

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

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

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

OMB APPROVAL	
OMB Number:	3235-0287
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1. Name and Address of Reporting Person* <u>MCDONALD JOHN G</u>  (Last) (First) (Middle) <u>GSB STANFORD UNIVERSITY, 518 MEMORIAL WY</u>  (Street) <u>STANFORD CA 94305-5015</u>  (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>ISTAR FINANCIAL INC [ SFI ]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director 10% Owner Officer (give title below) Other (specify below)
	3. Date of Earliest Transaction (Month/Day/Year) <u>05/05/2005</u>	
	4. If Amendment, Date of Original Filed (Month/Day/Year) <u>05/05/2005</u>	

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

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value \$.001 per share	05/05/2005		X		6,900	A	\$24.1304	17,350 <sup>(1)</sup>	I	As Trustee of Family Trust
Common Stock	05/05/2005		S		6,900	D	\$41.2003	10,450 <sup>(1)</sup>	I	As Trustee of Family Trust
Common Stock	05/05/2005		P		0	A	\$0	11,550 <sup>(1)</sup>	I	By IRA

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

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date					
Options to purchase common stock	\$24.1304	05/05/2005		X		6,900		06/01/1995	06/01/2005	Common Stock	\$0	36,900	D	
Common Stock Equivalents	\$0	05/05/2005		A		0		(2)	(2)	Common Stock	\$0	5,403 <sup>(2)</sup>	D	

**Explanation of Responses:**

1. This Form 4 is being filed by the reporting person to report the acquisition of a total of 6,900 shares of common stock of iStar Financial Inc. (SFI) on 5/5/2005 upon the exercise of a vested stock option and the simultaneous sale of these shares in a "cashless" exercise transaction. Following these transactions, the reporting person continues to beneficially own an aggregate of 22,000 SFI shares: 10,450 SFI shares owned indirectly as trustee of a family trust and 11,550 SFI shares owned indirectly by the reporting person's IRA.

2. The reporting person also holds an aggregate of 5,403 Common Stock Equivalents ("CSEs") awarded under the iStar Financial Inc. Non-Employee Directors Deferral Plan ("Plan"). The reporting person receives an annual grant of 2,500 CSEs commencing with the 2003 annual meeting of shareholders. Each annual award vests on the date of the next following annual meeting after the date of grant, except the 2003 award vested 18 months after the date of grant. Vested CSEs will be distributed to the holder following the earlier of (i) the holder's ceasing to be a non-employee director or (ii) the holder's death, or upon a change of control. Distributions will be in the form of an equal number of shares of common stock, unless the holder elects to receive payment in cash.

s/ John G. McDonald 05/05/2005  
 \*\* Signature of Reporting Person Date

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

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

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

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

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