

**Code of Ethics for Principal Executive
Officer and Senior Financial Officers**

Colony Financial, Inc.

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1. INTRODUCTION

This Code of Ethics (this “**Code**”) of Colony Financial, Inc. (the “**Company**”) applies to the principal executive officer and all senior financial officers of the Company including the principal financial officer, the principal accounting officer or controller and persons performing similar functions (each a “**Covered Officer**”). This Code includes standards reasonably designed to deter wrongdoing and to promote (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (2) full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (the “**SEC**”) and in other public communications made by the Company, (3) compliance with applicable governmental laws, rules and regulations, (4) the prompt internal reporting of violations of this Code to the appropriate persons identified in this Code and (5) accountability for adherence to this Code. Each Covered Officer must conduct himself or herself according to these standards and seek to avoid even the appearance of improper behavior. Covered Officers are also bound by the provisions in the Company’s Code of Business Conduct and Ethics, which supplements and is in addition to this Code.

If a law conflicts with a policy in this Code, a Covered Officer must comply with the law; however, if a local custom or policy conflicts with this Code, a Covered Officer must comply with this Code. If a Covered Officer has any questions about these conflicts or this Code, he or she should consult with a member of the Company’s Audit Committee.

2. HONEST AND ETHICAL CONDUCT

Each Covered Officer must always conduct himself or herself in an honest and ethical manner. Each Covered Officer 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 Officers must be direct, honest and truthful in discussions with, or requests for information from, regulatory agency officials and government officials, as well as in all dealings with business partners and stockholders.

3. CONFLICTS OF INTEREST

All Covered Officers must avoid any situation in which personal interests conflict with those of the Company. 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 Nominating and Corporate Governance Committee (the “**Nominating Committee**”) of the Board of Directors of the Company (the “**Board**”). Covered 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 the Company as a whole. A conflict situation can arise, for example, when a Covered Officer 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 Officer, or any Family Member (as defined below) of such person, receives improper personal benefits as a result of his or her position at the Company. 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.

Conflicts of interest may not always be clear cut, so if a Covered Officer knows of any transaction or relationship that reasonably could be expected to give rise to such a conflict (whether the transaction involves that Covered Officer or another Covered Officer), that Covered Officer must disclose the situation as described in Section 6 of this Code. A Covered Officer should also disclose any actual or apparent conflicts of interest between personal and professional relationships involving any management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.

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.

4. FULL, FAIR, ACCURATE, TIMELY AND UNDERSTANDABLE DISCLOSURE

Each Covered Officer is responsible for full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the SEC and in other public communications made by the Company. In order to fulfill such obligation, each Covered Officer must:

- Carefully review drafts of reports and documents the Company is required to file with, or submit to, the SEC before they are filed, or submitted, and Company press releases or other public communications before they are released to the public, with particular focus on disclosures each Covered Officer does not understand or agree with and on information known to the Covered Officer that is not reflected in the report, document, press release or public communication.
- Comply with the Company's Disclosure Controls, Policies and Procedures as in effect from time to time, which have been designed to ensure that the information required to be disclosed by the Company in its SEC filings is collected, processed, summarized and disclosed in a timely fashion and accumulated and communicated to the appropriate persons.
- Promptly bring to the attention of the Disclosure Committee or a member thereof any material information of which a Covered Officer may become aware that affects the disclosures made by the Company in its public filings, any material information that may assist the Disclosure Committee in fulfilling its responsibilities, matters that a Covered Officer feels could compromise the integrity of the Company's financial reports or disagreements on accounting matters.
- Always act with the highest standards of personal and professional integrity: do not tolerate others who, attempt to deceive, or evade responsibility for actions.

5. COMPLIANCE WITH APPLICABLE GOVERNMENTAL 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 Officers 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 Officers 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 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.

6. REPORTING OF VIOLATIONS OF THIS CODE

If a Covered Officer believes that actions have taken place, may be taking place or could potentially take place that violate or would or could potentially violate this Code, including any actual or apparent conflicts of interest between personal and professional relationships, involving any management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls, the Covered Officer must immediately bring this matter to the attention of the Audit Committee of the Board. A Covered Officer must also promptly bring to the attention of the Audit Committee any information he or she may have concerning evidence of a material violation of the securities or other laws, rules or regulations applicable to the Company and the operation of its business, by the Company or any agent thereof.

The Company would prefer that any Covered Officer identify themselves to facilitate any investigation of any report or incident. However, a Covered Officer may elect to remain anonymous. The Company will use reasonable efforts to protect the identity of any Covered Officer who reports potential misconduct. The Company will also use reasonable efforts to protect the identity of the person about or against whom an allegation is brought, unless and until it is determined that a violation has occurred. 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 Officers 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. Any person involved in any investigation in any capacity of a possible misconduct must not discuss or disclose any information to anyone outside of the investigation unless required by law or when seeking his or her own legal advice, and is expected to cooperate fully in any investigation.

The Company will not tolerate any retaliation against any Covered Officer 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 the Company may also result in appropriate disciplinary action.

7. ACCOUNTABILITY FOR ADHERENCE TO THIS CODE

Each Covered Officer will be held accountable for adherence to this Code. Those who violate the standards in this Code will be subject to disciplinary action, up to and including a discharge from the Company and, potentially, civil liability and criminal prosecution.

8. WAIVERS FROM OR CHANGES TO THIS CODE

The provisions of this Code may be waived only by the Board or the Audit Committee. Any waiver, including an implicit waiver, from this Code for a Covered Officer will be promptly disclosed as required by law or regulation of the SEC. Such disclosure shall include the nature of the waiver, the name of the Covered Officer to whom the Company granted the waiver and the date of the waiver. Any change to this Code will also be promptly disclosed as required by law or regulation of the SEC.

9. ADMINISTRATION

Board of Directors. The Board of Directors, through the Audit Committee, will help ensure this Code is properly administered. The Audit Committee will be responsible for the annual review of the compliance procedures in place to implement this Code and will recommend clarifications or necessary changes to this Code to the Board for approval.

Covered Officers. Each Covered Officer must sign the acknowledgment attached as Exhibit A hereto, indicating that they have received, read, understand and agree to comply with this Code. Each Covered Officer also is responsible for the diligent review of practices and procedures in place to help ensure compliance with this Code.

Exhibit A

COLONY FINANCIAL, INC.

CODE OF ETHICS FOR PRINCIPAL EXECUTIVE OFFICER AND SENIOR FINANCIAL OFFICERS ACKNOWLEDGMENT

I hereby acknowledge that I have received, read, understand and will comply with the Code of Ethics for Principal Executive Officer and Senior Financial Officers of Colony Financial, Inc. I will seek guidance from, and raise concerns about possible violations of the Code, with the Chief Compliance Officer and the Audit Committee of the Board of Directors of the Company, as applicable. Any violations of which I am aware are noted below.

Name (please print)

Signature

Date

Please describe any violations, exceptions or comments below: