

**NORTHSTAR REALTY FINANCE CORP.  
COMPENSATION COMMITTEE CHARTER**

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 and benefits 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.

**COMMITTEE MEMBERSHIP**

The Committee shall consist of at least three members elected by the Board of Directors. Members of the Committee shall have no material relationship with the Company and shall be "independent directors" as determined by the Board of Directors 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. 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. Actions may be taken by unanimous written consent when deemed necessary or desirable by the Committee. Members of the Committee may participate in a meeting by conference call or similar means. The Committee may invite such members of management to its meetings as it deems appropriate.

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, among other things, 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 of the Company, such review to include, at a minimum, the Section 16 Officers 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 and severance or similar termination 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, the Company's 2004 Long-Term Incentive Bonus Plan and the Company's 2006 Outperformance Plan (collectively, the "Incentive Plans"). The 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, 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. The Committee shall have primary oversight of the Compensation Discussion and Analysis section of the Company's proxy statement in accordance with all applicable rules and regulations.

#### REPORTS TO THE BOARD OF DIRECTORS

The Committee shall make regular reports to the Board of Directors.

#### 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. With respect to retention of compensation consultants utilized to assist in the evaluation of CEO or Senior Executive Compensation, this authority shall be vested solely in the Committee.

#### 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.