

Code of Business Conduct and Ethics

Colony Financial, Inc.

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Colony Financial, Inc.

Code of Business Conduct and Ethics

1. INTRODUCTION

It is the general policy of Colony Financial, Inc. (“**Colony Financial**” or the “**Company**”) to conduct its business activities and transactions with the highest level of integrity and ethical standards and in accordance with all applicable laws, rules and regulations. Obeying the law both in letter and in spirit is the foundation on which the Company’s ethical standards are built. In carrying out this policy, the Company has adopted the following Code of Business Conduct and Ethics (the “**Code**”). The Code is intended to cover not only the Company’s directors, officers and employees but also all officers and employees of Colony Financial Manager, LLC, the Company’s external manager (the “**Manager**”), and principals, executive officers and employees of Colony Capital, LLC (“**Colony Capital**”) and/or its affiliates to the extent that such principals, executive officers and employees provide services to, or are otherwise involved in the business and affairs of, the Company. All persons covered by the Code are referred to herein as “**Covered Persons**.”

Each Covered Person is expected (i) to read and understand this Code and its application to the performance of his or her business responsibilities and (ii) to conduct himself or herself in accordance with this Code and to seek to avoid even the appearance of wrongdoing or improper behavior. Those who violate the standards in this Code will be subject to disciplinary action, which may include suspension, termination and/or the reporting of violative conduct to appropriate regulatory and criminal authorities.

Other policies that govern the conduct of Covered Persons may be established by the Company from time to time that supplement and are in addition to this Code. Members of the Board of Directors of the Company (the “**Board**”) also should refer to the Company’s Corporate Governance Guidelines for additional policies that specifically govern the conduct of Board members.

After carefully reviewing this Code, you must sign the acknowledgment attached as Exhibit A hereto, indicating that you have received, read, understand and agree to comply with this Code. The acknowledgment must be returned to the Company’s Chief Compliance Officer (the “**Chief Compliance Officer**”) within ten (10) business days of your receipt of this Code.

2. HONESTY AND ETHICAL CONDUCT

Each Covered Person must always conduct himself or herself in an honest and ethical manner. Each Covered Person must act with the highest standards of personal and professional integrity and not tolerate others who attempt to deceive or evade responsibility for their actions. All actual or potential conflicts of interest between personal and professional relationships must be handled honestly, ethically and in accordance with the policies specified in this Code. In addition, all Covered Persons must be direct, honest and truthful in discussions with, or requests for information from, the Board, regulatory agency officials and government officials, as well as in all dealings with business partners and stockholders.

3. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Obeying the law both in letter and in spirit is the foundation on which the Company's ethical standards are built. All Covered Persons must respect and obey the laws, rules and regulations (including insider trading laws) of the cities, states and countries in which we operate and the rules and regulations applicable to the Company's business. Although not all Covered Persons are expected to know the details of the laws, rules and regulations to which the Company is subject, it is important to understand enough to determine when it is necessary or appropriate to seek advice from supervisors, managers or other persons, including the Chief Compliance Officer, who can provide guidance on such matters.

Disregard of the law will not be tolerated. Violation of domestic or foreign laws, rules and regulations may subject an individual, as well as the Company, to civil or criminal penalties. You should be aware that conduct and records, including e-mails, are subject to internal and external audits and to discovery by third parties in the event of a government investigation or civil litigation. Consequently, it is in everyone's best interest to understand and comply with the laws, rules and regulations applicable to the Company.

4. CONFLICTS OF INTEREST

All Covered Persons must avoid any situation in which personal interests conflict with those of Colony Financial. Covered Persons may not accept any benefits from the Company that have not been duly authorized and approved pursuant to Company policy and procedures. Transactions or arrangements that may involve a conflict of interest are prohibited unless they have been specifically approved in advance; provided, however, that transactions in accordance with the terms of the Investment Allocation Agreement by and between the Company, the Manager and Colony Capital are expressly permitted. Exceptions may be made only after review and approval of specific or general categories by the Chief Compliance Officer (in the case of employees) or the Nominating and Corporate Governance Committee (the "**Nominating Committee**") of the Board (in the case of executive officers or directors). *Directors and executive officers of the Company also should refer to the Company's Policy for Related Person Transactions.*

A "conflict of interest" occurs when a person's private interest interferes in any way (or even appears to interfere) with the interests of Colony Financial as a whole. A conflict situation can arise, for example, when a Covered Person takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest also may arise when a Covered Person, or any Family Member (as defined below) of such person, receives improper personal benefits as a result of his or her position at Colony Financial. Loans to, other than those made in the ordinary course of business, or guarantees of obligations of, employees or their Family Members may also create a conflict of interest.

Other than in their roles as employees, members, principals, officers and/or directors of the Manager or Colony Capital and/or their affiliates, as the case may be, Covered Persons may not participate in a joint venture, partnership or other business arrangement with the Company, without the prior approval of a majority of the Board.

If you have any questions about a potential conflict of interest or if you become aware of an actual or potential conflict, and you are not an officer or director of Colony Financial, you should discuss the matter with your supervisor or the Chief Compliance Officer. Supervisors may not authorize conflict of interest matters or make determinations as to whether a problematic conflict of interest exists without first seeking the approval of the Chief Compliance Officer and providing the Chief Compliance Officer with a written description of the activity. Officers and directors of Colony Financial must seek authorizations and determinations from the Nominating Committee.

For purposes of this Code, “Family Member” generally means a person’s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person’s home.

5. CORPORATE OPPORTUNITIES

Covered Persons owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Subject to the Investment Allocation Agreement by and between the Company, the Manager and Colony Capital, Covered Persons must offer to the Company any business opportunities related to the Company’s target assets (as described as the Company’s target assets in the Company’s Registration Statement on Form S-11 relating to the Company’s initial public offering or any periodic report filed by the Company from time to time with the Securities and Exchange Commission (the “SEC”), together with any other assets that the Manager or the Board determines from time to time will be a target asset or potential investment of the Company). Covered Persons are prohibited from taking for themselves opportunities that are discovered through the use of the Colony Financial property, information or position unless such opportunities are presented to the Board and the Board declines to pursue such opportunities. Covered Persons may not use Colony Financial property, information or position for improper personal gain, nor may any Covered Person compete with Colony Financial; *provided, however*, that Covered Persons employed by Colony Capital or its affiliates shall not be deemed to be competing with Colony Financial merely by virtue of managing entities controlled by Colony Capital and/or its affiliates that may acquire the Company’s target assets.

6. COMPLIANCE PROCEDURES; REPORTING VIOLATIONS

The Company expects all Covered Persons to work to ensure prompt and consistent action against violations of this Code. This Code covers a wide range of business practices and procedures, but it does not address every applicable law or respond to every ethical question or concern that may arise. Nonetheless, the general guidelines of this Code provide each Covered Person with the Company’s expectations regarding business dealings. The Company understands that there may be some situations in which it is difficult to know right from wrong. In determining the best course of action, each Covered Person should answer the following questions to help evaluate specific situations:

- Will my action comply with the intent and purpose of Colony Financial’s policies and practices?

- Will I compromise myself or the reputation of Colony Financial by this action if it becomes known to my supervisor, colleagues, stockholders or friends?
- Is this action honest in every respect?
- Could this action appear inappropriate to others, even if it is ethical?

If something you have seen, heard or been asked to do (or not do) seems illegal, unethical or improper, it may very well be. Each Covered Person should use his or her judgment before taking any action that could be deemed a violation of this Code or any law, rule or regulation or Company policy. Furthermore, any Covered Person who becomes aware of any existing or potential violation of this Code or any law, rule or regulation or Company policy has an obligation to report his or her complaint or concern to his or her supervisor, to the Chief Compliance Officer or the Company's Chief Financial Officer (if such complaint or concern is related to financial, accounting or auditing matters) at the addresses below, or through the Colony Financial Ethics Hotline, which is administered and monitored by the Chief Financial Officer and Chairperson of the Audit Committee of the Board. If you are uncomfortable using any of these procedures for reporting violations or concerns, you may contact the Audit Committee directly at the address below.

Reporting Contacts	
Chief Compliance Officer	Colony Financial, Inc. 660 Madison Avenue, Suite 1600 New York, NY 10065 Attn: Chief Compliance Officer
Chief Financial Officer	Colony Financial, Inc. 2450 Broadway, 6th Floor, Santa Monica, California 90404 Attn: Chief Financial Officer
Colony Financial Ethics Hotline	<ul style="list-style-type: none"> • Phone: (310) 552-7111 • E-mail: ethicshotline@colonyfinancial.com • Confidential and anonymous if you choose
Audit Committee	Colony Financial, Inc. 2450 Broadway, 6th Floor, Santa Monica, California 90404 Attn: Audit Committee E-mail: auditchairperson@colonyfinancial.com

No Covered Person should report any existing or potential violation of the Code or any law, rule or regulation or Company policy to any person who is involved in the matter giving rise to the existing or potential violation. When using the Ethics Hotline, Covered Persons may remain anonymous. However, bear in mind that in some cases anonymity may hinder a full investigation of the issue. If you do choose to remain anonymous, please be sure to provide a sufficiently detailed description of the factual basis of the allegation so that an appropriate investigation can be performed.

All concerns will be taken seriously by the Company and, when appropriate, the Company will fully investigate each allegation. This may include talking to any individuals

directly involved, as well as to others who may possess information pertinent to the situation. Covered Persons are expected to cooperate fully with internal investigations of wrongdoing or misconduct, and failure to cooperate fully with any such investigations will lead to disciplinary action, up to and including termination.

Colony Financial will not tolerate any retaliation against any Covered Person for raising, in good faith, a possible violation of this Code or of a law, rule or regulation. Retaliation for reporting a federal offense is illegal under federal law. Any person who participates in retaliatory conduct will be subject to disciplinary action up to and including, where appropriate, termination of employment. Misusing this Code by knowingly or recklessly providing false information to Colony Financial may also result in appropriate disciplinary action.

Every director, officer, manager and supervisor who receives a complaint or a report alleging or regarding an actual or potential violation of this Code or of a law, rule or regulation has, without exception, the responsibility to immediately communicate such complaint to the Chief Compliance Officer or the Company's Chief Financial Officer (if such complaint or report is related to financial, accounting or auditing matters) or report it to the Ethics Hotline.

7. ACCOUNTING COMPLAINTS

The Company's policy is to comply fully with all applicable financial reporting and accounting regulations. If any Covered Person has unresolved concerns or complaints regarding questionable accounting, internal control or auditing matters concerning the Company, such person is encouraged to submit such concerns or complaints in accordance with the Company's Complaint Procedures for Accounting and Auditing Matters.

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each Covered Person should endeavor to respect the rights of, and to deal fairly with customers, suppliers, consultants, competitors and other persons with whom the Company transacts business. No Covered Person should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.

8. PUBLIC DISCLOSURE

The Company is committed to providing full, fair, accurate, timely and understandable disclosure in the current reports, periodic reports and other information it files with or submits to the SEC and in other public communications, such as press releases, earnings conference calls and industry conferences, made by the Company or on the Company's behalf. In meeting such standards for disclosure, the Company's officers and directors shall at all times strive to comply with the Company's disclosure obligations and, as necessary, appropriately consider and balance the need or desirability for confidentiality with respect to non-public negotiations or other business developments.

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing effective disclosure controls and procedures and internal control over financial reporting within the meaning of applicable SEC rules and regulations. The Company expects the Chief Executive Officer and the Chief Financial Officer to take a leadership role in implementing such controls and procedures and to position the Company to comply fully with its disclosure obligations within the timeframe required under applicable SEC rules and regulations. No Covered Person should interfere with, hinder or obstruct the Company's efforts to meeting the standards for public disclosure set forth above.

9. CONFIDENTIAL INFORMATION

All Covered Persons have responsibility for maintaining the confidentiality of confidential corporate information entrusted to them as a result of their position or association with Colony Financial, including any information that might be useful to competitors or harmful to Colony Financial if disclosed. Except as required by law, rule or regulation or as expressly authorized by the Company's Chief Executive Officer or Chief Legal Officer, every Covered Person who has access to confidential corporate information must limit disclosure of such information to other Covered Persons who have a clear need to know such information. This obligation continues after your employment with, or service to, Colony Financial ends.

If there are any questions concerning confidential information or the treatment of what is believed to be confidential corporate information, please contact the Company's Chief Legal Officer.

10. INSIDER TRADING

Covered Persons who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. All non-public information about Colony Financial should be considered confidential information. To use non-public information for personal financial benefit, or to "tip" others (including without limitation friends and Family Members) who might make an investment decision on the basis of this information, is not only unethical but also illegal. For a more detailed discussion of the insider trading laws, please refer to the Company's Insider Trading Policy, which can be obtained from the Chief Legal Officer. The purpose of the Insider Trading Policy is to inform all Covered Persons of their legal responsibilities and clearly establish the Company's procedures for trading in the Company's securities.

11. PROTECTION AND PROPER USE OF THE COMPANY'S ASSETS

All Covered Persons should protect Colony Financial's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on Colony Financial's profitability. Any suspected incident of fraud or theft should be immediately reported to the Company's Chief Compliance Officer or through the Ethics Hotline. All of Colony Financial's assets should be used for legitimate business purposes and should not be used for non-company business, although incidental personal use may be permitted with the permission of your supervisor.

12. BUSINESS RECORDS

The Company's responsibilities to its stockholders and the investing public require that all of the Company's books, records, accounts and financial statements be maintained in reasonable detail, appropriately reflect the Company's transactions and conform to applicable legal requirements, the Company's system of internal controls and accounting principles generally accepted in the United States ("GAAP"). The Company relies on the accuracy and completeness of its business records to (i) provide full, fair, accurate, timely and understandable disclosure in the current reports, periodic reports and other information it files with or submits to the SEC and in other public communications, such as press releases, earnings conference calls and industry conferences, made by the Company or on the Company's behalf, (ii) make management decisions and (iii) analyze its operations. The accuracy of such records is essential for continued, long-term business success.

No false, misleading or artificial entries may be made by any Covered Person in the books and records of the Company. All Covered Persons with supervisory responsibility shall establish and implement appropriate internal accounting controls over all areas of their responsibility to ensure the safeguarding of Colony Financial's assets and the accuracy of its financial records and reports. The Company has adopted controls in accordance with internal needs and the requirements of applicable laws and regulations. These established accounting practices and procedures must be followed to assure the complete and accurate recording of all transactions. All Covered Persons, within their areas of responsibility, are expected to adhere to these procedures, as directed by the Chief Financial Officer.

Any accounting adjustments that materially depart from GAAP must be approved by the Company's Chief Financial Officer. In addition, all material off-balance-sheet transactions, arrangements and obligations, contingent or otherwise, and other relationships of Colony Financial with unconsolidated entities or other persons that may have material current or future effects on the financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses must be disclosed to the Company's Chief Financial Officer.

No Covered Person may interfere with or seek to improperly influence, directly or indirectly, the auditing of Colony Financial's financial records. Violation of these provisions shall result in disciplinary action, up to and including termination, and may also subject the violator to substantial liability.

13. RETENTION OF BUSINESS RECORDS

Records retention policies seek to establish consistent practices concerning how long records should be kept and when, in the normal course of business, they should be destroyed. All Covered Persons must comply at all times with all with all laws, rules and regulations relating to records preservation, all records retention policies and all document or record preservation notices. Records must be maintained for the duration of the assigned retention periods. A record is any information, regardless of physical format, which has been created or received in the transaction of the Company's business. Physical format of a record includes paper documents, CDs, DVDs, computer hard disks, e-mail, floppy disks, microfiche, microfilm

or all other media. The retention and proper disposal of Colony Financial's records shall be in accordance with established Colony Financial policies and applicable legal and regulatory requirements.

If the existence of any pending or threatened legal action, subpoena or investigation is known or reported to you, promptly contact the Ethics Hotline. You must retain all records that may relate to any pending or threatened legal action, subpoena or investigation. If you have a question as to whether a record pertains to a pending or threatened legal action, subpoena or investigation, contact the Ethics Hotline before disposing of the record in question.

14. BRIBES, GIFTS AND GRATUITIES

Colony Financial shall enter into and conduct all business relationships honestly and ethically. Bribery, kickbacks or other improper payments, direct or indirect, to any person to obtain a contract, some other commercial benefit or government action has no place in our business and is strictly prohibited. Colony Financial also strictly prohibits any Covered Person from accepting such payments from anyone.

No Covered Person shall directly or indirectly offer gifts or favors of more than nominal value (approximately \$50 or less) to any person with whom the Company currently does business or with whom the Company may do business in the future. Notwithstanding the foregoing, reasonable business entertainment is permitted, including traditional promotional events consistent with usual business practice, provided that it (i) cannot be construed as a bribe or a payoff, (ii) is not in violation of any law and (iii) would not embarrass Colony Financial if disclosed publicly.

All Covered Persons wherever located will adhere to the letter and spirit of the United States Foreign Corrupt Practices Act, which prohibits giving or promising money or items of value to any foreign official (foreign government official, political party or candidate or public international organization) for the purpose of influencing a decision or obtaining business. The Act further prohibits giving money or items of value to any person or firm when there is reason to believe that it will be passed on to a government official for this purpose. Covered Persons shall not make or recommend any payment from Colony Financial's funds or assets to or for the benefit of a representative of any domestic or foreign government. Furthermore, no one shall ever be used as a conduit for corrupt payments. All agents of Colony Financial must be engaged in providing legitimate business services for a fee not in excess of the customary local rate for similar services.

15. POLITICAL CONTRIBUTIONS

Colony Financial's funds or assets may not be contributed, directly or indirectly, to any political party, committee or candidate, or the holder of any federal, state or local government office within the United States. In countries other than the United States in which political contributions by companies are lawful, a political contribution may be made only upon the prior specific written approval of the Company's Chief Executive Officer. Covered Persons shall not be directed, pressured or coerced in any manner by a director, officer or any individual acting in

a managerial or supervisory capacity to make a contribution to any political party or committee or to any candidate for or the holder of any government office.

16. WAIVERS OF OR CHANGES IN THE CODE OF BUSINESS CONDUCT AND ETHICS

It may be appropriate for a provision of this Code to be waived in a particular circumstance. Any waiver of, or changes to, this Code that apply to executive officers or directors of Colony Financial may be made only by the Audit Committee of the Board (the “**Audit Committee**”) or the Board and must be promptly disclosed to stockholders as required by law or regulation of the SEC and the rules of the New York Stock Exchange. Any other Covered Person seeking a waiver should speak to his or her supervisor, who, in turn, should obtain the approval of the Company’s Chief Compliance Officer regarding such matter.

17. COMPLIANCE

The matters covered in this Code are of the utmost importance to the Company, its stockholders and its business partners, and are essential to the Company’s ability to conduct its business in accordance with its stated values. The Company expects all Covered Persons and persons with whom the Company transacts business to adhere to the standards set forth in this Code in carrying out their duties to the Company. Individuals whose actions are deemed to be in violation of this Code or other policies of the Company that may be adopted from time to time will be subject to disciplinary action, up to and including termination.

18. ADMINISTRATION AND IMPLEMENTATION

The Audit Committee has overall responsibility for administering and interpreting this Code. The Company’s Chief Compliance Officer is responsible for the implementation of this Code.

**COLONY FINANCIAL, INC.
CODE OF BUSINESS CONDUCT AND ETHICS ACKNOWLEDGMENT**

I hereby acknowledge that I have received, read, understand and will comply with the Colony Financial, Inc. Code of Business Conduct and Ethics.

I will seek guidance from, and raise concerns about possible violations of the Code of Business Conduct and Ethics with, my supervisor, senior management, Colony Financial Inc.'s Chief Compliance Officer or through Colony Financial, Inc.'s Ethics Hotline.

I understand that my agreement to comply with the Code of Business Conduct and Ethics does not constitute a contract of employment.

Please sign here: _____

Print Name: _____

Date: _____

This signed and completed form must be returned to Colony Financial, Inc.'s Chief Compliance Officer within ten (10) business days of receiving this Code.