

ISTAR FINANCIAL INC
Form 424B3
March 06, 2007

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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-124795**

Subject to completion, dated March 6, 2007

Prospectus Supplement

(to Prospectus dated November 2, 2006)

\$

\$ % Senior Notes Due 2012

\$ % Senior Notes Due 2017

\$ **Senior Floating Rate Notes Due 2010**

This is an offering of \$ aggregate principal amount of our % Senior Notes due 2012, or the "2012 Notes," \$ aggregate principal amount of our % Senior Notes due 2017, or the "2017 Notes" and \$ aggregate principal amount of our Senior Floating Rate Notes due 2010, or the "Floating Rate Notes;" collectively with the 2012 Notes and the 2017 Notes, the "Notes." The Floating Rate Notes will bear interest at a rate per year equal to the three-month LIBOR (as defined herein) plus %. The 2012 Notes will mature on June 15, 2012. The 2017 Notes will mature on March 15, 2017. The Floating Rate Notes will mature on March 9, 2010. We will pay interest on the 2012 Notes on each June 15 and December 15, commencing on June 15, 2007. We will pay interest on the 2017 Notes on each March 15 and September 15, commencing on September 15, 2007. Interest on the Floating Rate Notes will be paid on each March 9, June 9, September 9, and December 9 commencing on June 9, 2007.

We may redeem the 2012 Notes and the 2017 Notes in whole or in part prior to their maturity at any time at the redemption prices described in "Description of the Notes Redemption Optional Redemption of Notes." We may not redeem the Floating Rate Notes prior to their maturity.

The Notes are our unsecured senior obligations and rank equally with all of our other unsecured, unsubordinated indebtedness from time to time outstanding.

The Notes are not expected to be listed on any securities exchange or included in any quotation system.

This prospectus supplement and the related prospectus include additional information about the terms of the Notes, including covenants.

See "Risk Factors," beginning on page S-4 of this prospectus supplement and on page 16 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, for a discussion of certain risks you should consider before investing in the Notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

| | Public offering price | Underwriting discount | Proceeds, before expenses, to us |
|------------------------|--------------------------|--------------------------|-------------------------------------|
| Per 2012 Note | % | % | % |
| Per 2017 Note | % | % | % |
| Per Floating Rate Note | % | % | % |
| Total | \$ | \$ | \$ |

The public offering price set forth above does not include accrued interest, if any. Interest on the Notes will accrue from March , 2007 and must be paid if the Notes are delivered after March , 2007.

The underwriters expect to deliver the Notes through the facilities of the Depository Trust Company against payment in New York, New York on or about March , 2007.

Joint Book-Running Managers

Banc of America Securities LLC

Goldman, Sachs & Co.

UBS Investment Bank

Co-Managers

Fortis Securities LLC

HSBC

RBC Capital Markets

RBS Greenwich Capital

Scotia Capital

The date of this prospectus supplement is March , 2007

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless otherwise stated or the context requires otherwise, references to "iStar," "the Company," "we," "us" and "our" are to iStar Financial Inc. and its consolidated subsidiaries.

FORWARD-LOOKING STATEMENTS

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

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

Summary

| | |
|------------------------|---|
| Issuer | iStar Financial Inc. |
| Securities Offered | \$ principal amount of 2012 Notes, \$ principal amount of 2017 Notes and \$ principal amount of Floating Rate Notes. |
| Maturity | Unless redeemed earlier, the 2012 Notes will mature on June 15, 2012 and the 2017 Notes will mature on March 15, 2017. The Floating Rate Notes will mature on March 9, 2010. |
| Interest Rate | <p>The 2012 Notes will bear interest at % per year and the 2017 Notes will bear interest at % per year (in each case calculated using a 360-day year comprised of twelve 30-day months).</p> <p>The Floating Rate Notes will bear interest at a rate per year equal to three-month LIBOR, plus % (calculated on the basis of a 360-day year using the actual number of days elapsed from and including an interest payment date to but excluding the next succeeding interest payment date). Interest on the Floating Rate Notes will be reset quarterly.</p> |
| Interest Payment Dates | Interest on the 2012 Notes will be paid on each June 15 and December 15, commencing June 15, 2007. Interest on the 2017 Notes will be paid on each March 15 and September 15, commencing September 15, 2007. Interest on the Floating Rate Notes will be paid on each March 9, June 9, September 9 and December 9, commencing on June 9, 2007. Interest on the Notes will accrue from the date of issuance. |
| Ranking | The Notes are our unsecured senior obligations and rank equally with our existing and future unsecured senior indebtedness and, to the extent we incur subordinated indebtedness in the future, senior to such indebtedness. The Notes will be effectively subordinated to all of our secured indebtedness and all indebtedness of our subsidiaries. As of December 31, 2006, the aggregate amount of our outstanding consolidated indebtedness was approximately \$7.8 billion, of which approximately \$660.1 million was debt of our subsidiaries. After giving pro forma effect to this offering, our outstanding indebtedness would have been approximately \$8.1 billion and our subsidiaries would have had approximately \$660.1 million of indebtedness outstanding at December 31, 2006. Our pro forma information reflects our outstanding U.S. dollar borrowings of \$513 million under our unsecured revolving credit facility as of December 31, 2006, and assumes that we retained any excess net proceeds of this offering as cash. We also had \$410 million of non-U.S. dollar borrowings outstanding at December 31, 2006 under our unsecured revolving credit facility; however, we will not use proceeds from this offering to repay non-U.S. dollar borrowings. |

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| | |
|------------------------------|---|
| Optional Redemption | We may redeem the 2012 Notes and the 2017 Notes in whole or in part prior to their maturity at any time at the redemption prices described in "Description of the Notes Redemption Optional Redemption of Notes." We may not redeem the Floating Rate Notes prior to their maturity. |
| Change of Control Offer | If a Change in Control Triggering Event, as defined in "Description of the Notes," occurs, we must give holders of the Notes the opportunity to sell us their Notes at 101% of their face amount, plus accrued interest. |
| Certain Indenture Provisions | <p>The indenture governing the Notes contains covenants limiting our and our subsidiaries' ability to:</p> <ul style="list-style-type: none">incur indebtedness;maintain unencumbered assets; ormerge or consolidate with another person. <p>These covenants are subject to a number of important limitations and exceptions. Based on our current credit ratings by Fitch Ratings, Moody's Investors Services, Inc. and Standard & Poor's Ratings Group, the covenants described under "Description of Notes Certain Covenants Limitation on Incurrence of Additional Indebtedness" and "Description of Notes Certain Covenants Maintenance of Total Unencumbered Assets" do not currently apply to the Notes. See "Description of the Notes Certain Covenants."</p> |
| Risk Factors | Investing in the Notes involves substantial risks. See "Risk Factors" in this prospectus supplement, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 for a description of certain risks you should consider before investing in the Notes. |
| Use of Proceeds | We intend to use a portion of the net proceeds to repay outstanding U.S. dollar indebtedness under our unsecured revolving credit facility, including amounts borrowed since December 31, 2006, and a portion for working capital. See "Use of Proceeds." |

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ISTAR FINANCIAL INC.

We are a leading publicly-traded finance company focused on the commercial real estate industry. We primarily provide custom-tailored financing to high-end private and corporate owners of real estate, including senior and mezzanine real estate debt, senior and mezzanine corporate capital, corporate net lease financing and equity. Our objective is to deliver strong dividends and superior risk-adjusted returns on equity to shareholders by providing innovative and value added financing solutions to our customers. We are taxed as a real estate investment trust ("REIT") for U.S. federal income tax purposes.

Our principal executive offices are located at 1114 Avenue of the Americas, New York, New York 10036, and our telephone number is (212) 930-9400. Our website is www.istarfinancial.com. The information on our website is not considered part of this prospectus supplement or the accompanying prospectus. Our six primary regional offices are located in Atlanta, Boston, Chicago, Dallas, Hartford and San Francisco. iStar Asset Services, our loan servicing subsidiary, is located in Hartford, and iStar Real Estate Services, our corporate facilities management division, is headquartered in Atlanta. We also have a subsidiary, iStar Europe Ltd. with an office located in London.

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RISK FACTORS

This section describes some, but not all, of the risks of purchasing the Notes in the offering. Our Annual report on Form 10-K for the fiscal year ended December 31, 2006, which is incorporated by reference into this supplement and the accompanying prospectus, also contains a Risk Factors section beginning on page 16 of that report. You should carefully consider these risks, in addition to the other information contained or incorporated by reference in this document, before purchasing the Notes. You should carefully review the factors discussed below and the cautionary statements referred to in "Forward-Looking Statements."

We Have Other Indebtedness

As of December 31, 2006, on a pro forma basis after giving effect to this offering, our outstanding debt would have been approximately \$7.8 billion. Our pro forma information reflects our outstanding U.S. dollar borrowings of \$513 million under our unsecured revolving credit facility as of December 31, 2006, and assumes that we retained any excess net proceeds of this offering as cash. We also had \$410 million of non-U.S. dollar borrowings outstanding at December 31, 2006 under our unsecured revolving credit facility; however, we will not use proceeds from this offering to repay non-U.S. dollar borrowings. Our ability to make scheduled payments of principal or interest on, or to refinance, our indebtedness depends on our future performance, which, to a certain extent, is subject to general economic, financial, competitive and other factors beyond our control.

The Notes Will Be Structurally Subordinated to Subsidiary Debt

The Notes are not guaranteed by any of our subsidiaries. After giving pro forma effect to this offering, our subsidiaries would have had approximately \$660.1 million of indebtedness outstanding at December 31, 2006. Our pro forma information reflects our outstanding U.S. dollar borrowings of \$513 million under our unsecured revolving credit facility as of December 31, 2006, and assumes that we retained any excess net proceeds of this offering as cash. We also had \$410 million of non-U.S. dollar borrowings outstanding at December 31, 2006 under our unsecured revolving credit facility; however, we will not use proceeds from this offering to repay non-U.S. dollar borrowings. Creditors of a subsidiary are entitled to be paid what is due to them before assets of the subsidiary become available for creditors of its parent.

Ability to Repurchase Notes Upon Change of Control May Be Limited

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

As a REIT, We Must Distribute Most of Our Income to Our Stockholders

We must distribute annually at least 90% of our taxable net income to our stockholders to maintain our REIT qualification. Our taxable net income has historically been lower than the cash flow generated by our business activities, primarily because our taxable net income is reduced by non-cash expenses, such as depreciation and amortization. As a result, our dividend payout ratio as a percentage of free cash flow has generally been lower than our payout ratio as a percentage of taxable net income. Our primary unsecured revolving credit facility permits us to distribute up to the greater of 110% of our adjusted earnings or such dividends as may be necessary to maintain our REIT qualification.

There is No Public Market for the Notes

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

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RATIO OF EARNINGS TO FIXED CHARGES

| | Years Ended December 31, | | | | |
|---|--------------------------|---------|---------|------|------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| Ratio of earnings to fixed charges and preferred stock dividends(1) | 1.6x | 1.7x(2) | 1.5x(3) | 2.0x | 1.7x |
| Ratio of earnings to fixed charges(1) | 1.8x | 1.9x(2) | 1.8x(3) | 2.3x | 2.0x |

- (1) For the purposes of calculating the ratio of earnings to fixed charges, "earnings" consist of income from continuing operations before adjustment for minority interest in consolidated subsidiaries, or income or loss from equity investees, income taxes and cumulative effect of change in accounting principle plus "fixed charges" and certain other adjustments. "Fixed charges" consist of interest incurred on all indebtedness (including amortization of original issue discount) and the implied interest component of our rent obligations in the periods presented.
- (2) Includes the effect of STARs asset-backed notes redemption charge of \$44.3 million. Excluding this charge, the ratio of earnings to fixed charges and preferred stock dividends and the ratio of earnings to fixed charges would have been 1.8x and 2.0x respectively.
- (3) Includes the effect of chief executive officer, chief financial officer and ACRE Partners compensation charges of \$106.9 million, 8.75% Senior Notes due 2008 redemption charge of \$11.5 million and, for the ratio of earnings to fixed charges and preferred dividends, preferred stock redemption charge of \$9.0 million. Excluding these charges, the ratio of earnings to fixed charges and preferred stock dividends and the ratio of earnings to fixed charges would have been 2.0x and 2.3x, respectively.

USE OF PROCEEDS

The net proceeds from the sale of the Notes, after deducting underwriting discounts and commissions and fees and expenses related to the offering, are expected to be approximately \$ million, assuming we issue \$750 million of Notes. We intend to use a portion of the net proceeds to repay outstanding U.S. dollar indebtedness under our unsecured revolving credit facility, including amounts borrowed since December 31, 2006, and a portion for working capital. All of the indebtedness that will be repaid was incurred during the past year for investment and working capital purposes. At December 31, 2006, the weighted average interest rate of the borrowings we intend to repay was 5.85%, and the maturity was 4.5 years. We use our unsecured revolving credit facility to fund our business on an ongoing basis and we intend to continue to do so in the future. Amounts being repaid under our unsecured revolving credit facility will be available for future borrowings. Affiliates of some of the underwriters of this offering are lenders under our unsecured line of credit and will, therefore, receive a portion of the net proceeds from the sale of the Notes. For more information, please see the "Underwriting" section of this prospectus supplement.

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DESCRIPTION OF OTHER INDEBTEDNESS

The table below reflects our debt obligations under various arrangements as of December 31, 2006. Substantially all of the unsecured indebtedness shown below is recourse to iStar Financial Inc., our parent company. iStar Financial Inc. is a guarantor of a \$227.8 million secured subsidiary financing due August 2007 and a guarantor of up to \$30 million under the \$500 million secured facility due January 2009. In addition, iStar Financial Inc. provides guarantees under non-recourse subsidiary borrowings for customary carve-out matters such as fraud, misappropriation and voluntary bankruptcy proceedings.

We are subject to a number of covenants in our borrowing arrangements. These covenants are both financial and non-financial in nature. Significant financial covenants include limitations on our ability to incur indebtedness beyond specified levels and a requirement to maintain specified ratios of unencumbered assets to unsecured indebtedness, although such covenants in our public debt securities are not currently operative. Significant non-financial covenants include a requirement in one of our publicly-held debt securities that we offer to repurchase those securities at a premium if we undergo a change of control.

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As of December 31, 2006 and 2005, we had debt obligations under various arrangements with financial institutions and noteholders as follows (in thousands):

| | Maximum Amount Available | Carrying Value as of | | Stated Interest Rates(1) | Scheduled Maturity Date(1) |
|---|--------------------------------|----------------------|----------------------|--------------------------|-------------------------------|
| | | December 31, 2006 | December 31, 2005 | | |
| Secured revolving credit facility: | | | | | |
| Line of credit | \$ 500,000 | \$ | \$ | LIBOR + 1.00% 2.00%(2) | January 2009(3) |
| Unsecured revolving credit facilities: | | | | | |
| Line of credit(4) | 2,200,000 | 923,068 | 1,242,000 | LIBOR + 0.525%(5) | June 2011 |
| Total revolving credit facilities | \$ 2,700,000 | 923,068 | 1,242,000 | | |
| Secured term loans: | | | | | |
| Secured by CTL asset | | 127,648 | 132,246 | 7.44% | April 2009 |
| Secured by CTL assets | | 141,978 | 145,586 | 6.80% 8.80% | Various through 2026 |
| Secured by investments in corporate bonds and commercial mortgage backed securities | | 227,768 | 67,224 | LIBOR + 0.22% 0.65% | August 2007 |
| Secured by CTL asset | | 58,634 | 59,430 | 6.41% | January 2013 |
| Total secured term loans | | 556,028 | 404,486 | | |
| Debt premium | | 6,088 | 6,658 | | |
| Total secured term loans | | 562,116 | 411,144 | | |
| Unsecured notes: | | | | | |
| LIBOR + 0.34% Senior Notes | | 500,000 | | LIBOR + 0.34% | September 2009 |
| LIBOR + 0.39% Senior Notes | | 400,000 | 400,000 | LIBOR + 0.39% | March 2008 |
| LIBOR + 0.55% Senior Notes | | 225,000 | 225,000 | LIBOR + 0.55% | March 2009 |
| LIBOR + 1.25% Senior Notes | | 200,000 | 200,000 | LIBOR + 1.25% | March 2007 |
| 4.875% Senior Notes | | 350,000 | 350,000 | 4.875% | January 2009 |
| 5.125% Senior Notes | | 250,000 | 250,000 | 5.125% | April 2011 |
| 5.15% Senior Notes | | 700,000 | 700,000 | 5.15% | March 2012 |
| 5.375% Senior Notes | | 250,000 | 250,000 | 5.375% | April 2010 |
| 5.65% Senior Notes | | 500,000 | | 5.65% | September 2011 |
| 5.70% Senior Notes | | 367,022 | 367,022 | 5.70% | March 2014 |
| 5.80% Senior Notes | | 250,000 | 250,000 | 5.80% | March 2011 |
| 5.875% Senior Notes | | 500,000 | | 5.875% | March 2016 |
| 5.95% Senior Notes(6) | | 889,669 | | 5.95% | October 2013 |
| 6.00% Senior Notes | | 350,000 | 350,000 | 6.00% | December 2010 |
| 6.05% Senior Notes | | 250,000 | 250,000 | 6.05% | April 2015 |
| 6.50% Senior Notes | | 150,000 | 150,000 | 6.50% | December 2013 |
| 7.00% Senior Notes | | 185,000 | 185,000 | 7.00% | March 2008 |
| 7.95% Notes | | | 50,000 | 7.95% | May 2006 |
| 8.75% Notes(6) | | 50,331 | 240,000 | 8.75% | August 2008 |
| Total unsecured notes | | 6,367,022 | 4,217,022 | | |
| Debt discount | | (93,636) | (78,151) | | |
| Fair value adjustment to hedged items | | (23,137) | (30,394) | | |
| Total unsecured notes | | 6,250,249 | 4,108,477 | | |
| Other debt obligations | | 100,000 | 100,000 | LIBOR + 1.50% | October 2035 |
| Debt discount | | (1,996) | (2,029) | | |
| Total other debt obligations | | 98,004 | 97,971 | | |
| Total debt obligations | \$ | 7,833,437 | \$ 5,859,592 | | |

- (1) All interest rates and maturity dates are for debt outstanding as of December 31, 2006. Some variable-rate debt obligations are based on 30-day LIBOR and reprice monthly. Foreign variable-rate debt obligations are based on 30-day UK LIBOR for British pound borrowing, 30-day EURIBOR for euro borrowing and 30-day Canadian LIBOR for Canadian dollar borrowing. The 30-day LIBOR rate on December 31, 2006 was 5.32%. The 30-day UK LIBOR, EURIBOR and Canadian LIBOR rates on December 31, 2006 were 5.26%, 3.63% and 4.27%, respectively. Other variable-rate debt obligations are based on 90-day LIBOR and reprice every three months. The 90-day LIBOR rate on December 31, 2006 was 5.36%.
- (2) This facility has an unused commitment fee of 0.25% on any undrawn amounts.

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- (3) Maturity date reflects one-year "term-out" extension at our option.
- (4) As of December 31, 2006, the line of credit included foreign borrowings of £115.0 million, €127.0 million and CAD20.0 million which represents \$225.3 million, \$167.6 million and \$17.2 million, respectively, of our outstanding unsecured borrowings based on year-end spot rates.
- (5) This facility has an annual commitment fee of 0.125%.
- (6) On October 18, 2006, we completed an exchange of our 8.75% Senior Notes due 2008 for 5.95% Senior Notes due 2013 in accordance with the exchange offer and consent solicitation launched on September 19, 2006. For each \$1,000 principal amount of 8.75% Senior Notes tendered, holders received approximately \$1,000 principal amount of 5.95% Senior Notes and \$56.75 of cash. A total of \$189.7 million aggregate principal amount of 5.95% Senior Notes were issued.

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DESCRIPTION OF THE NOTES

The Company will issue the Notes under an indenture dated as of February 5, 2001 between itself and US Bank Trust National Association, as Trustee (the "Trustee"), and a supplemental indenture with respect to each series of the Notes between itself and the Trustee dated as of March 1, 2007 (the indenture, together with each supplemental indenture for the Notes, as applicable, being the "Indenture"). The terms of each supplemental indenture are substantially similar, but differ with regard to a few items, including the maturity date, interest rate and redemption provisions, as more fully described below. The following is a summary of the material provisions of the Indenture. It does not include all of the provisions of the Indenture. Although for convenience the 2012 Notes, the 2017 Notes and the Floating Rate Notes are referred to as the "Notes," each will be issued as a separate series and will not together have any class voting rights. Accordingly, for purposes of this Description of Notes, references to the "Notes" shall be deemed to refer to each series of Notes separately, and not to the 2012 Notes, the 2017 Notes and the Floating Rate Notes on any combined basis. The following description of the particular terms of the Notes supplements the description in the accompanying prospectus of the general terms and provisions of our debt securities. To the extent that the following description of Notes is inconsistent with that general description in the prospectus, the following description replaces that in the prospectus. We urge you to read the Indenture because it defines your rights. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "TIA"). A copy of the form of Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus Supplement is a part. You can find definitions of certain capitalized terms used in this description under "Certain Definitions." For purposes of this section, references to the "Company" or "our" include only iStar Financial Inc. and not its subsidiaries.

The Notes will be unsecured obligations of the Company, ranking equally in right of payment with all other senior unsecured obligations of the Company from time to time outstanding.

The Company will issue the Notes in fully registered form in denominations of \$2,000 and integral multiples of \$1,000. The Trustee will initially act as paying agent and registrar for the Notes. The Notes may be presented for registration or transfer and exchange at the offices of the registrar. The Company may change any paying agent and registrar without notice to holders of the Notes (the "Holders"). The Company will pay principal (and premium, if any) on the Notes at the Trustee's corporate office in New York, New York. At the Company's option, interest may be paid at the Trustee's corporate trust office or by check mailed to the registered address of Holders.

Principal, Maturity and Interest

The Notes are series of securities issued under the Indenture. The Indenture permits the Company to "re-open" each series without the consent of the Holders, and issue additional Notes of the same series at any time on the same terms (other than issuance date, initial interest accrual date and in some cases, the first interest payment dates) and conditions and with the same CUSIP number as the Notes of the applicable series being issued in this offering. The 2012 Notes will mature on June 15, 2012, the 2017 Notes will mature on March 15, 2017 and the Floating Rate Notes will mature on March 9, 2010. Interest on the 2012 Notes and the 2017 Notes is calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Floating Rate Notes is calculated on the basis of a 360-day year using the actual number of days elapsed from and including an interest payment date to but excluding the next succeeding interest payment date.

Interest on the 2012 Notes and the 2017 Notes will be payable semiannually in cash. Interest will be paid on the 2012 Notes on each June 15 and December 15, commencing June 15, 2007 to the persons who are registered holders on each May 15 and November 15. Interest will be paid on the

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2017 Notes on each March 15 and September 15, commencing on September 15, 2007 to the persons who are registered holders at the close of business on each February and August .

Interest on the Floating Rate Notes will be payable quarterly in cash on each March 9, June 9, September 9 and December 9, commencing on June 9, 2007 to the persons who are registered holders at the close of business on the February , May , August and November immediately preceding the applicable interest payment date.

If any interest payment date on a Note other than the maturity date is not a Business Day, such interest payment date will be postponed to the next succeeding Business Day, except that (in the case of the Floating Rate Notes) if such Business Day falls in the next succeeding calendar month, such interest payment date will be the immediately preceding Business Day. If the maturity date of a Note or an interest payment date of a 2012 Note or a 2017 Note falls on a day that is not a Business Day, the required payment of principal and interest will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after the maturity date or such interest payment date, as the case may be, to the date of such payment on the next succeeding Business Day. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the date of issuance.

The Floating Rate Notes will bear interest at a rate per year, reset quarterly (the "interest reset period" and the first date in such period, the "interest reset date"), equal to three-month LIBOR plus % , to be determined by the calculation agent. The interest rate on the Floating Rate Notes applicable to each interest reset period commencing on the related interest reset date, or the original issue date in the case of the initial interest period, will be the rate determined as of the applicable interest determination date. The "interest determination date" will be the second London business day immediately preceding the original issue date, in the case of the initial interest reset period, or thereafter the applicable interest reset date.

US Bank Trust National Association, or its successor appointed by us, will act as calculation agent with respect to the Floating Rate Notes. Three-month LIBOR will be determined by the calculation agent as of the applicable interest determination date in accordance with the following provisions:

(i) LIBOR is the rate for deposits in U.S. dollars for the three-month period which appears on Reuters on page LIBOR 01 at approximately 11:00 A.M., London time, on the applicable interest determination date. If no rate appears on Reuters on page LIBOR 01, LIBOR for such interest determination date will be determined in accordance with the provisions of paragraph (ii) below.

(ii) With respect to an interest determination date on which no rate appears on Reuters on page LIBOR 01 at approximately 11:00 a.m., London time, on such interest determination date, the calculation agent shall request the principal London offices of each of four major reference banks (which may include affiliates of the underwriters) in the London interbank market selected by the calculation agent (after consultation with us) to provide the calculation agent with a quotation of the rate at which deposits of U.S. dollars having a three-month maturity, commencing on the second London business day immediately following such interest determination date, are offered by it to prime banks in the London interbank market as of approximately 11:00 a.m., London time, on such interest determination date in a principal amount equal to an amount of not less than U.S. \$1,000,000 that is representative for a single transaction in such market at such time. If at least two such quotations are provided, LIBOR for such interest determination date will be the arithmetic mean of such quotations as calculated by the calculation agent. If fewer than two quotations are provided, LIBOR for such interest determination date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on such interest determination date by three major banks (which may include affiliates of the underwriters)

selected by the calculation agent (after consultation with us) for loans in U.S. dollars to leading European banks having a three-month maturity commencing on the second London business day immediately following such interest determination date and in a principal amount equal to an amount of not less than U.S. \$2,000,000 that is representative for a single transaction in such market at such time; *provided, however*, that if the banks selected as aforesaid by the calculation agent are not quoting such rates as mentioned in this sentence, LIBOR for such interest determination date will be LIBOR determined with respect to the immediately preceding interest determination date.

All percentages resulting from any calculation of any interest rate for the Floating Rate Notes will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upward and all dollar amounts will be rounded to the nearest cent, with one-half cent being rounded upward.

Promptly upon such determination, the calculation agent will notify us and the Trustee (if the calculation agent is not the Trustee) of the interest rate for the new interest reset period. Upon request of a holder of the Floating Rate Notes, the calculation agent will provide to such holder the interest rate in effect on the date of such request and, if determined, the interest rate for the next interest reset period.

All calculations made by the calculation agent for the purposes of calculating interest on the Floating Rate Notes shall be conclusive and binding on the holders and us, absent manifest error.

The Notes will not be entitled to the benefit of any mandatory sinking fund.

Redemption

Floating Rate Notes

The Floating Rate Notes may not be redeemed prior to their maturity.

Optional Redemption of 2012 Notes and 2017 Notes

The 2012 Notes and the 2017 Notes may be redeemed or purchased in whole or in part at the Company's option at any time prior to the maturity of the 2012 Notes and the 2017 Notes, as applicable, at a price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued but unpaid interest, if any, to the date of the redemption or purchase (the "Redemption Date") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

"Applicable Premium" means, with respect to the 2012 Notes or the the 2017 Notes, as applicable, at any Redemption Date, the greater of: (1) 1.0% of the principal amount of such Notes; and (2) the excess of (a) the present value at such Redemption Date of (i) the principal amount of such Notes on the redemption date plus (ii) all required remaining scheduled interest payments due on such Notes through the maturity date of such Notes computed using a discount rate equal to the Treasury Rate plus basis points, in the case of the 2012 Notes, and basis points in the case of the 2017 Notes; over (b) the principal amount of such Notes on such Redemption Date. Calculation of the Applicable Premium will be made by the Company or on behalf of the Company by such Person as the Company shall designate; *provided, however*, that such calculation shall not be a duty or obligation of the Trustee.

"Treasury Rate" means, with respect to a Redemption Date, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available on the third Business Day prior to our providing notice of redemption (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period

from such Redemption Date to the maturity date of the applicable Notes; *provided, however*, that if the period from such Redemption Date to the maturity date is not equal to the constant maturity of the United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from such Redemption Date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

Selection and Notice of Redemption

In the event that the Company chooses to redeem less than all of the applicable series of Notes, selection of the Notes for redemption will be made by the Trustee either:

- (1) in compliance with the requirements of the principal national securities exchange, if any, on which the applicable series of Notes is listed; or
- (2) on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate.

No Notes of a principal amount of \$1,000 or less shall be redeemed in part. Notice of redemption will be mailed by first-class mail at least 30 but not more than 60 days before the Redemption Date to each Holder of Notes to be redeemed at its registered address. On and after the Redemption Date, interest will cease to accrue on Notes or portions thereof called for redemption as long as the Company has deposited with the paying agent funds in satisfaction of the applicable redemption price.

Change of Control

Upon the occurrence of a Change of Control Triggering Event, each Holder will have the right to require that the Company purchase all or a portion of such Holder's Notes pursuant to the offer described below (the "Change of Control Offer"), at a purchase price equal to 101% of the principal amount thereof plus accrued interest to the date of purchase.

Within 30 days following the date upon which the Change of Control Triggering Event occurred, the Company must send, by first class mail, a notice to each Holder, with a copy to the Trustee, which notice shall govern the terms of the Change of Control Offer. Such notice shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law (the "Change of Control Payment Date"). Holders electing to have a Note purchased pursuant to a Change of Control Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third business day prior to the Change of Control Payment Date.

If a Change of Control Offer is made, we cannot assure you that the Company will have available funds sufficient to pay the Change of Control purchase price for all the Notes that might be delivered by Holders seeking to accept the Change of Control Offer. In the event the Company is required to purchase outstanding Notes pursuant to a Change of Control Offer, the Company expects that it would seek third party financing to the extent it does not have available funds to meet its purchase obligations. However, we cannot assure you that the Company would be able to obtain such financing.

Neither the Board of Directors of the Company nor the Trustee may waive the covenant relating to a Holder's right to redemption upon the occurrence of a Change of Control Triggering Event. Restrictions in the Indenture described herein on the ability of the Company and its Subsidiaries to incur additional Indebtedness may also make more difficult or discourage a takeover of the Company, whether favored or opposed by the management of the Company. Consummation of any such transaction in certain circumstances may require redemption or repurchase of the Notes, and we cannot assure you that the Company or the acquiring party will have sufficient financial resources to effect

such redemption or repurchase. Such restrictions may, in certain circumstances, make more difficult or discourage any leveraged buyout of the Company or any of its Subsidiaries by the management of the Company. While such restrictions cover a wide variety of arrangements that have traditionally been used to effect highly leveraged transactions, the Indenture may not afford the holders of the Notes protection in all circumstances from the adverse aspects of a highly leveraged transaction, reorganization, restructuring, merger or similar transaction.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that any securities laws or regulations conflict with the "Change of Control" provisions of the Indenture, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the "Change of Control" provisions of the Indenture by virtue thereof.

Certain Covenants

The following covenants in the Indenture apply to the Notes; *provided, however*, that the covenants described under "Limitation on Incurrence of Additional Indebtedness" and "Maintenance of Total Unencumbered Assets" will not apply if, and only for so long as, (1) the Notes are rated BBB or Baa2, or higher, by at least two of the following three rating agencies: S&P, Moody's and Fitch and (2) no Default or Event of Default has occurred and is continuing. Based on the Company's current credit ratings by Fitch, Moody's and S&P, the covenants described under " Limitation on Incurrence of Additional Indebtedness" and " Maintenance of Total Unencumbered Assets" do not currently apply to the Notes.

Limitation on Incurrence of Additional Indebtedness. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume, guarantee, become liable, contingently or otherwise, with respect to, or otherwise become responsible for payment of (collectively, "incur") any Indebtedness (including, without limitation, Acquired Indebtedness) other than Permitted Indebtedness.

Notwithstanding the foregoing, if no Default or Event of Default shall have occurred and be continuing at the time of or as a consequence of the incurrence of any such Indebtedness, the Company or any of its Subsidiaries may incur Indebtedness (including, without limitation, Acquired Indebtedness), in each case if on the date of the incurrence of such Indebtedness, after giving effect to the incurrence thereof, the Consolidated Fixed Charge Coverage Ratio of the Company is greater than 1.5 to 1.0.

Maintenance of Total Unencumbered Assets. The Company and its Subsidiaries will maintain Total Unencumbered Assets of not less than 120% of the aggregate outstanding principal amount of the Unsecured Indebtedness of the Company and its Subsidiaries, in each case on a consolidated basis.

Merger, Consolidation and Sale of Assets. The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Subsidiary of the Company to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's assets (determined on a consolidated basis for the Company and the Company's Subsidiaries) whether as an entirety or substantially as an entirety to any Person unless:

- (1) either:
 - (a) the Company shall be the surviving or continuing entity; or
 - (b) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease,

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conveyance or other disposition the properties and assets of the Company and of the Company's Subsidiaries substantially as an entirety (the "Surviving Entity"):

- (i) shall be an entity organized and validly existing under the laws of the United States or any State thereof or the District of Columbia; and
 - (ii) shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance of every covenant of the Notes and the Indenture on the part of the Company to be performed or observed;
- (2) immediately after giving effect to such transaction and the assumption contemplated by clause (1)(b)(ii) above (including giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be: (a) shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction; and (b) shall be able to incur at least \$1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to the " Limitation on Incurrence of Additional Indebtedness" covenant, if such covenant is then in effect;
- (3) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (1)(b)(ii) above (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing; and
- (4) the Company or the Surviving Entity shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Company the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Indenture will provide that upon any consolidation or merger or any transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with the foregoing, in which the Company is not the continuing corporation, the successor Person formed by such consolidation or into which the Company is merged or to which such transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the Notes with the same effect as if such surviving entity had been named as such.

Reports to Holders. Whether or not required by the rules and regulations of the Commission, so long as any Notes are outstanding, the Company will furnish the Holders of Notes:

- (1) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" that describes the financial condition and results of operations of the Company and its consolidated Subsidiaries (showing in reasonable detail, either on the face of

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the financial statements or in the footnotes thereto and in Management's Discussion and Analysis of Financial Condition and Results of Operations, the financial condition and results of operations of the Company and its Subsidiaries) and, with respect to the annual information only, a report thereon by the Company's independent registered public accounting firm; and

- (2) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports, in each case within the time periods specified in the Commission's rules and regulations.

In addition, whether or not required by the rules and regulations of the Commission, the Company will file a copy of all such information and reports with the Commission for public availability within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, the Company has agreed that, for so long as any Notes remain outstanding, it will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Events of Default

The following events are defined in the Indenture as "Events of Default" with respect to the Notes of each particular series:

- (1) the failure to pay interest on any Notes of such series when the same becomes due and payable and the default continues for a period of 30 days;
- (2) the failure to pay the principal on any Notes of such series, when such principal becomes due and payable, at maturity or otherwise (including the failure to make a payment to purchase Notes tendered pursuant to a Change of Control Offer in respect of the Notes of such series);
- (3) a default in the observance or performance of any other covenant or agreement contained in the Indenture and such default continues for a period of 30 days after the Company receives written notice specifying the default (and demanding that such default be remedied) from the Trustee or the Holders of at least 25% of the outstanding principal amount of the Notes of such series (except in the case of a default with respect to the "Merger, Consolidation and Sale of Assets" covenant, which will constitute an Event of Default with such notice requirement but without such passage of time requirement);
- (4) the failure to pay at final mat