As filed with the Securities and Exchange Commission on November 16, 2001
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ISTAR FINANCIAL INC.
(Exact name of Registrants as specified in its charter)

MARYLAND	95-6881527
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1114 AVENUE OF THE AMERICAS, 27TH FLOOR
NEW YORK, NEW YORK 10036
(212) 930-9400
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

JAY SUGARMAN
CHIEF EXECUTIVE OFFICER
ISTAR FINANCIAL INC.
1114 AVENUE OF AMERICAS, 27TH FLOOR
NEW YORK, NEW YORK 10036
(212) 930-9400
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:
KATHLEEN L. WERNER, ESQ.
CLIFFORD CHANCE ROGERS & WELLS LLP
200 PARK AVENUE
NEW YORK, NEW YORK 10166
(212) 878-8000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: |_|

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. |X|

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. |_|

CALCULATION OF REGISTRATION FEE

PROPOSED MAXIMUM AMOUNT OF TITLE OF EACH CLASS OF SECURITIES AMOUNT TO BE AGGREGATE REGISTRATION TO BE REGISTERED REGISTERED OFFERING PRICE(2) FEE (3) - ---------- ---------- Common Stock, par value $.001 per share ..... 4,131,531 (1)(2) $99,528,581 $24,882

(1) Pursuant to Rule 416 under the Securities Act, this Registration Statement also covers such additional shares of common stock as may be issued to prevent dilution of the shares of common stock registered hereby resulting from stock splits, stock dividends or similar transactions.

(2) Includes 1,488,111 shares issuable upon exercise of employee stock options.

(3) Pursuant to Rule 457(c) under the Securities Act of 1933, as amended, and estimated solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is equal to the average of the high and low prices of the shares of common stock of iStar Financial Inc. on the New York Stock Exchange on November 9, 2001.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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The information in this Prospectus is not complete and may be changed. The Participating Securityholders may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state in where the offer or sale is not permitted prior to registration or qualification under the securities laws of any such state.

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SUBJECT TO COMPLETION, DATED NOVEMBER 16, 2001

PROSPECTUS

ISTAR FINANCIAL INC.
4,131,531
SHARES OF COMMON STOCK

This prospectus relates to an aggregate of up to 4,131,531 shares of our common stock, of which 1,488,111 shares are issuable upon the exercise of employee stock options. These securities may be offered and sold from time to time by the securityholders specified in this prospectus or their successors in interest. See "Participating Securityholders." As of the date of this prospectus, the Company has been advised that none of the Participating Securityholders has a current intention to sell any of the shares of common stock covered by this prospectus.

The Participating Securityholders obtained substantially all of these securities pursuant to either an acquisition transaction or an incentive compensation arrangement. You should read this prospectus and any accompanying prospectus supplement together with additional information described under the heading "Where You Can Find More Information." We will not receive any proceeds from sales of the securities.

The Participating Securityholders may sell the common stock offered hereby on the New York Stock Exchange or such other national securities exchange or automated interdealer quotation system on which shares of our common stock are then listed or quoted, through negotiated transactions or otherwise, at market prices prevailing at the time of the sale or at negotiated prices.

Our common stock is listed and traded on the New York Stock Exchange under the symbol "SFI." On November 15, 2001, the closing sale price of our common stock on the NYSE was $25.00 per share.

An investment in our common stock involves risks that are described in "RISK FACTORS" beginning on page five of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

November __, 2001

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other materials with the SEC. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers (including us) that file electronically with the SEC. The address of that site is http://www.sec.gov. Reports, proxy statements and other information we file also can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

We have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933, as amended, with respect to the securities offered hereby. This prospectus does not contain all the information set forth in the registration statement, certain portions of which have been omitted as permitted by the rules and regulations of the SEC. Statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are not necessarily complete, and in each instance, reference is made to the copy of such contract or document so filed, each such statement being qualified in all respects by such reference. For further information about us and the securities, please see the registration statement and exhibits thereto.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We are incorporating by reference in this prospectus the following documents which we have previously filed with the Securities and Exchange Commission under the File Number 1-10150:

(1) our Annual Report on Form 10-K for the fiscal year ended December 31, 2000;

(2) our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2001, June 30, 2001 and September 30, 2001; and

(3) the description of our common stock contained in our registration statement on Form 8-A filed on October 5, 1999, as that description has been altered by amendments or reports filed for the purpose of updating those descriptions.

Whenever after the date of this prospectus we file reports or documents under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, those reports and documents will be deemed to be part of this prospectus from the time they are filed. If anything in a report or document we file after the date of this prospectus changes anything in it, this prospectus

will be deemed to be changed by that subsequently filed report or document beginning on the date the report or document is filed.

We will provide to each person to whom a copy of this prospectus is delivered a copy of any or all of the information that has been incorporated by reference in this prospectus, but not delivered with this prospectus. We will provide this information at no cost to the requestor upon written or oral request addressed to iStar Financial Inc., 1114 Avenue of the Americas, 27th Floor, New York, New York 10036, attention: Investor Relations Department (Telephone: (212) 930-9400).

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 those forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995 and are including this statement for purposes of complying with these safe harbor provisions. These forward-looking statements reflect our current views about the Company's 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 listed below and have discussed elsewhere in this prospectus some important risks, uncertainties and contingencies which could cause the Company's actual results, performances or achievements to be materially different from the forward- looking statements we make in this prospectus. These risks, uncertainties and contingencies include, but are not limited to, the following:

1. The success or failure of our efforts to implement our current business strategy.

2. Economic conditions generally and in the commercial real estate and finance markets specifically.

3. The performance and financial condition of borrowers and corporate tenants.

4. The actions of our competitors and our ability to respond to those actions.

5. The cost of our capital, which depends in part on our asset quality, the nature of our relationships with our lenders and other capital providers, our business prospects and outlook, and general market conditions.

6. Changes in governmental regulations, tax rates and similar matters.

7. Legislative and regulatory changes (including changes to laws governing the taxation of REITs).

8. Other factors discussed under the heading "Risk Factors" and which may be discussed in a prospectus supplement.

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.

THE COMPANY

We are the largest publicly traded finance company focused exclusively on the commercial real estate industry. We provide structured financing to private and corporate owners of real estate nationwide, including senior and junior mortgage debt, corporate mezzanine and subordinated capital and corporate net lease financing. We seek to deliver superior risk-adjusted returns on equity

to our stockholders by providing innovative and value-added financing solutions to our customers. We are taxed as a real estate investment trust.

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 istarfinancial.com. Our six primary regional offices are located in Atlanta, Boston, Dallas, Denver, 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.

RISK FACTORS

THIS SECTION DESCRIBES SOME, BUT NOT ALL, OF THE RISKS OF PURCHASING OUR COMMON STOCK. YOU SHOULD CAREFULLY CONSIDER THESE RISKS, IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS OR INCORPORATED BY REFERENCE, BEFORE PURCHASING ANY OF THE SECURITIES OFFERED HEREBY. IN CONNECTION WITH THE FORWARD-LOOKING STATEMENTS THAT APPEAR IN THIS PROSPECTUS, YOU SHOULD CAREFULLY REVIEW THE FACTORS DISCUSSED BELOW AND THE CAUTIONARY STATEMENTS REFERRED TO IN "FORWARD-LOOKING STATEMENTS."

WE ARE SUBJECT TO REAL ESTATE INVESTMENT RISKS

Our real estate finance business is subject to risks, including the following:

1. Defaults by borrowers on non-recourse loans where underlying property values fall below the loan amount.

2. Costs and delays associated with the foreclosure process.

3. Borrower bankruptcies.

4. Possible unenforceability of loan terms, such as prepayment provisions.

5. Acts or omissions by owners or managers of the underlying real estate.

6. Borrower defaults on debt senior to our loans, if any.

7. Where debt senior to our loans exists, the presence of intercreditor arrangements limiting 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.

8. Lack of control over the underlying asset prior to a default.

The risks described above could impact our ability to realize on our collateral or collect expected amounts on account of our portfolio. Where applicable, these risks could also require us to expend funds in order to protect our position as a subordinated lender. For example, we may determine that it is in our

interest to expend funds to keep a more senior lender current on our obligations or to purchase a senior lender's position. Unanticipated costs may also be incurred by us after a foreclosure. 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.

WE ARE SUBJECT TO RISKS RELATING TO OUR CREDIT TENANT LEASING BUSINESS

Our credit tenant leasing business is subject to risks, including the following:

1. Lease expirations may result in reduced revenues if prevailing lease rates at the time of such expirations are less than the contractual lease rates under the expiring leases. In addition, if corporate tenants under expiring leases elect not to renew their leases, we could experience long vacancy periods and incur substantial capital expenditures in order to obtain replacement customers. As of June 30, 2001, the percentage of our revenues (based on total revenues for the quarter ended June 30, 2001, annualized) that are subject to

expiring leases during each year from 2001 through 2005 is as follows:

2001	0.5%
2002	2.3%
2003	3.2%
2004	5.0%
2005	2.9%

2. Lease defaults by one or more significant corporate tenants or lease terminations by corporate tenants following events of casualty or takings by eminent domain could result in long vacancy periods and require us to incur substantial capital expenditures in order to obtain replacement customers. In addition, there can be no assurance that the lease rates received from replacement customers will be equal to the lease rates received from the defaulting or terminating customers. As of June 30, 2001, 12.0% of our annualized total revenues for the quarter ended June 30, 2001, were derived from our five largest corporate tenants.

3. Illiquidity of ownership interests in real property.

4. Risks associated with joint ventures, such as lack of full management control over venture activities and risk of non-performance by venture partners.

5. Possible need for significant tenant improvements, including conversions of single tenant buildings to multi-tenant buildings.

6. Competition from newer, more updated buildings.

Factors 1, 2 and 6 would likely have negative impacts on our net income. Factors 3, 4 and 5 may decrease our flexibility to vary our portfolio and investment strategy promptly to respond to changes in market conditions.

OUR GROWTH IS DEPENDENT ON LEVERAGE, WHICH MAY CREATE OTHER RISKS

Our success is dependent, in part, upon our ability to grow invested assets through the use of leverage. We currently intend to leverage our Company primarily through secured and unsecured borrowings. 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.

The percentage of leverage used will vary depending on our estimate of the stability of the Company'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 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.

CERTAIN PROVISIONS IN OUR CHARTER MAY INHIBIT A CHANGE IN CONTROL

Generally, to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of our taxable year. The Internal Revenue Code defines "individuals" for purposes of the requirement described in the preceding sentence to include some types of entities. Under our charter, no person may own more than 9.8% of the outstanding shares of stock, with some exceptions. The restrictions on transferability and ownership may delay, deter or prevent a

change in control or other transaction that might involve a premium price or otherwise be in the best interest of the securityholders.

Our Board of Directors is divided into two classes. Directors of each class are chosen for two-year staggered terms. Staggered terms of directors may reduce the possibility of a tender offer or an attempt to change control, even though a tender offer or change in control might be in the best interest of our securityholders. Our charter authorizes our Board of Directors:

1. To cause us to issue additional authorized but unissued shares of common or preferred stock.

2. To classify or reclassify, in one or more series, any of our unissued preferred shares.

3. To set the preferences, rights and other terms of any classified or reclassified securities that we issue.

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 real estate investment trust for federal income tax purposes. We have received an opinion of our legal counsel that, based on certain assumptions and representations described in "Material Federal Income Tax Consequences," our existing legal organization and our actual and proposed method of operation described in this prospectus, as set forth in our organizational documents and as represented by us to our counsel, enable us to satisfy the requirements for qualification as a real estate investment trust under the Internal Revenue Code in the ordinary course of our actual and proposed operations. Investors should be aware, however, that opinions of counsel are not binding on the Internal Revenue Service or any court. The real estate investment trust qualification opinion only represents the view of our counsel based on such counsel's review and analysis of existing law, which includes no controlling precedent. Furthermore, both the validity of the opinion and our qualification as a real estate investment trust 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 "Material Federal Income Tax Consequences--Taxation of the Company."

If we were to fail to qualify as a real estate investment trust 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 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 distribution 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 real estate investment trust election. See "Material Federal Income Tax Consequences."

Even if we qualify as a real estate investment trust 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 "Material Federal Income Tax Consequences--Taxation of the Company."

TAX-EXEMPT STOCKHOLDERS MAY BE SUBJECT TO TAXATION

The Internal Revenue Service has issued a revenue ruling in which it held that amounts distributed by a REIT to a tax-exempt employees' pension trust do not constitute unrelated business taxable income ("UBTI"). In general, subject to the discussion below regarding a "pension-held REIT" and subject to the following sentence, based upon such ruling and the statutory framework of the Internal Revenue Code, distributions to a stockholder of a real estate investment trust that is a tax-exempt entity should not constitute UBTI, provided that:

1. The tax-exempt entity has not financed the acquisition of its shares of common stock with "acquisition indebtedness" within the meaning of the Internal Revenue Code.

2. The shares of common stock are not otherwise used in an unrelated trade or business of the tax-exempt entity.

3. The real estate investment trust does not hold a residual interest in a real estate mortgage investment conduit ("REMIC") within the meaning of Section 860D of the Internal Revenue Code.

Although we do not intend to invest a material amount of assets in REMICS, certain taxable income produced by REMIC residual interests may cause our stockholders to suffer certain adverse tax consequences. See "Material Federal Income Tax Consequences."

If any pension or other retirement trust that qualifies under Section 401(a) of the Internal Revenue Code holds more than 10% by value of the interests in a pension-held REIT at any time during a taxable year, a portion of the dividends paid to the qualified pension trust by such REIT may constitute UBTI. For these purposes, a "pension-held REIT" is defined as a REIT: (1) that would not have qualified as a REIT but for the provisions of the Internal Revenue Code which look through such a qualified pension trust in determining ownership of securities of the REIT; and (2) as to which at least one qualified pension trust holds more than 25% by value of the interests of such REIT or one or more qualified pension trusts (each owning more than a 10% interest by value in the REIT) hold in the aggregate more than 50% by value of the interests in such REIT.

We do not expect that we will be a pension-held REIT. However, notwithstanding our current belief that we will not be a "pension-held REIT," no assurance can be given that we will not become a pension-held REIT in the future.

If we were to become a pension-held REIT in the future and were to originate investments using debt, or otherwise were to engage in a transaction resulting in UBTI, determined as though we were a qualified pension plan, any qualified pension plan owning 10% or more of our shares, by value, would have a portion of its dividend income from us taxed as UBTI. Even if we were not a pension-held REIT, certain amounts received by a stockholder that is a tax-exempt entity may be treated as UBTI. See "Material Federal Income Tax Consequences."

OUR OWNERSHIP IS CONCENTRATED

SOFI-IV SMT Holdings, L.L.C. ("SOFI-IV") holds approximately 39.1% of our outstanding shares of common stock on a diluted basis. Four of the 16 members of our Board of Directors are employed by an affiliate of SOFI-IV. As a result of its ownership interests, SOFI-IV may have significant influence over our business and affairs, including decisions regarding:

- Mergers or other business combinations.
- Issuance of equity securities, including additional shares of our common stock.
- Payment of dividends.

The influence held by SOFI-IV may result in various conflicts of interest between SOFI-IV and us or between SOFI-IV and the holders of our common stock. Certain individuals who own interests (direct or indirect) in SOFI-IV, including Jay Sugarman, who serves as our Chairman and Chief Executive Officer; and Jeffrey Dishner, Madison Grose, Merrick Kleeman and Barry Sternlicht, each of whom is a director of our Company, own directly an aggregate of 2.5% of our common stock and hold options to purchase an additional 0.8% of our common stock, assuming cashless option exercises, in addition to their interests in SOFI-IV. These people may be faced with decisions that have different implications for SOFI-IV, on the one hand, and us or the holders of our common stock, on the other hand, which could create, or appear to create, potential conflicts of interest.

USE OF PROCEEDS

The Participating Securityholders will receive all of the proceeds if and when they sell securities covered by this prospectus. See "Participating Securityholders." We will not receive any of the proceeds.

PARTICIPATING SECURITYHOLDERS

This prospectus relates to an aggregate of up to 4,131,531 shares of common stock, including 1,488,111 shares issuable upon exercise of employee stock options, which may be sold from time to time by the Participating Securityholders. As of the date of this prospectus, the Company has been advised that none of the Participating Securityholders has a current intention to sell any of the shares of common stock covered by this prospectus. These current intentions may change without notice to the Company and, as a result, there can be no assurance as to whether or when the Participating Securityholders will sell any or all of the shares of common stock.

On March 17, 2000, we acquired American Corporate Real Estate, L.L.C. and its affiliate, American Corporate Real Estate, Inc., a privately-held firm focused on providing public and private corporations with highly-structured, value-added financing solutions for their real estate facilities. As consideration for the acquisition, we issued 220,652 shares of our common stock to certain of the Participating Securityholders, with an additional 279,348 shares reserved for future issuance on or before December 31, 2001 to the extent certain investment targets are achieved. In connection with the acquisition, we entered into an investor rights agreement with those Participating Securityholders which required us to use our reasonable best efforts to file a registration statement, of which this prospectus is a part, covering resales of the shares of common stock issued or to be issued in connection with the acquisition.

The following chart shows, according to our records as of September 30, 2001, the number of shares of common stock beneficially owned by the Participating Securityholders and the number of shares of common stock that may be offered from time to time:

SHARES OF COMMON STOCK OWNED PRIOR TO ANY OFFERING			SHARES NUMBER OF PERCENTAGE THAT MAY BE PARTICIPATING

SECURITYHOLDER	SHARES OF CLASS OFFERED					
H. Cabot Lodge, III (1)	90,657	*	122,528(2)			
R. Michael Dorsch, III (1)	90,657	*	122,528(2)			
Barclay G. Jones, III (1)	73,610	*	99,207(2)			
D.C. Capital-Acre, L.L.C.	27,230	*	36,699(2)			
Ann E. Carmel	6,808	*	9,176(2)			
Tinicum Enterprises, G.P.	6,808	*	9,176(2)			
David E. Gibbons	3,411	*	4,597(2)			
Kenneth G. Beitz	3,411	*	4,597(2)			
Samantha K. Garbus	2,000	*	2,000			
Jay Sugarman (3)	2,544,712	2.9%	2,544,712			
Spencer B. Haber (4)	1,176,311	1.4%	1,176,311			

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* Less than one percent.

(1) Mr. Lodge is a Director of the Company. Each of Messrs. Lodge, Dorsch and Jones is an Executive Vice President-- Investments of the Company.
(2) Includes shares that may be issued by the Company on or before December 31, 2001 if certain investment targets are achieved.
(3) Mr. Sugarman is the Chairman and Chief Executive Officer of the Company. The shares beneficially owned by Mr. Sugarman were issued to him pursuant to incentive compensation arrangements, except for 21,399 shares which he purchased in open market transactions. The shares beneficially owned by Mr. Sugarman include 1,421,444 shares issuable upon the exercise of employee stock options.
(4) Mr. Haber is the President, Chief Financial Officer and a Director of the Company. The shares beneficially owned by Mr. Haber were issued to him pursuant to incentive compensation arrangements. The shares beneficially owned by Mr. Haber include 66,667 shares issuable upon exercise of employee stock options.

PLAN OF DISTRIBUTION

We are registering the securities on behalf of the Participating Securityholders and we will bear all costs, expenses and fees in connection with the registration of the securities. As used herein, "Participating Securityholder" includes donees and pledgees selling securities received from a named Participating Securityholder after the date of this prospectus. Brokerage commissions and similar selling expenses, if any, attributable to the sale of securities will be borne by the Participating Securityholders. Except as may be set forth in any prospectus supplement, the Participating Securityholders have advised us that they have not entered into any agreements, understandings or

arrangements with any underwriters or broker-dealers regarding the sale of their securities, nor is there an underwriter or coordinating broker acting in connection with the proposed sale of securities by the Participating Securityholders.

The Participating Securityholders may effect such transactions by selling securities directly to purchasers or to or through broker-dealers, which may act as agents or principals. Such broker-dealers may receive compensation in the form of discounts, concessions, or commissions from the Participating Securityholders and/or the purchasers of securities for whom such broker-dealers may act as agents or to whom they sell as principals, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions).

The Participating Securityholders and any broker-dealers that act in connection with the sale of securities might be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act, and any commissions received by such broker-dealers and any profit on the resale of the securities sold by them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act. We have agreed to indemnify each Participating Securityholder against certain liabilities, including liabilities arising under the Securities Act. The Participating Securityholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the securities against certain liabilities, including liabilities arising under the Securities Act. Brokers' commissions and dealers' discounts, taxes and other selling expenses to be borne by the Participating Securityholders are not expected to exceed normal selling expenses.

Because Participating Securityholders may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act, the Participating Securityholders will be subject to the prospectus delivery requirements of the Securities Act, which may include delivery through the facilities of the NYSE pursuant to Rule 153 under the Securities Act. We have informed the Participating Securityholders that the anti-manipulative provisions of Regulation M promulgated under the Exchange Act may apply to their sales in the market. The registration of the securities under the Securities Act shall not be deemed an admission by the Participating Securityholders or the Company that the Participating Securityholders are underwriters for purposes of the Securities Act of any securities offered pursuant to this Prospectus.

Upon the Company being notified by a Participating Securityholder that any material arrangement has been entered into with a broker-dealer for the sale of securities through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, a supplement to this prospectus will be filed, if required, pursuant to Rule 424(b) under the Act, disclosing: (1) the name of each such Participating Securityholder and of the participating broker-dealer(s); (2) the number of securities involved; (3) the price at which such securities were sold; (4) the commissions paid or discounts or concessions allowed to such broker-dealer(s), where applicable; (5) that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus; and (6) other facts material to the transaction. In addition, upon the Company being notified by a Participating Securityholder that a donee or pledgee intends to sell more than 500 shares of common stock, a supplement to this prospectus will be filed.

The securities may be sold or distributed in a variety of ways, including:

1. Block trades (which may involve crosses) in which the broker or dealer so engaged will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction.

2. Purchases by a broker or dealer as principal and resale by such broker or dealer for its account pursuant to this Prospectus.

3. Exchange distributions and/or secondary distributions in accordance with the rules of the NYSE.

4. Ordinary brokerage transactions and transactions in which the broker solicits purchasers.

5. Sales in the over-the-counter market.

6. Through short sales of securities.

7. Pro-rata distributions in the ordinary course of business or as part of the liquidation and winding up of the affairs of the Participating Securityholders.

8. Privately negotiated transactions.

The Participating Securityholders may from time to time deliver all or a portion of the securities to cover a short sale or sales or upon the exercise, settlement or closing of a call equivalent position or a put equivalent position.

Under the Exchange Act and the regulations thereunder, any person engaged in a distribution of the securities offered by this Prospectus may not simultaneously engage in market making activities with respect to the securities during any applicable "cooling off" periods prior to the commencement of such distribution. In addition, and without limiting the foregoing, the Participating Securityholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder including, without limitation, Rules 101, 102, 103 and 104, which provisions may limit the timing of purchases and sales of securities by the Participating Securityholders.

Securities that qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this prospectus. In addition, a Participating Securityholder may devise, gift or otherwise transfer the securities by means not described herein, in which event such transfer will not be pursuant to this prospectus.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

THE FOLLOWING IS A SUMMARY OF THE FEDERAL INCOME TAX CONSEQUENCES ANTICIPATED TO BE MATERIAL TO AN INVESTOR IN iSTAR FINANCIAL. THIS SUMMARY IS BASED ON CURRENT LAW, IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. YOUR TAX CONSEQUENCES RELATED TO AN INVESTMENT IN iSTAR FINANCIAL MAY VARY DEPENDING ON YOUR PARTICULAR SITUATION AND THIS DISCUSSION DOES NOT PURPORT TO DISCUSS ALL ASPECTS OF TAXATION THAT MAY BE RELEVANT TO A HOLDER OF OUR SECURITIES IN LIGHT OF HIS OR HER PERSONAL INVESTMENT OR TAX CIRCUMSTANCES, OR TO HOLDERS OF OUR SECURITIES SUBJECT TO SPECIAL TREATMENT UNDER THE FEDERAL INCOME TAX LAWS, EXCEPT TO THE EXTENT DISCUSSED UNDER THE HEADINGS "--TAXATION OF TAX-EXEMPT STOCKHOLDERS" AND "--TAXATION OF NON-U.S. STOCKHOLDERS." INVESTORS SUBJECT TO SPECIAL TREATMENT INCLUDE, WITHOUT LIMITATION, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, BROKER-DEALERS, TAX-EXEMPT ORGANIZATIONS, INVESTORS HOLDING SECURITIES AS PART OF A CONVERSION TRANSACTION, OR A HEDGE OR HEDGING TRANSACTION OR AS A POSITION IN A STRADDLE FOR TAX PURPOSES, FOREIGN CORPORATIONS OR PARTNERSHIPS, AND PERSONS WHO ARE NOT CITIZENS OR RESIDENTS OF THE UNITED STATES. IN ADDITION, THE SUMMARY BELOW DOES NOT CONSIDER THE EFFECT OF ANY FOREIGN, STATE, LOCAL OR OTHER TAX LAWS THAT MAY BE APPLICABLE TO YOU AS A HOLDER OF OUR SECURITIES.

The information in this summary is based on the Internal Revenue Code of 1986, as amended, current, temporary and proposed Treasury regulations promulgated under the Internal Revenue Code, the legislative history of the Internal Revenue Code, current administrative interpretations and practices of the Internal Revenue Service, and court decisions, all as of the date of this prospectus. The administrative interpretations and practices of the Internal Revenue Service upon which this summary is based include its practices and policies as expressed in private letter rulings which are not binding on the Internal Revenue Service, except with respect to the taxpayers who requested and received such rulings. Future

legislation, Treasury regulations, administrative interpretations and practices, and court decisions may affect the tax consequences contained in this summary, possibly on a retroactive basis. We have not requested, and do not plan to request, any rulings from the Internal Revenue Service concerning our tax treatment or the tax consequences contained in this summary, and the statements in this prospectus are not binding on the Internal Revenue Service or a court. Thus, we can provide no assurance that the tax consequences contained in this summary will not be challenged by the Internal Revenue Service or sustained by a court if challenged by the Internal Revenue Service.

YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO YOU OF (1) THE ACQUISITION, OWNERSHIP AND SALE OR OTHER DISPOSITION OF OUR SECURITIES, INCLUDING THE FEDERAL, STATE, LOCAL, FOREIGN AND

OTHER TAX CONSEQUENCES, (2) OUR ELECTION TO BE TAXED AS A REAL ESTATE INVESTMENT TRUST FOR FEDERAL INCOME TAX PURPOSES AND (3) POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

TAXATION OF ISTAR FINANCIAL- GENERAL

We have elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code, commencing with our taxable year ended December 31, 1998. We believe we have been organized and have operated in a manner which allows us to qualify for taxation as a REIT under the Internal Revenue Code, and we intend to continue to be organized in this manner. Our qualification and taxation as a REIT, however, depend upon our ability to meet, through actual annual operating results, asset requirements, distribution levels, diversity of stock ownership, and the various other qualification tests imposed under the Internal Revenue Code. Accordingly, there can be no assurance that we have operated or will continue to operate in a manner so as to qualify or remain qualified as a REIT. See "--Failure to Qualify."

The sections of the Internal Revenue Code that relate to the qualification and taxation of REITs are highly technical and complex. The following describes the material aspects of the sections of the Internal Revenue Code that govern the federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Internal Revenue Code provisions, rules and regulations promulgated under the Internal Revenue Code, and administrative and judicial interpretations of the Internal Revenue Code.

Provided we qualify for taxation as a REIT, we generally will not be subject to federal corporate income tax on our net income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" that generally results from an investment in a corporation. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when such income is distributed. Even if we qualify for taxation as a REIT, however, we will be subject to federal income taxation as follows:

- We will be required to pay tax at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.

- We may be subject to the "alternative minimum tax" on items of tax preference, if any.

- If we have (1) net income from the sale or other disposition of "foreclosure property" which is held primarily for sale to customers in the ordinary course of business or (2) other nonqualifying income from foreclosure property, we will be required to pay tax at the highest corporate rate on this income. In general, foreclosure property is property

acquired through foreclosure after a default on a loan secured by the property or on a lease of the property.

- We will be required to pay a 100% tax on any net income from prohibited transactions. In general, prohibited transactions are sales or other taxable dispositions of property, other than foreclosure property, held for sale to customers in the ordinary course of business

- If we fail to satisfy the 75% or 95% gross income tests, as described below, but have maintained our qualification as a REIT, we will be required to pay a 100% tax on an amount equal to (1) the gross income attributable to the greater of the amount by which we fail the 75% or 95% gross income test multiplied by (2) a fraction intended to reflect our profitability.

- We will be required to pay a 4% excise tax on the amount by which our annual distributions to our stockholders is less than the sum of (1) 85% of our ordinary income for the year, (2) 95% of our real estate investment trust capital gain net income for the year, and (3) any undistributed taxable income from prior periods.

- If we acquire an asset from a corporation which is not a REIT in a transaction in which the basis of the asset in our hands is determined by reference to the basis of the asset in the

hands of the transferor corporation, and we subsequently sell the asset within ten years, then under Treasury regulations not yet issued, we would be required to pay tax at the highest regular corporate tax rate on this gain to the extent (1) the fair market value of the asset exceeds (2) our adjusted tax basis in the asset, in each case, determined as of the date on which we acquired the asset. The results described in this paragraph assume that we will elect this treatment in lieu of an immediate tax when the asset is acquired.

- We will generally be subject to tax on the portion of any "excess inclusion" income derived from an investment in residual interests in real estate mortgage investment conduits to the extent our stock is held by specified tax exempt organizations not subject to tax on unrelated business taxable income.

REQUIREMENTS FOR QUALIFICATION AS A REAL ESTATE INVESTMENT TRUST

GENERAL

The Internal Revenue Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;

(2) that issues transferable shares or transferable certificates to its owners;

(3) that would be taxable as a regular corporation, but for its election to be taxed as a REIT;

(4) that is not a financial institution or an insurance company under the Internal Revenue Code;

(5) that is owned by 100 or more persons;

(6) not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals, as defined in the Internal Revenue Code to include some entities, during the last half of each year; and

(7) that meets other tests, described below, regarding the nature of its income and assets, and the amount of its distributions.

The Internal Revenue Code provides that conditions (1) to (4) must be met during the entire year and that condition (5) must be met during at least 335 days of a year of twelve months, or during a proportionate part of a shorter taxable year. Conditions (5) and (6) do not apply to the first taxable year for which an election is made to be taxed as a REIT. For purposes of condition (6), tax-exempt entities are generally treated as individuals, subject to a "look-through" exception for pension funds.

Our Charter provides for restrictions regarding ownership and transfer of our stock. These restrictions are intended to assist us in satisfying the share ownership requirements described in (5) and (6) above. These restrictions, however, may not ensure that we will, in all cases, be able to satisfy the share ownership requirements described in (5) and (6) above. If we fail to satisfy these share ownership requirements, our status as a REIT would terminate. If, however, we comply with the rules contained in applicable Treasury regulations that require us to determine the actual ownership of our shares and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement described in condition (6) above, we would not be disqualified as a REIT.

In addition, a corporation may not qualify as a REIT unless its taxable year is the calendar year. We have and will continue to have a calendar taxable year.

OWNERSHIP OF A PARTNERSHIP INTEREST

The Treasury regulations provide that if we are a partner in a partnership, we will be deemed to own our proportionate share of the assets of the partnership, and we will be deemed to be entitled to our proportionate share of the gross income of the partnership. The character of the assets and gross income of the partnership generally retains the same character in our hands for purposes of satisfying the gross income and asset tests described below.

QUALIFIED REIT SUBSIDIARIES

A "qualified REIT subsidiary" is a corporation, all of the stock of which is owned by a REIT. Under the Internal Revenue Code, a qualified REIT subsidiary is not treated as a separate corporation from the REIT. Rather, all of the assets, liabilities, and items of income, deduction, and credit of the qualified REIT subsidiary are treated as the assets, liabilities, and items of income, deduction, and credit of the REIT for purposes of the REIT income and asset tests described below.

INCOME TESTS

We must meet two annual gross income requirements to qualify as a REIT. First, each year we must derive, directly or indirectly, at least 75% of our gross income, excluding gross income from prohibited transactions, from investments relating to real property or mortgages on real property, including "rents from real property" and mortgage interest, or from specified temporary investments. Second, each year we must derive at least 95% of our gross income, excluding gross income from prohibited transactions, from investments meeting the 75% test described above, or from dividends, interest and gain from the sale or disposition of stock or securities. For these purposes, the term "interest" generally does not include any interest of which the amount received depends on the income or profits of

any person. An amount will generally not be excluded from the term "interest," however, if such amount is based on a fixed percentage of gross receipts or sales.

Any amount includable in gross income by us with respect to a regular or residual interest in a real estate mortgage investment conduit is generally treated as interest on an obligation secured by a mortgage on real property for purposes of the 75% gross income test. If, however, less than 95% of the assets of a real estate mortgage investment conduit consist of real estate assets, we will be treated as receiving directly our proportionate share of the income of the real estate mortgage investment conduit, which would generally include non-qualifying income for purposes of the 75% gross income test. In addition, if we receive interest income with respect to a mortgage loan that is secured by both real property and other property and the principal amount of the loan exceeds the fair market value of the real property on the date we made the mortgage loan, interest income on the loan will be apportioned between the real property and the other property, which apportionment would cause us to recognize income that is not qualifying income for purposes of the 75% gross income test.

We may make loans that have shared appreciation provisions. To the extent interest on a loan is based on the cash proceeds from the sale or value of property, income attributable to such provision would be treated as gain from the sale of the secured property, which generally should qualify for purposes of the 75% and 95% gross income tests.

We may employ, to the extent consistent with the REIT provisions of the Code, forms of securitization of our assets under which a "sale" of an interest in a mortgage loan occurs, and a resulting gain or loss is recorded on our balance sheet for accounting purposes at the time of sale. In a "sale" securitization, only the net retained interest in the securitized mortgage loans would remain on our balance sheet. We may elect to conduct certain of our securitization activities, including such sales, through one or more taxable subsidiaries, or through qualified REIT subsidiaries, formed for such purpose. To the extent consistent with the REIT provisions of the Code, such entities could elect to be taxed as real estate mortgage investment conduits or financial asset securitization investment trusts.

Lease income we receive will qualify as "rents from real property" only if the following conditions are met:

- the amount of lease income may not be based in whole or in part on the income or profits of any person. "Rents from real property" may, however, include lease income based on a fixed percentage of receipts or sales;

- lease income received from a corporate tenant will not qualify as "rents from real property" if the Company, or an actual or constructive owner of 10% or more of the Company, actually or constructively owns 10% or more of such corporate tenant;

- if lease income attributable to personal property leased in connection with a lease of real property is greater than 15%

of the total lease income received under the lease, then the portion of lease income attributable to personal property will not qualify as "rents from real property"; and

- to qualify as "rents from real property," the Company generally may not render services to corporate tenants of the property, other than through an independent contractor from whom the Company derives no revenue. The Company may, however, provide services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property. In addition, we may provide a DE MINIMIS amount of non-customary services.

Finally, we may provide certain non-customary services to corporate tenants through a "taxable Company subsidiary," which is a taxable corporation wholly or partly owned by the Company.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any year, we may still qualify as a REIT if we are entitled to relief under the Internal Revenue Code. Generally, we may be entitled to relief if:

- our failure to meet the gross income tests was due to reasonable cause and not due to willful neglect;

- we attach a schedule of the sources of our income to our federal income tax return; and

- any incorrect information on the schedule was not due to fraud with the intent to evade tax.

It is not possible to state whether in all circumstances we would be entitled to rely on these relief provisions. If these relief provisions do not apply to a particular set of circumstances, we would not qualify as a REIT. As discussed above in "--Taxation of iStar Financial--General," even if these relief provisions apply, and we retain our status as a REIT, a tax would be imposed with respect to our income that does not meet the gross income tests. We may not always be able to maintain compliance with the gross income tests for REIT qualification despite periodically monitoring our income.

FORECLOSURE PROPERTY

Net income realized by us from foreclosure property would generally be subject to tax at the maximum federal corporate tax rate (currently 35%). Foreclosure property means real property and related personal property that (1) is acquired by us through foreclosure following a default on a lease of such property or a default on indebtedness owed to us that is secured by the property and (2) for which we make an election to treat the property as foreclosure property.

PROHIBITED TRANSACTION INCOME

Any gain realized by us on the sale of any property, other than foreclosure property, held as inventory or otherwise held primarily for sale to customers in the ordinary course of business will be prohibited transaction income, and subject to a 100% penalty tax. Prohibited transaction income may also adversely affect our ability to satisfy the gross income tests for qualification as a REIT. Whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business depends on all the facts and circumstances surrounding the particular transaction. While the Treasury regulations provide standards which, if met, would not result in prohibited transaction income, we may not be able to meet these standards in all circumstances.

HEDGING TRANSACTIONS

We may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging transactions could take a variety of forms, including interest rate swaps or cap agreements, options, futures contracts, forward rate agreements, or similar financial instruments. To the extent that we enter into hedging transactions to reduce our interest rate risk on indebtedness incurred to acquire or carry real estate assets, any income, or gain from the disposition of hedging transactions should be qualifying income for purposes of the 95% gross income test, but not the 75% gross income test.

ASSET TESTS

At the close of each quarter of each year, we also must satisfy four tests relating to our assets. First, at least 75% of the value of our total assets must be real estate assets, cash, cash items and government securities. For purposes of this test, real estate assets include real estate mortgages, real property, interests in other REITs and stock or debt instruments held for one year or less that are purchased with the proceeds of a stock offering or a long-term public debt offering. Second, not more than 25% of our total assets may be represented by securities, other than those securities includable in the 75% asset class. Third, not more than 20% of the value of our total assets may be represented by securities in one or more taxable REIT subsidiaries. Fourth, of the investments included in the 25% asset class, the value of any one issuer's securities that we hold may not exceed 5% of the value of our total assets, and we may not own more than 10% of the total vote or value of the outstanding securities of any one issuer.

We expect that any real property and temporary investments that we acquire will generally be qualifying assets for purposes of the 75% asset test, except to the extent that less than 95% of the assets of a real estate mortgage investment conduit in which we own an interest consists of "real estate assets." Mortgage loans, including distressed mortgage loans, mezzanine loans, bridge loans, and construction loans also will generally be qualifying assets for purposes of the 75% asset test to the extent that the principal balance of each mortgage loan does not exceed the value of the associated real property.

After meeting the asset tests at the close of any quarter, we will not lose our status as a REIT if we fail to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. In addition, if we fail to satisfy the asset tests because we acquire assets during a quarter, we can cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of that quarter.

We will monitor the status of the assets that we acquire for purposes of the various asset tests and we will manage our portfolio in order to comply with such tests.

ANNUAL DISTRIBUTION REQUIREMENTS

To qualify as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to the sum of (1) 90% of our "REIT taxable income" and (2) 90% of our after tax net income, if any, from foreclosure property, minus (3) the sum of certain items of noncash income. In general,"REIT taxable income" means taxable ordinary income without regard to the dividends paid deduction.

We are required to distribute income in the taxable year in which it is earned, or in the following taxable year before we timely file our tax return if such dividend distributions are declared and paid on or before our first regular dividend payment. Except as provided in "--Taxation of Taxable U.S. Stockholders" below, these distributions are taxable to holders of common stock in the year in which paid, even though these distributions relate to our prior year for purposes of our 90% distribution requirement. To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100% of our "REIT taxable income," we will be subject to tax at regular corporate tax rates.

From time to time we may not have sufficient cash or other liquid assets to meet the above distribution requirements due to timing differences between the actual receipt of cash and payment of expenses, and the inclusion of income and deduction of expenses in arriving at our taxable income. If these timing differences occur, in order to meet the REIT distribution requirements, we may need to arrange for short-term, or possibly long-term, borrowings, or to pay dividends in the form of taxable stock dividends.

Under certain circumstances, we may be able to rectify a failure to meet a distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being subject to tax on amounts distributed as deficiency dividends. We will be required, however, to pay interest based upon the amount of any deduction claimed for deficiency dividends. In addition, we will be subject to a 4% excise tax on the excess of the required distribution over the amounts actually distributed if we should fail to distribute each year at least the sum of 85% of our ordinary

income for the year, 90% of our capital gain income for the year, and any undistributed taxable income from prior periods.

RECORDKEEPING REQUIREMENTS

We are required to maintain records and request on an annual basis information from specified stockholders. This requirement is designed to disclose the actual ownership of our outstanding stock.

FAILURE TO QUALIFY

If we fail to qualify for taxation as a REIT in any taxable year, and the relief provisions of the Internal Revenue Code described above do not apply, we will be subject to tax, including any applicable alternative minimum tax, and possibly increased state and local taxes, on our taxable income at regular corporate rates. Such taxation would reduce the cash available for distribution by us to our stockholders. Distributions to our stockholders in any year in which we fail to qualify as a REIT will not be deductible by us and we will not be required to distribute any amounts to our stockholders. If we fail to qualify as a REIT, distributions to our stockholders will be subject to tax as ordinary income to the extent of our current and accumulated earnings and profits and, subject to certain limitations of the Internal Revenue Code, corporate stockholders may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, we would also be disqualified from taxation as a REIT for the four taxable years following the year during which we lost our qualification. It is not possible to state whether in all circumstances we would be entitled to statutory relief.

TAXATION OF TAXABLE U.S. STOCKHOLDERS

When we use the term "U.S. stockholders," we mean a holder of shares of our stock who is, for United States federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, partnership, or other entity created or organized in or under the laws of the United States or of any state thereof or in the District of Columbia, unless Treasury regulations provide otherwise;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

DISTRIBUTIONS GENERALLY

Distributions out of our current or accumulated earnings and profits, other than capital gain dividends will be taxable to our U.S. stockholders as ordinary income. Provided we qualify as a REIT,

our dividends will not be eligible for the dividends received deduction generally available to U.S. stockholders that are corporations.

To the extent that we make distributions in excess of our current and accumulated earnings and profits, these distributions will be treated as a tax-free return of capital to each U.S. stockholder, and will reduce the adjusted tax basis which each U.S. stockholder has in its shares of stock by the amount of the distribution, but not below zero. Return of capital distributions in excess of a U.S. stockholder's adjusted tax basis in its shares will be taxable as capital gain, provided that the shares have been held as capital assets, and will be taxable as long-term capital gain if the shares have been held for more than one year. Dividends we declare in October, November, or December of any year and pay to a stockholder of record on a specified date in any of those months will be treated as both paid by us and received by the stockholder on December 31 of that year, provided we pay the dividend in January of the following year. Stockholders may not include in their own income tax returns any of our net operating losses or capital losses.

CAPITAL GAIN DISTRIBUTIONS

Distributions designated as net capital gain dividends will be taxable to our U.S. stockholders as capital gain income. Such capital gain income will be taxable to non-corporate U.S. stockholders at a 20% or 25% rate based on the

characteristics of the asset we sold that produced the gain. U.S. stockholders that are corporations may be required to treat up to 20% of certain capital gain dividends as ordinary income.

RETENTION OF NET CAPITAL GAINS

We may elect to retain, rather than distribute as a capital gain dividend, our net capital gains. If we make this election, we would pay tax on such retained capital gains. In such a case, our stockholders would generally:

- include their proportionate share of our undistributed net capital gains in their taxable income;

- receive a credit for their proportionate share of the tax paid by us; and

- increase the adjusted basis of their stock by the difference between the amount of their capital gain and their share of the tax paid by us;

PASSIVE ACTIVITY LOSSES AND INVESTMENT INTEREST LIMITATIONS

Distributions we make and gain arising from the sale or exchange by a U.S. stockholder of our shares will not be treated as passive activity income. As a result, U.S. stockholders will not be able to apply any "passive losses" against income or gain relating to our stock. Distributions we make, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

DISPOSITIONS OF STOCK

If you are a U.S. stockholder and you sell or dispose of your shares of stock, you will recognize gain or loss for federal income tax purposes in an amount equal to the difference between the amount of cash and the fair market value of any property you receive on the sale or other disposition and your adjusted tax basis in the shares of stock. This gain or loss will be capital gain or loss if you have held the stock as a capital asset, and will be long-term capital gain or loss if you have held the stock for more than

one year. In general, if you are a U.S. stockholder and you recognize loss upon the sale or other disposition of stock that you have held for six months or less, the loss you recognize will be treated as a long-term capital loss to the extent you received distributions from us which were required to be treated as long-term capital gains.

BACKUP WITHHOLDING

We report to our U.S. stockholders and the Internal Revenue Service the amount of dividends paid during each calendar year, and the amount of any tax withheld. Under the backup withholding rules, a stockholder may be subject to backup withholding with respect to dividends paid unless the holder is a corporation or comes within other exempt categories and, when required, demonstrates this fact, or provides a taxpayer identification number or social security number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A U.S. stockholder that does not provide us with his correct taxpayer identification number or social security number may also be subject to penalties imposed by the Internal Revenue Service. Backup withholding is not an additional tax. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. In addition, we may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status.

TAXATION OF TAX-EXEMPT STOCKHOLDERS

The Internal Revenue Service has ruled that amounts distributed as dividends by a REIT do not constitute unrelated business taxable income when received by a tax-exempt entity. Based on that ruling, provided that a tax-exempt stockholder has not held its shares as "debt financed property" within the meaning of the Internal Revenue Code and the shares are not otherwise used in a unrelated trade or business, dividend income on our stock and income from the sale of our stock should not be unrelated business taxable income to a tax-exempt stockholder. Generally, debt financed property is property, the acquisition or holding of which was financed through a borrowing by the tax-exempt stockholder.

For tax-exempt stockholders which are social clubs, voluntary employee

benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Internal Revenue Code, respectively, income from an investment in our shares will constitute unrelated business taxable income unless the organization is able to claim properly a deduction for amounts set aside or placed in reserve for certain purposes so as to offset the income generated by its investment in our shares. These prospective investors should consult their tax advisors concerning these "set aside" and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a "pension-held REIT" may be treated as unrelated business taxable income as to any pension trust which:

- is described in Section 401(a) of the Internal Revenue Code;

- is tax-exempt under Section 501(a) of the Internal Revenue Code; and

- holds more than 10%, by value, of the interests in the REIT.

Tax-exempt pension funds that are described in Section 401(a) of the Internal Revenue Code are referred to below as "qualified trusts."

A REIT is a "pension held REIT" if:

- it would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Internal Revenue Code provides that stock owned by a qualified trust is treated, for purposes of the 5/50 rule, as owned by the beneficiaries of the trust, rather than by the trust itself; and

- either at least one qualified trust holds more than 25%, by value, of the interests in the REIT, or one or more qualified trusts, each of which owns more than 10%, by value, of the interests in the REIT, holds in the aggregate more than 50%, by value, of the interests in the REIT.

The percentage of any REIT dividend treated as unrelated business taxable income is equal to the ratio of:

- the unrelated business taxable income earned by the REIT, treating the REIT as if it were a qualified trust and therefore subject to tax on unrelated business taxable income, to

- the total gross income of the REIT.

A DE MINIMIS exception applies where the percentage is less than 5% for any year. As a result of the limitations on the transfer and ownership of stock contained in our Charter, we do not expect to be classified as a "pension-held REIT."

TAXATION OF NON-U.S. STOCKHOLDERS

The rules governing federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships, and other foreign stockholders (collectively, "Non-U.S. stockholders") are complex and no attempt will be made herein to provide more than a summary of such rules.

PROSPECTIVE NON-U.S. STOCKHOLDERS SHOULD CONSULT THEIR TAX ADVISORS TO DETERMINE THE IMPACT OF FOREIGN, FEDERAL, STATE, AND LOCAL INCOME TAX LAWS WITH REGARD TO AN INVESTMENT IN OUR SECURITIES AND OF OUR ELECTION TO BE TAXED AS A REAL ESTATE INVESTMENT TRUST INCLUDING ANY REPORTING REQUIREMENTS.

Distributions to Non-U.S. stockholders that are not attributable to gain from sales or exchanges by us of U.S. real property interests and are not designated by us as capital gain dividends or retained capital gains will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions will generally be subject to a withholding tax equal to 30% of the distribution unless an applicable tax treaty reduces or eliminates that tax. However, if income from an investment in our stock is treated as effectively connected with the Non-U.S. stockholder's conduct of a U.S. trade or business, the Non-U.S. stockholder generally will be subject to federal income tax at graduated rates, in the same manner as U.S. stockholders are taxed with respect to such distributions (and also may be subject to the 30% branch profits tax in the case

of a Non-U.S. stockholder that is a corporation). We expect to withhold U.S. income tax at the rate of 30% on the gross amount of any distributions made to a Non-U.S. stockholder unless (1) a lower treaty rate applies and any required form, such as IRS Form W-8BEN, evidencing eligibility for that reduced rate is filed by the Non-U.S. stockholder with us or (2) the Non-U.S. stockholder files an IRS Form W-8ECI with us claiming that the distribution is effectively connected income.

Any portion of the dividends paid to Non-U.S. stockholders that is treated as excess inclusion income from a real estate mortgage investment conduit will not be eligible for exemption from the 30%

withholding tax or a reduced treaty rate. In addition, if Treasury regulations are issued allocating our excess inclusion income from non-real estate mortgage investment conduits among our stockholders, some percentage of the our dividends would not be eligible for exemption from the 30% withholding tax or a reduced treaty withholding tax rate in the hands of Non-U.S. stockholders.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a stockholder to the extent that such distributions do not exceed the adjusted basis of the stockholder's stock, but rather will reduce the adjusted basis of such shares. To the extent that distributions in excess of current and accumulated earnings and profits exceed the adjusted basis of a Non-U.S. stockholder's stock, such distributions will give rise to tax liability if the Non-U.S. stockholder would otherwise be subject to tax on any gain from the sale or disposition of its stock, as described below. Because it generally cannot be determined at the time a distribution is made whether or not such distribution will be in excess of current and accumulated earnings and profits, the entire amount of any distribution normally will be subject to withholding at the same rate as a dividend. However, amounts so withheld are refundable to the extent it is subsequently determined that such distribution was, in fact, in excess of our current and accumulated earnings and profits. We are also required to withhold 10% of any distribution in excess of our current and accumulated earnings and profits. Consequently, although we intend to withhold at a rate of 30% on the entire amount of any distribution, to the extent that we do not do so, any portion of a distribution not subject to withholding at a rate of 30% will be subject to withholding at a rate of 10%.

For any year in which we qualify as a REIT, distributions that are attributable to gain from sales or exchanges of a U.S. real property interest, which includes certain interests in real property, but generally does not include mortgage loans, will be taxed to a Non-U.S. stockholder under the provisions of the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). Under FIRPTA, distributions attributable to gain from sales of U.S. real property interests are taxed to a Non-U.S. stockholder as if such gain were effectively connected with a U.S. business. Non-U.S. stockholders thus would be taxed at the normal capital gain rates applicable to U.S. stockholders (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). Distributions subject to FIRPTA also may be subject to the 30% branch profits tax in the hands of a Non-U.S. stockholder that is a corporation. We are required to withhold 35% of any distribution that is designated by us as a U.S. real property capital gains dividend. The amount withheld is creditable against the Non-U.S. stockholder's FIRPTA tax liability.

Gain recognized by a Non-U.S. stockholder upon a sale of our stock generally will not be taxed under FIRPTA if we are a "domestically controlled REIT," which is a REIT in which at all times during a specified testing period less than 50% in value of the stock was held directly or indirectly by Non-U.S. persons. Although we currently believe that we are a "domestically controlled REIT," because our stock is publicly traded, no assurance can be given that we are or will remain a "domestically controlled REIT." Even if we do not qualify as a "domestically controlled REIT," a Non-U.S. stockholder that owns, actually or constructively, 5% or less of our stock throughout a specified testing period will not recognize taxable gain on the sale of his stock under FIRPTA if the shares are traded on an established securities market.

Gain not subject to FIRPTA will be taxable to a Non-U.S. stockholder if (1) the Non-U.S. stockholder's investment in the stock is effectively connected with a U.S. trade or business, in which case the Non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain, or (2) the Non-U.S. stockholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and other conditions are met, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains. If the gain on the sale of the stock were to be subject to taxation under FIRPTA, the Non-U.S. stockholder would be

subject to the same treatment as U.S. stockholders with respect to such gain (subject to applicable alternative minimum

tax, a special alternative minimum tax in the case of nonresident alien individuals, and the possible application of the 30% branch profits tax in the case of Non-U.S. corporations).

STATE, LOCAL AND FOREIGN TAXATION

We may be required to pay state, local and foreign taxes in various state, local and foreign jurisdictions, including those in which we transact business or make investments, and our stockholders may be required to pay state, local and foreign taxes in various state, local and foreign jurisdictions, including those in which they reside. Our state, local and foreign tax treatment may not conform to the federal income tax consequences summarized above. In addition, your state, local and foreign tax treatment may not conform to the federal income tax consequences summarized above. Consequently, you should consult your tax advisor regarding the effect of state, local and foreign tax laws on an investment in our securities.

POSSIBLE LEGISLATIVE OR OTHER ACTIONS AFFECTING REITS

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. Changes to the tax law, which may have retroactive application, could adversely affect us and our investors. It cannot be predicted whether, when, in what forms, or with what effective dates, the tax law applicable to us or our investors will be changed.

LEGAL MATTERS

Ballard Spahr Andrews & Ingersoll, LLP will pass on the validity of the shares and certain legal matters relating to Maryland law. If the validity of any securities is also passed upon by counsel for the underwriters of an offering of those securities, that counsel will be named in the prospectus supplement relating to that offering. Clifford Chance Rogers & Wells LLP, 200 Park Avenue, New York, New York, 10166, will pass upon certain tax matters.

EXPERTS

The financial statements incorporated in this Registration Statement by reference to the Annual Report on Form 10-K for the year ended December 31, 2000 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

PART II

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the estimated expenses in connection with the distribution by the Participating Securityholders of the shares registered hereby, all of which the Company will pay:

SEC registration fee	$24,882
Legal fees and expenses(1)	35,000
Accounting fees and expenses(1)	8,000
Miscellaneous(1)	1,025
Total	$68,907

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(1) Estimated

ITEM 15. INDEMNIFICATION OF OFFICERS AND DIRECTORS.

As permitted by the General Corporation Law of the State of Maryland ("MGCL"), our Amended and Restated Charter ("Charter") provides that an officer,

director, employee or agent of our company is entitled to be indemnified for the expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him by reason of any action, suit or proceeding brought against him by virtue of his acting as such officer, director, employee or agent, provided he acted in good faith or in a manner he reasonably believed to be in or not opposed to the best interests of our company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful, except that in any action or suit by or in the right of our company that person shall be indemnified only for the expenses actually and reasonably incurred by him and, if that person shall have been adjudged to be liable for negligence or misconduct, he shall not be indemnified unless and only to the extent that a court of appropriate jurisdiction shall determine that such indemnification is fair and reasonable.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits:

EXHIBITS	DESCRIPTION
4	Investor Rights Agreement dated March 17, 2000, among Starwood Financial Inc., H. Cabot Lodge, III, R. Michael Dorsch, III, Barclay G. Jones, III, D.C. Capital-Acre, LLC, Ann E. Carmel, David E. Gibbons, Kenneth G. Beitz, and Tinicum Enterprises, G.P.
5	Opinion of Ballard Spahr Andrews & Ingersoll, LLP as to legality.
8	Opinion of Clifford Chance Rogers & Wells LLP as to tax matters.
23.1	Consent of Ballard Spahr Andrews & Ingersoll, LLP (included in Exhibit 5).
23.2	Consent of Clifford Chance Rogers & Wells LLP (included in Exhibit 8).
23.3	Consent of PricewaterhouseCoopers LLP.
24	Powers of Attorney (included on the signature page of the Registration Statement).

ITEM 17. UNDERTAKINGS.

(1) The undersigned registrant hereby undertakes:

(a) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of shares offered (if the total dollar value of shares offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that the undertakings set forth in paragraphs (1)(i) and (1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the SEC by the registrant pursuant to Section 13

or Section 15(d) of the Shares Exchange Act of 1934 that are incorporated by reference in the registration statement.

(b) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the shares offered therein, and the offering of such shares at that time shall be deemed to be the initial bona fide offering thereof.

(c) To remove from registration by means of a post-effective amendment any of the shares being registered which remain unsold at the termination of the offering.

(d) The undersigned registrant hereby further undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual reports pursuant to Section 13(a) or Section 15(d) of the Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement will be deemed to be a new registration statement relating to the shares offered therein, and the offering of such shares at that time shall be deemed to be the initial bona fide offering thereof.

(2) The undersigned registrant further undertakes that:

(a) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrants pursuant to Rule 424(b)(1) or (4) or 497(h) under the Shares Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the shares offered therein, and the offering of such shares at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act of 1939 in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act of 1939.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of iStar Financial pursuant to the foregoing provisions, or otherwise, iStar Financial has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by iStar Financial of expenses incurred or paid by a director, officer or controlling person of iStar Financial in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, iStar Financial will, unless in the opinion of counsel for iStar Financial the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the city of New York, State of New York, on November 16, 2001.

iSTAR FINANCIAL INC.

By: /s/ Jay Sugarman

Name: Jay Sugarman
Title: Chairman of the Board and Chief Executive Officer

POWER OF ATTORNEY

KNOW THAT ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Jay Sugarman and Spencer Haber (each with full power to act alone), his or her true and lawful attorney-in-fact and agent with full power of substitution, in the name and on behalf of the undersigned, to do any and all acts and things and to execute any and all instruments which said attorney and agent, may deem necessary or advisable to enable iStar Financial Inc. (the "Registrant") to comply with the Securities Act of 1933, and with the Securities Exchange Act of 1934, and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with this Registration Statement and any and all amendments thereto or reports that the Registrant is required to file pursuant to the requirements of federal or state shares laws or any rules and regulations thereunder. The authority granted under this Power of Attorney shall include, but not be limited to, the power and authority to sign the name of the undersigned in the capacity or capacities set forth below to a Registration Statement on Form S-3 to be filed with the Securities and Exchange Commission, to any and all amendments (including post-effective amendments) to that Registration Statement in respect of the same, and to any and all instruments filed as a part of or in connection with that Registration Statement; and each of the undersigned hereby ratifies and confirms all that the attorney-in-fact and agent, shall lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

NAME	TITLE	DATE
/s/ Jay Sugarman Jay Sugarman	Chairman of the Board and Chief Executive Officer	November 15, 2001
/s/ Spencer B. Haber Spencer B. Haber	President, Chief Financial Officer and Director	November 15, 2001
/s/ Willis Andersen, Jr. Willis Andersen, Jr.	Director	November 15, 2001
/s/ Jeffrey G. Dishner Jeffrey G. Dishner	Director	November 15, 2001
/s/ Andrew L. Farkas Andrew L. Farkas	Director	November 15, 2001
/s/ Madison F. Grose Madison F. Grose	Director	November 15, 2001
/s/ Robert W. Holman, Jr. Robert W. Holman, Jr.	Director	November 15, 2001

/s/ Merrick R. Kleeman Merrick R. Kleeman	Director	November 15, 2001
/s/ H. Cabot Lodge H. Cabot Lodge	Executive Vice President--Investments and Director	November 15, 2001
/s/ William M. Matthes William M. Matthes	Director	November 15, 2001
/s/ John G. McDonald John G. McDonald	Director	November 15, 2001
/s/ Michael G. Medzigian Michael G. Medzigian	Director	November 15, 2001
/s/ Stephen B. Oresman Stephen B. Oresman	Director	November 15, 2001
/s/ George R. Puskar George R. Puskar	Director	November 15, 2001
/s/ Barry S. Sternlicht Barry S. Sternlicht	Director	November 15, 2001

Exhibit 4

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INVESTOR RIGHTS AGREEMENT

AMONG

STARWOOD FINANCIAL INC.,

H. CABOT LODGE III,

R. MICHAEL DORSCH III,

BARCLAY G. JONES III,

D. C. CAPITAL-ACRE, LLC,

ANN E. CARMEL,

DAVID E. GIBBONS,

KENNETH G. BEITZ,

AND

TINICUM ENTERPRISES, G.P.

March 17, 2000

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INVESTOR RIGHTS AGREEMENT

This Investor Rights Agreement (this "AGREEMENT") is made and entered into this 17th day of March 2000, among Starwood Financial Inc., a Maryland corporation (the "COMPANY"), and the investors listed on SCHEDULE I hereto (the "INVESTORS"). Each of the Investors is referred to herein as an "INVESTOR". Unless otherwise indicated, capitalized terms used herein are defined in SECTION 1.1.

RECITALS

WHEREAS, pursuant to that certain Agreement and Plan of Merger, dated as of the date hereof, among the Company, Starwood Merger Co. I, American Corporate Real Estate, LLC, and certain members therein and that certain Agreement and Plan of Merger dated the date hereof among the Company, Starwood Merger Co. II, American Corporate Real Estate, Inc. and the stockholders therein (together, the "MERGER AGREEMENTS"), the Investors are purchasing up to an aggregate of 500,000 shares of Common Stock, $.00l par value per share, of the Company (together with any other securities issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange by the Company for, or in replacement by the Company of, such shares, the "SHARES"); and

WHEREAS, the parties hereto desire to set forth the rights and the obligations of the parties hereto with respect to the Shares;

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. DEFINITIONS AND USAGE.

1.1. DEFINITIONS. As used in this Agreement:

"AFFILIATE" of any Person means a Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such Person.

"BENEFICIALLY OWNING" and "BENEFICIALLY OWN" shall mean owning Shares, directly, indirectly or constructively by a Person through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code, or Section 544 of the Code, as modified by Section 856(h) of the Code.

"BUSINESS DAY" shall mean any day other than a Saturday, Sunday or a day on which all U.S. securities exchanges or any recognized trading market on which any securities of the

Company are listed or included for quotation, are authorized or required to close.

"CHANGE OF CONTROL" means that the common shareholders of the Company immediately prior to the consummation of a merger, consolidation, acquisition of assets or securities or a disposition of assets or securities (other than a public offering of common stock), own less than 50% of the equity of the surviving or successor entity resulting from such transaction.

"CLOSING SHARES" shall mean the Shares issued to the Holders on the date hereof.

"CODE" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder.

"COMMISSION" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"CONTROL" of a Person shall mean the power, direct or indirect, (i) to vote or direct the voting of more than 50% of the outstanding shares of voting stock or voting units of such Person, or (ii) to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise (and correlative words shall have correlative meanings).

"DESIGNATED COUNSEL" shall have the meaning set forth in SECTION 3-2.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

"HOLDERS" means each Investor and its permitted assignees, but only if such Person has agreed in writing to be bound by the terms of this Agreement.

"INVESTOR DIRECTOR" shall have the meaning set forth in SECTION 8.

"INVESTOR MEMBER" shall have the meaning set forth in SECTION 8.

"LOCK-UP PERIOD" shall mean, with respect to each Share, the period beginning the date hereof and ending on the later of (i) January 31, 2001 and (ii) six months following the date on which such Share is issued pursuant to the Merger Agreement, if ever.

"MERGER AGREEMENTS" shall have the meaning set forth in the Recitals.

"PERSON" means an individual, a partnership, a joint venture, a

corporation, a limited liability company, a trust, an unincorporated organization and a government or any department or agency thereof.

"QUALIFIED INVESTMENTS" has the meaning set forth in the Merger Agreements.

"REGISTER", "REGISTERED", and "REGISTRATION" shall refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering by the Commission of effectiveness of such registration statement or document.

"REGISTRABLE SECURITIES" shall mean: (i) the Shares issued or to be issued to a Holder pursuant to the Merger Agreement; and (ii) any securities issued in exchange for such Shares or other securities that are Registrable Securities in any merger, reorganization, recapitalization or combination of the Company; PROVIDED, HOWEVER, that Registrable Securities shall not include any securities which have theretofore been Transferred in an offering registered under the Securities Act or which have been Transferred pursuant to Rule 144 or any similar rule promulgated by the Commission pursuant to the Securities Act.

"REGISTRATION EXPENSES" shall have the meaning set forth in SECTION 5.

"REIT" means a real estate investment trust.

"REIT REQUIREMENTS" shall mean the requirements for the Company to qualify as a REIT under the Code.

"REPRESENTATIVE" means a Person designated by the Holders from time to time to receive notices, grant approvals, waivers and consents and otherwise act on behalf of the Holders pursuant to this Agreement as set forth in SECTION 13.

"REPRESENTATIVE REPLACEMENT INSTRUMENT" shall have the meaning set forth in Section 13.2.

"SHARES" shall have the meaning set forth in the Recitals.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder, all as the same may be in effect at the time.

"SHELF REGISTRATION" shall have the meaning set forth in SECTION 2.1.

"STARWOOD HOLDERS" means SOFI-IV SMT Holdings, L.L.C. or Starwood Mezzanine Investors, L.P., or the direct or indirect managing members and general partners of each.

"TRANSFER" shall mean and include the act of selling, giving, pledging, transferring, creating a trust (voting or otherwise), assigning or otherwise disposing of (and correlative words shall have correlative meanings).

"VIOLATION" shall have the meaning set forth in SECTION 6.1.

1.2. USAGE.

(i) References to Registrable Securities "owned" by the Holder shall include Registrable Securities beneficially owned by such Person but which are held of record in the name of a nominee, trustee, custodian, or other agent.

(ii) Unless this Agreement specifically provides otherwise, references to a document are to it as amended, waived and otherwise modified from time to time in accordance with the terms thereof and references to a statute or other governmental rule are to it as amended and otherwise modified from time to time (and references to any provision thereof shall include references to any successor provision).

(iii) References to Sections are to sections hereof, unless the context otherwise requires.

(iv) The definitions set forth herein are equally applicable both to the singular and plural forms and the feminine, masculine and neuter forms of the terms defined.

(v) The term "including" and correlative terms shall be deemed to be followed by "without limitation" whether or not followed by such words or words of like import.

(vi) The term "hereof" and similar terms refer to this Agreement as a whole.

(vii) The "date of" any notice or request given pursuant to this Agreement shall be determined in accordance with SECTION 12.2.

Section 2. REGISTRATION.

2.1. The Company shall use its reasonable efforts promptly, but in no event later than forty-five (45) days, after January 31, 2001 to: (a) file a registration statement covering resales of the Registrable Securities in accordance with the Securities Act for an offering on a delayed or continuous basis pursuant to Rule 415 under the Securities Act (the "SHELF REGISTRATION"); or (b) amend any Shelf Registration then in existence to cover the Registrable Securities. The Company shall deliver to the Representative written notice of the filing of any Shelf Registration or amendment to any Shelf Registration contemplated under SECTION 2.1(a) or SECTION 2.1(b) immediately after filing such amendment.

2.2. Each Holder will provide at least five (5) Business Days notice of its intention to effect a resale of any Registrable Securities pursuant to the Shelf Registration to the Company and the Company's transfer agent. In no event will any Holder be permitted to Transfer any

Registrable Securities prior to the expiration of the Lock-Up Period with respect to such Registrable Securities or in violation of federal and state securities laws, including pursuant to the Shelf Registration if such registration has been suspended pursuant to SECTION 2.3 or prior to delivery by the Company of the requested number of prospectuses. Any notice given pursuant to this SECTION 2.2 shall be addressed to the attention of the Secretary of the Company and the Company's transfer agent, and shall specify the maximum number of Registrable Securities to be sold, the intended methods of disposition thereof and the number of copies of the prospectus included in the Shelf Registration, as the Holder requests.

2.3. Subject to the provisions of this SECTION 2.3, the Company shall be entitled to postpone or suspend the filing, effectiveness, supplementing or amending of any registration statement otherwise required to be prepared and filed pursuant to this SECTION 2, if the Board of Directors of the Company reasonably determines that such registration and the Transfer of Registrable Securities contemplated thereby would materially interfere with, or require premature disclosure of, any material financing, acquisition, disposition, reorganization or other transaction involving the Company, including the filing of a registration statement covering primary sales of securities by the Company, as to which, in each instance of the Company determining that the registration and Transfer would require premature disclosure, the Company has a bonafide business purpose for preserving the confidentiality thereof and the Company promptly gives the Representative notice of such determination, provided that the Company shall not suspend or postpone the filing, effectiveness, supplementing or amending of the shelf registration statement on more than two occasions during any 12-month period or for any period longer than 120 days. Upon receipt of such notice, each Holder agrees to cease making offers or Transfers of Registrable Securities pursuant to such registration statement during such suspension period. The Representative and each Holder hereby acknowledge that any notice given by the Company pursuant to this SECTION 2.3 may constitute material non-public information and that the United States securities laws prohibit any Person who has material non-public information about a company from purchasing or selling securities of such company or from communicating such information to any other Person under circumstances in which it is reasonably foreseeable that such Person is likely to purchase or sell such securities.

2.4. Subject to SECTIONS 2.3 AND 3.9, the Company shall use its reasonable efforts to keep any Shelf Registration filed pursuant to SECTION 2.1 continuously effective until the Holders no longer hold any Registrable Securities.

2.5. Notwithstanding anything in this Agreement to the contrary, no Transfer of Registrable Securities may be effected if as a result thereof in the reasonable judgment of the Company, the Company would not satisfy the REIT Requirements in any respect or if such Transfer would result in any Person Beneficially Owning Shares in excess of the ownership limitation provisions of the REIT Requirements or the Amended and Restated Charter of the Company, as amended from time to time.

2.6. A registration pursuant to this SECTION 2 shall be on such appropriate registration form of the Commission as shall be selected by the Company and shall permit the disposition of the Registrable Securities in accordance with the intended method or methods of disposition specified in each notice given pursuant to SECTION 2.1.

Section 3. REGISTRATION PROCEDURES AND TERMINATION. Whenever required

under SECTION 2 to effect the registration of any Registrable Securities (subject to SECTION 2.3), the Company shall, as promptly as practicable:

3.1. Prepare and file with the Commission a registration statement with respect to such Registrable Securities and use reasonable efforts to cause such registration statement to become effective and to notify the Representative of such effectiveness in a timely manner.

3.2. Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act and rules thereunder with respect to the disposition of all securities covered by such registration statement. The Company shall amend the registration statement or supplement the prospectus so that it will remain current and in compliance with the requirements of the Securities Act for the period specified in SECTION 2.4, and if during such period any event or development occurs as a result of which the registration statement or prospectus contains a misstatement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, the Company shall promptly (i) notify the Representative and one counsel to all Holders identified in writing by the Representative (the "DESIGNATED COUNSEL") of such event or development; and (ii) promptly amend the registration statement or supplement the prospectus in a prompt manner so that each will thereafter comply with the Securities Act and promptly furnish to the Representative and the Designated Counsel such amended or supplemented prospectus, which each Holder shall thereafter use in the Transfer of Registrable Securities covered by such registration statement. Following receipt of such notice and pending any such amendment or supplement described in this SECTION 3.2, each Holder shall cease making offers or Transfers of Registrable Securities pursuant to the prior prospectus.

3.3. Furnish promptly to the Representative on behalf of each Holder of Registrable Securities, without charge, such numbers of copies of the registration statement, any pre-effective or post-effective amendment thereto, the prospectus, including each preliminary prospectus and any amendments or supplements thereto, in each case in conformity with the requirements of the Securities Act and the rules thereunder, and such other related documents as the Representative may reasonably request in order to facilitate the disposition of Registrable Securities owned by such Holder.

3.4. Use best efforts to obtain the withdrawal of any order suspending the effectiveness of a registration statement.

3.5. Promptly notify the Representative of any stop order issued or threatened to be issued by the Commission in connection therewith and take all reasonable actions required to prevent the entry of such stop order or to promptly remove it if entered.

3.6. Use best efforts to cause the Registrable Securities covered by such registration statement: (i) if the Shares are then listed on a securities exchange or included for quotation in a recognized trading market, to be so listed or included for a reasonable period of time after the offering and, in any event, so long as any Shares are otherwise listed; and (ii) to be registered with or approved by such other United States or state governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company or the securities laws of the states in which such Registrable Securities are to be offered and sold to enable each Holder of Registrable Securities to consummate the disposition of such Registrable Securities.

3.7. Take such other actions as are reasonably required in order to expedite or facilitate the disposition of Registrable Securities included in each such registration.

3.8 Register and qualify the Registrable Securities under such blue sky laws as shall be reasonably requested by the Holders.

3.9. The Company shall have no obligation under this Agreement to register or keep effective any registration statement covering any Registrable Securities after the later of (i) the third anniversary of this Agreement and (ii) the second anniversary of the termination of the Lock-Up Period applicable to such Registrable Securities.

Section 4. HOLDER'S OBLIGATIONS.

4.1. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement with respect to the Registrable Securities of any Holder of Registrable Securities that the Holder shall:

(a) furnish to the Company in writing such information regarding the Holder, the number of the Registrable Securities owned by it, and the

intended method of disposition of such securities as shall be required under the Securities Act to effect the registration of the Holder's Registrable Securities and to keep such information current; and

(b) cooperate fully with the Company in preparing any registration statement.

4.2. Each Holder shall notify the Company within 5 Business Days of any sale of Registrable Securities.

Section 5. EXPENSES OF REGISTRATION. The Company shall bear and pay all expenses

incurred by the Company in connection with any registration, filing, or qualification of Registrable Securities with respect to such registration for each Holder, including all registration, filing and National Association of Securities Dealers, Inc. fees, listing fees, all fees and expenses of complying with securities or blue sky laws, all printing expenses, messenger and delivery expenses, the reasonable fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the Holders not to exceed $5,000 (the "REGISTRATION EXPENSES"), but excluding underwriting discounts and commissions relating to Registrable Securities (which shall be paid by the Holders) and, except as specifically set forth herein, all other fees and expenses of the Holders including counsel for the Holders. Notwithstanding the foregoing, the Company shall not be required to bear the expenses of any underwritten offering under the Shelf Registration Statement to the extent such expenses are greater than they would otherwise have been if such offering had not been underwritten, including excess printing costs, accounting and legal fees, and the other Registration Expenses.

Section 6. Indemnification; Contribution. If any Registrable Securities are included in a registration statement under this Agreement:

6.1. To the extent permitted by applicable law, the Company shall indemnify and hold harmless each Holder, each Person, if any, who controls any Holder within the meaning of the Securities Act, and each officer, director, trustee, partner and employee of any Holder and such controlling Person, against any and all losses, claims, damages, liabilities and expenses (joint or several), including reasonable attorneys' fees and disbursements and reasonable expenses of investigation, incurred by such party pursuant to any actual or threatened action, suit, proceeding or investigation, or to which any of the foregoing Persons may become subject under the Securities Act, the Exchange Act or other federal or state laws, insofar as such losses, claims, damages, liabilities and expenses arise out of or are based upon any of the following statements, omissions or violations (collectively, a "VIOLATION"):

(a) Any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein, or any amendments thereof or supplements thereto; or

(b) The omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; PROVIDED, HOWEVER, that the indemnification required by this SECTION 6.1 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or expense if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or expense to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with information related to the indemnified party furnished to the Company by the indemnified party in writing expressly for use in connection with such registration statement; and PROVIDED, FURTHER,

that the indemnity agreement contained in this SECTION 6 shall not apply to the extent that any such loss is based on or arises out of (A) any matter covered by SECTION 6.2 for which the Selling Holders are required to indemnify the Company, (B) an untrue statement or alleged untrue statement of a material fact, or an omission or alleged omission to state a material fact, contained in or omitted from any preliminary prospectus if the final prospectus shall correct such untrue statement or alleged untrue statement, or such omission or alleged omission, and a copy of the final prospectus has not been sent or given to such Person at or prior to the confirmation of sale to such Person if an underwriter was under an obligation to deliver such final prospectus and failed to do so or (C) the Holders' failure to comply with applicable prospectus delivery requirements.

6.2. To the extent permitted by applicable law, each Holder, severally and

not jointly, shall indemnify and hold harmless the Company, and each of the officers, employees and directors of the Company who shall have signed the registration statement, and each Person, if any, who controls the Company within the meaning of the Securities Act, against any and all losses, claims, damages, liabilities and expenses, including reasonable attorneys' fees and disbursements and reasonable expenses of investigation, incurred by such party pursuant to any actual or threatened action, suit, proceeding an investigation, or to which any of the foregoing Persons may otherwise become subject under the Securities Act, the Exchange Act or other federal or state laws, but only insofar as such losses, claims, damages, liabilities and expenses arise out of or are based upon any Violation, in each case to the extent that such Violation occurs in reliance upon and in conformity with information related to such Holder and furnished by such Holder in writing expressly for use in connection with such registration; PROVIDED, HOWEVER, that in no event shall the aggregate amount of any indemnity obligation of any Holder under this SECTION 6.2 together with any contribution obligation under SECTION 6.4 exceed the proceeds (net of any underwriting discounts or commissions) from the applicable offering received by such Holder.

6.3. Promptly after receipt by an indemnified party under this SECTION 6 of notice of the commencement of any action, suit, proceeding, investigation or threat thereof made in writing for which such indemnified party may make a claim under this SECTION 6, such indemnified party shall deliver to the indemnifying party a written notice thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; PROVIDED, HOWEVER, that an indemnified party shall have the right to retain its own counsel if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflicts or differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time following the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this SECTION 6 to the extent of such prejudice but shall not relieve the indemnifying party of any

liability that it may have to any indemnified party otherwise than pursuant to this SECTION 6. Any fees and expenses incurred by the indemnified party (including any fees and expenses incurred in connection with investigating or preparing to defend such action or proceeding) shall be paid to the indemnified party, as incurred, within thirty (30) days of written notice thereof to the indemnifying party (regardless of whether it is ultimately determined that an indemnified party is not entitled to indemnification hereunder). Except as set forth above, any such indemnified party shall have the right to employ separate counsel in any such action, claim or proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be the expenses of such indemnified party unless: (i) the indemnifying party has agreed to pay such fees and expenses, or (ii) the indemnifying party shall have failed to promptly assume the defense of such action, claim or proceeding; or (iii) the named parties to any such action, claim or proceeding (including any impleaded parties) include both such indemnified party and the indemnifying party, and such indemnified party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or in addition to those available to the indemnifying party and that the assertion of such defenses would create a conflict of interest such that counsel employed by the indemnifying party could not faithfully represent the indemnified parry, it being understood, however, that the indemnifying party shall not, in connection with any one such action, claim or proceeding separate but substantially similar or related actions, claims or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for all such indemnified parties.

6.4. If the indemnification required by this SECTION 6 from the indemnifying party is unavailable to an indemnified party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to in this SECTION 6:

(a) The indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether any Violation has been committed by, or relates to information supplied by, such indemnifying party or indemnified parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or

prevent such Violation. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in SECTION 6.1 and SECTION 6.2. any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

(b) The parties hereto agree that it would not be just and equitable if contribution pursuant to this SECTION 6.4 were determined by pro rata allocation or by any other method of allocation which does not take into account the relative fault referred to in SECTION 6.4(a). No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(c) In no event shall the aggregate amount of any contribution obligation from any Selling Holder under this SECTION 6.4 together with any indemnification obligation under SECTION 6.2 exceed the proceeds (net of any underwriting commissions or discounts) from the applicable offering received by such Holder.

6.5. If indemnification is available under this SECTION 6. the indemnifying parties shall indemnify each indemnified party to the full extent provided in this SECTION 6 without regard to the relative fault of such indemnifying party or indemnified party or any other equitable consideration referred to in SECTION 6.4.

6.6. The obligations of the Company and the Holders under this SECTION 6 shall survive the completion of any offering of Registrable Securities pursuant to a registration statement under this Agreement, and otherwise.

Section 7. HOLDBACK.

7.1. In connection with an underwritten offering by the Company of any Shares (or any securities convertible into or exchangeable or exercisable for Shares) covered by a registration statement filed by Company, each Holder, whether or not its Registrable Securities are included in the registration statement, if so requested by the underwriters of such offering shall not effect any public sale or distribution of Shares (except as part of such underwritten registration), during any such lock up periods requested by the underwriter, not to exceed the 10-day period prior to, and during the 90-day period beginning on, the date such registration statement is declared effective under the Securities Act by the Commission. In order to enforce the foregoing covenant, the Company shall be entitled to impose stop-transfer instructions with respect to the Registrable Securities of the Holders until the end of such period.

7.2. In the event of a merger or similar transaction which is accounted for by the Company as a pooling of interests, each Holder further agrees that it will, if it is advised by the Company's counsel that it may be deemed an "affiliate" of the Company, at such time enter into a customary "affiliate agreement" restricting its ability to effect any public sale or distribution of Shares in any manner that would cause the Company to not be able to account for the transaction as a pooling of interest if and to the same extent that Starwood Holders are subject to identical restrictions.

Section 8. ELECTION OF DIRECTORS. The Company shall use its best efforts to cause (a) H. Cabot Lodge III (the "INVESTOR DIRECTOR") to be elected to the Board of Directors of the Company; and (b) R. Michael Dorsch III and Barclay G. Jones III (the "INVESTOR MEMBERS") to be appointed to the Company's Management Investment Committee.

Section 9. TRANSFERS.

9.1. Except as provided in SECTION 9.2 hereof:

(a) Prior to the expiration of the Lock-Up Period with respect to any Shares, no Holder shall Transfer or enter into any agreement or series of agreements to Transfer, any such Shares. For the avoidance of doubt, the term "Transfer" shall not include any conversion or exchange occurring by operation of law.

(b) Following the termination of the applicable Lock-Up Period for a Share or Shares, a Holder may Transfer such Share of Shares.

(c) The restrictions set forth in SECTIONS 9.1(a) hereof shall not apply to (i) a Transfer of Shares that is made by the Holder in response to a "tender offer" with respect to which the completion of such tender offer is conditioned upon such completion resulting in a Change of Control; (ii) a Transfer of Shares that is made to the Person (or any

Affiliate of such Person) receiving control of the Company as a result of a Change of Control; (iii) a Transfer that occurs because of entry by the Holders into a voting agreement, proxy or other arrangement deemed reasonably necessary by the Board of Directors of the Company to effectuate a merger, consolidation, amalgamation or other business combination that has been approved by the Board of Directors of the Company; and (iv) the granting of a proxy with respect to any annual or special meeting of the shareholders of the Company. For the avoidance of doubt, all Shares Transferred pursuant to exceptions (i) and (ii) listed in this SECTION 9.1(c) shall no longer be deemed to be Shares subsequent to such Transfer.

9.2. The parties declare and agree it is impossible to measure in money the damages that would be suffered by a party by reason of the failure by any other party to perform any of its obligations under this Agreement. Therefore, if any party institutes any action or proceeding to enforce the provisions of this Agreement, any party against whom such action or proceeding is brought hereby waives any claim or defense therein that the other party has an adequate remedy at law and, consequently, the parties hereby agree that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

9.3. Unless earlier terminated by a writing executed by all parties, SECTIONS 9.1 and 9.2 shall terminate upon termination of the Lock-Up Period for all Shares.

9.4. In addition to the restrictions in SECTION 9.1 and SECTION 9.2, each Holder who becomes an employee or director of the Company or any Affiliate of the Company shall be subject to the restrictions of the Company's Statement of Policy Concerning Trading Policies and Conflicts of Interest attached hereto as EXHIBIT A.

Section 10. AMENDMENT, MODIFICATION AND WAIVERS: FURTHER ASSURANCES.

10.1. This Agreement may be amended with the consent of the Company and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the prior written consent to such amendment, action or omission to act of: (i) in the ease of SECTIONS 2 through 7 (including all applicable defined terms) the Holders of a majority of the then outstanding Registrable Securities; (ii) in the case of SECTIONS 9, 10, 11, 12 and 13 (including all applicable defined terms), the Representative; and (iii) in the case of SECTION 8 (including all applicable defined terms) and all other Sections, the Holder that is affected.

10.2. No waiver of any terms or conditions of this Agreement shall operate as a waiver of any other breach of such terms and conditions or any other term or condition, nor shall any failure to enforce any provision hereof operate as a waiver of such provision or of any other provision hereof. No written waiver hereunder, unless it by its own terms explicitly provides to the contrary, shall be construed to effect a continuing waiver of the provisions being waived and no such waiver in any instance shall constitute a waiver in any other instance or for any other purpose or impair the right of the party against whom such waiver is claimed in all other instances or for ail other purposes to require full compliance with such provision.

10.3. Each of the parties hereto shall execute all such further instruments and documents and take all such further action as any other party hereto may reasonably require in order to effectuate the terms and purposes of this Agreement.

Section 11. ASSIGNMENT; BENEFIT. This Agreement and all of the provisions hereof shall be binding upon and shall inure to the benefit of the parties hereto, the Holders (PROVIDED that a provision shall only be binding on a Holder if the Holder has direct rights or obligations relating to the Shares that were acquired by the Investors pursuant to the Merger Agreement that are now held by such Holder) and each indemnified party under SECTION 6 hereof and their respective heirs, permitted assigns, executors, administrators or successors. The rights of the Holders shall not be assigned without the consent of the Company.

Section 12. MISCELLANEOUS.

12.1. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving regard to the conflict of laws principles thereof

12.2. NOTICES. All notices and requests given pursuant to this Agreement shall be in writing and shall be made by hand-delivery, first-class mail

(registered or certified, return receipt requested), confirmed facsimile or overnight air courier guaranteeing next business day delivery to the relevant address specified on SCHEDULE II, as otherwise specified to the Company in writing or to the address set forth in the stock record books of the Company. Except as otherwise provided in this Agreement, the date of each such notice and request shall be deemed to be, and the date on which each such notice and request shall be deemed given shall be: at the time delivered, if personally delivered or mailed; when receipt is acknowledged, if sent by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next business day delivery.

12.3. ENTIRE AGREEMENT; INTEGRATION. This Agreement supersedes all prior agreements between or among any of the parties hereto with respect to the subject matter contained herein, and this agreement embodies the entire understanding among the parties relating to such subject matter.

12.4. SECTION HEADINGS. Section headings are for convenience of reference only and shall not affect the meaning of any provision of this Agreement.

12.5. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original, and all of which shall together constitute one and the same instrument. All signatures need not be on the same counterpart.

12.6. SEVERABILITY. If any provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity and enforceability of the remaining provisions of this Agreement, unless the result thereof would be unreasonable, in which case the parties hereto shall negotiate in good faith as to appropriate amendments hereto.

12.7. TERMINATION. Unless sooner terminated in accordance with the preceding sentence or the other provisions of this Agreement; SECTIONS 2, 3, 4, 5, 6 and 7 of this Agreement shall terminate in their entirety on such date as there shall be no Registrable Securities outstanding; PROVIDED that any Shares previously subject to this Agreement shall not be Registrable Securities following the date such Shares no longer meet the definition of Registrable Securities.

12.8. SUBMISSION TO JURISDICTION. Each of the parties hereto and the Holders irrevocably submits and consents to the jurisdiction of the United States District Court for the Southern District of New York in connection with any action or proceeding arising out of or relating to this Agreement, and irrevocably waives any immunity from jurisdiction thereof and any claim of improper venue, FORUM NON CONVENIENS or any similar basis to which it might otherwise be entitled in any such action or proceeding.

Section 13. REPRESENTATIVE.

13.1. Notwithstanding any statement to the contrary contained herein, each Holder irrevocably authorizes and appoints H. Cabot Lodge III or his/its successor appointed pursuant to this SECTION 13 (the "REPRESENTATIVE") as its true and lawful attorney and representative with full power and authority to take any and all actions and execute any and all documents and agreements in such Person's name, place and stead, with the same effect as if such action were taken or such document or agreement were executed by such Person, in connection with any matter or thing relating to any provision of this Agreement that states that the Representative shall act or execute and H. Cabot Lodge III hereby accepts his/its appointment as the Representative and agrees to perform all of the duties of the Representative hereunder.

13.2. The Representative cannot resign or be removed by the Holders, except upon delivery to the Company of a written instrument signed by the successor Representative in which the successor Representative agrees to serve as Representative and the Holders consent thereto (such instrument being referred to as a "REPRESENTATIVE REPLACEMENT INSTRUMENT").

13.3. The signature of the Representative that purports to be on behalf of one or more of the Holders shall be deemed to be the signature of such Holders and they shall be bound by the terms of any documents and agreements executed and delivered by the Representative pursuant to this Agreement as though they were actual signatories thereto. The Company shall be entitled to rely, without any investigation or inquiry by the Company, upon all action by the Representative as having been taken upon the authority of such Holders. Any action by the Representative taken on behalf of the Holders shall be conclusively deemed to be the action of the Holders, and the Company shall not have any liability or responsibility to the Holders for any action taken in reliance thereon.

13.4. The appointment of the Representative hereunder is irrevocable and coupled with an interest and any action taken by the Representative pursuant to

the authority granted in this SECTION 13 shall be effective and absolutely binding on each Holder, notwithstanding any contrary action of or direction from a Holder; and

13.5. As among the Holders, a Representative may resign at any time by giving notice to the Holders, and, if there does not exist any previously designated successor thereto, upon the appointment and qualification of a successor. A Representative may be discharged, and replaced by another person to act as successor, in accordance with SECTION 13.2.

13.6.(a) The Representative shall not be liable to the Holders for any mistake of fact or error of judgment or any acts or omissions of any kind unless caused by his willful misconduct. The Representative shall be entitled to rely on any instrument or signature believed by him to be genuine and may assume that any person purporting to give any writing, notice of instrument in connection with this Agreement is duly authorized to do so by the party on whose behalf such writing, notice or instruction is given.

(b) The Holders, jointly and severally, shall indemnify the Representative for and hold the Representatives harmless against, any loss, liability or expense incurred by the Representative arising out of or in connection with the acceptance of, or the performance of its duties under this Agreement, as well as the costs and expenses of defending against any claim or liability arising under this Agreement or any of the Merger Agreements.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first written above.

STARWOOD FINANCIAL INC.
a Maryland corporation

By: /s/ Jay Sugarman

Name: Jay Sugarman
Title: CEO and President

INVESTORS:

/s/ H. Cabot Lodge III

H. Cabot Lodge III

/s/ R. Michael Dorsch III

R. Michael Dorsch III

/s/ Barclay G. Jones III

Barclay G. Jones III

D.C. CAPITAL-ACRE, LLC

By: /s/ Douglas L. Dethy

Name: Douglas L. Dethy
Title: Member

By: /s/ Michael A. Chisek

Name: Michael A. Chisek
Title: Member

/s/ Ann E. Carmel

Ann E. Carmel

/s/ David E. Gibbons

David E. Gibbons

/s/ Kenneth G. Beitz

Kenneth G. Beitz

TINICUM ENTERPRISES, G.P.

By: /s/ Eric Rottenberg

Name: Eric Rottenberg

The Representative (Solely limited to his rights and obligations as the representative pursuant to SECTION 13 hereof)

By: /s/ H. Cabot Lodge

Name: H. Cabot Lodge III, in his capacity as the Representative

SCHEDULE I

INVESTORS

H. Cabot Lodge III
R. Michael Dorsch III
Barclay G. Jones III
D.C. Capital-Acre, LLC
Ann E. Carmel
David E. Gibbons
Kenneth G. Beitz
Tinicum Enterprises, G.P.

SCHEDULE II

ADDRESSES FOR NOTICE

If to the Company to:
1114 Avenue of the Americas
27th Floor
New York, New York 10036
Attention: Spencer Haber
Phone: (212) 930-9400
Fax No.: (212) 930-9449

with a copy to:
Mayer, Brown & Platt
1675 Broadway
New York, New York 10019
Attention: James B. Carlson
Phone: (212) 506-2500
Fax No.: (212)262-1910

and

Katten, Muchin & Zavis
525 West Monroe Street - Suite 1600
Chicago, Illinois 60661
Attention: Greg Pierce
Phone: (312) 902-5541
Fax No.: (312) 902-1061

If to the Representative to:

H. Cabot Lodge III
145 Pine Brook Road
Bedford, New York 10506
Phone: (914) 234-6850
Fax No.: (914) 234-4405

with a copy to:

Loeb & Loeb
345 Park Avenue

New York, New York 10154-0037
Attention: Christopher Aidun
Phone: (212) 407-4000
Fax No.: (212) 407-4990

EXHIBIT A

STARWOOD FINANCIAL INC.

STATEMENT OF POLICY

CONCERNING

TRADING POLICIES

AND

CONFLICTS OF INTEREST

DATED

APRIL 1, 1996(1)

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(1) Updated for name change and revisions to holding period under Rule 144 in November 1999.

TABLE OF CONTENTS

I.

SUMMARY OF THE COMPANY POLICY CONCERNING

TRADING POLICIES AND CONFLICTS OF INTEREST

This Statement covers two fundamental principles which each employee and director must follow:

A. COMPLIANCE WITH LAWS.

It is the policy of Starwood Financial Inc. (the "Company") that it will, without exception, comply with all applicable laws and regulations in conducting its business. Each employee and each director is expected to abide by this policy. When carrying out Company business, employees and directors must avoid any activity that violates applicable laws or regulations.

B. AVOIDANCE OF CONFLICTS OF INTEREST.

Each employee and each director must avoid any activity or interest which conflicts with, or even appears to conflict with, the best interests of the Company. In other words, each employee and each director has a duty of utmost loyalty to the Company.

The foregoing principles are described in more detail below. A description of certain applicable laws and related policies is set forth in Sections II and III of the Statement and conflicts of interest and general policies for avoiding them are discussed in Section IV. The Statement does not describe every law or regulation which will affect the Company and its business, but attempts to familiarize employees and directors with the laws which they must pay particular attention to in an effort to assure the Company's compliance. Of course, employees and directors are expected to comply with all applicable laws.

In meeting the standards set out in this Statement, it is essential that each employee and director conduct the Company's business with honesty and integrity. Each employee and each director contributes to the Company's overall reputation. Therefore, each employee and each director must accept individual responsibility for ensuring that these standards are implemented.

II.

THE USE OF INSIDE INFORMATION IN CONNECTION WITH TRADING IN SECURITIES

A. GENERAL RULE.

The U.S. securities laws regulate the sale and purchase of securities in the interest of protecting the investing public. U.S. securities laws give the Company, its officers and directors, and other employees the responsibility to ensure that information about the Company is not used unlawfully in the purchase and sale of securities.

All employees and directors should pay particularly close attention to the laws against trading on "inside" information. These laws are based upon the belief that all persons trading in a company's securities should have equal access to all "material" information about that company. For example, if an employee or a director of a company knows material non-public financial information, that employee or director is prohibited from buying or selling stock in the company until the information has been disclosed to the public: This is because the employee or director knows information that will probably cause the stock price to change, and it would be unfair for the employee or director to have an advantage (knowledge that the stock price will change) that the rest of the investing public does not have. In fact, it is more than unfair. It is considered to be fraudulent and illegal. Civil and criminal penalties for this kind of activity are severe.

THE GENERAL RULE can be stated as follows: It is a violation of the federal securities laws for any person to buy or sell securities if he or she is in possession of material inside information. Information is material if it could affect a person's decision whether to buy, sell or hold the securities. It is INSIDE information if it has not been publicly disclosed. Furthermore, it is illegal for any person in possession of material inside information to provide other people with such information or to recommend that they buy or sell the securities. (This is called "tipping".) In that case, they may both be held liable. While it is not possible to identify all information that would be deemed "material," the following types of information ordinarily would be considered material:

- Financial performance, especially quarterly and year-end results of operations, and significant changes in financial performance, conditions or liquidity.

- Company projections and strategic plans.

- Potential mergers and acquisitions or the sale of Company assets or subsidiaries.

- New major contracts, collaborations, or finance sources, or the loss thereof.

- Stock splits, public or private securities/debt offerings, or changes in Company dividend policies or amounts.

- Significant changes in senior management.

- Actual or threatened major litigation, or the resolution of such litigation.

The rule applies to any and all transactions in the Company's securities, including its common stock and options and warrants to purchase common stock (other than the exercise of employee stock options or warrants), and any other type of securities that the Company may issue, such as preferred stock, convertible debentures, warrants and exchange-traded options or other derivative securities.

The Securities and Exchange Commission (the "SEC"), the stock exchanges and plaintiffs' lawyers focus on uncovering insider trading. A breach of the insider trading laws could expose the insider to criminal fines up to three times the profits earned and imprisonment of up to ten years, in addition to civil penalties (up to three times the profits earned), and injunctive actions. In addition, punitive damages may be imposed under applicable state laws. Securities laws also subject controlling persons to civil penalties or illegal insider trading by employees, including employees located outside the United States. Controlling persons include directors, officers, and supervisors. These persons may be subject to fines up to the greater of $1,000,000 or three times the profit (or loss avoided) by the insider trader. Inside information does not belong to the individual directors, officers or other employees who may handle it or otherwise become knowledgeable about it. It is an asset of the Company. For any person to use such information for personal benefit or to disclose it to others outside the Company violates the Company's interests. More particularly, in connection with trading in the Company securities, it is a fraud against members of the investing public and against the Company.

B. WHO DOES THE POLICY APPLY TO?

The prohibition against trading on inside information applies to directors, officers and all other employees, and to other people who gain access to that information. All employees and officers must obtain the prior approval of all trades in Company securities from the Insider Trading Compliance Officer in accordance with the procedures set forth in Section H below. Because of their access to confidential information on a regular basis, Company policy subjects its directors, executive officers and certain other employees (the "Window Group" as defined below) to additional restrictions on trading in the Company securities. The additional restrictions for the Window Group are discussed in Section H below. In addition, directors

and certain employees with inside knowledge of material information may be subject to ad hoc restrictions on trading from time to time.

C. OTHER COMPANIES STOCKS.

The same rules apply to other companies' stocks. Employees and directors who learn material information about suppliers, customers, or competitors through their work at the Company should keep it confidential and not buy or sell stock in such companies until the information becomes public. Employees and directors should not give tips about such stocks.

D. TRADING IN OPTIONS.

The insider trading prohibition also applies to trading in exchange traded options, such as put and call options. Options trading is highly speculative and very risky. People who buy options are betting that the stock price will move rapidly. For that reason, when a person trades in options in his or her employer's stock, it will arouse suspicion in the eyes of the SEC that the person was trading on the basis of inside information, particularly where the trading occurs before a Company announcement or major event. It is difficult for an employee or director to prove that he or she did know about the announcement

or event.

If the SEC or the stock exchanges were to notice active options trading by one or more employees or directors of the Company prior to an announcement, they would investigate. Such an investigation could be embarrassing to the Company (as well as expensive), and could result in severe penalties and expense for the persons involved. For all of these reasons, the Company prohibits its employees and directors from trading in options on the Company stock. This policy does not pertain to the exercise of stock options or warrants granted by the Company to its employees, which cannot be traded.

E. MARGIN ACCOUNTS.

Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Because such a sale may occur at a time when an employee or a director had material inside information or is otherwise not permitted to trade in Company securities, the Company prohibits employees and directors from purchasing Company securities on margin or holding Company securities in a margin account.

F. GUIDELINES.

The following guidelines should be followed in order to ensure compliance with applicable antifraud laws and with the Company's policies:

1. NONDISCLOSURE. Material inside information must not be disclosed to anyone, except to persons within the Company whose positions require them to know it. No one may "tip" or disclose material nonpublic information concerning the Company to any outside person (including, but not limited to family members, analysts, individual investors, and members of the investment community and news media), unless required as part of that person's regular duties for the Company and authorized by the Compliance Officer and/or the Board of Directors. In any instance in which such information is disclosed to outsiders, the Company will take such steps as are necessary to preserve the confidentiality of the information, including requiring the outsider to agree in writing to comply with the terms of this policy and/or to sign a confidentiality agreement. All inquiries from outsiders regarding material nonpublic information about the Company must be forwarded to the Compliance Officer.

No one may give trading advice of any kind about the Company to anyone while possessing material nonpublic information about the Company, except to advise others not to trade if doing so might violate the law or this policy. The Company strongly discourages all directors and officers from giving trading advice concerning the Company to third parties even when the director or officer does not possess material nonpublic information about the Company.

2. TRADING IN THE COMPANY'S SECURITIES. No employee or director should place a purchase or sale order, or recommend that another person place a purchase or sale order in the Company's securities, when he or she has knowledge of material information concerning the Company that has not been disclosed to the public. This includes orders for purchases and sales of stock and convertible securities. The exercise of employee stock options and warrants is not subject to this policy. However, stock that was acquired upon exercise of a stock option or warrant will be treated like any other stock, and may not be sold by an employee who is in possession of material inside information. Employees or directors who possess material inside information should wait until the start of the third business day after the information has been publicly released before trading.

3. AVOID SPECULATION. Investing in the Company's Common Stock provides an opportunity to share in the future growth of the Company. But investment in the Company and sharing in the growth of the Company does not mean short range speculation based on fluctuations in the market. Such activities put the personal gain of the employee or director in conflict with the best interests of the Company and its stockholders. Although this policy does not mean that employees or directors may never sell shares, the Company encourages employees and directors to avoid frequent trading in Company stock. Speculating in Company stock is not part of the Company culture.

4. TRADING IN OTHER SECURITIES. No employee or director should place a purchase or sale order, or recommend that another person place a purchase or sale order, in the securities of another corporation, if the employee or director learns in the course of his or her employment confidential information about the other corporation that is likely to affect the value of those securities. For example, it would be a violation of the securities laws if an employee or director learned through Company sources that the Company intended to purchase assets from a company, and then bought or sold stock in that other company because of the likely increase or decrease in the value of its securities.

G. INSIDER TRADING COMPLIANCE OFFICER.

The Company has designated Nina B. Matis, the Company's General Counsel, as its Insider Trading Compliance Officer (the "Compliance Officer"). The Compliance Officer will review and either approve or prohibit all proposed trades by Section 16 Individuals and Key Employees in accordance with the procedures set forth in Section H below.

In addition to the trading approval duties described in Section H below, the duties of the Compliance Officer will include the following:

1. Administering this policy and monitoring and enforcing compliance with all policy provisions and procedures.

2. Responding to all inquiries relating to this policy and its procedures.

3. Designating and announcing special trading blackout periods during which no Window Group members may trade in Company securities.

4. Providing copies of this policy and other appropriate materials to all current and new directors, officers and employees, and such other persons who the Compliance Officer determines have access to material nonpublic information concerning the Company.

5. Administering, monitoring and enforcing compliance with all federal and state insider trading laws and regulations, including without limitation Sections 10(b), 16, 20A and 21A of the Exchange Act and the rules and regulations promulgated thereunder, and Rule 144 under the Securities Act of 1933 (the "Securities Act"); and assisting in the preparation and filing of all required SEC reports relating to insider trading in Company securities, including without limitation, Forms 3, 4, 5 and 144 and Schedules 13D and 13G.

6. Revising the policy as necessary to reflect changes in federal or state insider trading laws and regulations.

7. Maintaining as Company records originals or copies of all documents required by the provisions of this policy or the procedures set forth herein, and copies of all required SEC reports relating to insider trading, including without limitation, Forms 3, 4, 5 and 144 and Schedules 13D and 13G.

The Compliance Officer may designate one or more individuals who may perform the Compliance Officer's duties.

H. PROCEDURES FOR APPROVING TRADES.

1. ALL DIRECTOR AND EMPLOYEE TRADES. No member of the Window Group or any other employee of the Company may trade in Company securities until

a. the person trading has notified the Compliance Officer in writing of the amount and nature of the proposed trade(s),

b. the person trading has certified to the Compliance Officer that (i) he or she is not in possession of material nonpublic information concerning the Company and (ii) the proposed trade(s) do not violate the trading restrictions of Section 16 of the Exchange Act or Rule 144 of the Securities Act, and

c. the Compliance Officer has approved the trade(s), and has certified the approval in writing.

2. ADDITIONAL RESTRICTIONS ON THE WINDOW GROUP. The Window Group

consists of (i) directors and executive officers of the Company and their secretaries, (ii) officers of the Company with the title Vice President or above and their secretaries and (iii) such other persons as may be designated from time to time and informed of such status by Nina B. Matis, the Company's General Counsel. In addition to the restrictions set forth in Section H.1 above, the Window Group is subject to the following restrictions on trading in Company securities:

a. trading is permitted from the close of the second business day following an earnings release `with respect to the preceding fiscal period until the close of trading on the twenty-second day of the third month of the current fiscal quarter (the "Window"), subject to the restrictions below;

b. no trading in Company securities even during applicable trading Windows while in the possession of material inside information. Persons possessing such information may trade during a trading Window only after the close of trading on the second full trading day following the Company's widespread public release of such material inside information;

c. no trading in Company securities outside of the applicable trading windows or during any special blackout periods that the Compliance Officer may designate. No one may disclose to any outside third party that a special blackout period has been designated; and

d. the Compliance Officer may, on a case-by-case basis, authorize trading in Company securities outside of the applicable trading Windows (but not during special blackout periods) due to financial hardship or other hardships.

3. HARDSHIP TRADES. The Compliance Officer may, on a case-by-case basis, authorize trading in Company securities outside of the applicable trading windows due to financial hardship or other hardships only after

a. the person trading has notified the Compliance Officer in writing of the circumstances of the hardship and the amount and nature of the proposed trade(s),

b. the person trading has certified to the Compliance Officer in writing no earlier than two business days prior to the proposed trades(s) that he or she is not in possession of material nonpublic information concerning the Company, and

c. the Compliance Officer has approved the trade(s) and has certified the approval in writing.

4. NO OBLIGATION TO APPROVE TRADES. The existence of the foregoing approval procedures does not in any way obligate the Compliance Officer to approve any trades requested by members of the Window Group or other employees or hardship applicants. The Compliance Officer may reject any trading requests at his/her sole discretion.

III.

OTHER LIMITATIONS ON SECURITIES TRANSACTIONS

A. PUBLIC RESALES - RULE 144.

The Securities Act requires every person who offers or sells a security to register such transaction with the SEC unless an exemption from registration is available. Rule 144 under the Securities Act is the exemption typically relied upon (i) for public resales by any person of "restricted securities" (i.e., securities acquired in a private offering) and (ii) for public resales by officers, directors and other control persons of a company (known as "affiliates") of any of the Company's securities, whether restricted or unrestricted. All outstanding shares of the Company's Common Stock, other than

(i) those sold to the public in the Company's initial public offering and (ii) the shares of common stock received upon the exercise of options granted under the Company's 1996 Long-Term Incentive Plan (assuming Form S-8 Registration Statements with respect to such plans have been filed and remain effective), are "restricted securities."

Rule 144 contains five conditions, although the applicability of some of these conditions will depend on the circumstances of the sale:

1. CURRENT PUBLIC INFORMATION. Current information about the Company must be publicly available at the time of sale. The Company's periodic reports filed with the SEC ordinarily satisfy this requirement.

2. HOLDING PERIOD. Restricted securities must be held and fully paid for by the seller for a period of one year prior to the sale. The holding period requirement, however, does not apply to securities held by affiliates that were acquired either in the open market or in a public offering of securities registered under the Securities Act. If the seller acquired the securities from someone other than the Company or an affiliate of the Company, the holding period of the person from whom the seller acquired such securities can be "tacked" to the seller's holding period in determining if the two-year requirement has been satisfied.

3. VOLUME LIMITATIONS. The amount of securities which can be sold during any three month period cannot exceed the greater of (i) one percent of the outstanding shares of the class or (ii) the average weekly reported trading volume for shares of the class during the four calendar weeks preceding the filing of the notice of sale referred to below.

4. MANNER OF SALE. The securities must be sold in unsolicited brokers' transactions or directly to a market-maker.

5. NOTICE OF SALE. The seller must file a notice of the proposed sale with the SEC at the time the order to sell is placed with the broker, unless the amount to be sold neither exceeds 500 shares nor involves sale proceeds greater than $10,000. See "Filing Requirements."

The foregoing conditions do not have to be complied with by holders of restricted securities who have held (and fully paid for) their restricted shares for at least three years and who were not affiliates during the three months preceding the sale under the rule.

Bona fide gifts are not deemed to involve sales of stock for purposes of Rule 144, so they can be made at any time without limitation on the amount of the gift. Donors who receive restricted securities from an affiliate generally will be subject to the same restrictions under Rule 144 that would have applied to the donor for a period of up to two years following the gift, depending on the circumstances.

B. PRIVATE RESALES.

Directors and officers also may sell securities in a private transaction without registration. Although there is no statutory provision or SEC rule expressly dealing with private sales, the general view is that such sales can safely be made by affiliates if the party acquiring the securities understands he is acquiring restricted securities that must be held for at least two years before the securities will be eligible for resale to the public under Rule 144. Private resales raise certain documentation and other issues and must be reviewed in advance by Nina B. Matis, the Company's General Counsel.

C. RESTRICTIONS ON PURCHASES OF COMPANY SECURITIES.

In order to prevent market manipulation, the SEC has adopted Rules 10b-6 and 10b-18 under the Exchange Act. Rule 10b-6 generally prohibits the Company or any of its affiliates from buying Company stock in the open market during certain periods while a public offering is taking place. Rule 10b-18 sets forth guidelines for purchases of Company stock by the Company or its affiliates while a stock buyback program is occurring. While the guidelines are optional, compliance with them provides immunity from a stock manipulation charge. You should consult with Nina B. Matis, the Company's General Counsel, if you desire to make purchases of Company stock during any period that the Company is making a public offering or buying stock from the public.

D. DISGORGEMENT OF PROFITS ON SHORT-SWING TRANSACTIONS.

Section 16 of the Exchange Act applies to directors and officers of the Company and to any person owning more than ten percent of any registered class

of the Company's equity securities. The section is intended to deter such persons (collectively referred to below as

"insiders") from misusing confidential information about their companies for personal trading gain. Section 16(a) requires insiders to publicly disclose any changes in their beneficial ownership of the Company's equity securities (see "Filing Requirements," below). Section 16(b) requires insiders to disgorge to the Company any "profit" resulting from "short-swing" trades, as discussed more fully below. Section 16(c) effectively prohibits insiders from engaging in short sales (see "Prohibition of Short Sales," below).

Under Section 16(b), any profit realized by an insider on a "short-swing" transaction (i.e., a purchase and sale, or sale and purchase, of the Company's equity securities within a period of less than six months) must be disgorged to the Company upon demand by the Company or a stockholder acting on its behalf. By law, the Company cannot waive or release any claim it may have under Section 16(b), or enter into an enforceable agreement to provide indemnification for amounts recovered under the section.

Liability under Section 16(b) is imposed in a mechanical fashion without regard to whether the insider intended to violate the section. Good faith, therefore, is not a defense. All that is necessary for a successful claim is to show that the insider realized "profits" on a short-swing transaction; however, profit, for this purpose, is calculated as the difference between the sale price and the purchase price in the matching transactions, and may be unrelated to the actual gain on the shares sold. When computing recoverable profits on multiple purchases and sales within a six month period, the courts maximize the recovery by matching the lowest purchase price with the highest sale price, the next lowest purchase price with the next highest sale price, and so on. The use of this method makes it possible for an insider to sustain a net loss on a series of transactions while having recoverable profits. The terms "purchase" and "sale" are construed under Section 16(b) to cover a broad range of transactions, including acquisitions and dispositions in tender offers and certain corporate reorganizations. Moreover, purchases and sales by an insider may be matched with transactions by any person (such as certain family members) whose securities are deemed to be beneficially owned by the insider.

The Section 16 rules are complicated and present ample opportunity for inadvertent error. To avoid unnecessary costs and potential embarrassment for insiders and the Company, Officers and directors are strongly urged to consult with Nina B. Matis, the Company's General Counsel, prior to engaging in any transaction or other transfer of Company equity securities regarding the potential applicability of Section 16(b).

E. PROHIBITION OF SHORT SALES.

Under Section 16(c), insiders are prohibited from effecting "short sales" of the Company's equity securities. A "short sale" is one involving securities which the seller does not own at the time of sale, or, if owned, are not delivered within 20 days after the sale or deposited in the mail or other usual channels of transportation within five days after the sale.

Wholly apart from Section 16(c), the Company prohibits directors and employees from selling the Company's stock short. This type of activity is inherently speculative in nature and is contrary to the best interests of the Company and its shareholders.

F. FILING REQUIREMENTS.

1. FORM 3, 4 AND 5. Under Section 16(a) of the Exchange Act, insiders must file with the SEC and any stock exchange on which the Company's equity securities are quoted (i.e., the New York Stock Exchange) public reports disclosing their holdings of and transactions involving, the Company's equity securities. Copies of these reports must also be submitted to the Company. An initial report on Form 3 must be filed by every insider within 10 days after election or appointment disclosing all equity securities of the Company beneficially owned by the reporting person on the date he became an insider. Even if no securities were owned on that date, the insider must file a report. Any subsequent change in the nature or amount of beneficial ownership by the insider must be reported on Form 4 and filed within ten days after the close of the month in which the change occurred. Certain exempt transactions may be reported on Form 5 within 45 days after the end of the fiscal year. The fact that an

insider's transactions during the month resulted in no net change, or the fact that no securities were owned after the transactions were completed, does not provide a basis for failing to report. All changes in the amount or the form (i.e., direct or indirect) of beneficial ownership (not just purchases and sales) must be reported. Thus, such transactions as gifts and stock dividends ordinarily are reportable. Moreover, an officer or director who has ceased to be an officer or director must report any transactions after termination which occurred within six months of a transaction that occurred while the person was an insider.

The reports under Section 16(a) are intended to cover all securities beneficially owned either directly by the insider or indirectly through others. An insider is considered the direct owner of all Company equity securities held in his or her own name or held jointly with others. An insider is considered the indirect owner of any securities from which be obtains benefits substantially equivalent to those of ownership. Thus, equity securities of the Company beneficially owned through partnerships, corporations, trusts, estates, and by family members generally are subject to reporting. Absent countervailing facts, an insider is presumed to be the beneficial owner of securities held by his or her spouse and other family members sharing the same home. But an insider is free to disclaim beneficial ownership of these or any other securities being reported if the insider believes there is a reasonable basis for doing so.

It is important that reports under Section 16(a) be prepared properly and filed on a timely basis. The reports must be received at the SEC by the filing deadline. There is no provision for an extension of the filing deadlines, and the SEC can take

enforcement action against insiders who do not comply fully with the filing requirements. In addition, the Company is required to disclose in its annual proxy statement the names of insiders who failed to file Section 16(a) reports properly during the fiscal year, along with the particulars of such instances of noncompliance. Accordingly, the Company strongly urges all directors and officers to notify Nina B. Matis, the Company's General Counsel, prior to any transactions or changes in their or their family members' beneficial ownership involving Company stock and to avail themselves of the assistance available from Mayer, Brown & Platt in satisfying the reporting requirements.

2. SCHEDULE 13D AND 13G. Section 13(d) of the 1934 Act requires the filing of a statement on Schedule 13D (or on Schedule 13G, in certain circumstances) by any person or group which acquires beneficial ownership of more than (i) five percent of a class of equity securities registered under the 1934 Act and is not a Passive Investor (as defined below) or (ii) twenty percent of a class of equity securities. The threshold for reporting is met if the stock owned, when coupled with the amount of stock subject to options exercisable within 60 days, exceeds the five percent limit.

A report on Schedule 13D is required to be filed with the SEC and NYSE and submitted to the Company within ten days after the reporting threshold is reached. If a material change occurs in the facts set forth in the Schedule 13D, such as an increase or decrease of one percent or more in the percentage of stock beneficially owned, an amendment disclosing the change must be filed promptly. A decrease in beneficial ownership to less than five percent is PER SE material and must be reported.

A report on Schedule 13G is an abbreviated form required to be filed with the SEC, AMEX and submitted to the Company yearly or monthly by certain holders that acquire over 5% but not less than 20% of the Company's equity securities in the ordinary course of business and which do not hold such stock for the purpose or with the effect of changing or influencing control ("Passive Investors"). A Passive Investor must file a Schedule 13G within 10 days after acquisition of more than 5% of the Company's equity securities. Passive Investors must file amendments promptly upon exceeding 10% of a class of securities and thereafter promptly upon the Passive Investor's beneficial ownership increasing or decreasing by more than 5%.

A person is deemed the beneficial owner of securities for purposes of Section 13(d) if such person has or shares voting power (i.e., the power to vote or direct the voting of the securities) or dispositive power (i.e., the power to sell or direct the sale of the securities). As is true under Section 16(a) of the 1934 Act, a person filing a Schedule 13D or a Schedule 13G may disclaim beneficial ownership of any securities attributed to him or her if he or she believes there is a reasonable basis for doing so.

It should be noted that the Form 3/Form 4/Form 5 Reports and the Schedule 13D/Schedule 13G requirements are independent of each other, and compliance with one section of the 1934 Act will not satisfy the other.

3. FORM 144. As described above under the discussion of Rule 144, a seller relying on Rule 144 must file a notice of proposed sale with the SEC at the time the order to sell is placed with the broker unless (x) the amount to be sold neither exceeds 500 shares nor involves sale proceeds greater than $10,000 or (y) the seller is not at the time of the sale, and has not been for the three months preceding such date, an affiliate of the Company and, if the securities to be sold are restricted securities, such restricted securities have been held (and fully paid for) for at least three years.

IV.

CONFLICTS OF INTEREST

The Company relies on the integrity and undivided loyalty of its employees to maintain the highest level of objectivity in performing their duties. Each employee is expected to avoid engaging in activities that conflict with, or have the appearance of conflicting with, the best interests of the Company and its stockholders. Any personal activities or interests of an employee that could negatively influence, or which could have the appearance of negatively influencing, his or her judgment, decisions or actions must be disclosed to Nina B. Matis, the Company's General Counsel, who will determine if there is a conflict and, if so, how to resolve it without compromising the Company's interests. PROMPT AND FULL DISCLOSURE IS ALWAYS THE CORRECT FIRST STEP TOWARDS IDENTIFYING AND RESOLVING ANY POTENTIAL CONFLICT OF INTEREST.

This policy applies not only to each employee but also to members of the employee's immediate family, any trust in which an employee (or a member of the employee's immediate family) has a beneficial interest, and any person with whom the employee (or a member of the employee's immediate family) has a substantial business relationship. Immediate family includes any relatives of the employee or the employee's spouse who live in the same household as the employee.

This policy applies to officers and directors to the same extent as employees. Conflicts involving officers will be reviewed by the Audit Committee of the Board. Conflicts involving the Chief Executive Officer and directors will be reviewed by the Board.

In certain limited cases, activities giving rise to potential conflicts of interest may be permitted if they are determined not to be harmful to the Company. That determination will be made by the Board in the case of the Chief Executive Officer or directors, by the Audit

Committee in the case of other officers, and by Nina B. Matis, the Company's General Counsel, in the case of other employees.

The following discussion sets out some of the more common conflicts that an employee may confront and is intended to serve as a guide to the standards to which all employees are expected to adhere. The list is unavoidably incomplete. It is the special responsibility of each employee to use his or her best judgement to assess objectively whether a conflict or the appearance of a conflict exists and to engage in open and candid communication with the Company about the conflict. In addition, an employee should be prudent in his or her personal investments and other activities to ensure that they do not put the employee in a position - financial or otherwise - which might influence or give the appearance of influencing his or her actions as a Company employee.

No employee may have any direct or indirect financial interest in, or any business relationship with, a private company, partnership, or other privately-held entity that currently is or becomes a supplier of materials to the Company, a provider of services to the Company or a competitor of the Company. A financial interest includes any ownership or creditor interest. This policy does not apply to either an employee's arms-length purchases of goods and services for personal or familial use or an employee's normal arms-length dealings with companies, banks, insurance companies and utilities that have a relationship with the Company that are merely incidental to the Company's operations. Any employee or director that has a direct or indirect MATERIAL financial interest in, or business relationship with, a public company that currently is or becomes a supplier of materials to the Company, a provider of

services to the Company or a competitor of the Company must disclose such interest to Nina B. Matis, the Company's General Counsel, who will determine if there is a conflict and, if so, how to resolve it without compromising the Company's interests. A financial interest includes any ownership or creditor interest. This policy does not apply to either an employee's arms-length purchases of goods and services for personal or familial use or an employee's normal arms-length dealings with companies, banks, insurance companies and utilities that have a relationship with the Company that is merely incidental to the Company's operations.

No employee should accept gifts, credits, payments, services, excessive entertainment or anything else of value from an actual or potential competitor, supplier or customer unless such gift is of insubstantial value and a refusal to accept it would be discourteous or otherwise harmful to the Company. In addition, receiving advertising novelties such as calendars does not violate this policy. Permitting a supplier's or customer's employee to pick up the check at a meal is not inappropriate so long as business was discussed at arms- length and there is no suggestion of undue or unfair influence. If a gift or other service or object of value is offered to an employee, he or she should immediately report the offer to a responsible Company manager so that an appropriate response can be made to the offeror. Please remember, however, that local, state and federal laws often impose special rules on relations with government customers and suppliers which may differ from commercial relations. Payments

for expenses of government representatives should be reviewed by Nina B. Matis, the Company's General Counsel, prior to making the payment.

No employee may use Company information for personal gain (i) if it would harm the Company's interests or (ii) if the information has not been previously disclosed to the public. For example, if the employee is aware that the Company intends to purchase or is considering the purchase of a specific parcel of land, it would be a breach of the employee's duty of loyalty to the Company to purchase that property or inform others of the Company's intent. Any confidential or proprietary information concerning the Company belongs to the Company and should not be disclosed or used by the employee. Any unauthorized disclosure of such information would be a breach of the employee's duty of loyalty. See Section II of this Statement for a discussion of federal securities laws prohibiting the trading in securities based on non-public Company information.

EXHIBIT 5

[LETTERHEAD OF BALLARD SPAHR ANDREWS & INGERSOLL, LLP]

FILE NUMBER
New

November 16, 2001

iStar Financial Inc.
27th Floor
1114 Avenue of the Americas
New York, New York 10036

Re: iStar Financial Inc.: Registration Statement on Form S-3

Ladies and Gentlemen:

We have served as Maryland counsel to iStar Financial Inc., a Maryland corporation (the "Company"), in connection with certain matters of Maryland law arising out of the registration of 4,131,531 shares (the "Shares") of common stock, $.001 par value per share, of the Company (the "Common Stock"), covered by the above-referenced Registration Statement, and all amendments thereto (the "Registration Statement"), filed by the Company with the United States Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "1933 Act"), relating to the offering and sale from time to time of the Shares by the Participating Securityholders named therein (the "Participating Securityholders"). The Shares consist of (a) 2,537,504 shares of Common Stock that were issued to certain of the Participating Securityholders as described in the Registration Statement (the "Outstanding Shares"), (b) 105,916 shares of Common Stock that may be issued by the Company to certain of the Participating Securityholders as described in the Registration Statement (the "Incentive Shares") and (c) 1,488,111 shares of Common Stock that are to be issued by the Company upon exercise of employee stock options (the "Options") held by certain of the Participating Securityholders (the "Option Shares"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Registration Statement.

In connection with our representation of the Company, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The Registration Statement, including all amendments thereto and the related form of prospectus included therein, in the form in which it was transmitted to the Commission for filing under the 1933 Act;

2. The charter of the Company (the "Charter"), certified as of a recent date by the State Department of Assessments and Taxation of Maryland (the "SDAT");

3. The Bylaws of the Company, certified as of the date hereof by an officer of the Company;

4. A certificate of the SDAT as to the good standing of the Company, dated as of a recent date;

5. Resolutions adopted by the Board of Directors of the Company relating to the authorization of (a) the issuance of the Shares and the Options and (b) the filing of the Registration Statement (collectively, the "Resolutions"), certified as of the date hereof by an officer of the Company;

6. A certificate executed by an officer of the Company, dated as of the date hereof; and

7. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or any other person, is legally competent to do so.

2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so.

3. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.

4. Any Documents submitted to us as originals are authentic. The form and content of any Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original

documents. All signatures on all such Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All representations, warranties, statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no waiver of any provision of any of the Documents, by action or omission of the parties or otherwise.

5. The Shares have not been, and will not be, issued or transferred in violation of any restriction or limitation contained in the Charter.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

1. The Company is a corporation duly incorporated and existing under and by virtue of the laws of the State of Maryland and is in good standing with the SDAT.

2. The Outstanding Shares have been duly authorized and validly issued and are fully paid and nonassessable.

3. The issuance of the Incentive Shares has been duly authorized and, when and if issued by the Company in accordance with the Resolutions and in the manner described in the Registration Statement in exchange for the consideration therefor, the Incentive Shares will be (assuming that, upon issuance, the total number of shares of Common Stock issued and outstanding will not exceed the total number of shares of Common Stock that the Company is then authorized to issue under the Charter) validly issued, fully paid and nonassessable.

4. The issuance of the Option Shares has been duly authorized and, when and to the extent issued upon the exercise of the Options in accordance with the Resolutions and in the manner described in the Registration Statement in exchange for the consideration therefor, the Option Shares will be (assuming that, upon issuance, the total number of shares of Common Stock issued and outstanding will not exceed the total number of shares of Common Stock that the Company is then authorized to issue under the Charter) validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the substantive laws of the State of Maryland, and we do not express any opinion herein concerning any other law. We express no opinion as to the applicability or effect of any federal or state securities laws, including the securities laws of the State of Maryland, or as to federal or state laws regarding fraudulent transfers. To the extent that any matter as to which our opinion is expressed herein would be governed by any jurisdiction other than the State of Maryland, we do not express any opinion on such matter.

We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you solely for submission to the Commission as an exhibit to the Registration Statement and, accordingly, may not be relied upon by, quoted in any manner to, or delivered to any other person or entity (other than Clifford Chance Rogers & Wells LLP, counsel to the Company, in connection with opinions to be issued by it, dated the date hereof, in connection with the Registration Statement) without, in each instance, our prior written consent.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm therein in the section entitled "Legal Matters" in the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,

/s/ Ballard Spahr Andrews & Ingersoll, LLP

November 16, 2001

iStar Financial Inc.
1114 Avenue of the Americas, 27th Floor
New York, New York 10036

Re: REIT STATUS OF ISTAR FINANCIAL INC.

Ladies and Gentlemen:

We have acted as counsel to iStar Financial Inc., a Maryland corporation (the "Company"), in connection with the registration by the Company of 4,131,531 shares of its Common Stock, par value $0.001 per share, pursuant to the Registration Statement on Form S-3 filed with the Securities and Exchange Commission on November 16, 2001 (the "Registration Statement"). You have requested our opinion contained herein in connection with such filing.

In rendering the opinion expressed herein, we have examined and relied upon such documents, records and instruments as we have deemed necessary in order to enable us to render the opinion referred to in this letter. In our examination of the foregoing documents, we have assumed, with your consent, that (i) all documents reviewed by us are original documents, or true and accurate copies of original documents, and have not been subsequently amended, (ii) the signatures of each original document are genuine, (iii) each party who executed the document had proper authority and capacity, (iv) all representations and statements set forth in such documents are true and correct, (v) all obligations imposed by any such documents on the parties thereto have been or will be performed or satisfied in accordance with their terms and (vi) the Company at all times has been and will continue to be organized and operated in accordance with the terms of such documents.

For purposes of rendering the opinion stated below, we have also assumed, with your consent, the accuracy of the representations contained in the certificate of representations, dated November 16, 2001, provided to us by the Company (the "Certificate"). These representations generally relate to the operation and classification of the Company as a REIT.

Based upon and subject to the foregoing, we are of the opinion that for its initial taxable year ended December 31, 1998, and for its taxable years ended December 31, 1999 and December 31, 2000, the Company was organized and has operated in conformity with the requirements for qualification as a REIT under the Code, and the Company's present and proposed method of operation, as represented by the Company, will permit the Company to continue to so qualify.

The opinion stated above represents our conclusions as to the application of the federal income tax laws existing as of the date of this letter, and we can give no assurance that legislative enactments, administrative changes or court decisions may not be forthcoming that would modify or supersede our opinion. Moreover, there can be no assurance that positions contrary to our opinion will not be taken by the Internal Revenue Service, or that a court considering the issues would not hold contrary to such opinion. Further, the opinion set forth above represents our conclusions based upon the documents, facts and representations referred to above. Any material amendments to such documents, changes in any significant facts or inaccuracy of such representations could affect the opinion referred to herein. Moreover, the Company's qualification and taxation as a REIT depend upon the Company's ability to meet, through actual operating results, requirements under the Code regarding income, assets, distributions and diversity of stock ownership. Because the Company's satisfaction of these requirements will depend on future events, no assurance can be given that the actual results of the Company's operations for any particular taxable year will satisfy the tests necessary to qualify as or be taxed as a REIT under the Code. Although we have made such inquiries and

performed such investigations as we have deemed necessary to fulfill our professional responsibilities as counsel, we have not undertaken an independent investigation of all of the facts referred to in this letter and the Certificate.

The opinion set forth in this letter: (i) is limited to those matters expressly covered; no opinion is to be implied in respect of any other matter; and (ii) is as of the date hereof. This opinion is furnished to you solely for use in connection with the Registration Statement. We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement.

Very truly yours,

/s/ Clifford Chance Rogers & Wells LLP

Exhibit 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 of our report dated March 2, 2001 relating to the financial statements and financial statement schedules, which appears in iStar Financial Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

New York, NY
November 14, 2001

/s/ PricewaterhouseCoopers LLP