we believe credit is mispriced by other providers of capital, such as the spread between lease yields and the yields on corporate tenants' underlying credit obligations. In addition, we have developed a disciplined process for screening potential investments prior to beginning our formal underwriting and commitment process called the "Six Point Methodology[sm]." We also have an intensive underwriting process in place for all potential investments.

Risk Management and Reserves

We have comprehensive, proactive and hands-on risk management systems centered around a fully-integrated risk management team of over 60 professionals, including dedicated expertise in asset management, corporate credit, loan servicing, project management and engineering. We manage our risk exposure by diversifying our asset base and using conservative assumptions during our underwriting of potential investments. We utilize information received from our risk management professionals on a real-time basis to monitor the performance of our asset base and to quickly identify and address potential credit issues.

We maintain and regularly evaluate financial reserves to protect against potential future losses. In addition to our general loss reserves, we also have asset-specific credit protection, including cash reserve accounts, cash deposits, letters of credit and allowances for doubtful accounts supporting our loan and CTL assets. Where appropriate, we typically require this incremental credit protection to be funded and/or posted at the closing of a transaction in accounts in which we have a security interest. As of March 31, 2004, accumulated loan loss reserves and other asset-specific credit protection represented an aggregate of approximately 6.58% of the gross book value of our loans. In aggregate, cash deposits, letters of credit, allowances for doubtful accounts and accumulated depreciation relating to corporate tenant lease assets represented 9.39% of the gross book value of our corporate tenant lease assets at that date.

Financing Strategy

Our financing strategy revolves around three primary principles. First, we maintain significantly lower leverage than other commercial finance companies and a large tangible equity capital base. Second, we maintain access to a broad array of capital resources from a diverse group of lending sources, such as committed secured and unsecured credit facilities, term loans, corporate bonds and our own proprietary matched funding program, iStar Asset Receivables, or "STARs^{sm}." In doing so, we seek to insulate our business from potential fluctuations in the availability of capital. Third, we seek to match fund our liabilities and assets to minimize the risk that we have to refinance our liabilities prior to the maturities of our assets, and to reduce the impact of changing interest rates on our earnings.

Adjusted Earnings and EBITDA

Adjusted earnings represents net income allocable to common shareholders and HPU holders computed in accordance with GAAP, before depreciation, amortization, gain from discontinued operations, extraordinary items and cumulative effect of change in accounting principle. Adjustments for unconsolidated partnerships and joint ventures reflect our shares of adjusted earnings calculated on the same basis. EBITDA is calculated as net income plus the sum of interest expense, depreciation and amortization, minority interest in consolidated entities, cumulative effect of change in accounting principle and costs incurred in acquiring the former advisor minus income from discontinued operations and gain from discontinued operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

We believe that to facilitate a clear understanding of our historical operating results, adjusted earnings and EBITDA should be examined in conjunction with net income as shown in the "Consolidated Statements of Operations" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004. Adjusted earnings and EBITDA should not be considered as alternatives to net income (determined in accordance with GAAP), as indicators of our performance, or to cash flows from operating activities (determined in accordance with GAAP) as measures of our liquidity, nor are these measures indicative of funds available to fund our cash needs or available for distribution to our shareholders. We believe that adjusted earnings and EBITDA more closely approximate operating cash flow and are useful measures for investors to consider, in conjunction with net income and other GAAP measures, in evaluating our financial performance. This is primarily because we are a commercial finance company that focuses on real estate lending and corporate tenant leasing; therefore, our net income (determined in accordance with GAAP) reflects significant non-cash depreciation expense on CTL assets and significant non-cash amortization expense of deferred financing costs. In addition, several of our material borrowing arrangements contain covenants based on adjusted earnings; therefore, we must monitor adjusted earnings in order to ensure compliance with these covenants. It should be noted that our manner of calculating adjusted earnings and EBITDA may differ from the calculation of similarly-titled measures by other companies.

	Three Months Ended March 31,	For the Years Ended December 31,				
	2004	2003	2002	2001	2000	1999
				(In thousands) (Unaudited)		
Adjusted earnings:						
Net income (loss) allocable to common shareholders and HPU holders (1)	$ (54,716)	$ 255,249	$ 178,362	$ 193,004	$ 180,678	$ 15,043
Add: Joint venture income		593	991	965	937	1,603
Add: Depreciation	15,938	55,905	48,041	35,642	34,514	11,016
Add: Joint venture depreciation and amortization	1,532	7,417	4,433	4,044	3,662	365
Add: Amortization of deferred financing costs	10,312	27,180	31,676	21,303	13,528	6,121
Less: Gain from discontinued operations	(136)	(5,167)	(717)	(1,145)	(2,948)	
Add: Cumulative effect of change in accounting principle (2)				282		
Less: Net income allocable to class B shares (3)						(826)
Add: Cost incurred in acquiring former external advisor						94,476
Adjusted diluted earnings allocable to common shareholders and HPU holders (4)(5)	$ (27,070)	$ 341,177	$ 262,786	$ 254,095	$ 230,371	$ 127,798
Weighted average diluted common shares outstanding (6)	107,468	104,248	93,020	88,606	86,523	61,750

(1) For the quarter ended March 31, 2004, net income allocable to common shareholders and HPU holders includes a $106.9 million charge related to CEO, CFO and ACRE Partners compensation, an $11.5 million charge for the redemption of senior notes and a $9.0 million charge for the redemption of preferred stock.

(2) Represents one-time effect of adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" as of January 1, 2001.

(3) Prior to November 1999, adjusted earnings per common share excluded 1.00% net income allocable to our former Class B shares. The former Class B shares were exchanged for Common Stock in connection with the acquisition of TriNet and other related transactions in November 4, 1999. As a result, we now have a single class of Common Stock outstanding.

(4) For the three months ended March 31, 2004 and year ended December 31, 2003, includes ($447) and $2,659 of adjusted earnings allocable to HPU holders, respectively.

(5) For years ended December 31, 2002, 2001 and 2000, includes $3,950, $1,037 and $317, respectively, of cash paid for prepayment penalties associated with early extinguishment of debt. For the three months ended March 31, 2004 includes $9,625 of cash paid for prepayment penalties associated with early extinguishment of debt.

(6) In addition to the GAAP defined weighted average diluted shares outstanding these balances include an additional 147,000 shares, 371,000 shares, 372,000 shares, 372,000 shares and 1.4 million shares for the years ended December 31, 2003, 2002, 2001, 2000 and 1999, respectively, relating to the additional dilution of joint venture shares.

	Three Months Ended March 31,	For the Years Ended December 31,				
	2004	2003	2002	2001	2000	1999
				(In thousands) (Unaudited)		
Reconciliation of EBITDA to GAAP Net Income (Loss):						
Net income (loss)	$ (35,116)	$ 292,157	$ 215,270	$ 229,912	$ 217,586	$ 38,886
Add: Interest expense	52,566	194,999	185,375	169,974	173,549	91,112
Add: Depreciation and amortization	16,043	55,286	46,948	34,573	33,529	10,219
Add: Minority interest in consolidated entities	133	249	162	218	195	41
Add: Cumulative effect of change in accounting principle				282		
Add: Costs incurred in acquiring former advisor						94,476
Less: Loss (income) from discontinued operations	233	(1,916)	(7,614)	(10,429)	(7,960)	(853)
Less: Gain from discontinued operations	(136)	(5,167)	(717)	(1,145)	(2,948)	
EBITDA (1)	$ 33,723	$ 535,608	$ 439,424	$ 423,385	$ 413,951	$ 233,881

(1) EBITDA should be examined in conjunction with net income as shown in the Consolidated Statements of Operations. EBITDA should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of our performance, or to cash flows from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is this measure indicative of funds available to fund our cash needs or available for distribution to shareholders. It should be noted that our manner of calculating EBITDA may differ from the calculations of similarly-titled measures by other companies.

Recent Developments

On May 10, 2004, we issued the additional $25.0 million aggregate principal amount of our Series A Senior Floating Rate Notes due 2007 in a private placement, which we are registering in this registration statement. The net proceeds were used to repay outstanding secured indebtedness which was used for general corporate purposes to find investment activity.

First Quarter Earnings Charges

We incurred charges to adjusted earnings and GAAP earnings allocable to common shareholders and the HPU holders of $125.5 million and $127.4 million, respectively in the first quarter of 2004. These charges include $86.0 million relating to the full vesting of 2.0 million incentive shares awarded to our Chief Executive Officer under his March 2001 employment agreement and $10.1 million relating to a one-time award of common stock granted to our Chief Executive Officer in connection with a new three-year employment agreement with us. The first quarter charges also include $10.8 million related to the vesting of 100,000 restricted performance shares awarded to our Chief Financial Officer when she joined us in 2002 and the issuance of 155,000 shares of common stock to the principals of the former ACRE Partners, a company we acquired in 2000.

The first quarter charges also include the charge we recognized as a result of the redemption of a portion of our 8.75% Senior Notes due 2008 with the net proceeds of the offering of our 7.50% Series I Cumulative Redeemable Preferred Stock on March 29, 2004. We recognized an aggregate charge to first quarter 2004 net income and adjusted earnings of $11.5 million and $9.6 million, respectively, in connection with the redemption, due to the redemption premium we paid.

Finally, the first quarter charges also include a charge of $9.0 million relating to the redemption of our 9.375% Series B and 9.20% Series C Cumulative Redeemable Preferred Stock. This amount reflects the discount at which we reflected the Series B and Series C Cumulative Redeemable Preferred Stock in our financial statements.

Our principal executive offices are located at 1114 Avenue of the Americas, New York, New York 10036, and our telephone number is (212) 930-9400. Our website is www.istarfinancial.com. The information on our website is not considered part of this offering memorandum. Our six primary regional offices are located in Atlanta, Boston, Dallas, Hartford and San Francisco. iStar Asset Services, our loan servicing subsidiary, is located in Hartford, and iStar Real Estate Services, our corporate facilities management division, is headquartered in Atlanta.

The Exchange Offer

The Exchange Offer	We are offering to exchange our Series B Senior Floating Rate Notes due 2007 for identical principal amounts of our Series A Senior Floating Rate Notes due 2007. The Series A Notes were sold in two tranches. We sold $175,000,000 of Series A Notes on March 12, 2004 and an additional $25,000,000 of Series A Notes on May 10, 2004. Accordingly, at the date of this prospectus, $200 million principal amount at maturity of Series A Senior Notes are outstanding. See "The Exchange Offer Terms of the Exchange Offer."
Expiration of Exchange Offer	5:00 p.m., New York time, on July 19, 2004, unless the exchange offer is extended (the day on which the exchange offer expires being the expiration date). See "The Exchange Offer Expiration Date; Extension; Termination; Amendments."
Conditions of the Exchange Offer	The exchange offer is not conditioned upon any minimum principal amount of Series A Notes being tendered for exchange. However, the exchange offer is subject to certain customary conditions, which we may waive. See "The Exchange Offer Procedures for Tendering."
Accrued Interest on the Series A Notes	The Series B Notes will bear interest at the rate of per annum equal to three month LIBOR plus 1.25% from and including March 12, 2004. When the first interest payment is made with regard to the Series B Notes, we will also pay interest on the Series A Notes which are exchanged, from the date they were issued or the most recent interest date on which interest had been paid (if applicable) to, but not including, the day the Series B Notes are issued. Interest on the Series A Notes which are exchanged will cease to accrue on the day prior to the day on which the Series B Notes are issued. The interest rate on the Series A Notes may increase under certain circumstances if we are not in compliance with our obligations under the registration rights agreement. See "Description of the Series B Notes."
Procedures for Tendering Series A Notes	A holder of Series A Notes who wishes to accept the exchange offer must complete, sign and date a letter of transmittal, or a facsimile of one, in accordance with the instructions contained under "The Exchange Offer Procedures for Tendering" and in the letter of transmittal, and deliver the letter of transmittal, or facsimile, together with the Series A Notes and any other required documentation to the exchange agent at the address set forth in "The Exchange Offer Exchange Agent"; or must comply with the automated tender offer program procedures of The Depository Trust Company ("DTC") described in "The Exchange Offer Procedures For Tendering." Series A Notes may be delivered physically or by confirmation of book-entry delivery of the Series A Notes to the exchange agent's account at DTC. By executing a letter of transmittal or by following the procedures for tendering through DTC, a holder will represent to us that, among other things, the person acquiring the Series B Notes will be doing so in the ordinary course of the person's business, whether or not the person is the holder, that neither the holder nor any other person is engaged in, or intends to engage in, or has an arrangement or understanding with any person to participate in, the distribution of the Series B Notes and that neither the holder nor any such other person is an "affiliate," as defined under Rule 405 of the Securities Act, of ours. Each broker or dealer that receives Series B Notes for its own account in exchange for Series A Notes which were acquired by the broker or dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the Series B Notes. See "The Exchange Offer Procedures for Tendering" and "Sales of Series B Notes Received by Broker-Dealers."

Guaranteed Delivery Procedures	Eligible holders of Series A Notes who wish to tender their Series A Notes and (1) whose Series A Notes are not immediately available or (2) who cannot deliver their Series A Notes or any other documents required by the letter of transmittal to the exchange agent prior to the expiration date (or complete the procedure for book-entry transfer on a timely basis), may tender their Series A Notes according to the guaranteed delivery procedures described in the letter of transmittal. (Note: if tender is made through DTC's automated tender offer program, this process is achieved through that program.) See "The Exchange Offer Guaranteed Delivery Procedures."
Acceptance of Series A Notes and Delivery of Series B Notes	Upon satisfaction or waiver of all conditions to the exchange offer, we will accept any and all Series A Notes that are properly tendered in response to the exchange offer prior to 5:00 p.m., New York City time, on the expiration date. The Series B Notes issued pursuant to the exchange offer will be delivered promptly after acceptance of the Series A Notes. See "The Exchange Offer Procedures for Tendering."
Withdrawal Rights	Tenders of Series A Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date. See "The Exchange Offer Withdrawal of Tenders."
The Exchange Agent	U.S. Bank Trust National Association is the exchange agent. The address and telephone number of the exchange agent are set forth in "The Exchange Offer Exchange Agent."
Fees and Expenses	We will bear all expenses incident to our consummation of the exchange offer and compliance with the registration rights agreement. We will also pay any transfer taxes which are applicable to the exchange offer (but not transfer taxes due to transfers of Series A Notes or Series B Notes by the holder). See "The Exchange Offer Fees and Expenses."
Resales of the Series B Notes.	Based on interpretations by the staff of the SEC set forth in no-action letters issued to third parties, we believe Series B Notes issued pursuant to the exchange offer in exchange for Series A Notes may be offered for resale, resold and otherwise transferred by the holder (other than (1) a broker-dealer who purchased the Series A Notes directly from us for resale pursuant to Rule 144A under the Securities Act or another exemption under the Securities Act or (2) a person that is an affiliate of ours, as that term is defined in Rule 405 under the Securities Act), without registration or the need to deliver a prospectus under the Securities Act, provided that the holder is acquiring the Series B Notes in the ordinary course of business and is not participating, and has no arrangement or understanding with any person to participate, in a distribution of the Series B Notes. Each broker-dealer that receives Series B Notes for its own account in exchange for Series A Notes that were acquired by the broker as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the Series B Notes. See "The Exchange Offer Purpose and Effects" and "Sales of Series B Notes Received By Broker-Dealers."

The Series B Notes

The exchange offer applies to $200 million aggregate principal amount at maturity of Series A Notes. The terms of the Series B Notes are identical in all material respects with those of the Series A Notes, except for certain transfer restrictions and rights relating to the exchange of the Series A Notes for Series B Notes. The Series B Notes will evidence the same debt as the Series A Notes and will be entitled to the benefits of the indenture under which both the Series A Notes were, and the Series B Notes will be, issued. See "Description of the Series B Notes."

Issuer	iStar Financial Inc.
Securities Offered	$200,000,000 principal amount of Series B Senior Floating Rate Notes due 2007.
Maturity	March 12, 2007
Interest Rate	The Notes will bear interest at a rate per annum equal to three month LIBOR plus 1.25%. Interest on the Notes will be reset quarterly.
Interest Payment Dates	Each March 12, June 12, September 12 and December 12, beginning on June 12, 2004. Interest will accrue from the date of issue.
Ranking	The Notes are our unsecured senior obligations and rank *pari passu* to our existing and future unsecured senior indebtedness and, to the extent we incur subordinated indebtedness in the future, senior to such indebtedness. The Notes will be effectively subordinated to all of our secured indebtedness and all indebtedness of our subsidiaries. As of March 31, 2004, the aggregate amount of outstanding indebtedness of our subsidiaries was approximately $2.7 billion.
Optional Redemption	The Notes are redeemable prior to their maturity at a make-whole premium.
Change of Control Offer	If a change in control of our Company occurs, we must give holders of the Notes the opportunity to sell us their Notes at 101% of their face amount, plus accrued interest.
Certain Indenture Provisions	The indenture governing the Notes contains covenants limiting our and our subsidiaries' ability to: incur indebtedness; issue preferred stock of subsidiaries; pay dividends or make other distributions; repurchase equity interests or subordinated indebtedness; enter into transactions with affiliates; merge or consolidate with another person; or sell, lease or otherwise dispose of all or substantially all of our assets.
	These covenants are subject to a number of important limitations and exceptions. See "Description of Notes Certain Covenants."
Risk Factors	Investing in the Notes involves substantial risks. See "Risk Factors" in this prospectus for a description of certain of the risks you should consider before investing in the Notes.

RISK FACTORS

This section describes some, but not all, of the risks of purchasing Notes in the offering. You should carefully consider these risks, in addition to the other information contained or incorporated by reference in this document, before purchasing Notes. In connection with the forward-looking statements that appear in this document, you should carefully review the factors discussed below and the cautionary statements referred to in "Forward-Looking Statements."

If You Fail to Exchange Your Series A Notes, They Will Continue to be Restricted Securities and You May Experience Difficulty Selling Them Following the Exchange Offer

Series A Notes which you do not tender in the exchange offer will continue to be restricted securities. After the completion of the exchange offer, we will not have any further obligation to issue Series B Notes to you in exchange for your Series A Notes. You may not offer or sell Series A Notes except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Because we anticipate that most holders of Series A Notes will elect to exchange those notes for Series B Notes, and that most potential investors in the Notes will prefer to purchase registered Series B Notes rather than purchase unregistered Series A Notes, you may experience difficulty selling your Series A Notes following the exchange offer.

We Have Other Indebtedness

As of March 31, 2004, our outstanding debt was approximately $4.6 billion. Our ability to make scheduled payments of principal or interest on, or to refinance, our indebtedness depends on our future performance, which, to a certain extent, is subject to general economic, financial, competitive and other factors beyond our control.

The Notes Will Be Structurally Subordinated to Subsidiary Debt

The Notes are not guaranteed by any of our subsidiaries. Our subsidiaries hold a substantial portion of our assets. Our subsidiaries had approximately $2.7 billion of indebtedness outstanding at March 31, 2004. Creditors of a subsidiary are entitled to be paid what is due to them before assets of the subsidiary become available for creditors of its parent. In addition, if we were to become insolvent, the lenders on a credit facility, under which iStar Financial and one of its subsidiaries are co-borrowers, would receive payments from the stock of the co-borrower subsidiary and our leasing subsidiary that has been pledged as collateral under that facility before you receive payments.

Ability to Repurchase Notes Upon Change of Control May Be Limited

Upon a change of control, each holder of Notes will have the right to require us to repurchase the holder's Notes. If there were a change of control, but we did not have sufficient funds to pay the repurchase price for all of the Notes which were tendered, that failure would constitute an event of default under the indenture. Therefore, a change of control at a time when we could not pay for Notes which were tendered as a result of the change of control could result in holders of Notes receiving substantially less than the principal amount of the Notes.

As a REIT, We Must Distribute a Portion of Our Income to Our Stockholders and We Have Substantial Additional Capacity to Make Restricted Payments

We generally must distribute annually at least 90% of our taxable income to our stockholders to maintain our REIT status. As a result, those earnings will not be available to pay principal or interest on the Notes. Our taxable income has historically been lower than the cash flow generated by our business activities, primarily because our taxable income is reduced by non-cash expenses, such as depreciation and amortization. As a result, our dividend payout ratio as a percentage of free cash flow has generally been lower than our payout ratio as a percentage of taxable income. However, certain of our credit facilities and the indenture governing the Notes permit us to distribute up to 95% of our adjusted earnings. In addition, although our debt instruments contain limitations on our ability to make dividends in excess of these distributions or to repurchase our outstanding equity securities, as of March 31, 2004 the restricted payments covenant in the indenture governing the Notes currently permits us to make approximately $831.0 million of such other distributions or repurchases.

There is No Public Market for the Notes

If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar securities, our performance and certain other factors. Historically, there has been substantial volatility in the prices of corporate debt securities, and the price of the Notes is likely to be affected by factors which affect the price of corporate debt securities generally. We do not intend to apply for listing of the Notes on any securities exchange or for inclusion of the Notes on any automated quotation system.

We Are Subject to Risks Relating to Our Lending Business.

We may suffer a loss if a borrower defaults on a non-recourse loan or on a loan that is not secured by underlying real estate. In the event of a default by a borrower on a non-recourse loan, we will only have recourse to the real estate assets securing the loan. For this purpose, we consider loans made to special purpose entities formed solely for the purpose of holding and financing particular assets to be non-recourse loans. If the underlying asset value is below the loan amount, we will suffer a loss. Conversely, we sometimes make loan investments that are unsecured or are secured by equity interests in the borrowing entities. These loans are subject to the risk that other lenders may be directly secured by the real estate assets of the borrower. In the event of a default, those secured lenders would have priority over us with respect to the proceeds of a sale of the underlying real estate.

In the cases described above, we may lack control over the underlying asset securing our loan or the underlying assets of the borrower prior to a default, and, as a result, their value may be reduced by acts or omissions by owners or managers of the assets. As of March 31, 2004, 87.7% of our loans are non-recourse, based upon the gross carrying value of our loan assets, and 10.7% of our total investments, based on gross carrying value, consist of loans that are unsecured or secured by equity interests in the borrowing entity.

We may suffer a loss in the event of a default or bankruptcy of a borrower, particularly in cases where the borrower has incurred debt that is senior to our loan. If a borrower defaults on our loan but does not have sufficient assets to satisfy our loan, we may suffer a loss of principal or interest. In the event of a borrower bankruptcy, we may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy our loan. In addition, certain of our loans are subordinate to other debt of the borrower. If a borrower defaults on our loan or on debt senior to our loan, or in the event of a borrower bankruptcy, our loan will be satisfied only after the senior debt. Where debt senior to our loans exists, the presence of intercreditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through "standstill" periods) and control decisions made in bankruptcy proceedings relating to borrowers. Bankruptcy and borrower litigation can significantly increase the time needed for us to acquire underlying collateral in the event of a default, during which time the collateral may decline in value. In addition, there are significant costs and delays associated with the foreclosure process.

We are subject to the risk that provisions of our loan agreements may be unenforceable. Our rights and obligations with respect to our loans are governed by written loan agreements and related documentation. It is possible that a court could determine that one or more provisions of a loan agreement are unenforceable, such as a loan prepayment provision or the provisions governing our security interest in the underlying collateral. If this were to happen with respect to a material asset or group of assets, we could be adversely affected.

We are subject to the risks associated with loan participations, such as less than full control rights. Some of our assets are participating interests in loans in which we share the rights, obligations and benefits of the loan with other participating lenders. We may need the consent of these parties to exercise our rights under such loans, including rights with respect to amendment of loan documentation, enforcement proceedings in the event of a default and the institution of, and control over, foreclosure proceedings. Similarly, a majority of the participants may be able to take actions to which we object but to which we will be bound if our participation interest represents a minority interest. We may be adversely affected by this lack of full control.

We Are Subject to Risks Relating to Our Corporate Tenant Lease Business.

Lease expirations, lease defaults and lease terminations may adversely affect our revenue. Lease expirations, lease defaults and lease terminations may result in reduced revenues if the lease payments received from replacement corporate tenants are less than the lease payments received from the expiring, defaulting or terminating corporate tenants. In addition, lease defaults by one or more significant corporate tenants, lease terminations by corporate tenants following events of casualty or takings by eminent domain, or the failure of corporate tenants under expiring leases to elect to renew their leases, could cause us to experience long periods with no revenue from a facility and to incur substantial capital expenditures in order to obtain replacement corporate tenants.

As of March 31, 2004, 14.6% of our annualized total revenues for the quarter ended March 31, 2004 were derived from our five largest corporate tenant customers. As of March 31, 2004, the percentage of our revenues (based on total revenues for the quarter ended March 31, 2004, annualized) that are subject to expiring leases during each year from 2004 through 2008 is as follows:

2004	1.7%
2005	1.2%
2006	4.3%
2007	3.1%
2008	2.0%

We may need to make significant capital improvements to our corporate facilities in order to remain competitive. Our corporate facilities may face competition from newer, more updated facilities. In order to remain competitive, we may need to make significant capital improvements to our existing corporate facilities. In addition, in the event we need to re-lease a corporate facility, we may need to make significant tenant improvements, including conversions of single tenant buildings to multi-tenant buildings. The costs of these improvements could adversely affect our financial performance.

Our ownership interests in corporate facilities are illiquid, hindering our ability to mitigate a loss. Since our ownership interests in corporate facilities are illiquid, we may lack the necessary flexibility to vary our investment strategy promptly to respond to changes in market conditions. In addition, if we have to foreclose on an asset or if we desire to sell it in an effort to recover or mitigate a loss, we may be unable to do so at all, or only at a discount.

We Are Subject to Risks Relating to Our Asset Concentration.

As of March 31, 2004, the average size of our lending investments was $34.4 million and the average size of our leasing investments was $27.3 million. No single investment represented more than 4.2% of our total revenues for the fiscal quarter ended March 31, 2004. While our asset base is diversified by product line, asset type, obligor, property type and geographic location, it is possible that if we suffer losses on a portion of our larger assets, our financial performance could be adversely impacted.

Because We Must Distribute a Portion of Our Income, We Will Continue to Need Additional Debt and/or Equity Capital to Grow.

We must distribute at least 90% of our taxable income to our stockholders to maintain our REIT status. As a result, those earnings will not be available to fund investment activities. We have historically funded our investments by borrowing from financial institutions and raising capital in the public and private capital markets. We expect to continue to fund our investments this way. If we fail to obtain funds from these sources, it could limit our ability to grow, which could have a material adverse effect on the value of our common stock and/or our ability to pay interest and principal on the Notes.

Our Growth Is Dependent on Leverage, Which May Create Other Risks.

Our success is dependent, in part, upon our ability to grow our assets through the use of leverage. Our ability to obtain the leverage necessary for execution of our business plan will ultimately depend upon our ability to maintain interest coverage ratios meeting market underwriting standards that will vary according to lenders' assessments of our creditworthiness and the terms of the borrowings. As of March 31, 2004, our debt to book equity plus accumulated depreciation and loan loss reserves ratio was 1.7x and our total debt obligations outstanding were approximately $4.6 billion. Our charter does not limit the amount of indebtedness which we may incur. Our Board of Directors has overall responsibility for our financing strategy. Stockholder approval is not required for changes to our financing strategy. If our Board of Directors decided to increase our leverage, it could lead to reduced or negative cash flow and reduced liquidity.

The percentage of leverage used will vary depending on our estimate of the stability of iStar Financial's cash flow. To the extent that changes in market conditions cause the cost of such financing to increase relative to the income that can be derived from the assets originated, we may reduce the amount of our leverage.

Leverage creates an opportunity for increased net income, but at the same time creates risks. For example, leveraging magnifies changes in our net worth. We will incur leverage only when there is an expectation that it will enhance returns, although there can be no assurance that our use of leverage will prove to be beneficial. Moreover, there can be no assurance that we will be able to meet our debt service obligations and, to the extent that we cannot, we risk the loss of some or all of our assets or a financial loss if we are required to liquidate assets at a commercially inopportune time.

We and our subsidiaries are parties to agreements and debt instruments that restrict future indebtedness and the payment of dividends, including indirect restrictions (through, for example, covenants requiring the maintenance of specified levels of net worth and earnings to debt service ratios) and direct restrictions. As a result, in the event of a deterioration in our financial condition, these agreements or debt instruments could restrict our ability to pay dividends. Moreover, if we fail to pay dividends as required by the Internal Revenue Code, whether as a result of restrictive covenants in our debt instruments or otherwise, we may lose our status as a REIT. For more information regarding the consequences of loss of REIT status, please read the risk factor entitled "We May Be Subject to Adverse Consequences if We Fail to Qualify as a Real Estate Investment Trust."

We Utilize Interest Rate Hedging Arrangements Which May Adversely Affect Our Borrowing Cost and Expose Us to Other Risks.

We have variable rate lending assets and variable rate debt obligations. These assets and liabilities create a natural hedge against changes in variable interest rates. This means that as interest rates increase, we earn more on our variable rate lending assets and pay more on our variable rate debt obligations and, conversely, as interest rates decrease, we earn less on our variable rate lending assets and pay less on our variable rate debt obligations. When our variable rate debt obligations exceed our variable rate lending assets, we utilize derivative instruments to limit the impact of changing interest rates on our net income. We do not use derivative instruments to hedge assets or for speculative purposes. The derivatives instruments we use are typically in the form of interest rate swaps and interest rate caps. Interest rate swaps effectively change variable rate debt obligations to fixed rate debt obligations. Interest rate caps effectively limit the maximum interest rate on variable rate debt obligations.

The primary risks from our use of derivative instruments is the risk that a counterparty to a hedging arrangement could default on its obligation and the risk that we may have to pay certain costs, such as transaction fees or breakage costs, if a hedging arrangement is terminated by us. As a matter of policy, we enter into hedging arrangements with counterparties that are large, creditworthy financial institutions typically rated at least "AA/Aa2" by Standard & Poor's and Moody's Investors Service, respectively. Our hedging strategy is monitored by our Audit Committee on behalf of our Board of Directors and may be changed by the Board of Directors without stockholder approval.

Developing an effective strategy for dealing with movements in interest rates is complex and no strategy can completely insulate us from risks associated with such fluctuations. There can be no assurance that our hedging activities will have the desired beneficial impact on our results of operations or financial condition.

We Face a Risk of Liability Under Environmental Laws.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real estate (including, in certain circumstances, a secured lender that succeeds to ownership or control of a property) may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Those laws typically impose cleanup responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of such hazardous or toxic substances. The costs of investigation, remediation or removal of those substances may be substantial. The owner or control party of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of or exposure to asbestos-containing materials, pursuant to which third parties may seek recovery from owners of real properties for personal injuries associated with asbestos-containing materials. Absent succeeding to ownership or control of real property, a secured lender is not likely to be subject to any of these forms of environmental liability.

Adverse Changes in General Economic Conditions Can Adversely Affect Our Business.

Our success is dependent upon the general economic conditions in the geographic areas in which a substantial number of our investments are located. Adverse changes in national economic conditions or in the economic conditions of the regions in which we conduct substantial business likely would have an adverse effect on real estate values and, accordingly, our business.

We May Be Subject to Adverse Consequences If We Fail to Qualify as a Real Estate Investment Trust.

We intend to operate so as to qualify as a REIT for federal income tax purposes. We have received an opinion of our legal counsel, Clifford Chance US LLP, that, based on the assumptions and representations described in "Certain Federal Income Tax Consequences," our existing legal organization and our actual and proposed method of operation, enable us to satisfy the requirements for qualification as a REIT under the Internal Revenue Code. Investors should be aware, however, that opinions of counsel are not binding on the Internal Revenue Service or any court. The opinion only represents the view of our counsel based on their review and analysis of existing law, that includes no controlling precedents. Furthermore, both the validity of the opinion and our qualification as a REIT will depend on our continuing ability to meet various requirements concerning, among other things, the ownership of our outstanding stock, the nature of our assets, the sources of our income and the amount of our distributions to our stockholders. See "Certain Federal Income Tax Consequences Taxation of iStar Financial General."

If we were to fail to qualify as a REIT for any taxable year, we would not be allowed a deduction for distributions to our stockholders in computing our taxable income and would be subject to federal income tax, including any applicable minimum tax, on our taxable income with respect to any such taxable year for which the statute of limitations remains open at regular corporate rates. Unless entitled to relief under certain Internal Revenue Code provisions, we also would be disqualified from treatment as a real estate investment trust for the four subsequent taxable years following the year during which qualification was lost. As a result, cash available for payment of interest and principal on the Notes would be reduced for each of the years involved. Furthermore, it is possible that future economic, market, legal, tax or other considerations may cause the Board of Directors to revoke the REIT election. See "Certain Federal Income Tax Consequences."

Even if we qualify as a REIT for federal income tax purposes, we may be subject to certain state and local taxes on our income and property, and may be subject to certain federal taxes. See "Certain Federal Income Tax Consequences Taxation of iStar Financial General."

Quarterly Results May Fluctuate and May Not Be Indicative of Future Quarterly Performance.

Our quarterly operating results could fluctuate; therefore, you should not rely on past quarterly results to be indicative of our performance in future quarters. Factors that could cause quarterly operating results to fluctuate include, among others, variations in our investment origination volume, variations in the timing of prepayments, the degree to which we encounter competition in our markets and general economic conditions.

RATIO OF EARNINGS TO FIXED CHARGES

	Three Months Ended March 31 2004	Years Ended December 31, 2003	2002	2001	2000	1999
Ratio of earnings to fixed charges and preferred stock dividends(1)	0.2x(2)	2.1x	1.8x	1.9x	1.8x	1.1x(3)
Ratio of earnings to fixed charges(1)	0.2x(2)	2.5x	2.1x	2.3x	2.2x	1.4x(3)

(1) For the purposes of calculating the ratio of earnings to fixed charges, "earnings" consist of income from continuing operations before adjustment for minority interest in consolidated subsidiaries, or income or loss from equity investees, income taxes and cumulative effect of change in accounting principle plus "fixed charges" and certain other adjustments. "Fixed charges" consist of interest incurred on all indebtedness related to continuing operations (including amortization of original issue discount) and the implied interest component of our rent obligations in the years presented.

(2) Includes the effect of CEO, CFO and ACRE Partners compensation of $106.9 million, 8.75% Senior Notes due 2008 redemption charge of $11.5 million (and the preferred stock redemption charge of $9.0 million for the ratio of earnings to fixed charges and perferred stock dividends). Excluding these charges, the ratio of earnings to fixed charges and preferred stock dividends and the ratio of earnings to fixed charges would have been 1.6x and 2.5x, respectively.

(3) Includes the effect of a non-recurring, non-cash charge in the amount of approximately $94.5 million relating to our November 1999 acquisition of the former external advisor to our company. Excluding these charges, the ratio of earnings to fixed charges and the ratio of earnings to fixed charges and preferred stock dividends would have been 2.5x and 2.0x, respectively.

USE OF PROCEEDS

We will not receive any proceeds from the exchange of Series B Notes for Series A Notes pursuant to the exchange offer. We used the net proceeds from the sale of the Series A Notes to repay outstanding secured indebtedness which was used for general corporate purposes and to fund investment activity.

ABSENCE OF PUBLIC MARKET

The Series B Notes will be new securities for which there is no established trading market. We currently do not intend to list the Series B Notes on any securities exchange or to arrange for the Series B Notes to be quoted on any quotation system. Although the Initial Purchaser has informed us that they currently intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making activity at any time without notice. In addition, market-making activities may be limited during the exchange offer or the pendency of a shelf registration statement required by the registration rights agreement, if it is filed. Accordingly, it is not likely that an active trading market for the Series B Notes will develop or, if such a market develops, that it will provide significant liquidity to holders of notes.

iSTAR FINANCIAL INC.

Overview

We are the leading publicly-traded finance company focused exclusively on the commercial real estate industry. We provide custom-tailored financing to high-end private and corporate owners of high-quality real estate nationwide, including senior and junior mortgage debt, senior and mezzanine corporate capital, and corporate net lease financing. Our objective is to generate consistent and attractive returns on our invested capital by providing innovative and value-added financing solutions to our customers. We deliver customized financial products and "one-call" responsiveness post-closing to sophisticated real estate borrowers and corporate customers who require a high level of creativity and service. Our ability to provide value-added financial solutions has consistently enabled us to realize margins and returns on capital that are more attractive than those earned by many other commercial real estate finance companies. As of March 31, 2004, our total enterprise value (market value of equity plus book value of preferred stock and debt, less cash balances) was $9.7 billion, and our EBITDA and net income for the quarter ended March 31, 2004 were $33.7 million and ($53.8) million, respectively.

We began our business in 1993 through private investment funds formed to take advantage of the lack of well-capitalized lenders capable of servicing the needs of high-end customers in our markets. During our eleven-year history we have structured or originated $10 billion of financing commitments.

By capitalizing on our competitive strengths, we have delivered consistent financial performance, developed a high-quality, diversified asset base and established ourselves as a reliable provider of financing solutions for our customers. Our disciplined approach to our business has enabled us to adapt to adverse economic and real estate market conditions while consistently delivering attractive risk-adjusted returns on our invested capital.

The graph below shows our EBITDA and net income since 1999.

EBITDA[1] and Net Income

(1) EBITDA is calculated as net income plus the sum of interest expense, depreciation and am