

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

| OMB APPROVAL                                 |           |
|--|-----------|
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|--|---|--|
| 1. Name and Address of Reporting Person*<br><u>SUGARMAN JAY</u><br><br>(Last) (First) (Middle)<br>1114 AVENUE OF THE AMERICAS, 39TH FLOOR<br><br>(Street)<br>NEW YORK NY 10036<br><br>(City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol<br><u>ISTAR FINANCIAL INC [ SFI ]</u> | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable)<br><input checked="" type="checkbox"/> Director 10% Owner<br><input checked="" type="checkbox"/> Officer (give title below) Other (specify below)<br><b>Chairman and CEO</b> |
|  | 3. Date of Earliest Transaction (Month/Day/Year)<br>05/29/2009                    |  |
| 4. If Amendment, Date of Original Filed (Month/Day/Year)   |   |  |

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3)       | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) |   | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) |            |       | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|-------|---|--|---|
|                                       |                                      |  | Code                           | V | Amount  | (A) or (D) | Price |   |  |   |
| Restricted Stock Units <sup>(1)</sup> | 05/27/2009                           |  | A                              |   | 6,000,000 <sup>(1)(2)</sup>                                       | A          | \$0   | 6,330,311 <sup>(3)(4)</sup>   | D  |   |

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) |   | 6. Date Exercisable and Expiration Date (Month/Day/Year) |                 | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----------------|---|--|--|---|--|
|  |  |                                      |  | Code                           | V | Date Exercisable   | Expiration Date |   |  |  |   |  |

**Explanation of Responses:**

- On May 27, 2009, iStar Financial Inc.'s shareholders approved a special incentive award that was granted to the Reporting Person on October 9, 2008 for the purposes of retention in the amount of 2,000,000 Restricted Stock Units (Units), subject to shareholder approval at the 2009 annual meeting of shareholders. The Units represent the right to receive an equivalent number of shares of iStar common stock (net of shares deducted for applicable taxes and other withholdings) if and when the Units vest. The Units will vest in one installment on October 9, 2011, but only if (1) the Reporting Person is employed by iStar on that date and (2) total return on iStar's common stock during the three-year measurement period is at least 25% per year (compounded at the end of the measurement period and assuming reinvestment of dividends, if any).
- On May 27, 2009, iStar's shareholders also approved the iStar Financial Inc. 2009 Long Term Incentive Plan, under which iStar had granted an incentive award to the Reporting Person in the amount of 4,000,000 Restricted Stock Units (Units) on December 19, 2008. The Units represent the right to receive an equivalent number of shares of iStar common stock (net of shares deducted for applicable taxes and other withholdings) if and when the Units vest, subject to shareholder approval of the 2009 Long Term Incentive Plan at the 2009 annual meeting of shareholders. These Units will vest only if a specified price target for iStar common stock is achieved within three years of the award date and if the Reporting Person is employed on subsequent vesting date(s) after the price target has been achieved. The performance and vesting conditions of this award are described in more detail in iStar's definitive proxy statement dated April 23, 2009, as filed with the SEC on April 27, 2009.
- Following these awards, the Reporting Person owns a total of 6,330,311 Restricted Stock Units, representing the right to receive an equivalent number of shares of iStar common stock (net of shares deducted for applicable taxes and other withholdings) if and when the Units vest.
- In addition to these Restricted Stock Units, the Reporting Person is the beneficial owner of a total of 2,743,732 shares of iStar common stock, of which 2,291,243 shares are owned directly, 407,945 shares are owned indirectly through three family trusts and 45,544 shares are owned indirectly by the Reporting Person's spouse, and 2,000 shares of iStar Series D preferred stock.

s/ Jay Sugarman 05/29/2009  
 \*\* Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

\* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.