

## **NORTHSTAR REALTY FINANCE CORP.**

### **COMPENSATION COMMITTEE CHARTER**

*(As adopted in full by the Compensation Committee and the Board of Directors on October 19, 2004)*

The Compensation Committee of the Board of Directors (the "**Committee**") of NORTHSTAR REALTY FINANCE CORP. (the "**Company**") discharges the responsibilities of the Company's Board of Directors (the "**Board**") relating to total compensation of the Company's Chief Executive Officer and other executive officers (the "**Senior Executives**") in a manner consistent with and in support of the business objectives of the Company, competitive practice and all applicable rules and regulations.

#### **PURPOSE**

The Committee shall discharge the Board's responsibilities relating to the Total Compensation (defined as compensation, benefits and perquisites) of the Company's Chief Executive Officer and other Senior Executives in a manner consistent with and in support of the business objectives of the Company, competitive practice, and all applicable rules and regulations.

The Committee shall prepare the report on Senior Executive compensation required by the rules of the Securities and Exchange Commission (the "**Commission**") to be included in the Company's annual meeting proxy statement.

#### **COMMITTEE MEMBERSHIP**

The Committee shall consist of at least three members to be elected by the Board at its first meeting following the Annual Meeting of Stockholders. Members of the Committee shall be "independent directors" as determined by the Board to the extent required by the Company's Corporate Governance Guidelines and the New York Stock Exchange Listing Standards, and shall meet any other applicable standards of the Securities Exchange Act of 1934 and rules and regulations promulgated thereunder, as they may from time to time be amended. New Committee Members will receive appropriate training and orientation.

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee, with one of the members appointed as Committee Chair. Compensation Committee members may be replaced by the Board.

#### **MEETINGS**

The Committee shall meet as often as it determines, but not less frequently than semi-annually. A majority of the members shall constitute a quorum. Minutes of each meeting will be taken and recorded.

A majority of the Committee shall constitute a quorum. The Board shall designate a member of the Committee as its chairperson. The Committee may act by a majority of the members present at a meeting of the Committee. In the event of a tie vote on an issue, the chairperson's vote shall decide the issue. The Committee may delegate some or all of its duties to a subcommittee comprising one or more members of the Committee.

## COMMITTEE AUTHORITY AND RESPONSIBILITIES

The authority and responsibilities of the Committee include:

1. The Committee will approve all aspects of Total Compensation for the Chief Executive Officer of the Company ("CEO"), including, but not limited to:
  - a. A review of corporate and individual goals and objectives relevant to CEO Total Compensation, an evaluation of the CEO's performance relative to those goals and objectives, and a determination of the CEO's Total Compensation level based on this evaluation.
  - b. In determining the long-term incentive component of CEO Total Compensation, the Committee will consider the Company's performance, relative shareholder return, the value of long-term incentive compensation given to CEO's at comparable companies, and the awards given to the CEO in past years.
2. The Committee will review and approve proposals made by the CEO with regard to the Total Compensation of Senior Executives, such review to include, at a minimum, the Section 16 reporting officers of the Company whose compensation treatment is disclosed in the proxy statement of the Company.
3. In fulfilling its responsibilities under Items 1 and 2 (above), the Committee shall approve the employment agreements that the Company enters into with the CEO and the Senior Executives.
4. When fulfilling its responsibilities under Items 1 and 2 (above), the Committee will consider the Total Compensation of all levels of employees within the Company, in order to provide an appropriate context for making decisions at the Senior Executive levels.
5. The Committee will make recommendations to the Board with respect to incentive compensation and equity-based incentive plans that require shareholder approval, and will govern the Company's shareholder-approved award and options plan(s), including, but not limited to the Company's 2004 Omnibus Stock Incentive Plan and the Company's 2004 Long-Term Incentive Bonus Plan. The plan governance role of the Committee will include the authority to adopt, administer, approve, and ratify awards, including amendments to the awards made under any such plans, and the review and monitoring of awards under such plans.
6. The Committee will review and recommend the adoption of significant Benefits Plans and changes to Benefits Plans to the Board.
7. Such other duties and responsibilities as may be assigned to the Committee, from time to time, by the Board of the Company, and / or the Chairman of the Board.
8. The Committee shall produce an annual report on CEO and Senior Executive compensation for inclusion in the Company's proxy statement in accordance with all applicable rules and regulations.

## DELEGATION TO SUBCOMMITTEES

The Committee may form and delegate authority to subcommittees when appropriate.

## REPORTS TO THE BOARD OF DIRECTORS

The Committee shall make regular reports to the Board.

## OUTSIDE COUNSEL OR OTHER CONSULTANTS

In connection with its duties and responsibilities, the Committee shall have the authority to retain outside legal, accounting or other advisors to assist in fulfilling their responsibilities in determining CEO and Senior Executive Total Compensation levels, including the authority to approve the fees payable by the Company to such advisors and other retention terms.

#### ANNUAL REVIEW OF THE CHARTER AND PERFORMANCE

The Committee shall annually review its performance. In addition, the Committee shall review and reassess the adequacy of this Charter annually and recommend to the Board any changes it considers necessary or advisable.