ISTAR FINANCIAL INC
Form DEFR14A
May 07, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
(Amendment No. 1)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Section 240.14a-12

iSTAR FINANCIAL INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

EXPLANATORY NOTE

The purpose of this Amendment No. 1 to Schedule 14A, originally filed with the Securities and Exchange Commission on April 29, 2008 (the "Proxy Statement"), is to correct two numbers in the second sentence of the last paragraph beginning on page 24 (44,346 and 88,692) describing restricted stock units awarded to Mr. Jay Nydick, which were inadvertently transposed in the original filing. Other than this correction, there are no other changes to the information contained in the Proxy Statement.

1114 Avenue of the Americas, 39th Floor
New York, New York 10036
April 29, 2008

Dear Shareholder:

We cordially invite you to attend our 2008 annual meeting of shareholders. We will hold the meeting at the Harvard Club of New York City, 35 West 44th Street, 3rd Floor, West Room, New York, New York on Wednesday, May 28, 2008 at 9:00 a.m. local time.

At the annual meeting, we will ask our shareholders to:

(1) elect seven directors to the Board of Directors;

(2) consider and vote upon a proposal to reauthorize the issuance of common stock equivalents to non-employee directors as part of their annual directors' compensation under the Non-Employee Directors' Deferral Plan first adopted by the Board in 2003 and approved by the shareholders in 2004;

(3) consider and vote upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2008; and

(4) transact such other business as may properly come before the annual meeting or any adjournment or postponement of the meeting.

The attached proxy statement contains details of the proposals to be voted on at the annual meeting and other important matters. We encourage you to read the proxy statement and attachments carefully.

YOUR BOARD OF DIRECTORS HAS CONCLUDED THAT (1) THE ELECTION OF THE SEVEN NOMINEES AS DIRECTORS, (2) THE REAUTHORIZATION OF THE ISSUANCE OF COMMON STOCK EQUIVALENTS TO NON-EMPLOYEE DIRECTORS AS PART OF THEIR ANNUAL DIRECTORS' COMPENSATION UNDER THE NON-EMPLOYEE DIRECTORS' DEFERRAL PLAN, AND (3) THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ARE IN iSTAR FINANCIAL INC.'S BEST INTERESTS AND THE BEST INTERESTS OF OUR SHAREHOLDERS. THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE ***FOR*** APPROVAL OF THESE PROPOSALS.

We cordially invite all shareholders to attend the annual meeting in person. Any shareholder attending the annual meeting may vote in person even if he or she previously returned a proxy.

Sincerely,

Jay Sugarman
Chairman of the Board and
Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of iStar Financial Inc., a Maryland corporation, will be held at the Harvard Club of New York City, 35 West 44th Street, 3rd Floor, West Room, New York, New York on Wednesday, May 28, 2008 at 9:00 a.m., local time, for the following purposes as further described in the accompanying proxy statement:

1. To elect to the Board of Directors seven members to hold office until the next annual meeting of shareholders to be held in 2009. The nominees to the Board are: Glenn R. August, Robert W. Holman, Jr., Robin Josephs, John G. McDonald, George R. Puskar, Jay Sugarman and Jeffrey A. Weber.

2. To consider and vote upon a proposal to reauthorize the issuance of common stock equivalents to non-employee directors as part of their annual directors' compensation under the Non-Employee Directors' Deferral Plan first adopted by the Board in 2003 and approved by the shareholders in 2004.

3. To consider and vote upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008.

4. To transact such other business as may properly come before the annual meeting or any postponement or adjournment of the meeting.

The Board has fixed April 2, 2008 as the record date for the determination of shareholders entitled to receive notice of and to vote at the annual meeting or any postponement or adjournment of the meeting. Only holders of record of our common stock, par value $.001 per share, and 8.00% Series D preferred stock at the close of business on that date will be entitled to vote at the annual meeting.

By Order of the Board of Directors,

Geoffrey M. Dugan
Secretary
New York, NY
April 29, 2008

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, PLEASE MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE POSTAGE PREPAID ENVELOPE ENCLOSED FOR THAT PURPOSE.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 28, 2008:

This proxy statement is available at *www.istarfinancial.com/2008proxy.pdf* and our annual report to shareholders is available at *www.istarfinancial.com*.

1114 Avenue of the Americas, 39th Floor
New York, New York 10036

PROXY STATEMENT

Annual Meeting of Shareholders
To Be Held May 28, 2008

We are sending this proxy statement to holders of our common stock, par value $.001 per share, and holders of our 8.00% Series D preferred stock on or about April 29, 2008 in connection with the solicitation by our Board of Directors of proxies to be voted at our 2008 annual meeting of shareholders or at any postponement or adjournment of the annual meeting. Our common stock includes both our regular common stock and our high performance common stock. Our common stock is listed on the New York Stock Exchange, Inc., or the NYSE, and is traded under the symbol "SFI."

This proxy statement is accompanied by a copy of our Annual Report to Shareholders for the year ended December 31, 2007. Additional copies of the Annual Report, including our financial statements at December 31, 2007, may be obtained at our website at *www.istarfinancial.com,* or by contacting our Investor Relations department at (212) 930-9400, 1114 Avenue of the Americas, 39th Floor, New York, NY 10036. Copies will be furnished at no additional expense. The information found on, or accessible through, our website is not incorporated into, and does not form a part of, this proxy statement or any other report or document we file with or furnish to the Securities and Exchange Commission, or the SEC.

About the Meeting

Who is entitled to vote at the meeting?

Only holders of record of our common stock and our Series D preferred stock at the close of business on April 2, 2008 are entitled to receive notice of and to vote at the annual meeting or at any postponement or adjournment of the meeting. On the record date, there were 136,928,065 issued and outstanding shares of common stock and 4,000,000 issued and outstanding shares of Series D preferred stock.

What constitutes a quorum?

The presence, either in person or by proxy, of the holders of the outstanding common stock and Series D preferred stock entitled to cast a majority of all the votes entitled to be cast at the meeting, considered as a single class, on the record date is necessary to constitute a quorum at the annual meeting.

What are the voting rights of shareholders and what vote is needed to approve each proposal?

Each shareholder is entitled to one vote for each share of regular common stock registered in the shareholder's name on the record date and 0.25 votes for each share of high performance common stock and Series D preferred stock registered in the shareholder's name on the record date.

The vote of a plurality of all of the votes cast at a meeting at which a quorum is present by the holders of our common stock and Series D preferred stock, all voting as one class, is required for the election of directors. For purposes of the election of directors, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum. A "broker non-vote" occurs when a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter and has not received voting instructions from the beneficial owner of such shares.

The affirmative vote of a majority of the votes cast on the proposal by the holders of our common stock and Series D preferred stock, all voting as one class, is required for the reauthorization of the issuance of common stock equivalents to non-employee directors as part of their annual directors' compensation under the Non-Employee Directors' Deferral Plan, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. For purposes of the vote on the reauthorization of the issuance of common stock equivalents to non-employee directors, abstentions will have the same effect as votes against the proposal and broker non-votes will have the same effect as votes against the proposal, unless holders of more than 50% in interest of all securities entitled to vote on the proposal cast votes, in which event broker non-votes will not have any effect on the result of the vote. Both abstentions and broker non-votes will be considered present for the purpose of determining the presence of a quorum.

The affirmative vote of a majority of all of the votes cast at a meeting at which a quorum is present by the holders of our common stock and Series D preferred stock, all voting as one class, is required for the ratification of the appointment of the independent registered public accounting firm and the approval of any other matters properly presented at the meeting for shareholder approval. For purposes of the vote on the ratification of the appointment of the independent registered public accounting firm and the approval of any other matters properly presented at the meeting, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the vote, although they will be considered present for the purpose of determining the presence of a quorum.

How is my vote counted?

If you properly execute a proxy in the accompanying form, and if we receive it prior to voting at the annual meeting, the shares that the proxy represents will be voted in the manner specified on the proxy. If no specification is made, the common stock or Series D preferred stock will be voted FOR the proposals and as recommended by the Board with regard to all other matters in its discretion.

Votes cast by proxy or in person at the annual meeting will be tabulated by the election inspectors appointed for the meeting, who will determine whether or not a quorum is present. If your shares are held by a broker, bank or other nominee (i.e., in "street name"), you will receive instructions from your nominee which you must follow in order to have your shares voted. Such stockholders who wish to vote in person at the meeting will need to obtain a proxy form from the broker, bank or other nominee that holds their shares of record.

Can I change my vote after I submit my proxy card?

If you cast a vote by proxy, you may revoke it at any time before it is voted by:

- giving written notice to our Secretary expressly revoking the proxy,
- by signing and forwarding to us a proxy dated later, or
- by attending the annual meeting and personally voting the common stock or Series D preferred stock owned of record by you.

Who pays the costs of soliciting proxies?

We will pay the costs of soliciting proxies from our shareholders. In addition to solicitation by mail, certain of our directors, officers and regular employees may solicit the return of proxies by telephone, facsimile, personal interview or otherwise without being paid additional compensation. We will also reimburse brokerage firms and other persons representing the beneficial owners of our shares for their reasonable expenses in forwarding proxy solicitation material to the beneficial owners in accordance with the proxy solicitation rules and regulations of the SEC and the NYSE. Georgeson Shareholder Communications has been engaged to solicit proxies on our behalf for a fee of $8,000 plus expenses.

PROPOSAL 1:

ELECTION OF DIRECTORS

In accordance with the provisions of our charter, each member of our Board is elected annually.

All of the nominees for election as a director are presently serving as directors. If a nominee becomes unavailable to serve as a director for any reason, the shares represented by any proxy will be voted for the person, if any, who may be designated by the Board to replace that nominee. At this time, the Board has no reason to believe that any nominee will be unavailable to serve as a director if elected.

All of the nominees for election as a director, other than Mr. Sugarman and Mr. August, are independent within the standards prescribed by the NYSE.

The following table sets forth the name, age and the position(s) with us currently held by each person nominated for election as a director:

Name	Age	Title
Jay Sugarman(1)	45	Chairman and Chief Executive Officer
Glenn R. August	46	Director
Robert W. Holman, Jr.(1)(2)	64	Director
Robin Josephs(2)(3)(4)	48	Director(5)
John G. McDonald(3)(4)	70	Director
George R. Puskar(1)(2)(4)	64	Director
Jeffrey A. Weber(3)(4)	43	Director

(1) Member of Investment Committee.

(2) Member of Audit Committee.

(3) Member of Compensation Committee.

(4) Member of Nominating and Governance Committee.

(5) Lead Director.

Jay Sugarman is our Chairman of the Board and Chief Executive Officer. Mr. Sugarman has served as a director of iStar Financial Inc. (and our predecessor) since 1996 and Chief Executive Officer since 1997. Mr. Sugarman is a member of our Investment Committee. Having led our company since its beginning, Mr. Sugarman has built iStar Financial into one of the largest providers of investment capital to the high-end real estate and corporate markets, with almost $16 billion in assets at December 31, 2007. Previously, Mr. Sugarman founded and was co-general partner of Starwood Mezzanine Investors, L.P., a private investment partnership specializing in structured real estate finance. Prior to forming Starwood Mezzanine Investors, L.P., Mr. Sugarman managed diversified investment funds on behalf of the Burden family, a branch of the Vanderbilts, and the Ziff family. While in that position, he was jointly responsible for the formation of Starwood Capital Group L.P., a private equity firm specializing in real estate investments, and the formation of HBK Investments, one of the nation's largest multi-strategy trading operations. Mr. Sugarman received his undergraduate degree summa cum laude from Princeton University, where he was nominated for valedictorian and received the Paul Volcker Award in Economics, and his M.B.A. degree with highest distinction from Harvard Business School, graduating as a Baker Scholar and recipient of the school's academic prizes for both finance and marketing.

Glenn R. August has served as one of our directors since May 2005. Mr. August is the president and senior partner of Oak Hill Advisors, L.P. and supervises all investment, trading and operational activities. Mr. August joined Oak Hill's predecessor in 1987 as a co-founder of Acadia Partners. Since then, he has been responsible for more than $25 billion of investments in leveraged loans, high yield bonds and distressed securities. In addition, he co-founded all of the Oak Hill leveraged securities investment partnerships. Mr. August is also a managing partner of the advisor to Oak Hill Special Opportunities Fund, an investment partnership focused on investments in distressed companies. Mr. August previously worked in the mergers and acquisitions department at Morgan Stanley in New York and London. He earned an M.B.A. degree from Harvard Business School, where he was a Baker Scholar, and a B.S. degree from Cornell University. He currently serves on the board of directors of TeleCity Group plc, Vertex Data Science Limited, the 92nd St. Y and The Mount Sinai Children's Center Foundation.

Robert W. Holman, Jr. has served as one of our directors since November 1999. He is chairman of our Audit Committee and a member of our Investment Committee. Mr. Holman was the co-founder of TriNet Corporate Realty Trust, Inc., or TriNet, a company that we acquired in 1999, and served as its chief executive officer, co-chairman and chairman of the board. He was chief executive officer and chairman of TriNet's predecessor, Holman/Shidler Corporate Capital, Inc., for ten years. Mr. Holman co-founded and was a senior executive and director of Watkins Pacific Corporation, a multi-national conglomerate. Additionally, Mr. Holman has served as a director of Amerivest Properties, Inc. and as a senior executive, director, owner or board advisor for numerous companies in the United States, Great Britain, Australia and Mexico in the finance, real estate, internet commerce, construction, building materials and travel industries. He holds a B.A. degree in international economics from the University of California at Berkeley, an M.A. degree with honors from Lancaster University in England, where he was a British Council Fellow, and did post-graduate work at Harvard University where he was awarded a Loeb Fellowship.

Robin Josephs has served as one of our (and our predecessor's) directors since March 1998. Ms. Josephs is chairperson of our Compensation Committee and a member of our Audit Committee and our Nominating and Governance Committee. Ms. Josephs serves as our Lead Director, with duties that include presiding at all executive sessions of the independent directors and serving as principal liaison between the Chairman and the independent directors. Ms. Josephs was a senior executive with Goldman Sachs & Co. from 1986 to 1996 in various capacities. Prior to working at Goldman Sachs & Co., Ms. Josephs served as an analyst for Booz Allen & Hamilton Inc. in New York from 1982 to 1984. From July 2005 to March 2007, Ms. Josephs was a managing director of Starwood Capital Group L.P., a private equity firm specializing in real estate investments. She currently is on the board of directors of Plum Creek Timber Company, Inc. (NYSE: PCL), a real estate investment trust that provides raw materials and conducts resource management activities for the paper and forest products industry, where she also serves on both the compensation and audit committees. Ms. Josephs is a trustee of the University of Chicago Cancer Research Foundation and she co-chairs the University of Pennsylvania Reunion Gift Committee. Ms. Josephs received a B.S. degree in economics from the Wharton School and an M.B.A. degree from Columbia University.

John G. McDonald has served as one of our directors since November 1999. Previously, Professor McDonald served as a director of TriNet since June 1993. Professor McDonald is chairman of our Nominating and Governance Committee and a member of our Compensation Committee. He is the Stanford Investors Professor of Finance in the Graduate School of Business at Stanford University, where he has taught since 1968. Professor McDonald has taught M.B.A. courses and executive programs in subject areas including investment management, private equity, venture capital and corporate finance. He currently serves as a director of Scholastic Corporation, Varian, Inc., Plum Creek Timber Company, Inc. and eight mutual funds managed by Capital Research and Management Company.

George R. Puskar has served as one of our directors since November 1999. Previously, Mr. Puskar served as a director of TriNet since January 1998. Mr. Puskar is chairman of our Investment Committee and a member of our Audit Committee and our Nominating and Governance Committee. Mr. Puskar also serves as our alternate Lead Director. From June 1997 until June 2000, Mr. Puskar served as chairman of the board of Lend Lease Real Estate Investments (formerly known as ERE Yarmouth), the U.S. real estate unit of Lend Lease Corporation, an international financial services and real estate company based in Sydney, Australia. From 1988 until June 1997, Mr. Puskar was chairman and chief executive officer of Equitable Real Estate Investment Management, Inc., where he was responsible for directing the business operations of a full service commercial real estate investment management company with approximately $30 billion in assets under management. Prior to its acquisition by Lend Lease Corporation in June 1997, Equitable Real Estate Investment Management, Inc. operated as a subsidiary of The Equitable Life Assurance Society of the United States. Mr. Puskar is a member of the Counselors of Real Estate. Mr. Puskar currently serves as the chairman of Solutions Manufacturing, Inc., a manufacturer of electronic components based in Rockledge, Florida. Mr. Puskar has previously served as a director and member of the audit committee of New Plan Excel Realty Trust, Inc., a member of the board of directors of Carr Real Estate Investment Trust, the vice chairman of World Team Sports, an organization that specializes in unique athletic events with teams built around disabled athletes, and on an advisory board at Georgia State University. Mr. Puskar has also served on the boards of the Urban Land Institute, the International Council of Shopping Centers, the National Council of Real Estate Fiduciaries and the National Realty Committee, and as chairman of a campaign to endow a real estate chair at Clark Atlanta University/Morehouse College. Mr. Puskar received a B.A. degree from Duquesne University.

Jeffrey A. Weber has served as one of our directors since June 2003. Mr. Weber is a member of our Compensation Committee and our Nominating and Governance Committee. Mr. Weber is the president of York Capital Management, LLC, an event-driven investment management firm organized in 1991 with offices in New York, London, Hong Kong and Singapore. He is currently on the board of directors of York Enhanced Strategies Fund, LLC. Prior to his current position, he was the president and chief executive officer of William A.M. Burden & Co., L.P., where his tenure spanned twelve years. Mr. Weber also worked at Chemical Venture Partners, the venture capital and leveraged buyout arm of Chemical Bank, and in the corporate finance department of Drexel Burnham Lambert Incorporated. Mr. Weber is a director of the Carter Burden Center for the Aging, Inc. and serves on the Advisory Board of the Department of Medicine of Mount Sinai Medical Center. Mr. Weber holds a B.A. degree from Williams College and an M.B.A. degree from Harvard Business School.

Recommendation Regarding the Election of Directors

The Board recommends that you vote FOR the seven named nominees to be elected as our directors.

PROPOSAL 2:

REAUTHORIZATION TO ISSUE COMMON STOCK EQUIVALENTS TO OUR NON-EMPLOYEE DIRECTORS AS PART OF THEIR DIRECTORS' COMPENSATION UNDER THE NON-EMPLOYEE DIRECTORS' DEFERRAL PLAN

The following is a summary of the material provisions of the iStar Financial Inc. Non-Employee Directors' Deferral Plan, or the Plan, originally adopted by the Board in 2003 and approved by the shareholders in 2004. This summary is qualified in its entirety by reference to the full text of the Plan attached hereto as Annex A, as amended from time to time.

In General

In 2004, our shareholders approved the adoption of the Plan. The original term of the Plan was three years. We are seeking the approval of our shareholders to continue the Plan.

The purpose of the Plan is to align more strongly the interests of our non-employee directors with those of our shareholders, and generally to increase the effectiveness of our non-employee director compensation structure. Under the Plan, we provide our non-employee directors with annual grants of 2,500 common stock equivalents and permit such directors to defer a portion of their directors' fees and be credited with additional common stock equivalents or account credits. A "common stock equivalent" is a right to receive one share of our common stock or, if provided by the Board, a cash amount equal to the fair market value (as determined under the Plan) of one share of our common stock. The common stock equivalents provide our directors with the opportunity to receive their annual equity grant in a manner that will provide them with tax deferral. Except as otherwise provided by the Board, each of our non-employee directors (each, a "participant") is eligible to participate in the Plan.

The common stock equivalents awarded under the Plan have not and will not increase the amount of awards available under our existing 2006 Long-Term Incentive Plan. The number of common stock equivalents granted under the Plan is combined with the number of equity awards granted under our 2006 Long-Term Incentive Plan, and the combined grants are subject to the overall limits of our 2006 Long-Term Incentive Plan. If our shareholders do not approve the reauthorization of common stock equivalents, we expect to resume our prior practice of issuing stock options or restricted stock awards to our Board members under our 2006 Long-Term Incentive Plan, as we did prior to 2003.

The Plan is administered by the Board. The Board has the authority to interpret and otherwise make decisions under the Plan, and any interpretation of any provision of the Plan or other decision under the Plan made by the Board will be final, binding and conclusive. The Board may delegate any or all of its powers under the Plan to a committee of the Board.

The Board retained the services of an independent compensation consultant to advise the Board on the terms of the Plan when the Plan was first adopted in 2003.

Certain Provisions Applicable to Annual Awards

Grants of Common Stock Equivalents

Effective as of each annual meeting of shareholders of the Company at which directors are elected, each participant will receive an award of 2,500 common stock equivalents. These grants have been made beginning with the 2003 annual meeting of shareholders.

Vesting and Forfeiture

Unless otherwise provided by the Board in the applicable agreement governing a participant's common stock equivalents, annual awards of common stock equivalents will vest on the date of the next following annual meeting after the date of grant.

Annual grants of common stock equivalents will be subject to the following vesting conditions:

(i) If a participant does not stand for re-election at an annual meeting at our request (other than a request made following a breach by the participant of our Code of Conduct or Corporate Governance Principles), the vesting of all common stock equivalents held by the participant will be accelerated to the date of the annual meeting at which the participant does not stand for reelection.

(ii) If a participant resigns of his or her own accord or otherwise ceases to serve as a non-employee director before the end of a vesting period, then the participant will retain common stock equivalents that have vested through the date of resignation and will forfeit all other common stock equivalents that have not then vested.

(iii) If we determine that a participant has breached our Code of Conduct or Corporate Governance Principles, the participant will forfeit all common stock equivalents that have not then vested.

(iv) The vesting of common stock equivalents will be accelerated if a participant ceases to serve as a non-employee director by reason of death or disability or upon a change of control (as defined in the Plan).

In consideration of service on the Board, non-employee directors may from time to time be eligible to receive as compensation an annual retainer fee, as well as fees for attending meetings of the Board or a committee of the Board (together referred to as "Cash Fees"). Up to 100% of such Cash Fees received by a non-employee director may be deferred under the Plan. Deferred amounts are credited to the director in an account established under the Plan at the time the Cash Fees would otherwise have been paid. With respect to these deferred amounts, earnings and losses will accrue on the balance in each director's account at the rate or rates specified from time to time by the Board. In addition, once during each twelve-month period, the non-employee director may elect to convert their account balance into common stock equivalents, and vice versa. To the extent a director elects to be credited with common stock equivalents, such account or portion thereof shall be settled as discussed below. Directors are always fully vested in any deferred Cash Fees.

Dividend Equivalent Rights

Except as may otherwise be provided by the Board, participants will receive a dividend equivalent right in respect of any common stock equivalents awarded under the Plan, which consists of the right to receive a cash payment in an amount equal to the dividend distributions paid on a share of our common stock from time to time. Dividend equivalents will be paid currently. Instead of payment of dividend equivalent rights in cash as contemplated above, except as otherwise provided by the Board, a participant may elect to have additional common stock equivalents credited in respect of a dividend equivalent payment, in accordance with the Plan.

Settlement

Distributions in Stock or Cash

Unless otherwise elected by the participant, vested common stock equivalents will be settled by the transfer of our common stock to the participant. A participant may alternatively elect to receive some or all of a distribution of his or her common stock equivalents in cash, based upon the fair market value of our common stock on the date of the distribution. Any distribution election made by a participant is subject to change by the Board, and the Board may require, in its discretion, that, notwithstanding a participant's election, a distribution be in the form of common stock, cash or a combination of both. Except as set forth below, unless otherwise elected by a participant, deferrals of Cash Fees from a participant's account will be settled by a cash payment to the participant. A participant may elect to receive a distribution of his or her account solely in common stock or in a combination of common stock and cash. Any distribution election made by a participant is subject to change by the Board, and the Board may require, in its discretion, that, notwithstanding a participant's election, that a distribution be in the form of common stock, cash or a combination of both.

Time of Distribution

Distributions will be made to participants upon the "regular distribution date." The regular distribution date with respect to a participant is the earlier of: (1) the January 1 coincident with or next following the earlier of: (i) the participant's ceasing to be a non-employee director and (ii) the participant's death; and (2) a change of control (as defined in the Plan). A participant, under certain limited circumstances and in compliance with procedures set forth in the Plan, is permitted to elect to receive distributions at times other than the regular distribution date.

Amendment and Termination

The Board may amend or terminate the Plan as it shall deem advisable, except that no amendment may adversely affect a participant with respect to amounts previously credited to him or her unless such amendments are required in order to comply with applicable laws. Certain technical amendments have been made to the Plan to comply with deferred compensation rules under Section 409A of the Internal Revenue Code of 1986, as amended. Such amendments generally will not change the information provided herein.

Certain Tax Effects of Plan Participation

The following is a brief description of the principal U.S. federal income tax consequences under current law of participation in the Plan by a U.S. person.

The common stock equivalents have been designed with the intention that there generally will be no income tax consequences as a result of the crediting of a common stock equivalent to an account until payment is made with respect to a common stock equivalent. In addition, the deferral of Cash Fees have also been designed with the intention that there be no tax consequences at the time such Cash Fees would otherwise be payable to the participant. Generally, when payment is made with respect to common stock equivalents or deferred Cash Fees, the participant will recognize ordinary income equal to the fair market value of our common stock, and cash (if applicable), received upon payment.

There generally will be no tax consequences as a result of the award of a dividend equivalent right until payment is made with respect to such dividend equivalent right. Generally, when payment is made, the holder will recognize ordinary income equal to the payment received in respect of the dividend equivalent right.

The table below illustrates the annual benefits that will be received by or allocated to each of the following non-employee director participants under the proposed Plan. The table is for illustrative purposes only. The dollar value of the common stock equivalents depends upon the fair market value of our common stock when the common stock equivalents are distributed to the participants.

Name	Annual Common Stock Equivalents(1)
Glenn R. August	2,500
Robert W. Holman, Jr.	2,500
Robin Josephs	2,500
John G. McDonald	2,500
George R. Puskar	2,500
Jeffrey A. Weber	2,500
Total	15,000

(1) The vesting and forfeiture terms of these common stock equivalents are described above in " Vesting and Forfeiture."

Recommendation Regarding the Issuance of Common Stock Equivalents to the Non-Employee Directors as Part of Their Annual Directors' Compensation

The Board recommends that you vote FOR the reauthorization to issue common stock equivalents to the non-employee directors under the Plan as part of their annual directors' compensation.

PROPOSAL 3:

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board has appointed PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008, subject to ratification by our shareholders. We expect a representative of PricewaterhouseCoopers LLP to attend the annual meeting to make a statement, if he or she desires, and to respond to appropriate questions.

Recommendation Regarding Ratification of Appointment of PricewaterhouseCoopers LLP

The Board recommends that you vote FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND ITS COMMITTEES

How Often Did the Board Meet During 2007?

During the fiscal year ended December 31, 2007, the Board held 21 meetings, including meetings held in person and by telephone conference call. All directors are expected to attend a majority of the Board meetings. All directors attended at least 75% of all of the Board meetings and applicable committee meetings. In addition, all of the directors who were elected at the 2007 annual meeting were present in person at that annual meeting.

What Committees Has the Board Established?

Our Board has standing Audit, Compensation, Nominating and Governance and Investment Committees. Our Board may appoint special committees from time to time, as deemed necessary or appropriate.

How Does the Company Determine Director Independence?

Our Board has determined that a majority of our directors are independent. In determining director independence, the Board considers all relevant facts and circumstances and the NYSE listing standards. Under the NYSE listing standards, no director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with the company, either directly or as a partner, stockholder or officer of an organization that has a relationship with the company. The Board has determined that the following directors qualify as independent: Messrs. Holman, Jr., McDonald, Puskar, Weber and Ms. Josephs. The Board considered the transaction involving TimberStar Southwest Investor LLC and various equity investors, including York Capital Management, LLC, as further described in "Certain Relationships and Related Transactions" on page 38, and has determined that the transaction described therein does not amount to a material relationship that prevents Mr. Weber from being independent because the value of the interest in the transaction was not material to York Capital Management, LLC. Mr. Weber is the president of York Capital Management, LLC.

The Audit Committee

The Audit Committee is responsible for, among other things, retaining or dismissing our independent registered public accounting firm, reviewing with the auditors the plan and scope of the audit and audit fees, monitoring the adequacy of reporting and internal controls and meeting periodically with management and our independent registered public accounting firm.

The members of the Audit Committee are Robert W. Holman, Jr. (Chairman), Robin Josephs and George R. Puskar. The Board has determined that each of the current members of the Audit Committee is independent, as defined by the Audit Committee's charter and the NYSE listing standards, and that each of the current members of the Audit Committee qualifies as an "audit committee financial expert" as defined by the SEC. In addition, the Board has determined that each of the current members of the Audit Committee is financially literate and has accounting or related financial management expertise, as such qualifications are defined under the rules of the NYSE. The Audit Committee operates under a written charter that was originally adopted in 2001 and was amended in 2003. A copy of the charter may be found on our website at *www.istarfinancial.com* and will be provided in print, without charge, to any shareholder who requests a copy. The Audit Committee met nine times during 2007, including meetings held in person and by telephone conference call.

The Compensation Committee

The Compensation Committee is responsible for overseeing the company's executive compensation programs. The principal responsibilities of the Compensation Committee are:

- To review management's recommendations and advise management and the Board on broad compensation programs and policies such as salary ranges, annual incentive bonuses and long-term incentive plans, including equity-based compensation programs.

- To establish performance objectives for the Chief Executive Officer, review performance objectives established for other senior executives of the company and evaluate the performance of such executives relative to these objectives, in connection with the Compensation Committee's overall review of executive compensation.

- To make recommendations to the Board regarding the base salary, cash incentive bonus, equity-based incentive awards and other compensation for the Chief Executive Officer of the company.

- To approve base salaries, cash incentive bonuses, equity-based incentive awards and other compensation for other officers and employees of the company with base salaries in excess of $200,000 per year (which includes all officers who are subject to Section 16(b) of the Securities Exchange Act of 1934, as amended).

- To administer the issuance of any award under the company's 2006 Long-Term Incentive Plan, the 2007 Incentive Compensation Plan and any future long term incentive plans and other equity compensation programs.

- To retain and oversee third party consultants to assist with the Compensation Committee's activities, from time to time.

- To oversee the company's performance evaluation practices and procedures.

- To perform such other duties and responsibilities pertaining to compensation matters as may be assigned to the Compensation Committee by the Board or the Chairman of the Board.

- To review the Compensation Discussion and Analysis for inclusion in this proxy statement.

The members of the Compensation Committee are Robin Josephs (Chairperson), John G. McDonald and Jeffrey A. Weber. Each of the current members of the Compensation Committee is independent as defined by the Compensation Committee's charter and the NYSE listing standards. The Compensation Committee operates under a written charter that was originally adopted by the Board in 2001 and was amended in 2003. A copy of the charter may be found on our website at *www.istarfinancial.com* and will be provided in print, without charge, to any shareholder who requests a copy. The Compensation Committee met 11 times during 2007, including meetings held in person and by telephone conference call.

The Nominating and Governance Committee

The Nominating and Governance Committee is responsible for, among other things, considering and recommending actions relating to corporate governance matters. In addition, the Nominating and Governance Committee considers and recommends to the Board individuals to serve as our directors and executive officers. In making such recommendations, the Nominating and Governance Committee considers such factors as it deems appropriate. These factors may include judgment, skill, diversity, experience with businesses and other organizations comparable to the company, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees. The Nominating and Governance Committee may solicit and consider suggestions of the directors or management regarding possible nominees, may consider nominees suggested by shareholders and generally shall guide the process of recruiting new directors. The Nominating and Governance Committee may employ professional search firms or consultants (for which the company pays a fee) to assist it in identifying potential members of the Board with the desired skills and disciplines. Nominations made by shareholders should be made in accordance with the procedures set forth in this proxy statement under "Corporate Governance Matters Shareholder Nominations for the Board." Candidates proposed by shareholders will be considered using the same criteria and in the same manner as all other candidates are considered.

The members of the Nominating and Governance Committee are John G. McDonald (Chairman), George R. Puskar, Jeffrey A. Weber and Robin Josephs. Each of the current members of the Nominating and Governance Committee is independent as defined by the applicable NYSE listing standards. The Nominating and Governance Committee operates under a written charter that was originally adopted by the Board in 2000 and was amended in 2002. A copy of the charter may be found on our website at *www.istarfinancial.com* and will be provided in print, without charge, to any shareholder who requests a copy. The Nominating and Governance Committee met five times during 2007, including meetings held in person and by telephone conference call.

The Investment Committee

The Board has delegated to the Investment Committee the authority to approve our investment transactions involving commitments greater than $75 million but less than or equal to $150 million. Investment transactions of more than $150 million, and strategic investments such as a corporate merger or acquisition of another business entity (other than a corporate net lease financing) or any other material transaction in an amount greater than $75 million involving our entry into a new line of business, must be approved by our Board of Directors. Investment transactions less than or equal to $75 million are subject to the approval of an internal senior management investment committee or Jay Sugarman, our Chairman and Chief Executive Officer, and Nina B. Matis, our Chief Investment Officer, in accordance with the limits of investment authority established by the Board.

The members of the Investment Committee are George R. Puskar (Chairman), Robert W. Holman, Jr. and Jay Sugarman. The Investment Committee met 13 times during 2007, including meetings held in person and by telephone conference call.

Are There Any Special Arrangements Under Which Members of Our Board Serve as Directors?

No arrangement or understanding exists between any director and any other person or persons pursuant to which any director was, or is, to be selected as a director or nominee.

EXECUTIVE OFFICERS AND OTHER OFFICERS

Who Are Our Key Officers?

Information for Jay Sugarman is contained above under the heading "PROPOSAL 1: ELECTION OF DIRECTORS." Information with regard to some of our other key officers is set forth below. All of our officers serve at the pleasure of the Board and are customarily appointed as officers at the annual organizational meeting of the Board held following each annual meeting of shareholders.

Jay S. Nydick has served as our President since November 2004. Mr. Nydick has primary responsibility for identifying, evaluating and executing strategic expansion opportunities for the company. In that capacity he has overseen our acquisition of a 47.5% interest in Oak Hill Advisors, L.P., the development of our AutoStar platform including the accumulation of over $1 billion in assets under management, the launch of TimberStar which most recently completed the $1.2 billion acquisition of timberlands sold by International Paper, and responsibility for our European expansion, including strategic joint ventures with Moor Park and London and Regional. Previously, Mr. Nydick spent 14 years at Goldman, Sachs & Co. in various capacities in that firm's corporate finance, leverage finance and real estate investment banking groups. Among his roles at Goldman, Sachs & Co., he served as a managing director based in Hong Kong heading the Corporate Finance Group and Mergers Practice for non-Japan Asia, and as a member of the Products and Financial Sponsors Group based in New York. Prior to his assignment in Asia, Mr. Nydick was in Goldman's Real Estate Investment Banking Group, co-headed the firm's Lodging and Gaming Business and spent time in the Debt Capital Markets and Derivatives Group. During his career, he has been involved in a broad range of transactions, including mergers, acquisitions, debt and equity financings, leveraged buyout transactions and the development of innovative products across many different markets in the world. Mr. Nydick holds a bachelors degree from Cornell University where he graduated as a Presidential Scholar and an M.B.A. degree from Columbia University. Mr. Nydick is 43 years old.

Timothy J. O'Connor has served as our (and our predecessor's) Chief Operating Officer since March 1998 and Executive Vice President since March 2000. Mr. O'Connor is responsible for developing and managing our risk management and due diligence operations, participating in the evaluation and approval of new investments and coordinating our information systems. Previously, Mr. O'Connor was a vice president of Morgan Stanley & Co. responsible for the performance of more than $2 billion of assets acquired by the Morgan Stanley Real Estate Funds. Prior to joining Morgan Stanley, Mr. O'Connor was a vice president of Greystone Realty Corporation, involved in the firm's acquisition and asset management operations. Previously, Mr. O'Connor was employed by Exxon Co. USA in its real estate and engineering group. Mr. O'Connor is a former vice president of the New York City/Fairfield County chapter of the National Association of Industrial and Office Parks. Mr. O'Connor received a B.S. degree from the United States Military Academy at West Point and an M.B.A. degree from the Wharton School. Mr. O'Connor is 52 years old.

Catherine D. Rice has served as our Chief Financial Officer since November 2002. Ms. Rice is responsible for managing all of our capital-raising initiatives, financial reporting and investor relations activities, as well as overseeing all other finance, treasury and accounting functions. Prior to joining iStar Financial Inc., Ms. Rice served as managing director in both the financial sponsors group and the real estate investment banking group of Banc of America Securities. Prior to Banc of America Securities, Ms. Rice was a managing director at Lehman Brothers, where she was responsible for the firm's West Coast real estate investment banking effort. She spent the first ten years of her career at Merrill Lynch in its real estate investment banking group. Ms. Rice has over 18 years of experience in the public and private capital markets and has been involved in over $15 billion of capital-raising and financial advisory transactions, including public and private debt and equity offerings, mortgage financings, merger and acquisition assignments, leveraged buyouts, asset dispositions, debt restructurings and rating advisory assignments. Ms. Rice received a B.A. degree from the University of Colorado and an M.B.A degree from Columbia University. Ms. Rice is 48 years old.

Nina B. Matis has served as our (and our predecessor's) General Counsel since 1996, Executive Vice President since November 1999 and Chief Investment Officer since April 2007. Ms. Matis is responsible for legal, tax, structuring and regulatory aspects of our operations and investment and financing transactions. Ms. Matis is a partner, and a member of the executive committee, of the law firm of Katten Muchin Rosenman LLP, one of our principal outside law firms. From 1984 through 1987, Ms. Matis was an adjunct professor at Northwestern University School of Law where she taught real estate transactions. Ms. Matis previously served as a director of New Plan Excel Realty Trust, Inc. She is a member of the American College of Real Estate Lawyers, Ely Chapter of Lambda Alpha International, the Chicago Finance Exchange, the Urban Land Institute, REFF, the Chicago Real Estate Executive Women, The Chicago Network and The Economic Club of Chicago. Ms. Matis received a B.A. degree, with honors, from Smith College and a J.D. degree from New York University School of Law. Ms. Matis is 60 years old.

Daniel S. Abrams has served as our Executive Vice President since November 2001 and is the Head of Originations for our Investments group. Previously, Mr. Abrams was a founding principal of Citadel Realty Group, LLC, a New York based boutique investment bank specializing in advisory work and debt and equity placements for all forms of commercial real estate properties and companies in North America and Europe. Prior to forming Citadel, Mr. Abrams was a managing director at Donaldson, Lufkin and Jenrette, or DLJ, where he was responsible for the hospitality and leisure practice, focusing on debt originations, equity offerings and advisory assignments to public and private companies in that area. Before DLJ, Mr. Abrams was a managing director and the head of the Hospitality Finance Group of Nomura Capital. While at Nomura Capital, Mr. Abrams led the financing of over $6.5 billion in the hospitality sector and over $600 million in the office, multifamily and retail sectors. Before joining Nomura Capital in 1993, Mr. Abrams had been a partner at Rosenman & Colin, a New York City law firm. He received an L.L.M. degree in Taxation from the New York University School of Law; a J.D. degree from the National Law Center of the George Washington University, where he was editor-in-chief of the Law Review; and a B.S. degree in Economics from the Wharton School. He has served as a member of the American Hotel & Lodging Association's Industry Real Estate Finance Advisory Council (IREFAC) and the ULI's Hotel Development Council. Mr. Abrams is 57 years old.

REPORT OF THE AUDIT COMMITTEE

We oversee the company's financial reporting process on behalf of the Board in accordance with our Audit Committee charter. The Board, in its judgment, has determined that all members of our Audit Committee meet the independence requirements of the SEC and NYSE. The Board of Directors has also determined that each member of our Audit Committee is financially literate and has accounting or related financial management expertise, as such qualifications are defined under the rules of the NYSE and that each member of the Audit Committee is an "audit committee financial expert" within the meaning of the rules of the SEC. We operate under a written charter approved by the Board, consistent with the corporate governance rules issued by the SEC and the NYSE. Our charter is available on the company's website at *www.istarfinancial.com* and will be provided in print, without charge, to any shareholder who requests a copy.

The company's management is responsible for the financial reporting process and preparation of the quarterly and annual consolidated financial statements, including maintaining a system of internal controls over financial reporting and disclosure controls and procedures. We are directly responsible for the appointment, compensation, retention, oversight and termination of the company's outside or external auditors, PricewaterhouseCoopers LLP, an independent registered public accounting firm. The independent registered public accounting firm is responsible for auditing the effectiveness of the company's internal controls over financial reporting, in addition to auditing the annual consolidated financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States. We review the performance of the company's internal audit function and the qualifications of its audit personnel. We do not prepare financial statements or conduct audits.

In connection with the December 31, 2007 audited consolidated financial statements, we have:

- reviewed and discussed with management and the independent registered public accounting firm the company's internal controls over financial reporting, including a review of management's and the independent registered public accounting firm's assessments of and reports on the effectiveness of internal controls over financial reporting and any significant deficiencies or material weaknesses;

- reviewed and discussed with management and the independent registered public accounting firm the company's audited financial statements, including discussions regarding critical accounting policies, other financial accounting and reporting principles and practices appropriate for the company, the quality of such principles and practices, and the reasonableness of significant judgments;

- discussed with the independent registered public accounting firm the items that are required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended by Statement on Auditing Standards No. 90, Audit Committee Communications; and

- reviewed and considered the written disclosures in the letter received from PricewaterhouseCoopers LLP, as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as currently in effect, including a discussion about their independence from the company and management.

Based on the reviews and discussions above, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Audit Committee charter in effect in 2007, we recommended to the Board that the audited consolidated financial statements for 2007 be included in the company's Annual Report on Form 10-K for the year ended December 31, 2007, for filing with the SEC. The Board approved our recommendation.

Submitted by the Audit Committee:

Robert W. Holman, Jr. (Chairman)
Robin Josephs
George R. Puskar

The above report will not be deemed to be incorporated by reference into any filing by us under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate the same by reference.

CORPORATE GOVERNANCE MATTERS

Corporate Governance Guidelines

Our Board has approved a set of guidelines that provide the framework for the governance of iStar Financial Inc. The Board reviews these guidelines and other aspects of our corporate governance periodically, as necessary. Our corporate governance guidelines may be found on our website at *www.istarfinancial.com* and will be provided in print, without charge, to any shareholder who requests a copy.

Committee Charters

Our Audit, Compensation and Nominating and Governance Committees have adopted charters that meet the standards established by the NYSE. Copies of these charters are available on our website at *www.istarfinancial.com* and will be provided in print, without charge, to any shareholder who requests copies.

Lead Director

Our Board, by vote of its independent members, has designated a lead independent director, or Lead Director, whose duties include the following:

- Preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors.
- Serve as principal liaison between the Chairman and the independent directors.
- Advise the Chairman on the quality, quantity and timeliness of the information presented to the Board.
- Advise the Chairman on the agendas for Board meetings.
- Advise the Chairman on the schedule of meetings of the Board to assure that there is sufficient time for discussion of agenda items.
- Call meetings of the independent directors, if deemed necessary or appropriate by the Lead Director.
- If requested by major shareholders, be available for consultation and direct communication with major shareholders and their representatives.
- Such other matters as the Board may determine from time to time.

The Lead Director does not receive any additional compensation for his or her services. Robin Josephs currently serves as our Lead Director. George R. Puskar has been designated to serve as our alternate Lead Director.

Service on Other Boards

In view of the commitment of time and effort that is required of a director of a public company, our Board has established a guideline that its directors should not serve on the boards of more than six public companies. For this purpose, we treat service on the boards of mutual funds having the same investment adviser as service on the board of one company.

Code of Conduct

The Code of Conduct documents the principles of conduct and ethics to be followed by our directors, officers and employees. The purpose of the Code of Conduct is to promote honest and ethical conduct, compliance with applicable governmental rules and regulations, full, fair, accurate, timely and understandable disclosure in periodic reports, prompt internal reporting of violations of the Code of Conduct and a culture of honesty and accountability. A copy of the Code of Conduct has been provided to each of our directors, officers and employees, who are required to acknowledge that they have received and will comply with the Code of Conduct. Among its many features, the Code of Conduct describes how employees can report any matter that may be of concern to a named Compliance Officer, any other member of our Compliance Committee, our Chief Executive Officer or the Chairman of the Audit Committee. This reporting may be done on an anonymous basis. We have also established an independent "hotline" telephone service that may be used by employees who wish to report any concerns or suspected violations of our standards of conduct, policies or laws and regulations, on an anonymous basis or otherwise. A copy of our Code of Conduct may be found on our website at *www.istarfinancial.com* and will be provided in print, without charge, to any shareholder who requests a copy.

Audit Committee Financial Experts

The Board has determined that each of the members of our Audit Committee meets the criteria of an audit committee financial expert, as adopted by the SEC. These directors have agreed to serve as the company's Audit Committee financial experts.

Disclosure Committee

We maintain a Disclosure Committee consisting of members of our executive management and senior staff. The purpose of the Disclosure Committee is to oversee our system of disclosure controls, assist and advise the Chief Executive Officer and Chief Financial Officer in making the required certifications in SEC reports and evaluate the company's internal control function. The Disclosure Committee was established to bring together on a regular basis representatives from our core business lines and employees involved in the preparation of our financial statements to discuss any issues or matters of which the members are aware that should be considered for disclosure in our public SEC filings. The Disclosure Committee reports to our Chief Executive Officer and, as appropriate, to our Audit Committee. The Disclosure Committee meets quarterly and otherwise as needed. The Disclosure Committee has adopted a written charter to memorialize the Disclosure Committee's purpose and procedures. A copy of the charter may be found on our website at *www.istarfinancial.com* and will be provided in print, without charge, to any shareholder who requests a copy.

Communications with the Board

We provide the opportunity for interested parties, including shareholders, to communicate with members of the Board. Interested parties may communicate with our Lead Director, the other independent Board members or the chairperson of any of the committees of the Board by e-mail or regular mail. All communications by e-mail should be sent to *CorporateSecretary@istarfinancial.com.* Communications sent by regular mail should be sent to the attention of the Lead Director, the independent directors, the Audit Committee Chairman, the Compensation Committee Chairman, the Nominating and Governance Committee Chairman, or the Investment Committee Chairman, as the case may be, in each instance in care of the Secretary of the company at our headquarters at 1114 Avenue of the Americas, 39th Floor, New York, NY 10036.

Our General Counsel and our Secretary will review each communication received in accordance with this process to determine whether the communication requires immediate action. These officers will forward all appropriate communications received, or a summary of such communications, to the appropriate Board member(s). However, we reserve the right to disregard any communication that our General Counsel and our Secretary determine is unduly hostile, threatening, illegal, does not reasonably relate to the company or its business, or is similarly inappropriate. These officers have the authority to disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications.

Shareholder Nominations for the Board

Shareholder nominations for election to the Board should be sent to the attention of the Secretary of the company at the address appearing on the notice accompanying this proxy statement, describing the candidate's qualifications and accompanied by the candidate's written statement of willingness and affirmative desire to serve in a manner representing the interest of all shareholders. Shareholders may also make nominations directly by following the procedure specified in the company's Bylaws.

Candidates proposed by shareholders will be considered using the same criteria and in the same manner utilized by the Nominating and Governance Committee of the Board in considering all candidates for election to the Board. See "INFORMATION REGARDING THE BOARD OF DIRECTORS AND ITS COMMITTEES The Nominating and Governance Committee."

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis relates to compensation and benefits paid to or earned by our named executive officers during fiscal year 2007. Our named executive officers are Jay Sugarman, Jay S. Nydick, Catherine D. Rice, Daniel S. Abrams and Timothy J. O'Connor. The following discussion should be read in conjunction with the other information presented in this proxy statement, including the information in the compensation tables and the footnotes to those tables.

Oversight of Compensation Programs

The members of the Compensation Committee of our Board of Directors have primary responsibility for overseeing our compensation programs for our named executive officers. The Compensation Committee is composed exclusively of independent directors, as defined under the NYSE listing standards. The Compensation Committee operates under a written charter that may be found on the company's website at *www.istarfinancial.com*. The Compensation Committee meets periodically during the year to perform its functions and reports to the Board periodically regarding compensation and related matters. The Compensation Committee consults with compensation consultants, outside counsel, and other advisors as appropriate, in the Compensation Committee's discretion, to assist in discharging the Compensation Committee's duties.

2007 Compensation Overview

As described in more detail in our Annual Report on Form 10-K for the 2007 fiscal year, we experienced significant growth in 2007, primarily as a result of the discounted acquisition of the commercial real estate portfolio of Fremont Investment & Loan. Our total assets increased by 43%, our revenues increased by 49% and we grew to over 300 employees in 12 U.S. offices and a European subsidiary.

At the same time, our 2007 results and our shareholder returns were adversely impacted by the credit crisis which has affected global financial markets beginning in the second half of 2007 and continuing today. The credit crisis negatively affected our 2007 earnings and returns on equity, as well as the value of several of our investments. A more detailed analysis of our financial and operational performance is contained in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2007 Annual Report on Form 10-K filed with the SEC.

Our Compensation Committee considered these and other factors when making compensation decisions for 2007. In particular,

- We did not increase the base salaries for any of our named executive officers;
- We reduced the annual cash incentive awards for three of our named executive officers and maintained the same annual cash incentive awards for the two other named executive officers as they were paid in 2006;
- We allocated a higher proportion of overall compensation for our named executive officers to long-term equity awards and away from annual cash bonuses;
- We determined that a portion of the annual equity incentive awards made to our named executive officers would be subject to a total shareholder return threshold measured over three years, and that no dividends would be paid on those awards unless and until they vested; and
- We implemented our policy of having executive officers serve at the will of the board of directors by not renewing the employment agreements of our Chief Executive Officer and our President.

Objectives of Our Compensation Program

As a leading publicly traded finance company focused on the commercial real estate industry, we operate in a highly competitive market. Our ability to compete successfully in implementing our investment and other strategic initiatives depends on the talent, skills and commitment of our employees and in particular our senior executives. We have found that, in recruiting and retaining executive and non-executive employees, we compete primarily with investment banking firms, hedge funds, private equity funds and other public and private asset management companies, especially those located in New York City. Accordingly, we believe we must compensate our executive officers at a level that is commensurate with their performance when measured against executive officers in these types of firms and other comparable companies.

The company's compensation practices and programs are designed to achieve the following objectives:

To attract, retain, motivate and reward key employees that further the company's current and long-term strategic, business and financial goals in the creation of shareholder value.

To provide an appropriate mix of current compensation and long-term rewards that is properly balanced between salary and performance-based pay and includes cash, equity compensation and other benefits.

To align shareholder interests and employee rewards.

To establish appropriate incentives for management and employees that are consistent with our culture and values.

Elements of Our Compensation Program

The principal elements of our compensation program for our named executive officers are (1) base salaries; (2) annual incentives, including cash bonuses; (3) long-term incentives, including equity awards under our 2006 Long-Term Incentive Plan, which may consist of restricted shares, restricted stock units, stock options, performance shares and other equity-based awards; and (4) other group benefit programs offered to employees generally, including retirement benefits under a 401(k) plan. By combining these elements, we seek to achieve the objectives described in the preceding section.

The Compensation Committee exercises independent discretion in determining and approving the base salary, annual incentives and long-term incentives for each of the named executive officers, subject in the case of our Chief Executive Officer and our President to their employment agreements which set their base salaries for 2007. The Compensation Committee generally does not adhere to rigid formulae in determining the amount and mix of compensation elements. Our mix of compensation elements seeks to reward recent results and motivate long-term performance through a combination of cash and equity incentive awards. Our policy is to set base salaries at fair but relatively moderate levels, and to reward and motivate performance with annual and long-term incentive bonuses.

The Compensation Committee did not apply a pre-set formula for determining the allocation between annual and long-term incentive bonuses for our Chief Executive Officer, our President, our Chief Financial Officer and the other named executive officers for services in 2007. For these named executive officers, approximately 7% to 15% of their total compensation for 2007 was in the form of base salary, approximately 44% to 50% was in the form of annual cash incentive bonus and approximately 30% to 43% was in the form of long-term equity incentive bonus. This allocation reflects a greater emphasis on long-term equity incentive awards for 2007 as compared with 2006 when approximately 62% to 76% of compensation was in the form of annual cash bonuses and 7% to 18% was in the form of equity awards.

We intend for our compensation program to act as a retention tool and to provide continued and additional incentives to maximize our stock price and thereby more closely align the economic interests of our named executive officers with those of our shareholders. In accordance with this approach, the Compensation Committee determined that a portion of the equity awards made to our named executive officers would vest in annual installments over three years and the balance of the awards would "cliff" vest on December 31, 2010 only if the total shareholder return on our common stock is at least 20% (compounded annually, including dividends) from the date of award through the end of vesting period.

Our compensation program does not include any significant personal benefits or perquisites for our named executive officers beyond benefits offered to our employees generally. We do not maintain any retirement or pension plans for our named executive officers or other employees, other than our 401(k) plan that is available to our employees generally.

Through the elements of our compensation practices and programs, we seek to maintain a competitive compensation package for each named executive officer, while being sensitive to the company's fiscal year budget, annual accounting costs and the impact of share dilution.

Summarized below are the components of our compensation program for the named executive officers.

(1) Base Salaries.

In establishing base salary levels for our named executive officers, we consider the executive's position and responsibility, experience, length of service with the company, and overall performance, as well as the compensation practices of other companies in the markets where we compete for executive talent. Base salaries are reviewed annually, but are not automatically increased if we feel that incentive awards are more appropriate means of rewarding and incentivizing performance.

(2) Annual Incentives.

Our primary annual incentives are in the form of cash bonuses, which are awarded to named executive officers and other employees and are designed to reward annual performance in the following areas: (a) overall company performance; (b) business segment or departmental performance; (c) individual performance; and (d) other factors we determine to be appropriate. Annual cash bonuses were paid to each of our named executive officers for services in 2007.

(3) Long-Term Incentives.

2006 Long-Term Incentive Plan

We make annual awards to our named executive officers and other employees of long-term equity-based incentives under our 2006 Long-Term Incentive Plan. We expect equity-based incentives to continue to comprise an important part of the compensation packages needed to provide long-term incentives and rewards to our named executive officers. Awards under the 2006 Long-Term Incentive Plan may consist of restricted shares, restricted stock units, stock options, performance shares and other equity-based awards. Equity-based awards are intended to align the interests of our executive officers and other employees by creating an incentive to maximize shareholder value and also encourage employees to remain employed by the company by providing that the awards vest over several years based on continued employment.

In recent years, these equity-based incentive awards have generally been in the form of restricted stock units that vest in equal annual installments over three years. In January 2008, we determined that a portion of the restricted stock units granted to our named executive officers would "cli