Colony Financial, Inc.
Form DEF 14A
April 01, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

COLONY FINANCIAL, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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April 1, 2014

Dear Fellow Stockholder:

It is my pleasure to invite you to the 2014 Annual Meeting of Stockholders of Colony Financial, Inc. (the Company), which will be held on Thursday, May 8, 2014, at 9:00 a.m., Eastern Time, at the offices of Morgan Stanley, located at 1585 Broadway, 26th Floor, New York, New York 10036.

At this year s meeting, you will be asked to (i) elect five directors; (ii) approve (on a non-binding basis) the compensation of the Company s named executive officers; (iii) ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2014, and (iv) approve the Colony Financial, Inc. 2014 Equity Incentive Plan, which constitutes an amendment and restatement of the Company s 2011 Equity Incentive Plan, and Section 162(m) material terms for payment. The accompanying proxy statement provides a detailed description of these proposals. We urge you to read the accompanying materials so that you will be informed about the business to be addressed at the annual meeting. In addition to the formal business that will be transacted, management will report on the progress of our business and respond to comments and questions of general interest to our stockholders.

I sincerely hope that you will be able to attend and participate in the meeting. Whether or not you plan to attend the meeting, it is important that your shares be represented and voted. A form of proxy card and a copy of our annual report to stockholders are enclosed with this notice of annual meeting and proxy statement.

Sincerely,

Thomas J. Barrack, Jr.

Executive Chairman of the Board

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COLONY FINANCIAL, INC.

2450 Broadway, 6th Floor

Santa Monica, CA 90404

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 8, 2014

Dear Stockholder:

You are cordially invited to attend our 2014 annual meeting of stockholders to be held on Thursday, May 8, 2014, at 9:00 a.m., Eastern Time, at the offices of Morgan Stanley, located at 1585 Broadway, 26th Floor, New York, New York 10036 for the following purposes:

1. To elect five directors from the nominees named in the attached proxy statement to serve one-year terms expiring at the 2015 annual meeting of stockholders;

2. To approve (on a non-binding basis) the compensation of the Company s named executive officers;

3. To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for 2014;

4. To approve the Colony Financial, Inc. 2014 Equity Incentive Plan, which constitutes an amendment and restatement of the Company s 2011 Equity Incentive Plan, and Section 162(m) material terms for payment; and

5. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Only stockholders of record at the close of business on March 25, 2014 will be entitled to notice of and to vote at the meeting or any adjournments or postponements of the meeting.

This notice and the enclosed proxy statement are first being made available to our stockholders on or about April 1, 2014.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE URGED TO COMPLETE, DATE AND SIGN THE ACCOMPANYING PROXY CARD AND RETURN IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED. IF YOU ATTEND THE MEETING, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON, IF YOU DESIRE.

By Order of the Board of Directors,

Ronald M. Sanders

Chief Legal Officer and Secretary

Santa Monica, California

April 1, 2014

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COLONY FINANCIAL, INC.

2450 Broadway, 6th Floor

Santa Monica, CA 90404

PROXY STATEMENT

Important Notice Regarding the Availability of Proxy Materials for the

Stockholder Meeting to be Held on May 8, 2014.

This proxy statement and our 2013 Annual Report to Stockholders are available

at *http://www.colonyfinancial.com/meeting.php*

ABOUT THE MEETING

Why am I receiving this proxy statement?

This proxy statement contains information related to the solicitation of proxies for use at our 2014 annual meeting of stockholders, to be held at 9:00 a.m., Eastern Time, on Thursday, May 8, 2014 at the offices of Morgan Stanley, located at 1585 Broadway, 26th Floor, New York, New York 10036, for the purposes stated in the accompanying Notice of Annual Meeting of Stockholders. This solicitation is made by Colony Financial, Inc. on behalf of our Board of Directors, or the Board. We, our, us, and the Company refer to Colony Financial, Inc. This proxy statement, the enclosed proxy card and our 2013 annual report to stockholders are first being mailed to stockholders beginning on or about April 1, 2014.

Who is entitled to vote at the annual meeting?

Only holders of record of our common stock at the close of business on March 25, 2014, the record date for the annual meeting, are entitled to receive notice of the annual meeting and to vote at the meeting. Our common stock constitutes the only class of securities entitled to vote at the meeting.

What are the voting rights of stockholders?

Each share of common stock outstanding on the record date entitles its holder to cast one vote on each matter to be voted on.

Who can attend the annual meeting?

All holders of our common stock at the close of business on March 25, 2014, the record date for the annual meeting, or their duly appointed proxies, are authorized to attend the annual meeting. If you attend the meeting, you may be asked to present valid picture identification, such as a driver s license or passport, before being admitted. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

Please also note that if you hold your shares in street name (that is, your shares are held through a bank, broker, trustee or other nominee), you will need to bring a copy of a recent bank or brokerage statement evidencing your ownership of our common stock.

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What will constitute a quorum at the annual meeting?

The presence at the meeting, in person or by proxy, of the holders of at least a majority of the common stock outstanding on March 25, 2014 will constitute a quorum. We will include abstentions and broker non-votes in the calculation of the number of shares considered to be present at the meeting for purposes of determining the presence of a quorum at the meeting. Under applicable New York Stock Exchange (NYSE) rules (the exchange on which shares of our common stock are traded), brokers holding shares of our common stock for beneficial owners in nominee or street name must vote those shares according to the specific instructions they receive from the beneficial owners. However, brokers or nominees holding shares for a beneficial owner who do not receive voting instructions from the beneficial owner may not under the NYSE s rules have discretionary voting power on non-routine matters. In these cases, if no specific voting instructions are provided by the beneficial owner, the broker may not vote on non-routine proposals. This results in what is known as a broker non-vote. Broker non-votes may arise in the context of voting for the election of directors, on the advisory proposal regarding say on pay described in this proxy statement, and on the proposal to approve the Colony Financial, Inc. 2014 Equity Incentive Plan (or the 2014 Equity Incentive Plan) and Section 162(m) material terms for payment, because such proposals are considered non-routine matters. Unless specific voting instructions are provided by the beneficial owner, the broker will be unable to vote for the election of directors, on the say on pay proposal and on the 2014 Equity Incentive Plan and Section 162(m) material terms for payment. Accordingly, we urge stockholders who hold their shares through a broker or other nominee to provide voting instructions so that your shares of common stock may be voted on these proposals.

The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2014 is a matter considered routine under applicable rules. A broker or other nominee may generally vote on routine matters and, therefore, no broker non-votes are expected to exist in connection with this proposal.

As of the record date, there were 92,359,374 shares of our common stock outstanding.

How do I vote shares that are held in my name?

You may vote by any of the following means:

In Person at the Meeting: You may vote by attending the meeting and voting in person.

By Mail: You may vote by mail by completing and signing your proxy card and returning it in the enclosed, prepaid and addressed envelope.

How do I vote my shares that are held by my broker?

If your shares are held by a bank or broker, you should follow the instructions provided to you by the bank or broker. Although most banks and brokers now offer voting by mail, telephone and on the Internet, availability and specific procedures will depend on their voting arrangements.

How are votes counted?

If the accompanying proxy card is properly signed and returned to us, and not subsequently revoked, it will be voted as directed by you. If your properly signed proxy card does not provide specific voting instructions, the persons designated as proxy holders on the proxy card will vote (1) **FOR** each nominee for director, (2) **FOR** the advisory approval of the resolution approving the compensation of the Company s named executive officers, (3) **FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2014, (4) **FOR** the proposal to approve our 2014 Equity Incentive Plan and Section 162(m) material terms for payment, and (5) as recommended by our Board of Directors with regard to any other matters that may properly come before the meeting, or, if no such recommendation is given, in their own discretion.

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May I revoke my vote after I return my proxy card?

Yes. You may revoke a previously granted proxy at any time before it is exercised by (i) filing with Ronald M. Sanders, our Chief Legal Officer and Secretary, a notice of revocation or a duly executed proxy bearing a later date or (ii) attending the meeting and voting in person. Attendance at the meeting alone will not act to revoke a prior proxy. Notices of revocation or later dated proxies should be sent to the following address: Ronald M. Sanders, Chief Legal Officer and Secretary, Colony Financial, Inc., 2450 Broadway, 6th Floor, Santa Monica, CA 90404.

What are the Board s recommendations?

The Board s recommendations are set forth together with the description of each item in this proxy statement. In summary, the Board recommends a vote:

FOR the election as directors of the nominees specified in this proxy statement (See Proposal 1);

FOR approval of the compensation of our named executive officers as disclosed in this proxy statement (See Proposal 2);

FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2014 (See Proposal 3); and

FOR approval of the proposal to approve our 2014 Equity Incentive Plan and Section 162(m) material terms for payment (See Proposal 4).

Who pays the costs of soliciting proxies?

We will pay the costs of soliciting proxies. In addition to soliciting proxies by mail, our officers, directors and other employees, without additional compensation, may solicit proxies personally or by other appropriate means. It is anticipated that banks, brokers, fiduciaries, custodians and nominees will forward proxy soliciting materials to their principals, and that we will reimburse such persons out-of-pocket expenses. We have retained D.F. King & Co., Inc. at an aggregate estimated cost of $9,000, plus out-of-pocket expenses, to assist in the solicitation of proxies.

How many votes are required to approve the proposals?

The affirmative vote of a plurality of all the votes cast at a meeting at which a quorum is present is necessary for the election of a director. In any uncontested election of directors, any incumbent director who does not receive a majority of the votes cast with respect to the election of that director shall tender his or her resignation within three (3) days after certification of the results, for consideration by the Nominating and Corporate Governance Committee in accordance with the Company s written corporate governance guidelines. For purposes of the election of directors, abstentions and broker non-votes, if any, will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum.

The affirmative vote of a majority of the votes cast is required for approval of the advisory say on pay resolution regarding the compensation of our named executive officers. For purposes of the vote on this proposal, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum.

The affirmative vote of a majority of the votes cast is required for approval of the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2014. For purposes of the vote on this proposal, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum.

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The affirmative vote of a majority of the votes cast is required for approval of our 2014 Equity Incentive Plan and Section 162(m) material terms for payment, provided that the total votes cast on the proposal represent a majority in interest of all shares of our common stock entitled to vote on the proposal. For purposes of the vote on this proposal, abstentions and broker non-votes will have the same effect as votes against the proposal unless holders of a majority of all shares of our common stock entitled to vote on the proposal cast votes, in which event abstentions and broker non-votes will not have any effect on the result of the vote. Abstentions and broker non-votes will be considered present for the purpose of determining the presence of a quorum.

You should rely only on the information provided in this proxy statement. We have not authorized anyone to provide you with different or additional information. You should not assume that the information in this proxy statement is accurate as of any date other than the date of this proxy statement or, where information relates to another date set forth in this proxy statement, then as of that date.

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PROPOSAL 1: ELECTION OF DIRECTORS

Our Board of Directors is currently comprised of five directors. The nominees, all of whom are currently serving as directors of the Company, have been recommended by our Board of Directors for re-election to serve as directors for one-year terms until the 2015 annual meeting of stockholders and until their successors are duly elected and qualified. The Board of Directors has affirmatively determined that the following directors are independent directors under the rules of the NYSE and under applicable rules of the Securities and Exchange Commission: George G. C. Parker, John A. Somers, and John L. Steffens.

The Board of Directors knows of no reason why any nominee would be unable to serve as a director. If any nominee is unavailable for election or service, the Board of Directors may designate a substitute nominee and the persons designated as proxy holders on the proxy card will vote for the substitute nominee recommended by the Board of Directors, or the Board of Directors may, as permitted by our bylaws, decrease the size of our Board of Directors.

Nominees for Election for a One-Year Term Expiring at the 2015 Annual Meeting

The following table sets forth the name and age of each nominee for director, indicating all positions and offices with us currently held by the director.

Name	Age[1]	Title
Thomas J. Barrack, Jr.	66	Director, Executive Chairman
Richard B. Saltzman	57	Director, Chief Executive Officer and President
George G. C. Parker	75	Director
John A. Somers	70	Director
John L. Steffens	72	Director

(1) Ages as of April 1, 2014

Set forth below are descriptions of the backgrounds and principal occupations of each of our directors, including the specific experience, qualifications, attributes and skills of each director considered relevant by the Board of Directors for continued service on the Board.

Thomas J. Barrack, Jr. (age 66) has served as the executive chairman of our board of directors since our formation in June 2009. He also serves as the Chairman and Chief Executive Officer of Colony Capital, LLC (Colony Capital) and as the chief executive officer of Colony Financial Manager, LLC, our external manager (the Manager). As the Chairman and Chief Executive Officer of Colony Capital, Mr. Barrack provides overall strategic and investment direction and leadership to Colony Capital.

Prior to founding Colony Capital, where Mr. Barrack has worked since its formation in 1991, Mr. Barrack was a principal with the Robert M. Bass Group, the principal investment vehicle of the Fort Worth, Texas investor Robert M. Bass. Prior to joining the Robert M. Bass Group, Mr. Barrack also served in the Reagan administration as Deputy Undersecretary of the Department of the Interior. Additionally, in 2010 French president Nicolas Sarkozy awarded him France s Chevalier de la Légion d honneur.

Since January 2014, Mr. Barrack has served on the board of directors of Carrefour S.A., a French multinational retailer and the second largest retailer in the world. Since June 2010, Mr. Barrack has served on the board of directors of First Republic Bank, a full service bank and wealth management firm. Since January 2006, Mr. Barrack has served on the public board of directors of Accor, S.A., a major global hotel group listed on Euronext Paris S.A., including as a member of Accor s Supervisory Board since May 2005 and as a member of its Compensation, Appointments & Corporate Governance Committees since May 2009. Mr. Barrack served on the public board of Challenger Financial Services Group Limited, a diversified financial services organization listed on the Australian Securities Exchange from November 2007 to October 2010. From August 1994 to

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September 2007, Mr. Barrack served on the board of Continental Airlines, Inc., one of the largest passenger airlines in the United States, including as a member of its Corporate Governance Committee, Executive Committee and HR Committee.

Mr. Barrack received a B.A. in 1969 from the University of Southern California. He attended law school at the University of San Diego and the University of Southern California, where he was an editor of the law review, and received a J.D. in 1972 from the University of San Diego. Mr. Barrack is a Trustee at the University of Southern California.

Mr. Barrack possesses significant vision and understanding of our Company s strategies and future direction. Mr. Barrack has a long track record and experience managing and investing in commercial mortgage loans and other commercial real estate and real estate-related investments, including performing, sub-performing and non-performing loan portfolios and REO properties, through a variety of credit cycles and market conditions. Mr. Barrack s extensive investment experience in our target assets is key to the Board s oversight of the Company s investment strategy and management of its investment portfolio. Mr. Barrack s prior service as Deputy Undersecretary of the Department of the Interior also provides a unique government perspective to the Board.

Richard B. Saltzman (age 57) has served as our Chief Executive Officer, president and as a director since our formation in June 2009. He is also the President of Colony Capital and the president of our Manager. Mr. Saltzman shares responsibility for Colony Capital s global operations. In particular, Mr. Saltzman guides the strategic planning, acquisition and asset management activities of Colony Capital and oversees new business initiatives. Prior to joining Colony Capital in 2003, Mr. Saltzman spent 24 years in the investment banking business primarily specializing in real estate-related businesses and investments. Most recently, he was a Managing Director and Vice Chairman of Merrill Lynch s investment banking division. As a member of the investment banking operating committee, he oversaw the firm s global real estate, hospitality and restaurant businesses. Previously, he also served as Chief Operating Officer of Investment Banking, had responsibility for Merrill Lynch s Global Leveraged Finance business, and was also responsible for various real estate-related principal investments including the Zell/Merrill Lynch series of funds which acquired more than $3.0 billion of commercial real estate assets and where Mr. Saltzman was a member of the investment committee.

Since July 2003, Mr. Saltzman has served on the board of directors of Kimco Realty Corporation, a publicly traded real estate investment trust, and as a member of Kimco s Compensation Committee. He is also a member of the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT), on the board of directors of the Real Estate Roundtable and a member of the Board of Trustees of the Urban Land Institute. In March 2013, Mr. Saltzman was named a member of NAREIT s Mortgage REIT Council and appointed as the Chair of the Council s Commercial Working Group. Previously, he was a Trustee and Treasurer of the Pension Real Estate Association, a Director of the Association of Foreign Investors in Real Estate, a Vice Chairman of the National Realty Committee and a past Chairman of the NRC Real Estate Capital Policy Advisory Committee.

Mr. Saltzman received his B.A. from Swarthmore College in 1977 and an M.S. in Industrial Administration from Carnegie Mellon University in 1979.

Mr. Saltzman s expertise in real estate-related businesses, investments and capital markets, developed through more than 30 years of real estate principal investing and investment banking experience, provides a valuable perspective to the Board in developing, leading and overseeing the Company s investment strategy and management of its portfolio. Mr. Saltzman s service on the boards of a real estate investment trust and other real estate-based organizations also provides the Board with valuable perspectives into the real estate industry.

George G. C. Parker, Ph.D. (age 75) has served as a director since our initial public offering in September 2009 and currently serves as chairman of our audit committee. Professor Parker has been a distinguished member of the finance faculty of Stanford University s Graduate School of Business since 1973 and is currently the Dean

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Witter Distinguished Professor of Finance (Emeritus). At Stanford, Professor Parker has held a series of senior positions, including Senior Associate Dean for Academic Affairs, Director of the M.B.A. Program, Director for Executive Education, and Director of the Stanford Sloan Program for Executives.

Professor Parker is a member of the board of directors of iShares Exchange Traded Funds, an investment company; a member of the board of directors of Tejon Ranch Company, a publicly traded real estate development company, where he also serves as Chairman of its Audit Committee; Threshold Pharmaceuticals, Inc., a publicly traded biotechnology company; and First Republic Bank, a California banking company. From 1996 to 2009, Professor Parker served on the public board of Continental Airlines, Inc., including as a member of its Audit Committee.

Professor Parker holds a B.S. degree from Haverford College and an M.B.A. and Ph.D. degree from the Stanford Graduate School of Business.

Professor Parker s understanding of business and finance concepts, acquired through his over 35 years of academic study and teaching, provides the Board with significant business acumen as the Company positions itself for future growth and development. In addition, Professor Parker s extensive experience in an academic environment, including his position teaching about corporate governance and management compensation at Stanford Business School, allows him to advise on rapidly changing market conditions and provide perspective for the Board. Professor Parker also serves as an audit committee financial expert on the Board s Audit Committee. Professor Parker s service on other public company boards also lends insights into public company operations and provides different perspectives on Board practices and governance matters.

John A. Somers (age 70) has served as a director since our initial public offering in September 2009 and currently serves as chairman of our Compensation Committee. Mr. Somers has been a private investor since June 2006. From 1996 to June 2006, Mr. Somers was Head of Fixed Income and Real Estate for Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), and served there as an Executive Vice President from 1996 to 2004. From 1981 to 1996, Mr. Somers served as Senior Vice President and Head of Commercial Mortgages and Real Estate for TIAA-CREF. Prior to joining TIAA-CREF, from 1972 to 1981, Mr. Somers held several positions in the Real Estate Investment Department, including Vice President, for Prudential Insurance Company of America.

Mr. Somers has been a member of the board of directors of Guardian Life Insurance Company of America since 1996, currently serves as a member of the audit & risk committee and its investment committee and previously served as chairman of its audit committee and investment committee. Since July 2010, Mr. Somers has served as a member of the board of directors of The Community Preservation Corporation, a 501(c)(3) not-for-profit corporation focused on low and moderate income housing development in New York City, and currently serves as a member of its Executive Committee and as the chairman of its Human Resources and Compensation Committee.

Mr. Somers received his B.S. in Economics from Villanova University in 1966 and an M.B.A. in Finance from the University of Connecticut in 1972.

Mr. Somers s commercial mortgage and real estate investment experience allows him to provide sound advice on the Company s objectives to acquire, originate and manage real estate-related investments. His position as Head of Fixed Income and Real Estate for TIAA-CREF provided Mr. Somers with extensive insight into the debt markets and real estate-related investments that provides a leadership perspective to the Board.

John L. Steffens (age 72) has served as a director since our initial public offering in September 2009 and currently serves as chairman of our nominating and corporate governance committee. Mr. Steffens is the founder of Spring Mountain Capital, L.P.; founded in 2001, Spring Mountain Capital, L.P. specializes in providing advisory services and alternative investments for institutional and private investors. Prior to establishing Spring

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Mountain Capital, Mr. Steffens spent 38 years at Merrill Lynch & Co., Inc., where he held numerous senior management positions, including President of Merrill Lynch Consumer Markets (which was later named the Private Client Group) from July 1985 until April 1997, and both Vice Chairman of Merrill Lynch & Co., Inc. (the parent company) and Chairman of its U.S. Private Client Group from April 1997 until July 2001.

Mr. Steffens served on the Board of Directors of Merrill Lynch & Co., Inc. from April 1986 until July 2001. He also served as a member of the Board of Directors of Merrill Lynch Ventures, LLC (a $1.8 billion private equity fund for key employees). Mr. Steffens currently serves on the Advisory Board of StarVest Partners, the Advisory Board of Wicks Communication & Media Partners, L.P., the Board of Directors of HealthPoint Capital, a global medical device company, and as Chairman of the Board of Directors of Cicero, Inc., a publicly traded provider of business integration software, since May 2007. Also, Mr. Steffens was appointed to and serves on the Dartmouth Medical School Board of Overseers on October 1, 2011. From June 2004 to February 2009, Mr. Steffens served on the public board of Aozora Bank, Ltd., a financial services institution in Japan. Mr. Steffens has served as Chairman of the Securities Industry Association, as a Trustee of the Committee for Economic Development, and is currently National Chairman Emeritus of the Alliance for Aging Research.

Mr. Steffens graduated from Dartmouth University in 1963 with a B.A. in Economics. He also attended the Advanced Management Program of the Harvard Business School in 1979.

Mr. Steffens s years of investment experience, advisory work and senior leadership positions at Merrill Lynch devoted to private client work provides the Board with an investor perspective. Mr. Steffens s extensive contacts developed through his service with a significant number of securities and financial firms provides the Board with a view into markets that is invaluable. Mr. Steffens s service as a director of other public companies also helps provide the Board with different perspectives on Board practices and governance matters.

Vote Required and Recommendation

The affirmative vote of a plurality of all the votes cast at the annual meeting is necessary for the election of each nominee. In any uncontested election of directors, any incumbent director who does not receive a majority of the votes cast with respect to the election of that director shall tender his or her resignation within three (3) days after certification of the results, for consideration by the Nominating and Corporate Governance Committee in accordance with the Company s written corporate governance guidelines. For purposes of the election of directors, abstentions and other shares not voted (whether by broker non-vote or otherwise) will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for purposes of determining the presence of a quorum.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES SET FORTH ABOVE.

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EXECUTIVE OFFICERS

The following table sets forth information concerning our executive officers. Executive officers are elected by and serve at the discretion of our Board of Directors.

Name	Age[1]	Title
Thomas J. Barrack, Jr.	66	Director, Executive Chairman
Richard B. Saltzman	57	Director, Chief Executive Officer and President
Ronald M. Sanders	50	Chief Legal Officer and Secretary
Darren J. Tangen	43	Chief Operating Officer, Chief Financial Officer and Treasurer
Kevin P. Traenkle	44	Chief Investment Officer

(1) Ages as of April 1, 2014

Set forth below are descriptions of the backgrounds of each of our executive officers, other than Thomas J. Barrack, Jr. and Richard B. Saltzman, whose positions and backgrounds are described above.

Ronald M. Sanders (age 50) has served as our Chief Legal Officer and Secretary since our initial public offering in September 2009 and as a vice president since our formation in June 2009. Mr. Sanders also has served as vice president of our Manager since its formation in June 2009 and as its chief legal officer since September 2009. Mr. Sanders is a Principal and the General Counsel of Colony Capital, and has served in such capacities since joining Colony Capital in November 2004. Mr. Sanders is responsible for the management of global legal affairs and generally provides legal and other support to the operations of Colony Capital.

Prior to joining Colony Capital in November 2004, Mr. Sanders was a Partner with the law firm of Clifford Chance US LLP, where he specialized in the representation of private equity funds and mergers and acquisitions.

Mr. Sanders received his B.S. from the State University of New York at Albany in 1985, and his J.D. from the New York University School of Law in 1988.

Darren J. Tangen (age 43) has served as our Chief Operating Officer since March 2012, our Chief Financial Officer since our formation in June 2009 and as our treasurer since our initial public offering in September 2009. Mr. Tangen is seconded exclusively to us pursuant to a secondment agreement with Colony Capital. He has been a Principal of Colony Capital since December 2007, where he was responsible for the identification, evaluation, consummation and management of new debt and equity investments in North America. Prior to becoming a Principal of Colony Capital, Mr. Tangen served as a Senior Vice President (December 2006-December 2007), Vice President (July 2004-December 2006) and Associate of Colony Capital (August 2002-July 2004).

Prior to joining Colony Capital in August 2002, Mr. Tangen was an Associate in the Investment Banking Division of Credit Suisse First Boston in Los Angeles. From 1993 to 1999, Mr. Tangen worked in the Investment Division of Colliers International in Vancouver, Canada specializing in the acquisition and disposition of major commercial properties including office and industrial buildings, shopping centers and development lands.

Mr. Tangen received his B. Comm. from McGill University in Montreal, Canada and his M.B.A. in Finance and Real Estate at The Wharton School, University of Pennsylvania where he was recognized as a Palmer Scholar.

Kevin P. Traenkle (age 44) has served as our Chief Investment Officer since our formation in June 2009 and as chief investment officer of our Manager since September 2009. Mr. Traenkle is also a Principal of Colony Capital where he is involved in many facets of the firm s activities including: distressed debt initiatives, investment and divestment decisions, business development and global client relations.

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Prior to becoming a Principal in January 2005, Mr. Traenkle served as a Vice President of Acquisitions. Before rejoining Colony Capital in 2002, Mr. Traenkle worked for a private equity investment firm, where he was responsible for real estate-related investment and management activities.

Previously, Mr. Traenkle was a Vice President at Colony Capital serving as a member of the acquisitions team and was responsible for the identification, evaluation, consummation, and management of investments. Prior to joining Colony Capital in 1993, Mr. Traenkle worked for an investment bank, First Albany Corporation, in its Municipal Finance department.

Mr. Traenkle received a B.S. in Mechanical Engineering in 1992 from Rensselaer Polytechnic Institute in Troy, New York.

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INFORMATION REGARDING CORPORATE GOVERNANCE AND BOARD AND COMMITTEE MEETINGS

Committee Charters and Corporate Governance Documents

Our Board of Directors maintains charters for all Board committees. In addition, our Board of Directors has adopted a written set of corporate governance guidelines, a code of business conduct and ethics and a code of ethics for our principal executive officers and senior financial officers. To view our committee charters, corporate governance guidelines, code of business conduct and ethics and code of ethics, please visit our website at *http://www.colonyfinancial.com*. Each of these documents is also available in print to any stockholder who sends a written request to such effect to Investor Relations, Colony Financial, Inc., 2450 Broadway, 6th Floor, Santa Monica, CA 90404.

Director Independence

The Board currently has five directors, a majority (three) of whom the Board affirmatively has determined to be independent under the listing standards of the NYSE and under applicable rules of the Securities and Exchange Commission. The Board affirmatively has determined that each of the following directors is independent under these standards: George G.C. Parker, John A. Somers and John L. Steffens. Thomas J. Barrack, Jr. and Richard B. Saltzman are not independent as they are executive officers of our Manager and of Colony Capital, which is the parent of our Manager.

Board Leadership Structure and Risk Oversight

Our Board of Directors is comprised of a majority of independent directors. Mr. Barrack serves as the Executive Chairman of the Board, a position separate from our Chief Executive Officer. Our Board believes that having an executive chairman is useful as it ensures that the Board leadership retains a close working relationship with management. In addition, our Board of Directors established the position of Lead Director in order to provide for a Board leadership position to be held by an independent director. The Lead Director is selected on an annual basis by a majority of the independent directors then serving on the Board of Directors from among the independent directors. John A. Somers currently serves as our Lead Director. The role of the Lead Director is to serve as liaison (a) between the Board of Directors and management, including the Chief Executive Officer, (b) among independent directors and (c) between interested third parties and the Board of Directors.

In connection with its oversight of risk to our business, the Audit Committee and Board consider feedback from our Manager concerning the Company s operations and strategies and consider the attendant risks to our business. The Board routinely meets with our Chief Executive Officer, our Chief Operating Officer and Chief Financial Officer, and other company officers as appropriate in the Board s consideration of matters submitted for Board approval and risks associated with such matters.

In addition, the Board is assisted in its oversight responsibilities by the standing Board committees, which have assigned areas of oversight responsibility for various matters as described in the Committee charters and as provided in NYSE Rules.

For example, our Audit Committee assists the Board s oversight of the integrity of our financial statements and financial reporting process, our compliance with legal and regulatory requirements, the qualifications and independence of our independent registered public accounting firm, and the performance of our internal audit function and independent registered public accounting firm. In addition, the Audit Committee has established and maintains procedures for the receipt of complaints and submissions of concerns regarding accounting and auditing matters. Pursuant to its charter, the Audit Committee also considers our policies with respect to risk assessment and risk management, including key risks to which we are subject such as credit risk, liquidity risk and market risk, and the steps that management has taken to monitor and control exposure to such risks.

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The Compensation Committee oversees the performance of our Manager, the management fees and other compensation payable to the Manager, and the compensation of our Chief Financial Officer.

The Board and the Board committees hear reports from the members of management responsible for the matters considered to enable the Board and each committee to understand and discuss risk identification and risk management. The chairman of each of the Board s standing committees reports on the discussion to the full Board at the next Board meeting. All directors have access to members of management in the event a director wishes to follow up on items discussed outside the Board meeting.

Executive Sessions of Non-Management Directors

Pursuant to our corporate governance guidelines and the NYSE listing standards, in order to promote open discussion among non-management directors, our Board of Directors devotes a portion of each regularly scheduled Board and committee meeting to executive sessions without management participation. In addition, our corporate governance guidelines provide that if the group of non-management directors includes directors who are not independent, as defined in the NYSE s listing standards, at least one such executive session convened per year shall include only independent directors. The Lead Director presides at these sessions.

Communications with the Board

Stockholders and other interested parties may communicate with the Board by sending any correspondence they may have to the Lead Director at the following address: Lead Director c/o Secretary, Colony Financial, Inc., 2450 Broadway, 6th Floor, Santa Monica, CA 90404, or by email at lead.director@colonyfinancial.com. The Lead Director will decide what action should be taken with respect to the communication, including whether such communication should be reported to the Board of Directors.

Board Meetings

During 2013, the Board of Directors met 8 times, including telephonic meetings and the Company s annual meeting of stockholders, and each Director attended at least 75% of such meetings. Directors are expected to attend, in person or by telephone, all Board meetings and meetings of committees on which they serve. The 2013 annual meeting of stockholders was held on May 6, 2013 and was attended by all five of our directors.

Board Committees

The Board of Directors has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. All members of the committees described below are independent of the Company as that term is defined in the NYSE s listing standards and section 10A-3 under the Securities and Exchange Act of 1934, as amended.

The table below provides membership information for each of the Board committees:

Name	Audit	Compensation	Corporate Governance and Nominating
George G. C. Parker	þ	X	X
John A. Somers	X	þ	X
John L. Steffens	X	X	þ

þ Committee Chairman

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Audit Committee

The principal purpose of the Audit Committee is to assist the Board of Directors in the oversight of:

- our accounting and financial reporting processes;
- the integrity of our consolidated financial statements and financial reporting process;
- our systems of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements;
- the evaluation of the qualifications, independence and performance of our independent registered public accounting firm;
- the performance of our internal audit function; and
- our overall risk profile.

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent auditors and is also responsible for reviewing with our independent auditors any audit problems or difficulties they encounter in the course of their audit work. The Audit Committee is also charged with the tasks of reviewing our financial statements, any significant financial reporting issues and any major issues as to the adequacy of internal control with management and our independent auditors.

Our Audit Committee s written charter requires that all members of the committee must satisfy the requirements of the NYSE, the rules and regulations of the SEC and applicable laws relating to independence, financial literacy and experience. All of the members of the Audit Committee meet the foregoing requirements. The Board of Directors has determined that George G. C. Parker is an audit committee financial expert as defined by the rules and regulations of the SEC. For information about the development of Professor Parker s expertise, see Proposal 1: Election of Directors Nominees for Election for a One-Year Term Expiring at the 2015 Annual Meeting.

During 2013, the Audit Committee met four times, including telephonic meetings, and each member of the Audit Committee attended 100% of such meetings.

Compensation Committee

The principal purposes of the Compensation Committee are to:

- review and approve on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer s compensation, if any, evaluate our Chief Executive Officer s performance in light of such goals and objectives and determine and approve the remuneration of our Chief Executive Officer based on such evaluation;
- review and approve the compensation, if any, of all of our other officers, including our Chief Financial Officer;

review our executive compensation policies and plans;

oversee plans and programs related to the compensation of the Manager, including fees payable to the Manager pursuant to the management agreement with our Manager;

implement and administer our incentive compensation equity-based remuneration plans, including our 2011 Equity Incentive Plan (and our 2014 Equity Incentive Plan, subject to the receipt of stockholder approval of the 2014 Equity Incentive Plan and Section 162(m) material terms for payment at the annual meeting);

assist management in complying with our proxy statement and annual report disclosure requirements;

produce a report on executive compensation to be included in our annual proxy statement; and

review, evaluate and recommend changes, if appropriate, to the remuneration for directors.

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In addition, the Compensation Committee oversees the performance of the Manager and the management fees and other compensation payable to the Manager. The Compensation Committee evaluates annually the performance of the Manager in view of the Company s investment objectives and the obligations of the Manager under the management agreement.

As discussed below, because our management agreement provides that our Manager is responsible for managing our affairs, our Chief Executive Officer and each of our other executive officers, other than Mr. Tangen, our Chief Operating Officer, Chief Financial Officer and Treasurer, each of whom is an employee of Colony Capital and certain of its affiliates, do not receive cash compensation from us for serving as our executive officers. Instead we pay our Manager the management fees described in Certain Relationships and Related Transactions.

The Compensation Committee may delegate its authority to members as it deems appropriate; any actions taken by a member who has been delegated authority must be reported to the full Compensation Committee at its next regularly scheduled meeting. The Compensation Committee has the authority to retain and terminate such outside legal, accounting or other advisors as it deems necessary and advisable in its sole discretion, including compensation consultants, after taking into consideration all factors relevant to the independence from management of such compensation consultant or other advisor. The Compensation Committee will be directly responsible for the appointment, compensation, and oversight of the work of any compensation consultant or other advisor retained by the Compensation Committee.

During 2013, the Compensation Committee met five times, including telephonic meetings, and each member of the Compensation Committee attended 100% of such meetings.

Nominating and Corporate Governance Committee

The principal purposes of the Nominating and Corporate Governance Committee are to:

- identify and recommend to the full board of directors qualified candidates for election as directors and recommend nominees for election as directors at the annual meeting of stockholders;
- develop and recommend to the board of directors corporate governance guidelines and implement and monitor such guidelines;
- review and make recommendations on matters involving the general operation of the board of directors, including board size and composition, and committee composition and structure;
- recommend to the board of directors nominees for each committee of the board of directors;
- annually facilitate the assessment of the board of directors performance as a whole and of the individual directors, as required by applicable law, regulations and the NYSE corporate governance listing standards; and
- oversee the board of directors evaluation of management.

During 2013, the Nominating and Corporate Governance Committee met four times, including telephonic meetings, and each member of the Nominating and Corporate Governance Committee attended 100% of such meetings.

Code of Ethics

Our Board of Directors has adopted and maintains a code of business conduct and ethics and a code of ethics for our principal executive officers and senior financial officers. To view our code of business conduct and ethics and code of ethics, please visit our website at *http://www.colonyfinancial.com*. Each of these documents is also available in print to any stockholder who sends a written request to such effect to Investor Relations, Colony Financial, Inc., 2450 Broadway, 6th Floor, Santa Monica, CA 90404.

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Consideration of Director Candidates

The Board of Directors has adopted a policy to be used for considering potential director candidates to further the Nominating and Corporate Governance Committee s goal of ensuring that our Board of Directors consists of a diversified group of qualified individuals that function effectively as a group. The policy provides that qualifications and credentials for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing composition of the Board of Directors. However, at a minimum, candidates for director must possess:

- high personal and professional ethics and integrity;
- an ability to exercise sound judgment;
- an ability to make independent analytical inquiries;
- a willingness and ability to devote adequate time and resources to diligently perform Board duties, including attending regular and special Board and committee meetings;
- an appropriate and relevant business experience and acumen; and
- a reputation, both personal and professional, consistent with the image and reputation of the Company.

In addition to the aforementioned qualifications, the Nominating and Corporate Governance Committee also believes that there are other qualities and skills that, while not a prerequisite for nomination, should be taken into account when considering whether to recommend a particular candidate. These factors include, among others:

- whether the person possesses specific industry expertise, including in real estate and real estate-related debt instruments, and familiarity with general issues affecting the Company s business;
- whether the person s nomination and election would enable the Board of Directors to have a member that qualifies as an audit committee financial expert ;
- whether the person would qualify as an independent director under the rules of the NYSE and the Company s Corporate Governance Guidelines;
- the importance of continuity of the existing composition of the Board of Directors; and
- the importance of a diversified Board membership, in terms of both the individuals involved and their various experiences and areas of expertise.

The Nominating and Corporate Governance Committee will seek to identify director candidates based on input provided by a number of sources, including (a) Nominating and Corporate Governance Committee members, (b) other members of the Board of Directors and (c) stockholders of the Company. The Nominating and Corporate Governance Committee also has the authority to consult with or retain advisors or search firms to

assist in the identification of qualified director candidates; however, we do not currently employ a search firm, or pay a fee to any other third party, to locate qualified director candidates. Stockholders seeking to recommend a prospective candidate for the Nominating and Corporate Governance Committee s consideration should submit the candidate s name and qualifications, including the candidate s consent to serve as a director if nominated and elected, to Ronald M. Sanders, Chief Legal Officer and Secretary, Colony Financial, Inc., 2450 Broadway, 6th Floor, Santa Monica, CA 90404.

Independent Registered Public Accounting Firm

Our consolidated financial statements for the fiscal year ended December 31, 2013 were audited by Ernst & Young LLP, which served as our independent registered public accounting firm for the last fiscal year and has been selected by the Audit Committee of our Board of Directors to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2014. A representative of Ernst & Young LLP will be present at the annual meeting, will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

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Principal Auditor Fees and Services

Set forth below are the services rendered and related fees billed by Ernst & Young LLP for services rendered during the years ended December 31, 2013 and December 31, 2012:

Services	2013	2012
Audit Fees[1]	$ 828,400	$ 591,200
Audit-Related Fees		
Tax Fees[2]	468,500	385,300
All Other Fees		
Total	1,296,900	976,500

(1) Audit fees represent fees and expenses for the audits of the Company s annual financial statements and internal control over financial reporting, review of financial statements included in the Company s quarterly reports on Form 10-Q, consultations with Company s management on technical accounting and regulatory issues, and services provided for assistance with and review of other regulatory filings.

(2) Tax fees represent fees and expenses related to the review and assistance with the preparation of tax returns, tax consulting related to REIT qualification, and general federal and state tax consulting.

All audit and audit-related services provided by Ernst & Young LLP in 2013 were pre-approved by our Audit Committee, either pursuant to the Audit Committee s Audit and Non-Audit Services Pre-Approval Policy or through a separate pre-approval by the Audit Committee.

Pre-Approval Policies and Procedures

The Audit Committee s policy is to review and pre-approve, either pursuant to the Audit Committee s Audit and Non-Audit Services Pre-Approval Policy or through a separate pre-approval by the Audit Committee, any engagement of the Company s independent auditor to provide any audit or permissible non-audit service to the Company. Pursuant to the Audit and Non-Audit Services Pre-Approval Policy, which will be reviewed and reassessed annually by the Audit Committee, a list of specific services within certain categories of services, including audit, audit-related, tax and other services, are specifically pre-approved for the upcoming or current fiscal year, subject to an aggregate maximum annual fee payable by the Company for each category of pre-approved services. Any service that is not included in the approved list of services must be separately pre-approved by the Audit Committee. In addition, all audit and permissible non-audit services in excess of the pre-approved fee level, whether or not included on the pre-approved list of services, must be separately pre-approved by the Audit Committee. The Audit Committee has delegated authority to its chairman to specifically pre-approve engagements for the performance of audit and permissible non-audit services, provided that the estimated cost for such services shall not exceed $100,000. The chairman must report all pre-approval decisions to the Audit Committee at its next scheduled meeting and provide a description of the terms of the engagement, including (1) the type of services covered by the engagement, (2) the dates the engagement is scheduled to commence and terminate, (3) the estimated fees payable by the Company pursuant to the engagement, (4) other material terms of the engagement, and (5) such other information as the Audit Committee may request.

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COMPENSATION DISCUSSION AND ANALYSIS

General

Our management agreement provides that our Manager is responsible for managing our affairs. Our Chief Executive Officer and each of our other executive officers, each of whom is an employee of Colony Capital and certain of its affiliates, do not receive cash compensation from us for serving as our executive officers. Instead, we pay our Manager the management fees described in Certain Relationships and Related Transactions Management Agreement below. However, under the terms of a secondment agreement between us and Colony Capital, Mr. Tangen, our Chief Operating Officer, Chief Financial Officer and Treasurer, is seconded exclusively to us by Colony Capital.

Results of 2013 Advisory Vote on Executive Compensation

In establishing and recommending compensation for 2013 performance for Mr. Tangen, the Compensation Committee reviewed the results of the vote on the advisory, non-binding vote on executive compensation at the 2013 Annual Meeting of Stockholders. At the 2013 Annual Meeting of Shareholders, over 98% of the votes cast were voted in support of the compensation paid to our named executive officers. Based on the results of the 2013 executive compensation vote, the Compensation Committee and the Board of Directors concluded that the compensation paid to our Chief Operating Officer & Chief Financial Officer and the Company s overall compensation philosophy enjoy strong stockholder support and do not require revision to address any stockholder concerns. Additionally, based on the results of the advisory, non-binding vote on the frequency of stockholder votes on executive compensation at the 2011 Annual Meeting of Stockholders, the Board of Directors determined that the Company will hold an advisory vote on executive compensation on an annual basis.

Compensation Consultant

In 2013, the Compensation Committee engaged FTI Consulting, a nationally recognized compensation consulting firm, to undertake a review of the Company s base salary and cash bonus program for Mr. Tangen, to advise the Compensation Committee and to provide recommendations regarding the Company s base salary and cash bonus determinations to be made by the Compensation Committee. The Compensation Committee took these recommendations into account in increasing Mr. Tangen s base salary for 2014 and adopting a new cash bonus evaluation program applicable to Mr. Tangen effective in 2014 and 2015.

Cash Compensation

Under the terms of the secondment agreement, we are charged for the expenses incurred by Colony Capital in employing Mr. Tangen, including annual base salary, bonus potential, related withholding taxes and employee benefits. As a result, we are responsible for reimbursing Colony Capital, on a monthly basis, an amount equal to the sum of (a) Mr. Tangen s base salary for such month and (b) Colony Capital s cost of providing employee benefits to Mr. Tangen for such month. The terms of the secondment agreement were negotiated between us and Colony Capital. Accordingly, except as discussed below with regard to Mr. Tangen s bonus, all amounts paid to Mr. Tangen by Colony Capital for which we are responsible for reimbursement were negotiated as part of the secondment agreement.

In 2013, Mr. Tangen s base salary and our obligation to reimburse Colony Capital for Mr. Tangen s base salary were capped at $29,167 per month, or $350,000 annually. Mr. Tangen also received an annual cash bonus paid by Colony Capital. Pursuant to the secondment agreement, we have agreed to reimburse Colony Capital for the cash bonus paid to him. However, pursuant to the secondment agreement, we are only responsible for reimbursing Colony Capital for the amount of the cash bonus that is approved by our Compensation Committee, in its sole discretion. For the year ended December 31, 2013, we reimbursed Colony Capital pursuant to the secondment agreement for Mr. Tangen s full cash bonus in the amount of $850,000. After considering

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Mr. Tangen s continuing leadership over the last year, his significant involvement in the operations of the Company, and his involvement in sourcing and managing numerous transactions consummated by the Company, and following a review of compensation paid to chief operating officers and chief financial officers of comparable companies, the Compensation Committee determined that the bonus amount was appropriate and would be reimbursed to Colony Capital in full.

In December 2013, based on a recommendation from the compensation consultant, the Compensation Committee determined that it was advisable to increase our reimbursement of Colony Capital for Mr. Tangen s base salary to a maximum of $33,333 per month, or $400,000 annually, in light of Mr. Tangen s instrumental role in the Company s successes. In March 2014, we entered into an amendment to the secondment agreement with Colony Capital to reflect this increase in our maximum obligation to reimburse Colony Capital for Mr. Tangen s base salary, which is effective for 2014.

In March 2014, based on a recommendation from the compensation consultant, the Compensation Committee determined that it was advisable to implement over 2014 and 2015 a more formulaic cash bonus program applicable to Mr. Tangen. Under the new program, Mr. Tangen will be eligible to receive an annual, year-end cash bonus within a range of values selected by the Compensation Committee in its sole discretion. In 2014, the exact amount of the bonus award will be determined pursuant to a weighted average formula assigning a 25% weight to the achievement of certain performance metrics and a 75% weight to the Compensation Committee s discretionary assessment of Mr. Tangen s performance. Specifically, the Compensation Committee determined that (i) a 17.5% weight would be assigned to the achievement of certain threshold, target or maximum Core Earnings goals selected by the Compensation Committee in its sole discretion, and (ii) a 7.5% weight would be assigned to the achievement of certain threshold, target or maximum net asset value plus dividends per share growth goals selected by the Compensation Committee in its sole discretion. Mr. Tangen s annual cash bonus award for 2014 will be calculated by adding the sum of:

(i) the product of 0.175 and a total bonus amount based on the Core Earnings achieved by the Company for the year;

(ii) the product of 0.075 and a total bonus amount based on the net asset value plus dividends per share growth achieved by the Company for the year; and

(iii) the product of 0.75 and a total bonus amount determined at the sole discretion of the Compensation Committee.

In consultation with the compensation consultant, the Compensation Committee determined that in 2015 the formula for determining Mr. Tangen s annual cash bonus will be adjusted to assign a 35% weight to the achievement of Core Earnings goals, a 15% weight to the achievement of net asset value plus dividends per share growth goals and a 50% weight to the Compensation Committee s discretionary assessment of Mr. Tangen s performance. Additionally, the Compensation Committee anticipates that the threshold, target and maximum Core Earnings goals and net asset value plus dividends per share growth goals for 2015 will be assessed by the Compensation Committee in early 2015.

Benefits

In addition to base salary and bonus potential, Colony Capital provides Mr. Tangen with certain benefits that are reimbursable by us, including matching contributions to his 401(k) plan, standard employee health benefits, an automobile allowance and country club membership dues; we do not have discretion regarding the amounts that we reimburse for these benefits. In addition to their capacities as officers or personnel of Colony Capital, persons other than our Chief Operating Officer and Chief Financial Officer devote such portion of their time to our affairs as is necessary to enable us to operate our business.

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Equity Compensation

In 2011, we adopted our 2011 Equity Incentive Plan, which provides for the grant of options to purchase shares of common stock, share awards (including restricted stock and stock units), stock appreciation rights, performance awards and annual incentive awards, dividend equivalent rights, long-term incentive units, cash and other equity-based awards. The 2014 Equity Incentive Plan, which we have asked our stockholders to approve at the 2014 annual meeting (see Proposal 4), provides for an increase in the total number of shares of our common stock authorized for issuance under the plan, among other things, as described in more detail in Proposal 4. Certain named executive officers of the Company, along with other eligible employees, directors and service providers, including the Manager and employees of the Manager, are eligible to receive awards under the 2011 Equity Incentive Plan and will remain eligible to receive awards under the 2014 Equity Incentive Plan, if adopted. Our Compensation Committee may, from time to time, grant equity-based awards designed to align the interests of personnel of our Manager and its affiliates who support our Manager in providing services to us under our management agreement with those of our stockholders, by allowing such personnel to share in the creation of value for our stockholders through stock appreciation and dividends. These equity-based awards are generally subject to time-based vesting requirements designed to promote retention and to achieve strong performance for our Company. These awards further provide flexibility to us in our ability to enable our Manager to attract, motivate and retain talented individuals providing services for the benefit of the Manager and the Company.

Summary Compensation Table

The following table contains certain summary compensation information for our named executive officers for the fiscal years ended December 31, 2013, 2012 and 2011:

Name and Principal Position	Year	Salary[1] ($)	Bonus[2] ($)	Stock Awards[3] ($)	All Other Compensation ($)	Total ($)
Thomas J. Barrack, Jr.	2013					
Executive Chairman	2012			1,871,619		1,871,619
	2011					
Richard B. Saltzman	2013					
CEO & President	2012			1,247,746		1,247,746
	2011					
Kevin P. Traenkle	2013					
Chief Investment Officer	2012			724,889		724,889
	2011					
Darren J. Tangen	2013	350,000	850,000		34,997[4]	1,234,997
COO, CFO & Treasurer	2012	350,000	800,000	554,999	32,965[5]	1,737,964
	2011	350,000	800,000		58,776[6]	1,208,776
Ronald M. Sanders	2013					
Chief Legal Officer	2012			277,742		277,742
	2011					

(1) Represents the maximum salary reimbursable by the Company under the secondment agreement with Colony Capital for each of the fiscal years ended December 31, 2013, 2012 and 2011.

(2) Represents the cash bonus paid to Mr. Tangen by Colony Capital for each of the fiscal years ended December 31, 2013, 2012 and 2011. Upon determination by our Compensation Committee that the amount was proper, we reimbursed Colony Capital for 100% of the bonus amount paid to Mr. Tangen by Colony Capital with respect to each such fiscal year.

(3) On January 4, 2012, the Compensation Committee approved the grant of 475,000 shares of restricted common stock under the 2011 Equity Incentive Plan, including to the named executive officers of the Company, which restricted common stock shall vest over a three-year period as follows: 25% in March

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2012 and 25% on approximately each of the first three anniversaries of the grant date, respectively. The amount reported in this column is based on the closing price of $16.16 per share of common stock on the date of the grant.

(4) Includes $25,797 in employee medical and health benefits and $9,200 in automobile related expenses for the year ended December 31, 2013.

(5) Includes $23,965 in employee medical and health benefits and $9,000 in automobile related expenses for the year ended December 31, 2012.

(6) Includes $45,651 in employee medical and health benefits, $9,000 in automobile related expenses and $4,125 in 401(k) contributions for the year ended December 31, 2011.

For narrative disclosures concerning the information set forth in the Summary Compensation Table, please see Compensation Discussion and Analysis in this proxy statement.

Grant of Plan Based Awards

The Company did not make any grants of stock awards to any named executive officers during the year ended December 31, 2013.

Stock Vested in 2013

As previously reported in the Company s definitive proxy statement relating to the annual meeting of stockholders held on May 6, 2013, our Compensation Committee on January 4, 2012 approved grants under the 2011 Equity Incentive Plan of an aggregate of 475,000 shares of restricted common stock to certain employees of the Manager or its affiliates, including an aggregate of 289,418 shares of restricted common stock to our named executive officers. The awards vest over a three-year period as follows: 25% in March 2012 and 25% on approximately each of the first three anniversaries of the grant date, respectively. With the approval of the Compensation Committee, we accelerated the original January 2013 vesting date to December 2012. As a result, no stock held by any named executive officer vested in 2013.

Outstanding Equity Awards at Fiscal Year Ended December 31, 2013

The following table sets forth information for each named executive officer with respect to the outstanding unvested equity awards as of fiscal year-end 2013, and the market value of such stock at fiscal year-end 2013:

Name and Principal Position	Number of Shares or Units of Stock That Have Not Vested[1] (#)	Market Value of Shares or Units of Stock That Have Not Vested[2] ($)
Thomas J. Barrack, Jr. Executive Chairman	57,908	$ 1,174,953
Richard B. Saltzman CEO & President	38,606	$ 783,316
Kevin P. Traenkle Chief Investment Officer	22,429	$ 455,084
Darren J. Tangen COO, CFO & Treasurer	17,172	$ 348,420
Ronald M. Sanders Chief Legal Officer	8,593	$ 174,352

(1) Fifty percent of these remaining restricted common stock awards vested in January 2014, and 50% remain subject to vesting in January 2015.

(2) Value determined by multiplying the number of unvested shares by $20.29, the closing price of common stock on the last business day of the 2013 fiscal year.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee of our Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted,

The Compensation Committee of the Board of Directors

John A. Somers *(Chairman)*
George G. C. Parker
John L. Steffens

The Compensation Committee Report does not constitute soliciting material and will not be deemed filed or incorporated by reference into any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate our SEC filings by reference, in whole or in part, notwithstanding anything to the contrary set forth in those filings.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee of the Board of Directors are John A. Somers, George G. C. Parker, and John L. Steffens, each of whom is an independent director. None of these directors, nor any of our executive officers, serves as a member of the governing body or compensation committee of any entity that has an executive officer serving as a member of our Board of Directors or our Compensation Committee. Accordingly, during 2013 there were no interlocks with other companies within the meaning of the SEC s rules.

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COMPENSATION OF DIRECTORS

Director Compensation

In August 2013, the Compensation Committee engaged FTI Consulting, a nationally recognized compensation consulting firm, to undertake a review of the Company s Board of Directors compensation program. In November 2013, FTI Consulting met with the Compensation Committee to provide recommendations regarding the Company s Board of Directors compensation program for 2013 and 2014. The Compensation Committee took these recommendations into account in approving an increase in the fees payable to our non-executive directors, effective in 2014.

A member of our Board of Directors who is also an employee of Colony Capital is referred to as an executive director. Executive directors do not receive compensation for serving on our Board. For 2013, each non-executive director received an annual base fee for his or her services of $95,000, with $45,000 paid in cash in quarterly installments in conjunction with quarterly meetings of the Board and $50,000 paid in the form of an annual award of restricted shares of our common stock, which vested in full on the one-year anniversary of the date of grant. In addition, in 2013, the chairs of the Audit, Compensation and Nominating and Corporate Governance Committees received an additional annual cash retainer of $15,000, $7,500 and $7,500, respectively, and the Lead Director received an additional annual cash retainer of $20,000.

In November 2013, based on a recommendation from the compensation consultant, our Compensation Committee recommended and our Board of Directors approved an increase in the fees payable to our non-executive directors, effective in 2014. For 2014, each non-executive director will receive an annual base fee for his or her services of $145,000, with $58,000 paid in cash in quarterly installments in conjunction with quarterly meetings of the Board and $87,000 paid in the form of an annual award of restricted shares of our common stock, which will vest in full on the one-year anniversary of the date of grant, subject to the director s continued service on our Board of Directors. In addition, in 2014, the chairs of the Audit, Compensation and Nominating and Corporate Governance Committees will receive an additional annual cash retainer of $20,000, $12,500 and $12,500, respectively, and the Lead Director will receive an additional annual cash retainer of $25,000.

Furthermore, each non-executive director shall be required to own a minimum of 7,500 shares of Company common stock. In connection with the foregoing share ownership requirement, each non-executive director shall have until the later of the three-year period commencing on January 1, 2013 or upon such director s initial election to the Board of Directors to comply with the minimum share ownership requirement in order to stand for re-election.

Upon the election of any new non-executive director elected to the Board of Directors, the Company shall make an initial grant of 2,000 restricted shares of common stock, which will vest in two equal annual installments beginning on the one-year anniversary of the date of grant, subject to the director s continued service on the Board of Directors. We also reimburse each of our directors for their travel expenses incurred in connection with their attendance at full Board and committee meetings.

At the closing of our initial public offering on September 29, 2009, we granted 2,000 restricted shares of our common stock to each of our non-executive directors pursuant to our 2009 Non-Executive Director Stock Plan (the Director Stock Plan). These awards of restricted stock vested in two equal annual installments beginning on the one-year anniversary of the date of grant, subject to the director s continued service on our Board. In addition, during the fiscal years ended December 31, 2013, December 31, 2012 and 2011, we granted 2,279, 2,758 and 1,000 restricted shares of our common stock, respectively, to each of our non-executive directors pursuant to the Director Stock Plan and in accordance with the non-executive compensation policy for such year, with each grant of restricted shares vesting in full on the one-year anniversary of the date of each respective grant.

The Director Stock Plan provides for the issuance of restricted or unrestricted shares of our common stock or restricted stock units and other stock-based awards, including dividend equivalent rights. The Director Stock

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Plan is intended, in part, to implement our program of non-executive director compensation described above. We reserved a total of 100,000 shares of our common stock for issuance under our Director Stock Plan, of which 72,889 remained available for future issuance to our non-executive directors as of December 31, 2013. If any awards under the Director Stock Plan are cancelled, forfeited or otherwise terminated, the shares that were subject to such award will be available for re-issuance under the Director Stock Plan. Shares issued under the Director Stock Plan may be authorized but unissued shares or shares that have been reacquired by us. In the event that the Compensation Committee determines that any dividend or other distribution (whether in the form of cash, common stock, or other property), recapitalization, stock split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event, affects the common stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of participants under the Director Stock Plan, then the Compensation Committee will make equitable changes or adjustments to any or all of: (i) the number and kind of shares of stock or other property (including cash) that may thereafter be issued in connection with awards; (ii) the number and kind of shares of stock or other property (including cash) issued or issuable in respect of outstanding awards; (iii) the purchase price relating to any award and (iv) the performance goals, if any, applicable to outstanding awards. In addition, the Compensation Committee may determine that any such equitable adjustment may be accomplished by making a payment to the award holder, in the form of cash or other property (including but not limited to shares of stock). Awards under the Director Stock Plan are intended to either be exempt from, or comply with, Code Section 409A.

Each award of restricted stock or restricted stock units will be subject to such restrictions as will be set forth in the applicable award agreement. Unless otherwise determined by the board, upon a non-executive director s removal or resignation from our board, the director will forfeit any as yet unvested awards granted under the Director Stock Plan. Upon a change in control of us (as defined under the Director Stock Plan) in which outstanding awards will not be assumed or continued by the surviving entity: (i) all restricted shares and all restricted stock units will vest and the underlying shares will be delivered immediately before the change in control, and (ii) the board of directors may elect, in its sole discretion, to cancel any outstanding awards of restricted stock or restricted stock units and to pay or have paid to the award holder an amount in cash or securities having a value equal to the formula or fixed price per share paid to stockholders in the change in control transaction.

Director Compensation Table

The following table presents information relating to the total compensation of our three non-executive directors for the fiscal year ended December 31, 2013. Thomas J. Barrack, Jr. and Richard B. Saltzman, as executive directors, do not receive any compensation for serving on our Board of Directors.

Name	Fees Earned or Paid in Cash ($)	Stock Awards[(1)(2)(3)] ($)	Total ($)
George G. C. Parker	$ 60,000	$ 50,001	$ 110,001
John A. Somers	$ 72,500	$ 50,001	$ 122,501
John L. Steffens	$ 52,500	$ 50,001	$ 102,501

(1) The amounts in the Stock Awards column reflect the aggregate grant date fair value of the restricted shares of our common stock granted pursuant to the Director Stock Plan.
(2) The grant date fair value for stock awards granted in fiscal year 2013 was $ 21.94 per share.
(3) At December 31, 2013, the aggregate number of outstanding unvested stock awards for each of Messrs. Parker, Somers and Steffens was 2,279, which vested on March 8, 2014.

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SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table presents information relating to securities remaining available for future issuance under equity compensation plans of the Company for the fiscal year ended December 31, 2013.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders[1]	N/A	N/A	838,122[2]
Equity compensation plans not approved by security holders			
Total	N/A	N/A	838,122[2]

(1) Represents (a) the Company s 2009 Non-Executive Director Stock Plan and (b) the Company s 2011 Equity Incentive Plan.

(2) At December 31, 2013, includes 72,889 shares remaining for future issuance under the Company s 2009 Non-Executive Director Stock Plan and 765,233 shares remaining for future issuance under the Company s 2011 Equity Incentive Plan. As described below under Certain Relationships and Related Transactions Manager Compensation, in January 2014 the Company granted 500,000 shares to the Manager pursuant to the 2011 Equity Incentive Plan, leaving 265,233 shares available for future issuance under the 2011 Equity Incentive Plan (without giving effect to additional shares that may become available upon the future expiration, forfeiture, or cancellation of outstanding awards). For information regarding the proposal to increase the number of shares authorized and available for issuance pursuant to the 2014 Equity Incentive Plan, see Proposal 4.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee is currently composed of Messrs. Parker (Chairman), Somers, and Steffens. The members of the Audit Committee are appointed by and serve at the discretion of the Board of Directors. The Audit Committee operates under a written charter adopted by our Board of Directors.

One of the principal purposes of the Audit Committee is to assist the Board of Directors in the oversight of the integrity of the Company s financial statements. The Company s management team has the primary responsibility for the financial statements and the reporting process, including the system of internal controls and disclosure controls and procedures. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report on Form 10-K for the year ended December 31, 2013 with our management.

The Audit Committee also is responsible for assisting the Board of Directors in the oversight of the qualification, independence and performance of the Company s independent auditors. The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards and those matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in rule 3200T.

The Audit Committee has received both the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence, and has discussed with Ernst & Young LLP its independence. In addition, the Audit Committee has considered whether the provision of non-audit services, and the fees charged for such non-audit services, by Ernst & Young LLP are compatible with maintaining the independence of Ernst & Young LLP from management and the Company.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that our audited financial statements for 2013 be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 for filing with the SEC.

Respectfully submitted,

The Audit Committee of the Board of Directors

George G. C. Parker *(Chairman)*
John A. Somers
John L. Steffens

The Report of the Audit Committee does not constitute soliciting material and will not be deemed filed or incorporated by reference into any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate our SEC filings by reference, in whole or in part, notwithstanding anything to the contrary set forth in those filings.

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PROPOSAL 2: ADVISORY VOTE ON EXECUTIVE COMPENSATION

We are providing our stockholders an opportunity to indicate whether they support the compensation of our named executive officers, as described in this proxy statement. This advisory vote, commonly referred to as say on pay, is not intended to address any specific item of compensation, but instead relates to the Compensation Discussion and Analysis, the tabular disclosures regarding our Chief Financial Officer s compensation (as set forth above), and the narrative disclosure accompanying the tabular presentation. We believe these disclosures allow stockholders to view the trends in our executive compensation program and the application of our compensation philosophies for the year presented.

As discussed in the Compensation Discussion and Analysis beginning on page 16 of this proxy statement, our Chief Executive Officer and each of our other executive officers, each of whom is an employee of Colony Capital and certain of its affiliates, do not receive cash compensation from us for serving as our executive officers. However, under the terms of a secondment agreement between us and Colony Capital, Mr. Tangen, our Chief Operating Officer, Chief Financial Officer and Treasurer, is seconded exclusively to us by Colony Capital. Under the terms of the secondment agreement, we are responsible for reimbursing Colony Capital, on a monthly basis, an amount equal to the sum of (a) Mr. Tangen s base salary for such month and (b) Colony Capital s cost of providing employee benefits to Mr. Tangen for such month. The term of the secondment agreement was negotiated between us and Colony Capital. Accordingly, except as discussed below with regard to Mr. Tangen s bonus, all amounts paid to Mr. Tangen by Colony Capital for which we are responsible for reimbursement were negotiated as part of the secondment agreement. Mr. Tangen s base salary and our obligation to reimburse Colony Capital for Mr. Tangen s base salary was capped at $29,167 per month, or $350,000 annually, in 2013. In December 2013, the Compensation Committee determined that it was advisable to increase our reimbursement of Colony Capital for Mr. Tangen s base salary to a maximum of $33,333 per month, or $400,000 annually, starting in 2014. Mr. Tangen also is eligible to receive an annual cash bonus paid by Colony Capital. Pursuant to the secondment agreement, we have agreed to reimburse Colony Capital for the cash bonus paid to him. However, pursuant to the secondment agreement, we are only responsible for reimbursing Colony Capital for the amount of the cash bonus that is approved by our Compensation Committee, in its sole discretion. For the year ended December 31, 2013, we reimbursed Colony Capital pursuant to the secondment agreement for Mr. Tangen s full cash bonus in the amount of $850,000. After considering Mr. Tangen s continuing leadership over the last year, his significant involvement in the operations of the Company, and his involvement in sourcing and managing numerous transactions consummated by the Company, and following a review of compensation paid to chief operating officers and chief financial officers of comparable companies, the Compensation Committee determined that the bonus amount was appropriate and would be reimbursed to Colony Capital in full. Accordingly, the Board of Directors unanimously recommends that stockholders vote in favor of the following resolution:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED on an advisory basis.

Although this vote is advisory and is not binding on the Company, the Compensation Committee values the opinions of our stockholders. To the extent that there is any significant vote against the compensation of our named executive officers, we will consider our stockholders concerns, and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

Vote Required and Recommendation

Stockholders may also abstain from voting on this advisory proposal. The affirmative vote of a majority of the votes cast is required for approval of the advisory resolution above. For purposes of the vote on this proposal, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ADVISORY APPROVAL OF THE RESOLUTION APPROVING THE COMPENSATION OF THE COMPANY S NAMED EXECUTIVE OFFICERS.

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PROPOSAL 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board of Directors has appointed Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014. After careful consideration of the matter and in recognition of the importance of this matter to our stockholders, the Board of Directors has determined that it is in the best interests of the Company and our stockholders to seek the ratification by our stockholders of our Audit Committee s selection of our independent registered public accounting firm. A representative of Ernst & Young LLP will be present at the annual meeting, will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Vote Required and Recommendation

The affirmative vote of a majority of the votes cast is required for approval of the advisory resolution above. For purposes of the vote on this proposal, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum. Even if the appointment of Ernst & Young LLP as our independent registered public accounting firm is ratified, our Board of Directors and the Audit Committee may, in their discretion, change that appointment at any time during the year should they determine such a change would be in our and our stockholders best interests. In the event that the appointment of Ernst & Young LLP is not ratified, the Audit Committee will consider the appointment of another independent registered public accounting firm, but will not be required to appoint a different firm.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2014.

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PROPOSAL 4: APPROVAL OF THE COLONY FINANCIAL, INC. 2014 EQUITY INCENTIVE PLAN AND SECTION 162(m) MATERIAL TERMS FOR PAYMENT

This section provides a summary of the terms of the 2014 Equity Incentive Plan (which we refer to in this Proposal 4 as the 2014 Equity Incentive Plan or the Plan), which constitutes an amendment and restatement of the Company s 2011 Equity Incentive Plan (which we refer to in this Proposal 4 as the 2011 Equity Incentive Plan), and the proposal.

We are asking our stockholders to consider and to approve this proposal regarding the 2014 Equity Incentive Plan. Upon recommendation of the Compensation Committee, on March 24, 2014, the Board adopted the Plan, to be effective upon approval by the Company s stockholders at this annual meeting, in order to, among other things:

(1) Amend and restate the 2011 Equity Incentive Plan, by adopting the 2014 Equity Incentive Plan;

(2) Increase the number of shares of the Company s common stock, par value $0.01 per share, issuable under the Plan by 2,500,000 shares;

(3) Establish May 8, 2024 as the termination date of the Plan; and

(4) Establish the material terms of performance-based compensation under the Plan as required by Section 162(m) of the Internal Revenue Code, or the Code.

The Board believes that approval of the Plan is in the best interests of the Company and its stockholders and that the Plan will permit the Company to continue to grant stock-based compensation to key personnel of the Company, the Manager, and affiliates of the Manager. By approving the Plan, the Company s stockholders will enable the Company, the Manager, and affiliates of the Manager to continue offering a competitive compensation package that is linked to the Company s common stock performance and to continue attracting and retaining highly qualified officers, key employees, non-employee directors, consultants, and advisers.

The Plan will become effective on the date approved by the Company s stockholders, if it is approved by our stockholders. If our stockholders do not approve the Plan, compensatory equity-based grants to key personnel of the Company, the Manager, and affiliates of the Manager will continue to be made under the 2011 Equity Incentive Plan to the extent of the shares of common stock available for issuance under that plan, which for future grants totaled an estimated 265,233 shares as of March 25, 2014 (without giving effect to additional shares that may become available upon the future expiration, forfeiture, or cancellation of outstanding awards). Failure to approve the Plan would create uncertainty with regard to the Company s ability to continue its current programs, which it considers to be very successful and in the best interest of the Company and its stockholders. In addition, the Company may have to create an alternative to this equity component in order to provide compensation programs that are considered competitive.

Equity Awards Outstanding and Available

The following table sets forth the aggregate information of our equity compensation plans in effect as of March 25, 2014.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders[1]	N/A	N/A	338,122[2]

Equity compensation plans not approved by security holders			
Total	N/A	N/A	338,122[(2)]

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(1) Represents (a) the Company s 2009 Non-Executive Director Stock Plan and (b) the Company s 2011 Equity Incentive Plan.
(2) At March 25, 2014, includes 72,889 shares remaining for future issuance under the Company s 2009 Non-Executive Director Stock Plan and 265,233 shares remaining for future issuance under the Company s 2011 Equity Incentive Plan (without giving effect to additional shares that may become available upon the future expiration, forfeiture, or cancellation of outstanding awards).

Principles of the Plan

The Plan is intended to (a) provide incentive to eligible persons to stimulate their efforts towards the success of the Company and to operate and manage its business in a manner that will provide for the long-term growth and profitability of the Company; and (b) provide a means of obtaining, rewarding, and retaining key personnel of the Company, the Manager, and affiliates of the Manager. To this end, the Plan provides for the grant of stock options, stock appreciation rights, restricted stock, unrestricted stock, stock units (including deferred stock units), dividend equivalent rights, long-term incentive units, and cash bonus awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals in accordance with the terms of the Plan. Stock options granted under the Plan may be non-qualified stock options or incentive stock options, except that incentive stock options are only available to employees, if any, of the Company and its subsidiaries.

Description of the Plan

A summary of the material terms of the Plan is set forth below. This summary, however, does not purport to be a complete description of all of the provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan, a copy of which is attached as Annex A to this proxy statement and which is incorporated by reference into this proposal. Stockholders should refer to Annex A for a more complete description of the Plan.

Effective Date and Term. The 2011 Equity Incentive Plan was originally effective as of May 2, 2011, the date such plan was approved by our stockholders. Subject to the stockholder s approval at the 2014 annual meeting, the Plan, as amended and restated, shall become effective upon shareholder approval (the Amendment Date). The Plan will expire on May 8, 2024, unless terminated earlier.

Administration of the Plan. The Plan is administered by the Company s Compensation Committee (the Committee), and the Committee determines all terms of awards under the Plan. Each member of the Committee is both a non-employee director within the meaning of Rule 16b-3 of the Exchange Act and an outside director within the meaning of Section 162(m) of the Code and, for so long as our common stock is listed on the NYSE, an independent director within the meaning of Section 303A of the NYSE Listed Company Manual. During any period of time in which we do not have a Compensation Committee, the Plan will be administered by the Board or another committee appointed by the Board. In addition, subject to the Plan and applicable law, the Board retains the authority under the Plan to exercise any or all of the powers and authorities related to the administration and implementation of the Plan. References below to the Committee include a reference to the Board or another committee appointed by the Board for those periods in which the Board or such other committee appointed by the Board is acting.

Except where the authority to act on such matters is specifically reserved to the Board under the Plan or applicable law, the Committee will have full power and authority to interpret and construe all terms of the Plan, any award, or any award agreement, and to make all related determinations, including the power and authority to:

designate grantees of awards;

determine the type or types of awards to be made to a grantee;

determine the number of shares of common stock or amount of cash subject to an award;

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establish the terms and conditions of each award;

prescribe the form of each award agreement; and

subject to limitations in the Plan (including the prohibition on repricing of stock options and stock appreciation rights without stockholder approval), amend, modify, or supplement the terms of any outstanding award.

Awards. The following types of awards may be made under the Plan, subject to the limitations set forth in the Plan:

stock options, which may be either incentive stock options or non-qualified stock options;

stock appreciation rights or SARs ;

restricted stock;

restricted stock units (or stock units) and deferred stock units;

dividend equivalent rights;

performance-based awards;

long-term incentive units or LTIP Units ;

unrestricted stock; and

cash incentive awards.

The Plan provides that each award will be evidenced by an award agreement, which may specify terms and conditions of the award that differ from the terms and conditions that would otherwise apply under the Plan in the absence of the different terms and conditions in the award agreement. Awards under the Plan may be granted alone or in addition to, in tandem with, or in substitution or exchange for any other award under the Plan, other awards under another compensatory plan of the Company or any of its affiliates (or any business entity that has been a party to a transaction with the Company or any of the Company s affiliates), or other rights to payment from the Company or any of its affiliates. Awards granted in addition to or in tandem with other awards may be granted either at the same time or at different times. The Committee may permit or require the deferral of any payment pursuant to any award into a deferred compensation arrangement, which may include provisions for the payment or crediting of interest or dividend equivalent rights, in accordance with rules and procedures established by the Committee. Awards under the Plan generally will be granted for no consideration other than past services by the grantee of the award or, if provided for in the award agreement or in a separate agreement, the grantee s promise to perform future services to the Company or one of its subsidiaries or other affiliates.

Eligibility. All employees (if any) and officers of the Company and its affiliates or the Manager and its affiliates are eligible to receive awards under the Plan. As of the date of this Proxy Statement, the Company and its affiliates and our Manager and its affiliates employed approximately 50 individuals who may become eligible to receive an award under the Plan. In addition, the Manager, non-employee directors, and consultants and advisors who perform services for the Company or our affiliates or the Manager and its affiliates and any other individual whose

participation in the Plan is determined to be in the best interests of the Company by the Committee may receive awards under the Plan. As of the date of this Proxy Statement, there are 3 non-employee directors who may become eligible to receive an award under the Plan.

The Plan provides that no person eligible for an award under the Plan will be permitted to acquire, or will have any right to acquire, shares thereunder if such acquisition would be prohibited by the ownership limits contained in our charter or bylaws or would impair our status as a REIT.

Awards under the Plan are granted at the discretion of the Committee. As of the date of this Proxy Statement, future awards under the Plan have not been determined.

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Share Authorization and Usage. The maximum number of shares of common stock that may be issued under the Plan, consisting of authorized but unissued shares, will be equal to the sum of (i) 2,500,000 shares of common stock, plus (ii) the number of shares of common stock available for future awards under the 2011 Equity Incentive Plan as of the Amendment Date, plus (iii) the number of shares of common stock related to awards outstanding under the 2011 Equity Incentive Plan as of the Amendment Date that thereafter terminate by expiration or forfeiture, cancellation, or otherwise without the issuance of such shares of common stock. The maximum number of shares of common stock available for issuance pursuant to incentive stock options granted under the Plan will be the same as the number of shares of common stock available for issuance under the Plan.

Shares of common stock that are subject to awards will be counted against the Plan share limit as one share for every one share subject to the award. The number of shares subject to any stock appreciation rights awarded under the Plan will be counted against the aggregate number of shares available for issuance under the Plan regardless of the number of shares actually issued to settle the stock appreciation right upon exercise. If any awards terminate, expire, or are canceled, forfeited, exchanged, or surrendered without having been exercised or paid or if any awards are forfeited or expire or otherwise terminate without the delivery of any shares of common stock, the shares subject to such awards will again be available for purposes of the Plan. However, the number of shares of common stock available for issuance under the Plan will not be increased by the number of shares of common stock (i) tendered or withheld or subject to an award surrendered in connection with the purchase of shares of common stock upon exercise of a stock option, (ii) deducted or delivered from payment of an award in connection with the Company s tax withholding obligations, or (iii) purchased by the Company with the proceeds from stock option exercises.

The number and kinds of shares of common stock for which awards may be made under the Plan, including the limits described above, will be adjusted proportionately and accordingly by the Committee if the number of outstanding shares of common stock is increased or decreased or the shares of common stock are changed into or exchanged for a different number of shares or kind of capital stock or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse stock split, spin-off, combination of stock, exchange of stock, stock dividend, or other distribution payable in capital stock, or other increase or decrease in shares of common stock effected without receipt of consideration by the Company.

Fair Market Value Determination. For so long as the Company s common stock remains listed on the NYSE (or listed on another established national or regional stock exchange or traded on another established securities market), the fair market value of a share of common stock will be the closing price for a share as quoted on such exchange or market for such date. If there is no reported closing price on such date, the fair market value of a share of common stock will be the closing price of the common stock on the next preceding date for which such quotation exists. On March 24, 2014, the closing price of the Company s common stock as reported on the NYSE was $21.82 per share.

If the common stock is not listed on an established national or regional stock exchange or traded on another established securities market, the Committee will determine the fair market value by the reasonable application of a reasonable valuation method, in a manner consistent with Section 409A of the Code.

No Repricing. Except in connection with a corporate transaction involving the Company (including any stock dividend, distribution (whether in the form of cash, common stock, other securities or other property), stock split, extraordinary cash dividend, recapitalization, change in control, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of common stock or other securities, or similar transaction), the Company may not, without obtaining stockholder approval, (i) amend the terms of outstanding stock options or SARs to reduce the exercise price of such outstanding stock options or SARs, (ii) cancel outstanding stock options or SARs in exchange for stock options or SARs with an exercise price that is less than the exercise price of the original stock options or SARs, (iii) cancel outstanding stock options or SARs with an exercise price above the current fair market value of a share of common stock in exchange for cash or other securities, or (iv) take any other action that is treated as a repricing under U.S. GAAP (although appropriate adjustments may be made to outstanding stock options and SARs to achieve compliance with applicable law, including the Code).

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Stock Options. The Plan permits the Committee to grant incentive stock options (under Section 422 of the Code) and stock options that do not qualify as incentive stock options. The exercise price of each stock option will be determined by the Committee; provided that the exercise price cannot be less than 100% of the fair market value of a share of our common stock on the date on which the stock option is granted. If the Company were to grant incentive stock options to any 10% stockholder, the exercise price may not be less than 110% of the fair market value of a share of our common stock on the date on which the stock option is granted.

The term of a stock option cannot exceed 10 years from the date of grant. If the Company were to grant incentive stock options to any 10% stockholder, the term cannot exceed 5 years from the date of grant. The Committee determines at what time or times each stock option may be exercised and the period of time, if any, after retirement, death, disability, or termination of employment during which stock options may be exercised. Stock options may be made exercisable in installments. The vesting and exercisability of stock options may be accelerated by the Committee.

To the extent that the aggregate fair market value of shares of common stock determined on the date of grant with respect to which incentive stock options are exercisable for the first time during any calendar year exceeds $100,000, the stock option will be treated as a non-qualified stock option.

Awards of stock options are nontransferable, except (i) for transfers by will or the laws of descent and distribution or (ii) if authorized in the applicable award agreement, for transfers of non-qualified stock options, not for value, to family members pursuant to the terms and conditions of the Plan.

Stock Appreciation Rights. The Plan permits the Committee to grant stock appreciation rights, which are a right to receive a number of shares or, in the discretion of the Committee, an amount in cash or a combination of shares and cash, based on the increase in the fair market value of the shares of common stock underlying the right during a stated period specified by the Committee. SARs may be granted in conjunction with all or a part of any stock option or other award granted under the Plan, or without regard to any stock option or other award. The Committee will determine at the SAR grant date or thereafter the time or times at which and the circumstances under which a SAR may be exercised in whole or in part, the time or times at which and the circumstances under which a SAR will cease to be exercisable, the method of exercise, the method of settlement, the form of consideration payable in settlement, the method by which shares of common stock will be delivered or deemed delivered to grantees, and any other terms or conditions of any SAR. Exercisability of SARs may be subject to future service requirements, to the achievement of one or more of the performance measures described below, or to such other terms and conditions as the Committee may impose.

Upon exercise of a SAR, the holder will be entitled to receive, in the specified form of consideration, the excess of the fair market value of one share of common stock on the exercise date over the SAR exercise price, as determined by the Committee. The SAR exercise price may not be less than the fair market value of a share of common stock on the grant date.

Awards of stock appreciation rights are nontransferable, except (i) for transfers by will or the laws of descent and distribution or (ii) if authorized in the applicable award agreement, not for value, to family members pursuant to the terms and conditions of the Plan.

Restricted Stock and Stock Units. The Plan permits the Committee to grant restricted stock and stock units (including deferred stock units). Subject to the provisions of the Plan, the Committee will determine the terms and conditions of each award of restricted stock and stock units, including the restricted period for all or a portion of the award, the restrictions applicable to the award, and the purchase price (if any) for the shares of common stock subject to the award. Restricted stock and stock units may vest solely by the passage of time and/or pursuant to achievement of performance goals, and the restrictions and/or the restricted period may differ with respect to each award of restricted stock and stock units. An award will be subject to forfeiture if events specified by the Committee occur before the lapse of the restrictions. A grantee of restricted stock will have all the rights

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of a stockholder, including the right to vote the shares and receive dividends, except to the extent limited by the Committee. Grantees of stock units will have no voting or dividend rights or other rights associated with share ownership, although the Committee may award dividend equivalent rights on such units.

The Committee may subject dividends and dividend equivalent rights paid on time-vested awards of restricted stock and stock units to such forfeiture and repayment obligations if the underlying awards are forfeited before they vest. Grantees will not vest in dividends paid on performance-based awards of restricted stock or in dividend equivalent rights paid on performance-based awards of stock units and will be required to forfeit and repay to the Company such dividends and dividend equivalent rights if the performance goals for the underlying awards are not achieved or such awards otherwise do not vest.

During the period, if any, when stock awards are non-transferable or forfeitable or prior to the satisfaction of any other restrictions prescribed by the Committee, a participant is prohibited from selling, transferring, assigning, pledging, or otherwise encumbering or disposing of his or her shares of restricted stock or stock units. Notwithstanding the foregoing, our Manager may sell, transfer, or assign its unvested restricted stock and stock units to officers, employees, or other service providers of the Manager or its affiliates who would otherwise be eligible to receive grants directly from the Company pursuant to the Plan (a Manager Grantee); provided that the Manager Grantee enters into a written award agreement acceptable to the Committee and agrees to be subject to such award agreement and the Plan. A Manager Grantee may not thereafter sell, transfer, or assign such unvested shares of restricted stock or stock units.

Forms of Payment. The exercise price for any stock option or the purchase price (if any) for restricted stock is generally payable (i) in cash or cash equivalents, (ii) to the extent the award agreement provides, by the surrender of shares of common stock (or attestation of ownership of such shares) with an aggregate fair market value, on the date on which the stock option is exercised, equal to the exercise price, (iii) to the extent permissible by applicable law and to the extent the award agreement provides, by payment through a broker in accordance with procedures set forth by the Company, or (iv) to the extent the award agreement provides and/or unless otherwise specified in an award agreement, any other form permissible by applicable laws, including net exercise and service to the Company, our Manager, or an affiliate of the Company or our Manager.

Dividend Equivalent Rights. The Plan permits the Committee to grant dividend equivalent rights, which are rights entitling the recipient to receive credits for cash distributions that would be paid if the recipient had held a specified number of shares of common stock underlying the right. The Committee may grant rights to dividend equivalents to a grantee in connection with an award under the Plan, or without regard to any other award, except that no dividend equivalent right may be granted in connection with, or related to, a stock option or SAR. The terms and conditions of awards of dividend equivalent rights will be specified in the applicable award agreement.

Dividend equivalents credited to the holder of a dividend equivalent right may be paid currently (with or without being subject to forfeiture or a repayment obligation) or may be deemed to be reinvested in additional shares of common stock, which may thereafter accrue additional dividend equivalent rights (with or without being subject to forfeiture or a repayment obligation). Any such reinvestment will be at the fair market value of the common stock on the reinvestment date. Dividend equivalent rights may be settled in cash, shares of common stock, or a combination thereof, in a single installment or in multiple installments, as determined by the Committee.

A dividend equivalent right granted as a component of another award may provide that the dividend equivalent right will be settled upon exercise, settlement, or payment of, or lapse of restrictions on, the other award, and that the dividend equivalent right will expire or be forfeited or annulled under the same conditions as the other award. A dividend equivalent right granted as a component of another award also may contain terms and conditions that are different from the terms and conditions of the other award, except that dividend equivalent rights credited pursuant to a dividend equivalent right granted as a component of another award that vests or is earned based upon the achievement of performance goals may not vest unless the performance goals for the underlying award are achieved and the underlying award vests.

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LTIP Units. The Plan permits the Committee to grant LTIP Units, which are profits interests in the Company s operating partnership (if, and to the extent that, the Company in the future has an operating partnership through which it owns substantially all of its assets). Because the LTIP Units are structured as profits interests, the grant, vesting, or conversion of such units are not expected to produce a tax deduction for the Company. Each LTIP Unit awarded will be deemed to be equivalent to an award of one share of the Company s common stock reserved under the Plan and will reduce the amount of shares of common stock available for other equity awards on a one-for-one basis. LTIP Units, whether vested or not, will receive the same quarterly per unit distributions as common units of limited partnership interest (OP Units) in the Company s operating partnership (if any), which will equal per share dividends on the Company s common stock. Initially, LTIP Units will not have full parity with other OP Units with respect to liquidating distributions. Upon the occurrence of specified events, LTIP Units may over time achieve full parity with other OP Units for all purposes, and therefore accrete to an economic value for participants equivalent to the Company s common stock on a one-for-one basis. If such parity is reached, vested LTIP Units may be converted into an equal number of OP Units at any time, and thereafter enjoy all the rights of OP Units. However, there are circumstances under which the LTIP Units will not achieve full parity with OP Units. Until and unless such parity is reached, the value that a participant will realize for a given number of vested LTIP Units will be less than the value of an equal number of shares of the Company s common stock.

Performance and Annual Incentive Awards. The Plan permits the Committee to grant performance and annual incentive awards, ultimately payable in shares of common stock or cash, in such amounts and upon such terms as determined by the Committee. Each grant of a performance-based award will have an initial cash value or an actual or target number of shares of common stock that is established by the Committee at the time of grant. The Committee may set performance goals in its discretion that, depending on the extent to which they are met, will determine the value and/or number of performance and annual incentive awards that will be paid out to a grantee. The performance goals generally will be based on one or more of the performance measures described below. The Committee will establish the performance periods for these performance-based awards. As described below, the Plan is designed to permit the Committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m) of the Code.

Unrestricted Stock. The Plan permits the Committee to grant (or sell at the par value of a share of common stock or such other higher purchase price determined by the Committee) an award to any grantee pursuant to which such grantee may receive shares of common stock free of any restrictions under the Plan.

Other Equity-Based Awards. The Plan permits the Committee to grant other types of stock-based awards under the Plan. The terms and conditions that apply to other equity-based awards are determined by the Committee and may be granted with vesting, value, and/or payment contingent upon the achievement of one or more performance goals.

Recoupment. Awards granted pursuant to the Plan may be subject to mandatory repayment by the recipient to the Company of any gain realized by the recipient to the extent the recipient is in violation of or in conflict with certain agreements with the Company (including but not limited to an employment or non-competition agreement) or upon termination for cause as defined in the Plan or any other agreement between the Company, our Manager, or an affiliate of either and the recipient. Reimbursement or forfeiture also applies if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws or if an award was earned or vested based on achievement of pre-established performance goals that are later determined, as a result of the accounting restatement, not to have been achieved.

Change in Control. If the Company experiences a change in control in which awards will not be assumed or continued by the surviving entity: (i) except for performance awards, all restricted stock and LTIP Units will vest, and all stock units and dividend equivalent rights will vest and the underlying shares will be delivered immediately before the change in control, and (ii) at the Committee s discretion, either all stock options and

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stock appreciation rights will become exercisable 15 days before the change in control and terminate upon the consummation of the change in control, or all stock options, stock appreciation rights, restricted stock, stock units, and dividend equivalent rights will be cashed out or redeemed for securities of equivalent value before the change in control. In the case of performance awards denominated in common stock, stock units, or LTIP Units, if more than half of the performance period has lapsed, the performance award will be converted into restricted stock or stock units based on actual performance to date. If less than half of the performance period has lapsed, or if actual performance is not determinable, the performance award will be converted into restricted stock or stock units assuming target performance has been achieved. Other equity-based awards will be governed by the terms of the applicable award agreement.

In summary, a change in control occurs under the Plan if:

A person, entity, or group (with certain exceptions) acquires, in a transaction or series of transactions, more than 50% of (a) the then outstanding shares of our common stock or (b) the total combined voting power of our then outstanding securities entitled to vote generally in the election of directors;

Individuals who, when the Plan is adopted, constitute our board of directors (the incumbent directors) cease for any reason to constitute a majority of our board of directors, treating any individual whose election or nomination was approved by a majority of the incumbent directors as an incumbent director for this purpose;

Consummation of a reorganization, merger, consolidation, or sale or other disposition of all or substantially all of the Company s assets, unless (i) the holders of our voting shares immediately prior to such transaction own more than 50% of the then outstanding shares of our common stock and the combined voting power of the then outstanding securities in the surviving entity or its parent in substantially the same proportions as before the transaction; (ii) no person owns 35% or more of the then outstanding shares of the surviving entity or the combined voting power of the then outstanding voting securities of the surviving entity, unless such ownership existed before the transaction; and (iii) at least a majority of the members of the board of the surviving entity were incumbent directors when the transaction was approved; or

The Company is liquidated or dissolved.

Amendment and Termination. The Board may amend, suspend, or terminate the Plan at any time; provided that no amendment, suspension, or termination may adversely impair the rights or obligations of participants with outstanding awards, without such participant s consent. The Company s stockholders must approve any amendment if such approval is required under applicable law or stock exchange requirements and must approve any amendment that changes the no-repricing provisions of the Plan.

Section 162(m) Performance-Based Compensation Terms

Stockholder approval of this proposal is intended to permit the stock-based awards and cash incentive compensation paid to the Company s covered executive officers under the 2014 Equity Incentive Plan to constitute qualified performance-based compensation for purposes of Section 162(m) of the Code and the rules and regulations issued under that section and to enable the Company to deduct such compensation for federal income tax purposes if the requirements of Section 162(m) are satisfied. Stockholder approval of this proposal will constitute approval of the Section 162(m) performance-based compensation terms described below, which consist of provisions relating to (1) the persons eligible to receive performance-based compensation under the Plan, (2) the maximum amount of performance-based compensation that may be paid under the Plan during a specified period to any eligible person, and (3) the performance criteria that may be used under the Plan to establish performance goals as a condition to the payment of the performance-based awards. However, even if this proposal is approved, the Committee may exercise its discretion to award compensation under the Plan that would not qualify as qualified performance-based compensation under Section 162(m) of the Code.

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Section 162(m) of the Code generally provides that no federal income tax business expense deduction is allowed for annual compensation in excess of $1 million paid by a publicly-traded corporation to its principal executive officer or any of the three other most highly-compensated officers (excluding the principal financial officer), as determined in accordance with the applicable rules under the Exchange Act. Under the Code, however, there is no limitation on the deductibility of compensation paid to such officers, who are referred to as covered executive officers, that represents qualified performance-based compensation as determined under the Code. To constitute qualified performance-based compensation, the compensation paid by the Company to its covered executive officers must be paid solely on account of the achievement of one or more objective performance goals established in writing by the Committee while the achievement of such goals is substantially uncertain. Performance goals may be based on one or more performance measures consisting of business criteria that apply to the covered executive officer, a business unit, or the Company, a subsidiary, or other affiliate on an individual or a consolidated basis, but need not be based on an increase or positive result under the business criteria selected. The Committee is prohibited from increasing the amount of compensation payable if a performance goal is met, but may reduce or eliminate compensation even if the performance goal is achieved.

Payment. The Plan contains limitations on the number of shares of common stock available for issuance with respect to specified types of awards. The maximum number of shares of common stock subject to stock options or stock appreciation rights that may be issued under the Plan to any person is 1,000,000 shares in any single calendar year. The maximum number of shares of common stock that may be issued under the Plan to any person pursuant to an award other than a stock option or stock appreciation right is 1,000,000 shares in any single calendar year. The maximum amount that may be paid as a cash-settled performance-based award for a performance period of 12 months or less to any person eligible for an award is $4,000,000, and the maximum amount that may be paid as a cash-settled performance-based award for a performance period of greater than 12 months to any person eligible for an award is $7,500,000.

Performance Measures. The Plan authorizes the establishment of performance goals based on any or more of the following performance measures:

(a) net earnings or net income;

(b) operating earnings or Core Earnings (as defined below);

(c) pretax earnings;

(d) earnings per share of stock;

(e) stock price, including growth measures and total stockholder return;

(f) earnings before interest and taxes;

(g) earnings before interest, taxes, depreciation, and/or amortization;

(h) return measures, including return on assets, capital, investment, equity, sales, or revenue;

(i) cash flow, including operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment;

(j) expense targets;

(k) market share;

(l) financial ratios as provided in credit agreements of the Company and its subsidiaries;

(m) working capital targets;

(n) completion of acquisitions of assets;

(o) completion of asset sales;

(p) revenues under management;

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(q) funds from operations;

(r) distributions to stockholders; and

(s) any combination of any of the foregoing business criteria.

Business criteria may be measured on a GAAP or non-GAAP basis. Core Earnings is a non-GAAP financial measure and is defined as GAAP net income (loss), excluding non-cash equity compensation expense, the costs incurred in connection with our formation and our initial public offering, including the initial and additional underwriting discounts and commissions, the incentive fee, real estate depreciation and amortization (to the extent that we foreclose on any properties underlying our target assets), and any unrealized gains or losses from mark-to-market valuation changes (other than permanent impairment) that are included in net income. The amount will be adjusted to exclude (i) one-time events pursuant to changes in GAAP and (ii) non-cash items which in the judgment of management should not be included in Core Earnings, which adjustments in clauses (i) and (ii) shall only be excluded after discussions between our Manager and our independent directors and after approval by a majority of our independent directors.

The Plan identifies some conditions that may warrant revision or alteration of performance goals after they are established by the Committee. Such conditions may include the following:

asset write-downs;

litigation or claims, judgments, or settlements;

the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results;

any reorganization or restructuring events or programs;

extraordinary, non-core, non-operating, or non-recurring items;

acquisitions or divestitures;

foreign exchange gains and losses;

tax valuation allowance reversals;

impairment expense; and

environmental expense.

Performance under any of the foregoing performance measures may be used to measure the performance of (i) the Company and its subsidiaries and other affiliates as a whole; (ii) the Company, any subsidiary, and/or any other affiliate or any combination thereof; or (iii) any one or more business units of the Company, any subsidiary, and/or any other affiliate, as the Committee deems appropriate. In addition, performance under any of the performance measures may be compared to the performance of one or more other companies or one or more published or special

indices designated or approved by the Committee. The Committee may select performance under the performance measure of stock price for comparison to performance under one or more stock market indices designated or approved by the Committee. The Committee has the authority to provide for accelerated vesting of any performance-based award based on the achievement of performance goals pursuant to the performance measures. The Committee has the discretion to adjust awards that are intended to qualify as performance-based compensation, either on a formula or discretionary basis, or on any combination thereof, as the Committee determines in a manner consistent with the requirements of Section 162(m) of the Code for deductibility.

Federal Income Tax Consequences

The federal income tax consequences of awards under the Plan for participants and the Company will depend on the type of award granted. The following description of tax consequences is intended only for the general information of stockholders. A participant in the Plan should not rely on this description and instead should consult his or her own tax advisor.

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Incentive Stock Options. The grant of an incentive stock option will not be a taxable event for the grantee or for the Company. A grantee generally will not recognize taxable income upon exercise of an incentive stock option (except that the alternative minimum tax may apply), and any gain realized upon a disposition of the shares of common stock received pursuant to the exercise of an incentive stock option will be taxed as long-term capital gain if the grantee holds the shares of common stock for at least 2 years after the date of grant and for one year after the date of exercise (the holding period requirement). The Company will not be entitled to any business expense deduction with respect to the exercise of an incentive stock option, except as discussed below.

For the exercise of an incentive stock option to qualify for the foregoing tax treatment, except in the case of the grantee s death or disability, the grantee generally must be an employee of the Company or our subsidiaries from the date the option is granted through a date within 3 months before the date of exercise of the option.

If all of the foregoing requirements are met except the holding period requirement mentioned above, the grantee will recognize ordinary income upon the disposition of the shares of common stock in an amount generally equal to the excess of the fair market value of the shares of common stock at the time the option was exercised over the exercise price (but not in excess of the gain realized on the sale). The balance of the realized gain, if any, will be capital gain. The Company will be allowed a business expense deduction to the extent the grantee recognizes ordinary income, subject to our compliance with Section 162(m) of the Code and with applicable reporting requirements.

Non-Qualified Stock Options. The grant of a non-qualified stock option will not be a taxable event for the grantee or the Company. Upon exercising a non-qualified stock option, a grantee will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the shares of common stock acquired on the date of exercise. Upon a subsequent sale or exchange of the shares of common stock acquired pursuant to the exercise of a non-qualified stock option, the grantee will have taxable capital gain or loss, measured by the difference between the amount realized on the disposition and the tax basis of the shares of common stock (generally, the amount paid for the shares plus the amount treated as ordinary income at the time the non-qualified stock option was exercised).

If the Company complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

A grantee who has transferred a non-qualified stock option to a family member by gift will realize taxable income at the time the non-qualified stock option is exercised by the family member. The grantee will be subject to withholding of income and employment taxes at that time. The family member s tax basis in the shares of common stock will be the fair market value of the shares of common stock on the date the option is exercised. The transfer of vested non-qualified stock options will be treated as a completed gift for gift and estate tax purposes. Once the gift is completed, neither the transferred options nor the shares of common stock acquired on exercise of the transferred options will be includable in the grantee s estate for estate tax purposes.

Stock Appreciation Rights. There are no immediate tax consequences of receiving an award of stock appreciation rights under the Plan. Upon exercising a stock appreciation right, a grantee will recognize ordinary income in an amount equal to the cash or the fair market value of the common stock received by the grantee. The Company will be entitled to a deduction equal to the amount of any compensation income taxable to the grantee, subject to Section 162(m) of the Code and, as to SARs that are settled in shares of common stock, if the Company complies with applicable reporting requirements.

Restricted Stock. A grantee who is awarded restricted stock will not recognize any taxable income for federal income tax purposes in the year of the award, provided that the shares of common stock are subject to restrictions (that is, the restricted stock is nontransferable and subject to a substantial risk of forfeiture). The grantee, however, may elect under Section 83(b) of the Code to recognize compensation income in the year of

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the award in an amount equal to the fair market value of the shares of common stock on the date of the award (less the purchase price, if any), determined without regard to the restrictions. If the grantee does not make such a Section 83(b) election, the fair market value of the shares of common stock on the date the restrictions lapse (less the purchase price, if any) will be treated as compensation income to the grantee and will be taxable in the year the restrictions lapse. If the Company complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Stock Units. There are no immediate tax consequences of receiving an award of stock units under the Plan. A distribution of shares of common stock or a payment of cash in satisfaction of stock units will be taxable as ordinary income when the distribution or payment is actually or constructively received by the grantee. The amount taxable as ordinary income is the aggregate fair market value of the shares of common stock determined as of the date they are received or, in the case of a cash award, the amount of the cash payment. If the Company complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Dividend Equivalent Rights. Participants who receive dividend equivalent rights will be required to recognize ordinary income in an amount distributed to the grantee pursuant to the award. If the Company complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

LTIP Units. There are no tax consequences of receiving an award of LTIP Units under the Plan at the date of grant or, if not vested at the date of grant, on vesting. Taxable income of the operating partnership allocable to the LTIP Units prior to vesting is taxed as compensation income subject to withholding taxes unless the grantee has made a timely Section 83(b) election.

Performance and Annual Incentive Awards. The award of a performance or annual incentive award will have no federal income tax consequences for the Company or for the grantee. The payment of the award is taxable to a grantee as ordinary income. If the Company complies with applicable reporting requirements, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income (and for our covered employees as defined under Section 162(m) of the Code, to the extent that such compensation does not exceed $1 million for such employees).

Unrestricted Stock. A grantee of unrestricted stock will be required to recognize ordinary income in an amount equal to the fair market value of the shares of common stock on the date of the award, reduced by the amount, if any, paid for such shares. The Company will be entitled to deduct the amount of any compensation income taxable to the grantee if it complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Code.

Upon the grantee s disposition of unrestricted stock, any gain realized in excess of the amount reported as ordinary income will be reportable by the grantee as a capital gain, and any loss will be reportable as a capital loss. Capital gain or loss will be long-term if the grantee has held the shares for more than one year. Otherwise, the capital gain or loss will be short-term.

Registration with the SEC

If the Plan is approved by our stockholders, we intend to file a Registration Statement on Form S-8 relating to the 2014 Equity Incentive Plan with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, as soon as is practicable after such approval of the 2014 Equity Incentive Plan by our stockholders.

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Vote Required and Recommendation

The affirmative vote of a majority of the votes cast is required for approval of the 2014 Equity Incentive Plan and Section 162(m) material terms for payment, provided that the total votes cast on the proposal represents a majority in interest of all shares of our common stock entitled to vote on the proposal. For purposes of the vote on this proposal, abstentions and broker non-votes will have the same effect as votes against the proposal unless holders of a majority of all shares of our common stock entitled to vote on the proposal cast votes, in which event abstentions and broker non-votes will not have any effect on the result of the vote. Abstentions and broker non-votes will be considered present for the purpose of determining the presence of a quorum.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE COLONY FINANCIAL, INC. 2014 EQUITY INCENTIVE PLAN AND SECTION 162(m) MATERIAL TERMS FOR PAYMENT.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of the record date, March 25, 2014, regarding the beneficial ownership of (i) our common stock and (ii) our Series A Cumulative Redeemable Preferred Stock by:

- each of our directors and director nominees;
- each of our executive officers; and
- all of our directors, director nominees and executive officers as a group.

The SEC has defined beneficial ownership of a security to mean the possession, directly or indirectly, of voting power and/or dispositive power with respect to such security. In accordance with SEC rules, each listed person s beneficial ownership includes:

- all shares the investor actually owns beneficially or of record;
- all shares over which the investor has or shares voting or dispositive control (such as in the capacity as a general partner of an investment fund); and
- all shares the investor has the right to acquire within 60 days (such as shares of restricted common stock that are currently vested or which are scheduled to vest within 60 days, the exercise of any option, warrant or right, or the power to revoke a trust, discretionary account or similar arrangement).

Unless otherwise indicated, the address of each named person is c/o Colony Financial, Inc., 2450 Broadway, 6th Floor, Santa Monica, California 90404. The percentages below are based on 92,359,374 shares outstanding as of March 25, 2014. No shares beneficially owned by any executive officer, director or director nominee have been pledged as security.

Additionally, to our knowledge and based upon information available to us in securities filings made by our stockholders with the SEC, the following table sets forth certain information regarding the beneficial owners of more than 5% of our shares of common stock as of March 25, 2014:

	Common Stock		Preferred Stock	
Beneficial Owner	**Shares Owned**	**Percentage of Class**	**Shares Owned**	**Percentage of Class**
Executive Officers and Directors				
Thomas J. Barrack, Jr.	440,039[1][2]	*		
Richard B. Saltzman	293,369[2]	*		
Ronald M. Sanders	69,225[2]	*		
Darren J. Tangen	117,905[2]	*		
Kevin P. Traenkle	161,410[2]	*		
George G. C. Parker	12,787[2]	*		
John A. Somers	15,787[2]	*	500	*
John L. Steffens	20,787[2]	*		
All directors, director nominees and executive officers as a group (8 persons)	1,131,309	1.22%	500	*

Greater than Five Percent Beneficial Owners				
BlackRock, Inc.[3]	6,167,671	6.68%	N/A	N/A
The Vanguard Group, Inc.[4]	4,698,364	5.09%	N/A	N/A

* Represents less than 1.0% of the common stock outstanding as of March 25, 2014.

(1) Represents shares held in a family trust of which Mr. Barrack is trustee.

(2) Includes shares of restricted common stock subject to time vesting.

(3) Based on information provided in a Schedule 13G/A filed on January 28, 2014, Blackrock, Inc. has sole voting power with respect to 5,859,274 of these shares and sole dispositive power with respect to 6,167,671

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of these shares. The address of Blackrock, Inc., as reported by it in the Schedule 13G/A, is 40 East 52nd Street, New York, NY 10022.

(4) Based on information provided in a Schedule 13G filed on February 12, 2014, The Vanguard Group, Inc. has sole voting power with respect to 113,120 shares, sole dispositive power with respect to 4,590,044 of these shares and shared dispositive power with respect to 108,320 of these shares. The address of The Vanguard Group, Inc., as reported by it in the Schedule 13G, is 100 Vanguard Blvd., Malvern, PA 19355.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Management Agreement and Cost Reimbursement for Asset Management Services

At the closing of our initial public offering on September 29, 2009, we entered into a management agreement with Colony Financial Manager, LLC, our Manager, pursuant to which our Manager provides the day-to-day management of our operations. In November 2011 and March 2013, we amended and restated the management agreement. The management agreement, as amended, requires our Manager to manage our business affairs in conformity with the policies and the investment guidelines that are approved and monitored by our Board of Directors. The initial term of the management agreement expired on September 29, 2012, and has been and will continue to be renewed for one-year terms thereafter unless terminated by either us or our Manager. Our Manager is entitled to receive a termination fee from us under certain circumstances.

Pursuant to the terms of the management agreement, our Manager is entitled to receive from us a base management fee and, if earned, an incentive fee. Each quarterly installment of the incentive fee will be payable in shares of our common stock so long as the ownership of such additional number of shares of our common stock by our Manager would not result in a violation of the ownership limits set forth in our charter, after giving effect to any waiver from such limit that our board of directors may grant in the future. We are also obligated to reimburse certain costs incurred by our Manager on our behalf. For the fiscal year ended December 31, 2013, we incurred base management fees of approximately $22.3 million, and reimbursed our Manager approximately $3.6 million for expenses and investment-related costs, including reimbursing an asset manager affiliate of the Manager pursuant to a cost allocation agreement for compensation, overhead and other direct costs incurred for the benefit of certain loan portfolio investments owned by the Company.

Each of our officers is also an employee of Colony Capital and certain of its affiliates. As a result, the management agreement between us and our Manager was negotiated between related parties, and the terms, including fees and other amounts payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party.

Our management agreement is intended to provide us with access to our Manager s pipeline of investment opportunities and its personnel and experience in capital markets, credit analysis, debt structuring and risk and asset management, as well as assistance with corporate operations, legal and compliance functions and governance. All of our officers are also employees or principals of Colony Capital and certain of its affiliates. However, Mr. Tangen, our Chief Operating Officer, Chief Financial Officer and Treasurer, is seconded exclusively to us pursuant to a secondment agreement with Colony Capital.

Manager Compensation

In January 2014, our Compensation Committee approved grants of an aggregate of 500,000 shares of restricted common stock to our Manager pursuant to our 2011 Equity Incentive Plan, for services provided by or on behalf of the Manager for the benefit of the Company. The Manager evaluated the performance of, and thereafter granted such shares of restricted common stock to, certain employees of the Manager and its affiliates providing services for the benefit of the Manager and the Company, including those also serving as executive officers of the Company. The restricted stock granted by the Manager as described herein vests over a three-year period as follows: 25% in January 2014 and 25% in each of January 2015, 2016, and 2017, respectively.

Indemnification Agreements

We have entered into indemnification agreements with each of our executive officers and directors that obligate us to indemnify them to the maximum extent permitted by Maryland law. The form of indemnification agreement provides that if a director or executive officer is a party or is threatened to be made a party to any

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proceeding by reason of such director s or executive officer s status as our director, officer or employee, we must indemnify such director or executive officer for all expenses and liabilities actually and reasonably incurred by him or her, or on his or her behalf, unless it has been established that:

- the act or omission of the director or executive officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;
- the director or executive officer actually received an improper personal benefit in money, property or services; or
- with respect to any criminal action or proceeding, the director or executive officer had reasonable cause to believe that his or her conduct was unlawful;

provided, however, that we will (i) have no obligation to indemnify such director or executive officer for a proceeding by or in the right of our company, for expenses and liabilities actually and reasonably incurred by him or her, or on his or her behalf, if it has been adjudged that such director or executive officer is liable to us with respect to such proceeding and (ii) have no obligation to indemnify or advance expenses of such director or executive officer for a proceeding brought by such director or executive officer against the corporation, except for a proceeding brought to enforce indemnification under Section 2-418 of the MGCL or as otherwise provided by our charter or bylaws, a resolution of the board of directors or an agreement approved by the board of directors.

Investment Advisory Agreement

Our Manager entered into an investment advisory agreement with Colony Capital effective upon the closing of our initial public offering. Pursuant to this agreement, our Manager has access to, among other things, Colony Capital s portfolio management, asset valuation, risk management and asset management services as well as administration services addressing legal, compliance, investor relations and information technologies necessary for the performance of our Manager s duties in exchange for a fee representing the Manager s allocable cost for these services. The fee paid by our Manager pursuant to this agreement shall not constitute a reimbursable expense under the management agreement.

Colony License Agreement

Concurrently with the completion of our initial public offering, we entered into a license agreement pursuant to which we have a non-exclusive, royalty-free license to use the name and trademark Colony. Under this agreement, we have a right to use this name and trademark for so long as Colony Financial Manager, LLC serves as our Manager pursuant to the management agreement. This license and trademark will terminate concurrently with any termination of the management agreement.

Related Party Transaction Policies

Certain current or future private investment funds or other investment vehicles managed by Colony Capital or its affiliates (collectively, Co-Investment Funds) may have the right to co-invest with us in our target assets, subject to us and each Co-Investment Fund having capital available for investment and the determination by our Manager and the general partner of each Co-Investment Fund (which is or will be an affiliate of Colony Capital) that the proposed investment is suitable for us and such Co-Investment Fund, respectively.

To address certain potential conflicts arising from our relationship with Colony Capital or its affiliates, pursuant to an investment allocation agreement among our Manager, Colony Capital and us, our Manager and Colony Capital have agreed that, for so long as the management agreement is in effect, neither they nor any of their affiliates will sponsor or manage (i) any additional publicly traded investment vehicle that will primarily acquire or originate assets secured by U.S. collateral that are substantially similar to our target assets or (ii) any publicly traded investment vehicle that will primarily acquire or originate assets secured by non-U.S. collateral

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that are substantially similar to our target assets or any private investment vehicle that will primarily acquire or originate assets that are substantially similar to our target assets without providing us with the right (but not the obligation) to contribute, subject to our investment guidelines, our availability of capital and maintaining our qualification as a REIT for U.S. federal income tax purposes and our exemption from registration under the 1940 Act, at least one-half of the capital to be funded by such investment vehicles in assets secured by U.S. collateral (or at least one-third for assets secured by non-U.S. collateral) that are substantially similar to our target assets, subject to change if agreed upon by a majority of our independent directors. To date, with respect to certain of our co-investments, we have contributed less than our full entitlement in order to maintain our qualification as a REIT, our exemption from registration under the 1940 Act and/or diversification of our assets. All such co-investments where we contributed less than our full entitlement were approved by our independent directors. To the extent that we do not have sufficient capital to contribute our full entitlement of the capital required for any such proposed investment by such investment vehicles, the allocation agreement provides for a fair and equitable allocation of investment opportunities among all such vehicles and us, in each case, taking into account the suitability of each investment opportunity for the particular vehicle and us and each such vehicle s and our availability of capital for investment. This allocation agreement also will apply to any existing Co-Investment Funds. Our board of directors will re-evaluate the allocation agreement from time to time.

Pursuant to the investment allocation agreement, with respect to public or private investment vehicles sponsored or managed by Colony Capital or its affiliates that do not primarily acquire or originate assets that are substantially similar to our target assets, our Manager and Colony Capital have agreed, for so long as the management agreement is in effect, to a fair and equitable allocation of investment opportunities in assets that are substantially similar to our target assets among all such vehicles and us, in each case taking into account the suitability of each investment opportunity for the particular vehicle and us, each such vehicle s and our availability of capital for investment and the sourcing of such investment.

In addition, to avoid any actual or perceived conflicts of interest with Colony Capital and its affiliates, other than in connection with co-investments in accordance with our investment allocation agreement, prior to an acquisition of any security structured or issued by an entity managed by Colony Capital or its affiliates or the purchase or sale of any asset from or to an entity managed by Colony Capital or its affiliates, such transaction must be approved by a majority of our independent directors.

We do not have a policy that expressly prohibits our directors, officers, security holders or affiliates from engaging for their own account in business activities of the types conducted by us. As a result, certain of our executive officers and directors who are also employees of Colony Capital may also invest from time to time in certain of our investments in which we co-invest with funds managed by Colony Capital. Our code of business conduct and ethics contains a conflicts of interest policy that prohibits our directors, officers and personnel, as well as employees of our Manager and its affiliates who provide services to us, from engaging in any transaction that involves an actual conflict of interest with us. Notwithstanding the prohibitions in our code of business conduct and ethics, after considering the relevant facts and circumstances of any actual conflict of interest, the Nominating and Corporate Governance Committee may, on a case-by-case basis and in their sole discretion, waive such conflict of interest.

Since January 1, 2013, we had entered into the following agreements or consummated transactions together with or alongside certain Co-Investment Funds:

- During the year ended December 31, 2013, we invested an additional $295 million in CAH Operating Partnership, L.P. (CAH OP, formerly known as CSFR Operating Partnership, L.P.). To date, we have invested $550 million in CAH OP and have no further capital commitments at this time.

- In September 2013, CAH OP obtained a $500 million credit facility with J.P. Morgan, which was subsequently increased to $1.2 billion. CAH OP has also begun originating loans under a new lending program to other owners of single family homes for rent. This loan portfolio, once scaled, as well as CAH OP s broader owned homes portfolio, may be financed with securitizations in the future.

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From January 2013 to March 31, 2013, we invested an aggregate of $63.0 million in joint ventures with certain Co-Investment Funds, which was used to originate, fund or acquire various mortgage loans in four separate transactions.

In April 2013, we invested $27 million in a joint venture with certain Co-Investment Funds that acquired a portfolio of loans secured by commercial and residential real estate. The portfolio included 52 loans, of which 83% were performing at acquisition, with an aggregate unpaid principal balance (UPB) of approximately $72.3 million. The aggregate purchase price for the portfolio was approximately $54 million, representing 75% of the portfolio s UPB. Our share of this investment is 50%. In July 2013, the portfolio obtained financing from a commercial bank and returned $14.6 million, representing 53% of our initial invested equity. The financing bears interest at 1-month London Interbank Offered Rate (LIBOR) plus a spread of 3.75%. In connection with the financing, we obtained a 2.5% LIBOR cap on 50% of the financing proceeds.

In May 2013, we and certain Co-Investment Funds participated in the origination of $560 million of mezzanine debt, consisting of senior and junior tranches, secured by the equity interests in an entity owning a diversified portfolio of 152 full service, limited service, and extended stay hotels located throughout the U.S. We and the Co-Investment Funds funded $327.6 million at closing, net of a 1% origination fee, of which our share was $173.3 million. The senior and junior tranches bear interest at a blended rate of 1-month LIBOR plus 10.8% and are subordinate to a $775 million first mortgage. Both loans have an initial maturity date of June 2016 and can be extended for a maximum of 24 months, subject to payment of extension fees and satisfaction of debt yield requirements.

In May 2013, we invested in a joint venture with certain Co-Investment Funds that originated a $23.4 million loan to finance the development of a master planned residential community near Austin, TX. The loan matures in May 2018 and bears an interest rate of 14% paid in-kind, with a 1.0% origination fee, plus profit participation. Our share of this investment is 50%, or $12 million.

In June 2013, we invested $23 million in a joint venture with certain Co-Investment Funds that acquired a portfolio of loans secured by commercial and residential real estate. The portfolio included 41 loans, of which 100% were performing at acquisition with an aggregate UPB of approximately $54.5 million. The aggregate purchase price for the portfolio was approximately $45 million, representing 83% of the portfolio s UPB. Our share of this investment is 50%. In September 2013, the portfolio obtained financing from a commercial bank and returned $13.6 million, representing 59% of our initial invested equity. The financing bears interest at 1-month LIBOR plus a spread of 3.25%. In connection with the financing, we obtained a 2.5% LIBOR cap on 50% of the financing proceeds.

In July 2013, we and a Co-Investment Fund originated a $30 million first mortgage loan, with an additional $15 million funding in January 2014, to finance the acquisition and redevelopment of high-end, single family residential properties in infill coastal Southern California markets. The loan bears a fixed interest rate of 15%, of which 7% may be paid in-kind, and is subject to certain other fees including a 1% origination fee and 0.5% exit fee. The term of the loan is four years. Our share of the investment is 50% and $22 million has been funded to date. We and the Co-Investment Fund have an option to fund up to an additional $25 million under the loan.

In August 2013, we invested $20 million in a joint venture with certain Co-Investment Funds that originated a $40 million junior first mortgage interest secured by a luxury beach resort in Mexico. The loan bears interest at a fixed rate of 11.5%, of which 3% may be paid in-kind and is subject to certain other fees and yield maintenance features. The loan matures in January 2019. Our share of this investment is 50%.

In September 2013, we invested $16 million in a joint venture with certain Co-Investment Funds that originated two first mortgage loans with a combined UPB of $57 million to recapitalize a partially constructed hotel and residential development project located in St. Barths. One loan secured by the hotel portion of the property has an initial term of five years and bears interest at 1-month LIBOR plus 12.25%. The other loan secured by the residential portion of the property has an initial term of two

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years and bears interest at 1-month LIBOR plus 10.25%. The loans are subject to certain cross collateralization and cross default features, a 1% origination fee, a 1% exit fee and yield maintenance. Our share of this investment is 33.3%.

In October 2013, we invested $130 million in a joint venture with certain Co-Investment Funds that acquired a portfolio of loans secured by multifamily and senior housing assets. The portfolio included 27 loans, all of which were performing at acquisition, with an aggregate UPB of approximately $194 million. The aggregate purchase price for the portfolio was approximately $177 million, representing 91% of the portfolio s UPB. In December 2013, we obtained financing in the amount of $115 million secured by the loans in the portfolio, representing 63% of our initial invested equity. In connection with the financing, we obtained a 2.5% LIBOR cap on 50% of the financing proceeds. Our share of this investment is 73%.

In October 2013, we invested $13 million in a joint venture with certain Co-Investment Funds that consummated a structured transaction with the Federal Deposit Insurance Corporation (FDIC). The joint venture acquired an initial 20% managing member equity interest in a newly formed limited liability company created to hold a portfolio of acquired loans, with the FDIC retaining the other 80% equity interest. Additionally, upon return of capital to all parties, the joint venture will receive a 40% equity interest in the entity, with the FDIC retaining the other 60% equity interest. The portfolio included 415 performing and non-performing loans with an aggregate UPB of $199 million, consisting of substantially all first mortgage recourse commercial real estate and acquisition, development and construction loans. The portfolio was effectively acquired for a purchase price of approximately $112.6 million, representing 57% of the portfolio s UPB. Our share of this investment is 50%.

In November 2013, we invested $143 million, prior to potential financing, in a joint venture with certain Co-Investment Funds to acquire 100% participation interests in three sub-performing first mortgages at a substantial discount to UPB. The mortgages are secured by two office properties and one retail property in Spain. Our share of this investment is approximately 83%.

In February 2014, a joint venture between a Co-Investment Fund, an unaffiliated investor and us acquired an REO property consisting of a five diamond resort hotel on a 55-acre coastal site located in Hawaii. The hotel received an extensive $180 million renovation in 2006 and 2007, is branded by a luxury hotel operator and includes 73 unsold condos. The property was acquired from a former lender who had foreclosed following a loan default by the previous owners. The total initial capitalization of the investment is approximately $160 million, including an initial funding of $85 million via a first mortgage at the closing of the acquisition. We and the Co-Investment Fund own a $45 million mezzanine loan and $15 million, or 50%, of the equity, with the remainder of the equity owned by the unaffiliated investor. The mezzanine loan has a term of five years and bears a fixed interest rate of 11% which may be paid-in-kind. Our share of the joint venture with the Co-Investment Fund that owns 100% of the mezzanine loan and 50% of the equity is 83%.

In March 2014, we and a Co-Investment Fund through a joint venture originated a £140 million (approximately $233 million) loan that is primarily collateralized by a first mortgage on a large U.K. shopping center. The loan proceeds will be used to refinance an existing loan at a significant discount to par despite there having been no monetary default. The investment includes: (i) a loan which bears a cash pay interest rate of 10% per annum, has a term of seven years, and has springing recourse to an individual guarantor under certain conditions; and (ii) an equity participation in the shopping center of 35%. Subsequent to the closing of our financing, it is expected that the borrower will secure a new first mortgage which will partially pay down our loan and leave our joint venture with a subordinated loan position secured by a second ranking mortgage on the shopping center. There will be an additional exit fee of between 3 million and 4 million (approximately $5 million and $6.7 million, respectively) depending on the timing of this subsequent pay down. Under certain circumstances, the loan may be increased by up to 10 million, or approximately $13.7 million. Our share of the joint venture with the Co-Investment Fund providing the loan is 96%.

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In May 2012, we invested in a joint venture with a Co-Investment Fund that originated a $27.5 million mezzanine loan facility composed of $17.5 million of initial funding and $10 million of future funding. As of December 2013, the facility was fully funded and secured by a portfolio of eight select-service hotels in Massachusetts and New Hampshire. In December 2013, the joint venture increased the facility by approximately $20 million to fund the development of four new select service hotels in the Northeast. During the first quarter of 2014, the joint venture funded $8.3 million of the $20 million commitment. The combined facility of $47.5 million carries a 13.3% fixed interest rate and a 1.0% origination fee and is cross-defaulted and collateralized among all assets. Our share of this investment is 50%.

In March 2014, we invested in a joint venture with a Co-Investment Fund to acquire three performing mortgage loans owned by a European real estate bank, with an aggregate UPB of approximately $138 million. The loans are collateralized by a luxury destination resort in California, an industrial portfolio in Tennessee, and a regional shopping center in North Carolina. The joint venture is purchasing the loans at a discount to par with non-recourse matched-term financing for 65% of the purchase price at LIBOR plus 2.85%. Our share of this investment is 79%.

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OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC and the NYSE. Executive officers, directors and greater than 10% stockholders are required by the SEC to furnish us with copies of all Forms 3, 4 and 5 that they file.

Based on our review of the copies of such forms, and/or on written representations from the reporting persons that they were not required to file a Form 5 for the fiscal year, we believe that our executive officers, directors and greater than 10% stockholders complied with all Section 16(a) filing requirements applicable to them with respect to transactions during 2013, except as described hereafter. Three Forms 4 on behalf of Thomas J. Barrack, Jr. was not timely filed with respect to events in connection with the automatic return of a limited number of unvested securities to the Manager in connection with forfeitures of shares of our common stock by three employees of Colony Capital, LLC (which is the managing member of the Manager) whose employment with Colony Capital ceased on June 21, 2013, July 3, 2013, and August 23, 2013, respectively. We filed one Form 4 to report these events on January 6, 2014.

Other Matters to Come Before the 2014 Annual Meeting

No other matters are to be presented for action at the annual meeting other than as set forth in this proxy statement. If other matters properly come before the meeting, however, the persons named in the accompanying proxy will vote all proxies solicited by this proxy statement as recommended by our Board of Directors, or, if no such recommendation is given, in their own discretion.

Stockholders Proposals and Nominations for the 2015 Annual Meeting

Any stockholder proposal pursuant to Rule 14a-8 of the rules promulgated under the Exchange Act, to be considered for inclusion in our proxy materials for the next annual meeting of stockholders must be received at our principal executive offices no later than December 2, 2014.

In addition, any stockholder who wishes to propose a nominee to the Board of Directors or propose any other business to be considered by the stockholders (other than a stockholder proposal included in our proxy materials pursuant to Rule 14a-8 of the rules promulgated under the Exchange Act) must comply with the advance notice provisions and other requirements of Article II, Section 12 of our bylaws, which are on file with the SEC and may be obtained from us upon request. These notice provisions require that nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders for the 2015 annual meeting must be received no earlier than November 2, 2014 and no later than December 2, 2014.

Householding of Proxy Materials

If you and other residents at your mailing address own common stock in street name, your broker or bank may have sent you a notice that your household will receive only one annual report and proxy statement for each company in which you hold shares through that broker or bank. This practice of sending only one copy of proxy materials is known as householding. If you did not respond that you did not want to participate in householding, you were deemed to have consented to the process. If the foregoing procedures apply to you, your broker has sent one copy of our annual report and proxy to your address. You may revoke your consent to householding at any time by sending your name, the name of your brokerage firm and your account number to Broadridge Financial Solutions Inc., 51 Mercedes Way, Edgewood, NY 11717. In any event, if you did not receive an individual copy of this proxy statement or our annual report, we will send a copy to you if you address your written request to Colony Financial, Inc., 2450 Broadway, 6th Floor, Santa Monica, CA 90404, Attention: Investor Relations, or telephone call to +1 (310) 282-8820. If you are receiving multiple copies of our annual report and proxy statement, you can request householding by contacting us in the same manner.

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Additional Copies of Materials

Additional copies of this proxy statement, our annual report to stockholders or our annual report on Form 10-K for the year ended December 31, 2013 will be furnished without charge upon written request to: Colony Financial, Inc., 2450 Broadway, 6th Floor, Santa Monica, CA 90404. If requested by eligible stockholders, we will provide copies of exhibits to our annual report on Form 10-K for the year ended December 31, 2013 for a reasonable fee.

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ANNEX A

COLONY FINANCIAL, INC.

2014 EQUITY INCENTIVE PLAN

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COLONY FINANCIAL, INC.

2014 EQUITY INCENTIVE PLAN

Colony Financial, Inc., a Maryland corporation (the **Company**), sets forth herein the terms of its 2014 Equity Incentive Plan (the **Plan**), as follows:

1. PURPOSE

This Plan is intended to (a) provide incentive to eligible persons to stimulate their efforts towards the success of the Company and to operate and manage its business in a manner that will provide for the long term growth and profitability of the Company; and (b) provide a means of obtaining, rewarding, and retaining key personnel of the Company, the Manager, and affiliates of the Manager. To this end, the Plan provides for the grant of stock options, stock appreciation rights, restricted stock, unrestricted stock, stock units (including deferred stock units), dividend equivalent rights, long-term incentive units, and cash bonus awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals in accordance with the terms hereof. Stock options granted under the Plan may be non-qualified stock options or incentive stock options, as provided herein.

The Plan is an amendment and restatement of the Prior Plan (as defined below). Awards granted under the Prior Plan prior to the Amendment Date will be subject to the terms of the Plan, except to the extent that the terms of the Plan are inconsistent with the terms of such Awards.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

2.1 **Affiliate** means, with respect to the Company or the Manager, respectively, any company or other trade or business that controls, is controlled by, or is under common control with the Company or the Manager within the meaning of Rule 405 of Regulation C under the Securities Act, including, without limitation, any Subsidiary. For purposes of granting Options or SARs, an entity may not be considered an Affiliate of the Company or the Manager, respectively, unless the Company or the Manager holds a controlling interest in such entity, where the term controlling interest has the same meaning as provided in Treasury Regulation Section 1.414(c)-2(b)(2)(i), provided that the language at least 50 percent is used instead of at least 80 percent, and provided further that where granting of Options or SARs is based upon a legitimate business criteria, the language at least 20 percent is used instead of at least 80 percent each place it appears in Treasury Regulation Section 1.414(c)-2(b)(2)(i).

2.2 **Amendment Date** means May 8, 2014, subject to approval of the Plan by the Company s stockholders on such date, the Plan having been approved by the Board on March 24, 2014.

2.3 **Annual Incentive Award** means an Award, denominated in cash, made subject to attainment of performance goals (as described in **Section 14**) over a Performance Period of up to one year (the Company s fiscal year, unless otherwise specified by the Committee).

2.4 **Applicable Entity** means the Company, its Affiliates, or the Manager and its Affiliates.

2.5 **Applicable Laws** means the legal requirements relating to the Plan and the Awards under (a) applicable provisions of the corporate, securities, tax, and other laws, rules, regulations, and government orders of any jurisdiction applicable to Awards granted to residents therein and (b) the rules of any Stock Exchange on which the Stock is listed.

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2.6 **Award** means a grant under the Plan of an Option, Stock Appreciation Right, Restricted Stock, Unrestricted Stock, Stock Units, Dividend Equivalent Right, Performance Award, Annual Incentive Award, LTIP Unit, or Other Equity-Based Award under the Plan.

2.7 **Award Agreement** means the agreement between the Company and a Grantee that evidences and sets forth the terms and conditions of an Award.

2.8 **Award Stock** shall have the meaning set forth in **Section 18.3**.

2.9 **Benefit Arrangement** shall have the meaning set forth in **Section 16**.

2.10 **Board** means the Board of Directors of the Company.

2.11 **Cause** means, with respect to any Grantee, as determined by the Committee and unless otherwise provided in an applicable agreement between such Grantee and the Applicable Entity, (a) repeated violations by such Grantee of such Grantee s obligations to the Applicable Entity (other than as a result of incapacity due to physical or mental illness) which are demonstrably willful and deliberate on such Grantee s part, which are committed in bad faith or without reasonable belief that such violations are in the best interests of the Applicable Entity, and which are not remedied within a reasonable period of time after such Grantee s receipt of written notice from the Company specifying such violations; (b) the conviction of such Grantee of a felony involving an act of dishonesty intended to result in substantial personal enrichment of such Grantee at the expense of the Applicable Entity; or (c) prior to a Change in Control, such other events as shall be determined by the Committee, in its sole discretion. Any determination by the Committee whether an event constituting Cause shall have occurred shall be final, binding, and conclusive.

2.12 **Change in Control** means:

(1) The acquisition by any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a **Person**) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent (50%) of either (i) the then outstanding shares of common stock, par value $0.01 per share, of the Company (the **Outstanding Company Stock**) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the **Outstanding Company Voting Securities**), each as determined on a Fully Diluted Basis; provided, however, that for purposes of this subsection (1), the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company; (ii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation or trust controlled by the Company; and (iii) any acquisition by any entity pursuant to a transaction which complies with clauses (i), (ii), and (iii) of subsection (3) of this **Section 2.10**; or

(2) Individuals who, as of the date hereof, constitute the Board (the **Incumbent Board**) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(3) Consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a **Business Combination**), in each case unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding common shares and the combined voting power of the then outstanding voting securities entitled to vote

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generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns the Company or all or substantially all of the Company s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Stock and Outstanding Company Voting Securities, as the case may be; (ii) no Person (excluding any corporation or trust resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation or trust resulting from such Business Combination) beneficially owns, directly or indirectly, thirty-five percent (35%) or more of the then outstanding shares of the corporation or trust resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation or trust except to the extent that such ownership existed prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the corporation or trust resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(4) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company and consummation of such transaction.

2.13 **Code** means the Internal Revenue Code of 1986, as amended, and any successor thereto. References in the Plan to any Code Section shall be deemed to include, as applicable, Treasury Regulations promulgated under such Code Section.

2.14 **Committee** means a committee of, and designated from time to time by resolution of, the Board, which shall be constituted as provided in **Sections 3.1.2** and **3.1.3** (or, if no Committee has been so designated, the Board).

2.15 **Company** means Colony Financial, Inc., a Maryland corporation, or its successor(s).

2.16 **Covered Employee** means a Grantee who is a covered employee within the meaning of Code Section 162(m)(3).

2.17 **Designated Officer** means the Company s Chief Executive Officer of other Company officer designated by the Committee to make certain Awards under the Plan.

2.18 **Determination Date** means the Grant Date or such other date as of which the Fair Market Value of a share of Stock is required to be established for purposes of the Plan.

2.19 **Disability** means the Grantee is unable to perform each of the essential duties of such Grantee s position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than twelve (12) months; provided, however, that, with respect to rules regarding expiration of an Incentive Stock Option following termination of the Grantee s Service, Disability shall mean the Grantee is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

2.20 **Dividend Equivalent Right** means a right, granted to a Grantee pursuant to **Section 13**, to receive cash, Stock, other Awards, other property equal in value to dividends, or other periodic payments paid or made with respect to a specified number of shares of Stock.

2.21 **Exchange Act** means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.22 **Fair Market Value** means the fair market value of a share of Stock for purposes of the Plan, which shall be determined as of any Determination Date as follows:

(a) If on such Determination Date the shares of Stock are listed on a Stock Exchange, or are publicly traded on another established securities market (a **Securities Market**), the Fair Market Value of a share of Stock shall be the closing price of the Stock as reported on such Stock Exchange or such Securities Market

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(provided that, if there is more than one such Stock Exchange or Securities Market, the Committee shall designate the appropriate Stock Exchange or Securities Market for purposes of the Fair Market Value determination). If there is no such reported closing price on such Determination Date, the Fair Market Value of a share of Stock shall be the closing price of the Stock on the next preceding trading day on which any sale of Stock shall have been reported on such Stock Exchange or such Securities Market.

(b) If on such Determination Date the shares of Stock are not listed on a Stock Exchange or publicly traded on a Securities Market, the Fair Market Value of a share of Stock shall be the value of the Stock as determined by the Committee by the reasonable application of a reasonable valuation method, in a manner consistent with Code Section 409A.

Notwithstanding this **Section 2.22** or **Section 19.3**, for purposes of determining taxable income and the amount of the related tax withholding obligation pursuant to **Section 19.3**, the Fair Market Value will be determined by the Company using any reasonable method; provided, further that for any shares of Stock subject to an Award that are sold by or on behalf of a Grantee on the same date on which such shares of Stock may first be sold pursuant to the terms of the related Award Agreement, the Fair Market Value of such shares of Stock shall be the sale price of such shares of Stock on such date (or if sales of such shares of Stock are effectuated at more than one sale price, the weighted average sale price of such shares of Stock on such date).

2.23 **Family Member** means, with respect to any Grantee as of any date of determination, (a) a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the Grantee; (b) any person sharing the Grantee s household (other than a tenant or employee); (c) a trust in which any one or more of the persons specified in clauses (a) and (b) above (and such Grantee) own more than fifty percent (50%) of the beneficial interest; (d) a foundation in which any one or more of the persons specified in clauses (a) and (b) above (and such Grantee) control the management of assets; and (e) any other entity in which one or more of the persons specified in clauses (a) and (b) above (and such Grantee) own more than fifty percent (50%) of the voting interests.

2.24 **Fully Diluted Basis** means as of any date of determination, the sum of (a) the number of shares of voting Stock outstanding as of such date of determination plus (b) the number of shares of voting Stock issuable upon the exercise, conversion, or exchange of all then-outstanding warrants, options, convertible Stock or indebtedness, exchangeable Stock or indebtedness, or other rights exercisable for or convertible or exchangeable into, directly or indirectly, shares of voting Stock, whether at the time of issue or upon the passage of time or upon the occurrence of some future event, and whether or not in the money as of such date of determination.

2.25 **Grant Date** means, as determined by the Committee, the latest to occur of (i) the date as of which the Committee approves the Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under **Section 6**, or (iii) such subsequent date specified by the Committee in the corporate action approving the Award.

2.26 **Grantee** means a person who receives or holds an Award under the Plan.

2.27 **Incentive Stock Option** means an incentive stock option within the meaning of Code Section 422, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time.

2.28 **Long-Term Incentive Unit** or **LTIP Unit** means an Award under **Section 15** of an interest in the Operating Partnership, if any.

2.29 **Manager** means Colony Financial Manager, LLC, or any successor or replacement entity, if any, providing management services to the Company.

2.30 **Manager Grantee** shall have the meaning set forth in **Section 10.2**.

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2.31 **Non-qualified Stock Option** means an Option that is not an Incentive Stock Option.

2.32 **Operating Partnership** shall have the meaning set forth in **Section 15**.

2.33 **Operating Partnership Agreement** shall have the meaning set forth in **Section 15**.

2.34 **Option** means an option to purchase one or more shares of Stock pursuant to the Plan.

2.35 **Option Price** means the exercise price for each share of Stock subject to an Option.

2.36 **Original Effective Date** means May 2, 2011, the date on which the Prior Plan was approved by the common stockholders of the Company.

2.37 **Other Agreement** shall have the meaning set forth in **Section 16**.

2.38 **Other Equity-Based Award** means an Award representing a right or other interest that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock, other than an Option, a Stock Appreciation Right, Restricted Stock, Unrestricted Stock, a Stock Unit, a Dividend Equivalent Right, a LTIP Unit, a Performance Award, or an Annual Incentive Award.

2.39 **Outside Director** means a member of the Board who is not an officer or employee of the Company.

2.40 **Parachute Payment** shall have the meaning set forth in **Section 16**.

2.41 **Performance Award** means an Award made subject to the achievement of performance goals (as provided in **Section 14**) over a Performance Period specified by the Committee.

2.42 **Performance-Based Compensation** means compensation under an Award that is intended to satisfy the requirements of Code Section 162(m) for qualified performance-based compensation paid to Covered Employees. Notwithstanding the foregoing, nothing in the Plan shall be construed to mean that an Award which does not satisfy the requirements for qualified performance-based compensation within the meaning of and pursuant to Code Section 162(m) does not constitute performance-based compensation for other purposes, including for purposes of Code Section 409A.

2.43 **Performance Measures** means measures as specified in **Section 14** on which the performance goals under Performance Awards are based and which have been approved by the Company s stockholders pursuant to the Plan in order to qualify Performance Awards as Performance-Based Compensation.

2.44 **Performance Period** means the period of time during which the performance goals under Performance Awards must be met in order to determine the degree of payout and/or vesting with respect to any such Performance Award.

2.45 **Plan** means this Colony Financial, Inc. 2014 Equity Incentive Plan (which is an amendment and restatement of the Prior Plan), as amended from time to time.

2.46 **Prior Plan** means the Colony Financial, Inc. 2011 Equity Incentive Plan, as amended.

2.47 **Purchase Price** means the purchase price for each share of Stock pursuant to a grant of Restricted Stock, Stock Units, or Unrestricted Stock.

2.48 **Reporting Person** means a person who is required to file reports under Section 16(a) of the Exchange Act, or any successor provision.

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2.49 **Restricted Period** shall have the meaning set forth in **Section 10.2**

2.50 **Restricted Stock** means shares of Stock awarded to a Grantee pursuant to **Section 10**.

2.51 **SAR Exercise Price** means the per share exercise price of a SAR granted to a Grantee pursuant to **Section 9**.

2.52 **Securities Act** means the Securities Act of 1933, as now in effect or as hereafter amended.

2.53 **Service** means service as a Service Provider to any Applicable Entity. Unless otherwise stated in the applicable Award Agreement, a Grantee s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to any Applicable Entity. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Committee, which determination shall be final, binding, and conclusive. Notwithstanding any other provision to the contrary, for any individual providing services solely as a director, only service to the Company or any of its Subsidiaries constitutes Service. If the Service Provider s employment or other service relationship is with an Affiliate of the Company or the Manager and that entity ceases to be an Affiliate of the Company or the Manager, a termination of Service shall be deemed to have occurred when the entity ceases to be an Affiliate of the Company or the Manager unless the Service Provider transfers his or her employment or other service relationship to the Company or the Manager or their remaining Affiliates.

2.54 **Service Provider** means the Manager or an employee, officer, director, or a consultant or adviser (who is a natural person) providing services to an Applicable Entity.

2.55 **Stock** means the common stock, par value $0.01 per share, of the Company, or any security which shares of Stock may be changed into or for which shares of Stock may be exchanged as provided in **Section 18**.

2.56 **Stock Appreciation Right** or **SAR** means a right granted to a Grantee pursuant to **Section 9**.

2.57 **Stock Exchange** means the New York Stock Exchange or another established national or regional stock exchange.

2.58 **Stock Unit** means a bookkeeping entry representing the equivalent of one (1) share of Stock awarded to a Grantee pursuant to **Section 10**. A Stock Unit may also be referred to as a restricted stock unit.

2.59 **Subsidiary** means any subsidiary corporation of the Company or Manager within the meaning of Code Section 424(f).

2.60 **Substitute Award** means an Award granted upon assumption of, or in substitution for, outstanding awards previously granted under a compensatory plan by a business entity acquired or to be acquired by the Company or an Affiliate or with which the Company or an Affiliate has combined or will combine.

2.61 **Ten Percent Stockholder** means an individual who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding voting securities of the Company, its parent, or any of its Subsidiaries. In determining stock ownership, the attribution rules of Code Section 424(d) shall be applied.

2.62 **Unrestricted Stock** shall have the meaning set forth in **Section 11**.

Unless the context otherwise requires, all references in the Plan to including shall mean including without limitation.

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3. ADMINISTRATION OF THE PLAN

3.1. Committee.

3.1.1. Powers and Authorities.

The Committee shall administer the Plan and shall have such powers and authorities related to the administration of the Plan as are consistent with the Company s certificate of incorporation and bylaws and Applicable Laws. Without limiting the generality of the foregoing, the Committee shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award, or any Award Agreement and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan which the Committee deems to be necessary or appropriate to the administration of the Plan, any Award, or any Award Agreement. All such actions and determinations shall be made by (a) the affirmative vote of a majority of the members of the Committee present at a meeting at which a quorum is present, or (b) the unanimous consent of the members of the Committee executed in writing in accordance with the Company s certificate of incorporation and bylaws and Applicable Laws. Unless otherwise expressly determined by the Board, the Committee shall have the authority to interpret and construe all provisions of the Plan, any Award, and any Award Agreement, and any such interpretation or construction, and any other determination contemplated to be made under the Plan or any Award Agreement, by the Committee shall be final, binding, and conclusive whether or not expressly provided for in any provision of the Plan, such Award, or such Award Agreement.

In the event that the Plan, any Award, or any Award Agreement provides for any action to be taken by the Board or any determination to be made by the Board, such action may be taken or such determination may be made by the Committee constituted in accordance with this **Section 3.1** if the Board has delegated the power and authority to do so to such Committee.

3.1.2. Composition of Committee.

The Committee shall be a committee composed of not fewer than two (2) directors of the Company designated by the Board to administer the Plan. Each member of the Committee shall be a Non-Employee Director within the meaning of Rule 16b-3 under the Exchange Act, an outside director within the meaning of Code Section 162(m)(4)(C)(i), and for so long as the Stock is listed on the New York Stock Exchange, an independent director within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual; provided, that any action taken by the Committee shall be valid and effective whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this **Section 3.1.2** or otherwise provided in any charter of the Committee. Without limiting the generality of the foregoing, the Committee may be the Compensation Committee of the Board or a subcommittee thereof if the Compensation Committee of the Board or such subcommittee satisfies the foregoing requirements.

3.1.3. Other Committees.

The Board also may appoint one or more committees of the Board, each composed of one or more directors of the Company who need not be Outside Directors, which may administer the Plan with respect to Grantees who are not officers as defined in Rule 16a-1(f) under the Exchange Act or directors of the Company, may grant Awards under the Plan to such Grantees, and may determine all terms of such Awards, subject to the requirements of Rule 16b-3 under the Exchange Act, Code Section 162(m), and for so long as the Stock is listed on the New York Stock Exchange, the rules of such Stock Exchange.

3.1.4. Designated Officer.

The Committee may delegate to the Designated Officer the power and authority to grant Awards under the Plan to persons who are otherwise eligible for Awards under **Section 6.1**, excluding Covered Employees; provided,

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that the Designated Officer shall not grant Awards covering shares of Stock in excess of the aggregate maximum number of shares of Stock specified by the Committee for such purpose at the time of delegation to the Designated Officer (or in excess of the number of shares of Stock remaining available for issuance under the Plan).

In the event that the Plan, any Award, or any Award Agreement provides for any action to be taken by the Committee or any determination to be made by the Committee, such action may be taken or such determination may be made by the Designated Officer in connection with Awards made pursuant to this **Section 3.1.4** if the Committee has delegated the power and authority to do so to such Designated Officer. Unless otherwise expressly determined by the Committee, the Designated Officer shall have the authority to interpret and construe all provisions of the Plan, any Award, and any Award Agreement made pursuant to this **Section 3.1.4**, and any such interpretation or construction, and any other determination contemplated to be made under the Plan or any Award Agreement, by the Designated Officer shall be final, binding, and conclusive whether or not expressly provided for in any provision of the Plan, such Award, or such Award Agreement.

3.2. Board.

The Board from time to time may exercise any or all of the powers and authorities related to the administration and implementation of the Plan, as set forth in **Section 3.1** and other applicable provisions of the Plan, as the Board shall determine, consistent with the Company s certificate of incorporation and bylaws and Applicable Laws.

3.3. Terms of Awards.

Subject to the other terms and conditions of the Plan, the Committee shall have full and final authority to:

(i) designate Grantees;

(ii) determine the type or types of Awards to be made to a Grantee;

(iii) determine the number of shares of Stock to be subject to an Award;

(iv) establish the terms and conditions of each Award (including, but not limited to, the Option Price of any Option; the Purchase Price of any Restricted Stock, Stock Units, or Unrestricted Stock; the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of an Award or the shares of Stock subject thereto; the treatment of an Award in the event of a Change in Control (subject to applicable agreements); and any terms or conditions that may be necessary to qualify Options as Incentive Stock Options);

(v) prescribe the form of each Award Agreement evidencing an Award; and

(vi) subject to the restrictions of **Section 3.5,** amend, modify, or supplement the terms of any outstanding Award. Such authority specifically includes the authority, in order to effectuate the purposes of the Plan but without amending the Plan, to make or modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside the United States to reflect differences in local law, tax policy, or custom. Notwithstanding the foregoing, no amendment, modification, or supplement of any Award shall, without the consent of the Grantee, impair the Grantee s rights under such Award.

The Committee shall have the right, in its discretion, to make Awards in substitution or exchange for any award granted under another compensatory plan of the Company, an Affiliate, or any business entity acquired or to be acquired by the Company or an Affiliate or with which the Company or an Affiliate has combined or will combine.

3.4. Forfeiture; Recoupment.

The Committee may reserve the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee with respect to an Award thereunder on account of actions taken by, or failed to be taken by, such Grantee

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in violation or breach of or in conflict with any (a) employment agreement, (b) non-competition agreement, (c) agreement prohibiting solicitation of employees or clients of the Company or any Affiliate, (d) confidentiality obligation with respect to the Company or any Affiliate, (e) secondment agreement, (f) Company policy or procedure, (g) other agreement, or (h) any other obligation of such Grantee to the Company or any Affiliate, as and to the extent specified in such Award Agreement. The Committee may annul an outstanding Award if the Grantee thereof is an employee and is terminated for Cause as defined in the Plan or the applicable Award Agreement or for cause as defined in any other agreement between the Applicable Entity and such Grantee, as applicable.

Any Award granted pursuant to the Plan shall be subject to mandatory repayment by the Grantee to the Company to the extent the Grantee is or in the future becomes subject to any Company clawback or recoupment policy that requires the repayment by the Grantee to the Company of compensation paid by the Company to the Grantee in the event that the Grantee fails to comply with, or violates, the terms or requirements of such policy. Such policy may authorize the Company to recover from a Grantee incentive-based compensation (including Options awarded as compensation) awarded to or received by such Grantee during a period of up to three (3) years, as determined by the Committee, preceding the date on which the Company is required to prepare an accounting restatement due to material noncompliance by the Company, as a result of misconduct, with any financial reporting requirement under the federal securities laws.

Furthermore, if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the federal securities laws, and any Award Agreement so provides, any Grantee of an Award under such Award Agreement who knowingly engaged in such misconduct, was grossly negligent in engaging in such misconduct, knowingly failed to prevent such misconduct, or was grossly negligent in failing to prevent such misconduct, shall reimburse the Company the amount of any payment in settlement of an Award earned or accrued during the twelve (12)-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained information affected by such material noncompliance.

Notwithstanding any other provision of the Plan or any provision of any Award Agreement, if the Company is required to prepare an accounting restatement, then Grantees shall forfeit any cash or Stock received in connection with an Award (or an amount equal to the Fair Market Value of such Stock on the date of delivery if the Grantee no longer holds the shares of Stock) if pursuant to the terms of the Award Agreement for such Award, the amount of the Award earned or the vesting in the Award was explicitly based on the achievement of pre-established performance goals set forth in the Award Agreement (including earnings, gains, or other performance goals) that are later determined, as a result of the accounting restatement, not to have been achieved.

3.5. No Repricing.

Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, distribution (whether in the form of cash, shares of Stock, other securities, or other property), stock split, extraordinary cash dividend, recapitalization, change in control, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares of Stock or other securities or similar transaction), the Company may not, without obtaining stockholder approval: (a) amend the terms of outstanding Options or SARs to reduce the Option Price or SAR Exercise Price of such outstanding Options or SARs, respectively; (b) cancel outstanding Options or SARs in exchange for or substitution of Options or SARs with an Option Price or SAR Exercise Price, as applicable, that is less than the Option Price or SAR Exercise Price, as applicable, of the original Options or SARs; or (c) cancel outstanding Options or SARs with an Option Price or SAR Exercise Price, as applicable, above the current stock price in exchange for cash or other securities.

3.6. Deferral Arrangement.

The Committee may permit or require the deferral of any payment pursuant to any Award into a deferred compensation arrangement, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest or Dividend Equivalent Rights and, in connection therewith,

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provisions for converting such credits into Stock Units and for restricting deferrals to comply with hardship distribution rules affecting tax-qualified retirement plans subject to Code Section 401(k)(2)(B)(IV); provided that no Dividend Equivalent Rights may be granted in connection with, or related to, an Award of Options or SARs. Any such deferrals shall be made in a manner that complies with Code Section 409A.

3.7. No Liability.

No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award or Award Agreement.

3.8. Stock Issuance/Book-Entry.

Notwithstanding any provision of the Plan to the contrary, the ownership of the shares of Stock issued under the Plan may be evidenced in such a manner as the Committee, in its discretion, deems appropriate, including, without limitation, book-entry or direct registration or the issuance of one or more share certificates.

4. STOCK SUBJECT TO THE PLAN

4.1. Number of Shares of Stock Available for Awards.

Subject to such additional shares of Stock as will be available for issuance under the Plan pursuant to **Section 4.2**, and subject to adjustment as provided in **Section 18**, the maximum number of shares of Stock available for issuance under the Plan shall be equal to the sum of (i) 2,500,000 shares of Stock, plus (ii) the number of shares of Stock available for future awards under the Prior Plan as of the Amendment Date, plus (iii) the number of shares of Stock related to awards outstanding under the Prior Plan as of the Amendment Date that thereafter terminate by expiration or forfeiture, cancellation, or otherwise without the issuance of such shares of Stock. Shares of Stock issued or to be issued under the Plan may be authorized but unissued shares of Stock or treasury shares of Stock or any combination of the foregoing, as may be determined from time to time by the Board or by the Committee. Any of the shares of Stock available for issuance under the Plan may be used for any type of Award under the Plan, and any or all of the shares of Stock available for issuance under the Plan shall be available for issuance pursuant to Incentive Stock Options.

4.2. Adjustments in Authorized Shares of Stock.

The Committee shall have the right to substitute or assume Awards in connection with mergers, reorganizations, separations, or other transactions to which Code Section 424(a) applies. The number of shares of Stock available for issuance pursuant to **Section 4.1** shall be increased by the corresponding number of shares of Stock subject to any awards assumed, and in the case of a substitution, by the net increase in the number of shares of Stock subject to awards before and after substitution. Available shares under a shareholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards under the Plan and do not reduce the number of shares of Stock available under the Plan, subject to applicable rules of any Stock Exchange on which the Stock is listed.

4.3. Share Usage.

Shares of Stock covered by an Award shall be counted as used as of the Grant Date. Any shares of Stock that are subject to Awards shall be counted against the limit set forth in **Section 4.1** as one (1) share of Stock for every one (1) share of Stock subject to an Award. With respect to SARs, the number of shares of Stock subject to an award of SARs will be counted against the aggregate number of shares of Stock available for issuance under the Plan regardless of the number of shares of Stock actually issued to settle the SAR upon exercise. The target number of shares of Stock issuable under a Performance Award shall be counted against the aggregate number of shares of Stock available for issuance under the Plan as of the Grant Date, but such number shall be adjusted to equal the actual number of shares of Stock issued upon settlement of the Performance Award to the extent different from such target number of shares of Stock. If any shares of Stock covered by an Award granted under

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the Plan are not purchased or are forfeited or expire, or if an Award otherwise terminates without delivery of any shares of Stock subject thereto, then the number of shares of Stock counted against the aggregate number of shares of Stock available under the Plan with respect to such Award shall, to the extent of any such forfeiture, termination, or expiration, again be available for making Awards under the Plan in the same amount as such shares of Stock were counted against the limit set forth in **Section 4.1**. The number of shares of Stock available for issuance under the Plan shall not be increased by (i) any shares of Stock tendered or withheld or Award surrendered in connection with the purchase of shares of Stock upon exercise of an Option as described in **Section 12.2**, (ii) any shares of Stock deducted or delivered from an Award payment in connection with the Company s tax withholding obligations as described in **Section 19.3**, or (iii) any shares of Stock purchased by the Company with proceeds from Option exercises.

5. EFFECTIVE DATE, DURATION, AND AMENDMENTS

5.1. Effective Date.

The Prior Plan was effective as of the Original Effective Date. The Plan, as amended and restated, shall become effective as of the Amendment Date.

5.2. Term.

The Plan shall terminate automatically ten (10) years after the Amendment Date and may be terminated on any earlier date as provided in **Section 5.3**.

5.3. Amendment and Termination of the Plan.

The Board may, at any time and from time to time, amend, suspend, or terminate the Plan; provided, that with respect to Awards theretofore granted under the Plan, no amendment, suspension, or termination of the Plan shall, without the consent of the Grantee, impair the rights or obligations under any such Award. The effectiveness of any amendment to the Plan shall be contingent on approval of such amendment by the Company s stockholders to the extent provided by the Board, required by Applicable Laws, or required by the rules of any Stock Exchange on which the Stock is then listed. No amendment will be made to the no-repricing provisions of **Section 3.5** or the Option pricing provisions of **Section 8.1** without the approval of the Company s stockholders.

6. AWARD ELIGIBILITY AND LIMITATIONS

6.1. Service Providers and Other Persons.

Subject to this **Section 6**, Awards may be made under the Plan to: (i) any Service Provider, as the Committee shall determine and designate from time to time and (ii) any other individual whose participation in the Plan is determined to be in the best interests of the Company by the Committee.

6.2. Limitation on Shares of Stock Subject to Awards and Cash Awards

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act and the transition period under Treasury Regulation Section 1.162-27(f)(2) has lapsed or does not apply:

(i) the maximum number of shares of Stock subject to Options or SARs that may be granted under the Plan to any person eligible for an Award under **Section 6.1** is one million (1,000,000) in a calendar year;

(ii) the maximum number of shares of Stock that may be granted under the Plan pursuant to Awards, other than pursuant to an Option or SAR, that are Stock-denominated and are either Stock- or cash-settled to any person eligible for an Award under **Section 6.1** is one million (1,000,000) in a calendar year; and

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(iii) the maximum amount that may be paid as a cash-denominated Performance Award (whether or not cash-settled) for a Performance Period of twelve (12) months or less to any person eligible for an Award under **Section 6.1** shall be four million dollars ($4,000,000), and the maximum amount that may be paid as a cash-denominated Performance Award (whether or not cash-settled) for a Performance Period of greater than twelve (12) months to any person eligible for an Award under **Section 6.1** shall be seven million five hundred thousand dollars ($7,500,000).

The preceding limitations in this **Section 6.2** are subject to adjustment as provided in **Section 18**.

6.3. Stand-Alone, Additional, Tandem, and Substitute Awards.

Subject to **Section 3.5**, Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, (a) any other Award, (b) any award granted under another plan of the Company, any Affiliate, or any business entity that has been a party to a transaction with the Company or an Affiliate, or (c) any other right of a Grantee to receive payment from the Company or any Affiliate. Such additional, tandem, and substitute or exchange Awards may be granted at any time. Subject to **Section 3.5**, if an Award is granted in substitution or exchange for another Award or for an award granted under another plan of the Company, an Affiliate, or any business entity that has been a party to a transaction with the Company or an Affiliate, the Committee shall require the surrender of such other Award or award under such other plan in consideration for the grant of such substitute or exchange Award. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash payments under other plans of the Company or any Affiliate. Notwithstanding **Section 8.1** and **Section 9.1** but subject to **Section 3.5**, the Option Price of an Option or the SAR Exercise Price of a SAR that is a Substitute Award may be less than one hundred percent (100%) of the Fair Market Value of one (1) share of Stock on the original Grant Date; provided, that, the Option Price or SAR Exercise Price is determined in accordance with the principles of Code Section 424 and the regulations thereunder for any Incentive Stock Option and consistent with Code Section 409A for any other Option or SAR.

7. AWARD AGREEMENT

Each Award granted pursuant to the Plan shall be evidenced by an Award Agreement, in such form or forms as the Committee shall from time to time determine. Award Agreements utilized under the Plan from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan. Each Award Agreement evidencing an Award of Options shall specify whether such Options are intended to be Non-qualified Stock Options or Incentive Stock Options, and in the absence of such specification such Options shall be deemed to be Non-qualified Stock Options.

8. TERMS AND CONDITIONS OF OPTIONS

8.1. Option Price.

The Option Price of each Option shall be fixed by the Committee and stated in the Award Agreement evidencing such Option. Except in the case of Substitute Awards, the Option Price of each Option shall be at least the Fair Market Value of one (1) share of Stock on the Grant Date; provided, however, that in the event that a Grantee is a Ten Percent Stockholder, the Option Price of an Option granted to such Grantee that is intended to be an Incentive Stock Option shall be not less than one hundred ten percent (110%) of the Fair Market Value of one (1) share of Stock on the Grant Date. In no case shall the Option Price of any Option be less than the par value of a share of Stock.

8.2. Vesting.

Subject to **Sections 8.3** and **18.3**, each Option granted under the Plan shall become exercisable at such times and under such conditions as shall be determined by the Committee and stated in the Award Agreement; provided, that no Option shall be granted to persons who are entitled to overtime under applicable state or federal laws, that will vest or be exercisable within a six (6)-month period starting on the Grant Date. For purposes of this **Section 8.2**, fractional numbers of shares of Stock subject to an Option shall be rounded down to the next nearest whole number.

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8.3. Term.

Each Option granted under the Plan shall terminate, and all rights to purchase shares of Stock thereunder shall cease, upon the expiration of ten (10) years from the Grant Date of such Option, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Committee and stated in the Award Agreement relating to such Option; provided, that in the event that the Grantee is a Ten Percent Stockholder, an Option granted to such Grantee that is intended to be an Incentive Stock Option shall not be exercisable after the expiration of five (5) years from its Grant Date; provided, further, that, to the extent deemed necessary or appropriate by the Committee to reflect differences in local law, tax policy, or custom with respect to any Option granted to a Grantee who is a foreign national or is a natural person who is employed outside the United States, such Option may terminate, and all rights to purchase shares of Stock thereunder may cease, upon the expiration of such period longer than ten (10) years from the Grant Date of such Option as the Committee shall determine.

8.4. Termination of Service.

Each Award Agreement with respect to the grant of an Option shall set forth the extent to which the Grantee, if at all, shall have the right to exercise such Option following termination of such Grantee s Service. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of Service.

8.5. Limitations on Exercise of Option.

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, after the occurrence of an event referred to in **Section 18** which results in termination of the Option.

8.6. Method of Exercise.

Subject to the terms of **Section 12** and **Section 19.3**, an Option that is exercisable may be exercised by the Grantee s delivery to the Company or its designee or agent of notice of exercise on any business day, at the Company s principal office or the office of such designee or agent, on the form specified by the Company and in accordance with any additional procedures specified by the Committee. Such notice shall specify the number of shares of Stock with respect to which the Option is being exercised and shall be accompanied by payment in full of the Option Price of the shares of Stock for which such Option is being exercised plus the amount (if any) of federal and/or other taxes which the Company may, in its judgment, be required to withhold with respect to the exercise of such Option.

8.7. Rights of Holders of Options.

Unless otherwise stated in the applicable Award Agreement, a Grantee or other person holding or exercising an Option shall have none of the rights of a stockholder of the Company (for example, the right to receive cash or dividend payments or distributions attributable to the shares of Stock subject to such Option, to direct the voting of the shares of Stock subject to such Option, or to receive notice of any meeting of the Company s stockholders) until the shares of Stock subject thereto are fully paid and issued to such Grantee or other person. Except as provided in **Section 18**, no adjustment shall be made for dividends, distributions, or other rights with respect to any shares of Stock subject to an Option for which the record date is prior to the date of issuance of such shares of Stock.

8.8. Delivery of Stock Certificates.

Promptly after the exercise of an Option by a Grantee and the payment in full of the Option Price with respect thereto, such Grantee shall be entitled to receive such evidence of such Grantee s ownership of the shares of Stock subject to such Option as shall be consistent with **Section 3.8**.

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8.9. Transferability of Options.

Except as provided in **Section 8.10**, during the lifetime of a Grantee, only the Grantee (or, in the event of legal incapacity or incompetency, the Grantee s guardian or legal representative) may exercise an Option. Except as provided in **Section 8.10**, no Option shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution.

8.10. Family Transfers.

If authorized in the applicable Award Agreement or by the Committee, in its sole discretion, a Grantee may transfer, not for value, all or part of an Option which is not an Incentive Stock Option to any Family Member. For the purpose of this **Section 8.10**, a not for value transfer is a transfer which is (i) a gift; (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) unless Applicable Laws do not permit such transfer, a transfer to an entity in which more than fifty percent (50%) of the voting interests are owned by Family Members (and/or the Grantee) in exchange for an interest in such entity. Following a transfer under this **Section 8.10**, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to such transfer, and shares of Stock acquired pursuant to the Option shall be subject to the same restrictions with respect to transfer of such shares of Stock as would have applied to the Grantee thereof. Subsequent transfers of transferred Options shall be prohibited except to Family Members of the original Grantee in accordance with this **Section 8.10** or by will or the laws of descent and distribution. The provisions of **Section 8.4** relating to termination of Service shall continue to be applied with respect to the original Grantee, following which such Option shall be exercisable by the transferee only to the extent, and for the periods specified, in **Section 8.4**.

8.11. Limitations on Incentive Stock Options.

An Option shall constitute an Incentive Stock Option only (i) if the Grantee of such Option is an employee of the Company or any Subsidiary of the Company; (ii) to the extent specifically provided in the related Award Agreement; and (iii) to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the shares of Stock with respect to which all Incentive Stock Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Grantee s employer and its Affiliates) does not exceed one hundred thousand dollars ($100,000). Except to the extent provided in the regulations under Code Section 422, this limitation shall be applied by taking Options into account in the order in which they were granted.

8.12. Notice of Disqualifying Disposition.

If any Grantee shall make any disposition of shares of Stock issued pursuant to the exercise of an Incentive Stock Option under the circumstances provided in Code Section 421(b) (relating to certain disqualifying dispositions), such Grantee shall notify the Company of such disposition within ten (10) days thereof.

9. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS

9.1. Right to Payment and Grant Price.

A SAR shall confer on the Grantee to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one (1) share of Stock on the date of exercise over (B) the SAR Exercise Price as determined by the Committee. The Award Agreement for a SAR shall specify the SAR Exercise Price, which shall be at least the Fair Market Value of one (1) share of Stock on the Grant Date. SARs may be granted in tandem with all or part of an Option granted under the Plan or at any subsequent time during the term of such Option, in combination with all or part of any other Award, or without regard to any Option or other Award; provided that a SAR that is granted subsequent to the Grant Date of a related Option must have a SAR Exercise Price that is no less than the Fair Market Value of one share of Stock on the Grant Date of such SAR; provided, further, that a Grantee may only exercise either the SAR or the Option with which it is granted in tandem and not both.

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9.2. Other Terms.

The Committee shall determine on the Grant Date or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future Service requirements), the time or times at which SARs shall cease to be or become exercisable following termination of Service or upon other conditions, the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which shares of Stock will be delivered or deemed to be delivered to Grantees, whether or not a SAR shall be granted in tandem or in combination with any other Award, and any and all other terms and conditions of any SAR.

9.3. Term.

Each SAR granted under the Plan shall terminate, and all rights thereunder shall cease, upon the expiration of ten (10) years from the date such SAR is granted, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Committee and stated in the Award Agreement relating to such SAR.

9.4. Transferability of SARS.

Except as provided in **Section 9.5**, during the lifetime of a Grantee of a SAR, only the Grantee (or, in the event of such Grantee s legal incapacity or incompetency, such Grantee s guardian or legal representative) may exercise such SAR. Except as provided in **Section 9.5**, no SAR shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution.

9.5. Family Transfers.

If authorized in the applicable Award Agreement or by the Committee, in its sole discretion, a Grantee may transfer, not for value, all or part of a SAR to any Family Member. For the purpose of this **Section 9.5**, a not for value transfer is a transfer which is (i) a gift; (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) unless Applicable Laws do not permit such transfer, a transfer to an entity in which more than fifty percent (50%) of the voting interests are owned by Family Members (and/or the Grantee) in exchange for an interest in such entity. Following a transfer under this **Section 9.5**, any such SAR shall continue to be subject to the same terms and conditions as were applicable immediately prior to such transfer, and shares of Stock acquired pursuant to a SAR shall be subject to the same restrictions on transfers of such shares of Stock as would have applied to the Grantee of such SAR. Subsequent transfers of transferred SARs shall be prohibited except to Family Members of the original Grantee in accordance with this **Section 9.5** or by will or the laws of descent and distribution.

10. TERMS AND CONDITIONS OF RESTRICTED STOCK AND STOCK UNITS

10.1. Grant of Restricted Stock or Stock Units.

Awards of Restricted Stock and Stock Units may be made for consideration or for no consideration (other than the par value of the shares of Stock which shall be deemed paid by past Service or, if so provided in the related Award Agreement or a separate agreement, the promise by the Grantee to perform future Service to an Applicable Entity).

10.2. Restrictions.

At the time a grant of Restricted Stock or Stock Units is made, the Committee may, in its sole discretion, establish a period of time (a **Restricted Period**) applicable to such Restricted Stock or Stock Units. Each Award of Restricted Stock or Stock Units may be subject to a different Restricted Period. The Committee may in its sole discretion, at the time a grant of Restricted Stock or Stock Units is made, prescribe restrictions in addition

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to or other than the expiration of the Restricted Period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Stock or Stock Units as provided in **Section 14**. Neither Restricted Stock nor Stock Units may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period or prior to the satisfaction of any other restrictions prescribed by the Committee with respect to such Restricted Stock or Stock Units; provided, with respect to Awards of Restricted Stock or Stock Units to the Manager, the Manager may, in its sole discretion, sell, transfer, or assign unvested Restricted Stock and Stock Units to officers, employees, or other service providers of the Manager or its Affiliates who would otherwise be eligible to receive grants directly from the Company pursuant to the Plan (a **Manager Grantee**); provided, further, that each Manager Grantee enters into a written award agreement (on a form acceptable to the Committee) with the Manager and agrees to be subject to (i) all restrictions applicable to the Manager under the Plan and any such corresponding Award Agreement and (ii) any additional and more restrictive conditions as determined by the Manager and as set forth in the written award agreement between the Manager and the Manager Grantee. Any Manager Grantee receiving unvested Restricted Stock or Stock Units from the Manager shall thereafter not be permitted to sell, transfer, or assign such unvested Restricted Stock or Stock Units. If any Manager Grantee attempts to sell, assign, or transfer any unvested Restricted Stock or Stock Units, such shares of Restricted Stock or Stock Units will immediately be forfeited by the Manager Grantee to the Manager.

10.3. Registration; Restricted Stock Certificates.

Pursuant to **Section 3.8**, to the extent that ownership of Restricted Stock is evidenced by a book-entry registration or direct registration, such registration shall be notated to evidence the restrictions imposed on such Award of Restricted Stock under the Plan and the applicable Award Agreement. Subject to **Section 3.8** and the immediately following sentence, the Company may issue, in the name of each Grantee to whom Restricted Stock has been granted, share certificates representing the total number of shares of Restricted Stock granted to the Grantee, as soon as reasonably practicable after the Grant Date of such Restricted Stock. The Committee may provide in an Award Agreement with respect to an Award of Restricted Stock that either (i) the Secretary of the Company shall hold such share certificates for the Grantee s benefit until such time as the shares of Restricted Stock are forfeited to the Company or the restrictions applicable thereto lapse and such Grantee shall deliver a stock power to the Company with respect to each share certificate, or (ii) such share certificates shall be delivered to the Grantee; provided, however, that such share certificates shall bear a legend or legends that comply with the applicable securities laws and regulations and make appropriate reference to the restrictions imposed on such shares of Restricted Stock under the Plan and the Award Agreement.

10.4. Rights of Holders of Restricted Stock.

Unless the Committee otherwise provides in an Award Agreement, holders of Restricted Stock shall have the right to vote such shares of Restricted Stock and the right to receive any dividends declared or paid with respect to such shares of Restricted Stock. The Committee may provide that any dividends paid on Restricted Stock must be reinvested in shares of Stock, which may or may not be subject to the same vesting conditions and restrictions as the vesting conditions and restrictions applicable to such Restricted Stock. Dividends paid on Restricted Stock which vests or is earned based upon the achievement of performance goals shall not vest unless such performance goals for such Restricted Stock are achieved, and if such performance goals are not achieved, the Grantee of such Restricted Stock shall promptly forfeit and repay to the Company such dividend payments. All stock distributions, if any, received by a Grantee with respect to Restricted Stock as a result of any stock split, stock dividend, combination of stock, or other similar transaction shall be subject to the vesting conditions and restrictions applicable to the Restricted Stock.

10.5. Rights of Holders of Stock Units.

10.5.1. Voting and Dividend Rights.

Holders of Stock Units shall have no rights as stockholders of the Company (for example, the right to receive cash, dividend payments, or distributions attributable to the shares of Stock subject to such Stock Units, to direct the voting of the shares of Stock subject to such Stock Units, or to receive notice of any meeting of the

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Company s stockholders). The Committee may provide in an Award Agreement evidencing a grant of Stock Units that the Grantee thereof shall be entitled to receive, upon the Company s payment of a cash dividend on its outstanding shares of Stock, a cash payment for each such Stock Unit held in an amount equal to the per-share dividend paid on such shares of Stock. Dividends paid on Stock Units which vest or are earned based upon the achievement of performance goals shall not vest unless such performance goals for such Stock Units are achieved, and if such performance goals are not achieved, the Grantee of such Stock Units shall promptly forfeit and repay to the Company such dividend payments. Such Award Agreement also may provide that such cash payment shall be deemed reinvested in additional Stock Units at a price per unit equal to the Fair Market Value of a share of Stock on the date on which such cash dividend is paid. Such cash payments paid in connection with Stock Units which vest or are earned based upon the achievement of performance goals shall not vest unless such performance goals for such Stock Units are achieved, and if such performance goals are not achieved, the Grantee of such Stock Units shall promptly forfeit and repay to the Company such cash payments.

10.5.2. Creditor s Rights.

A holder of Stock Units shall have no rights other than those of a general unsecured creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

10.6. Termination of Service.

Unless the Committee otherwise provides in an Award Agreement, in another agreement with the Grantee, or otherwise in writing after the Award Agreement is issued, but prior to termination of the Grantee s Service, upon the termination of such Grantee s Service, any Restricted Stock or Stock Units held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Stock or Stock Units, the Grantee thereof shall have no further rights with respect thereto, including, but not limited to, any right to vote such Restricted Stock or any right to receive dividends with respect to such Restricted Stock or Stock Units.

10.7. Purchase of Restricted Stock and Shares of Stock Subject to Stock Units.

The Grantee of an Award of Restricted Stock or Stock Units shall be required, to the extent required by Applicable Laws, to purchase the Restricted Stock or shares of Stock subject to vested Stock Units from the Company at a Purchase Price equal to the greater of (i) the aggregate par value of the shares of Stock represented by such Restricted Stock or vested Stock Units or (ii) the Purchase Price, if any, specified in the Award Agreement relating to such Restricted Stock or vested Stock Units. The Purchase Price shall be payable in a form provided in **Section 12** or, in the discretion of the Committee, in consideration for past or future Services rendered to an Applicable Entity.

10.8. Delivery of Shares of Stock.

Upon the expiration or termination of any Restricted Period and the satisfaction of any other conditions prescribed by the Committee, the restrictions applicable to Restricted Stock or Stock Units settled in shares of Stock shall lapse, and, unless otherwise provided in the applicable Award Agreement, a book-entry or direct registration or a share certificate evidencing ownership of such shares of Stock shall, consistent with **Section 3.8**, be issued, free of all such restrictions, to the Grantee thereof or the Grantee s beneficiary or estate, as the case may be. Neither the Grantee, nor the Grantee s beneficiary or estate, shall have any further rights with regard to a Stock Unit once the shares of Stock represented by the Stock Unit have been delivered in accordance with this **Section 10.8**.

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11. TERMS AND CONDITIONS OF UNRESTRICTED STOCK AWARDS AND OTHER EQUITY-BASED AWARDS

11.1. Unrestricted Stock Awards.

The Committee may, in its sole discretion, grant (or sell at the par value of a share of Stock or such other higher Purchase Price determined by the Committee) an Award to any Grantee pursuant to which such Grantee may receive shares of Stock free of any restrictions (**Unrestricted Stock**) under the Plan. Unrestricted Stock Awards may be granted or sold to any Grantee as provided in the immediately preceding sentence in respect of past Service or, if so provided in the related Award Agreement or a separate agreement, the promise by the Grantee to perform future Service to an Applicable Entity or other valid consideration, or in lieu of, or in addition to, any cash compensation due to such Grantee.

11.2. Other Equity-Based Awards.

The Committee may, in its sole discretion, grant Awards to any person eligible for an Award under **Section 6.1** in the form of Other Equity-Based Awards, as deemed by the Committee to be consistent with the purposes of the Plan. Awards granted pursuant to this **Section 11.2** may be granted with vesting, value, and/or payment contingent upon the achievement of one or more performance goals. The Committee shall determine the terms and conditions of such Other Equity-Based Awards at the Grant Date or thereafter. Unless the Committee otherwise provides in an Award Agreement, in another agreement, or otherwise in writing after the Award Agreement is issued, upon the termination of a Grantee s Service, any Other Equity-Based Awards held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of any Other Equity-Based Awards, the Grantee thereof shall have no further rights with respect to such Other Equity-Based Award.

12. FORM OF PAYMENT FOR OPTIONS AND RESTRICTED STOCK

12.1. General Rule.

Payment of the Option Price for the shares of Stock purchased pursuant to the exercise of an Option or the Purchase Price, if any, for Restricted Stock shall be made in cash or in cash equivalents acceptable to the Company.

12.2. Surrender of Shares of Stock.

To the extent the applicable Award Agreement so provides, payment of the Option Price for shares of Stock purchased pursuant to the exercise of an Option or the Purchase Price, if any, for Restricted Stock may be made all or in part through the tender or attestation to the Company of shares of Stock, which shall be valued, for purposes of determining the extent to which the Option Price or Purchase Price, if any, has been paid thereby, at their Fair Market Value on the date of tender or attestation, as applicable.

12.3. Cashless Exercise.

To the extent permitted by Applicable Law and to the extent the applicable Award Agreement so provides, payment of the Option Price for shares of Stock purchased pursuant to the exercise of an Option may be made all or in part (i) by delivery (on a form acceptable to the Committee) by Grantee of an irrevocable direction to a licensed securities broker acceptable to the Company to sell shares of Stock and to deliver all or part of the sales proceeds to the Company in payment of such Option Price and any withholding taxes described in **Section 19.3**, or (ii) with the consent of the Company, by the Grantee electing to have the Company issue to the Grantee only that number of shares of Stock equal in value to the difference between such Option Price and the Fair Market Value of the shares of Stock subject to the portion of the Option being exercised.

12.4. Other Forms of Payment.

To the extent the applicable Award Agreement so provides and/or unless otherwise specified in an Award Agreement, payment of the Option Price for shares of Stock purchased pursuant to exercise of an Option or the

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Purchase Price, if any, for Restricted Stock may be made in any other form that is consistent with Applicable Laws, including, without limitation, (a) Service by the Grantee thereof to an Applicable Entity and (b) by withholding shares of Stock that would otherwise vest or be issuable in an amount equal to the Option Price or Purchase Price, if any, and the required tax withholding amount.

13. TERMS AND CONDITIONS OF DIVIDEND EQUIVALENT RIGHTS

13.1. Dividend Equivalent Rights.

A Dividend Equivalent Right is an Award entitling the recipient thereof to receive credits based on cash distributions that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other Award to which such Dividend Equivalent Right relates) if such shares of Stock had been issued to and held by the recipient of such Dividend Equivalent Right as of the record date. A Dividend Equivalent Right may be granted hereunder to any Grantee, provided that no Dividend Equivalent Rights may be granted in connection with, or related to, an Award of Options or SARs. The terms and conditions of Dividend Equivalent Rights shall be specified in the Award Agreement therefor. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently (with or without being subject to forfeiture or a repayment obligation) or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional Dividend Equivalent Rights (with or without being subject to forfeiture or a repayment obligation). Any such reinvestment shall be at the Fair Market Value thereof on the date of reinvestment. Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or in multiple installments, all as determined in the sole discretion of the Committee. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other Award and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award. A Dividend Equivalent Right granted as a component of another Award also may contain terms and conditions which are different from the terms and conditions of such other Award; provided, that Dividend Equivalent Rights credited pursuant to a Dividend Equivalent Right granted as a component of another Award which vests or is earned based upon the achievement of performance goals shall not vest unless such performance goals for such underlying Award are achieved, and if such performance goals are not achieved, the Grantee of such Dividend Equivalent Rights shall promptly forfeit and repay to the Company payments made in connection with such Dividend Equivalent Rights.

13.2. Termination of Service.

Unless the Committee provides otherwise in the applicable Award Agreement, in another agreement with the Grantee, or otherwise in writing after the Award Agreement is issued, a Grantee s rights in all Dividend Equivalent Rights shall automatically terminate upon such Grantee s termination of Service for any reason.

14. TERMS AND CONDITIONS OF PERFORMANCE AWARDS AND ANNUAL INCENTIVE AWARDS

14.1. Grant of Performance Awards and Annual Incentive Awards.

Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Performance Awards and/or Annual Incentive Awards to any person eligible for an Award under **Section 6.1** in such amounts and upon such terms as the Committee shall determine.

14.2. Value of Performance Awards and Annual Incentive Awards.

Each grant of a Performance Award and Annual Incentive Award shall have an actual or target number of shares of Stock or an initial value that is established by the Committee at the time of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are achieved, will determine the value and/or number of shares of Stock subject to a Performance Award that will be paid out to the Grantee thereof.

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14.3. Earning of Performance Awards and Annual Incentive Awards.

Subject to the terms of the Plan, after the applicable Performance Period has ended, the Grantee of Performance Awards or Annual Incentive Awards shall be entitled to receive a payout on the value and/or number of the Performance Awards or Annual Incentive Awards earned by the Grantee over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.

14.4. Form and Timing of Payment of Performance Awards and Annual Incentive Awards.

Payment of earned Performance Awards and Annual Incentive Awards shall be made in a manner as determined by the Committee and as evidenced in the Award Agreement. Subject to the terms of the Plan, the Committee, in its sole discretion, may pay earned Performance Awards in the form of cash or shares of Stock (or a combination thereof) equal to the value of such earned Performance Awards and shall pay the Awards that have been earned at the close of the applicable Performance Period, or as soon as reasonably practicable after the Committee has determined that the performance goal or goals relating thereto have been achieved; provided, that unless specifically provided in the Award Agreement for such Awards, such payment shall occur no later than the fifteenth (15^{th}) day of the third (3^{rd}) month following the end of the calendar year in which the Performance Period ends. Any shares of Stock paid out under such Awards may be granted subject to any restrictions deemed appropriate by the Committee. The determination of the Committee with respect to the form of payout of such Performance Awards and Annual Incentive Awards shall be set forth in the Award Agreement therefor.

14.5. Performance Conditions.

The right of a Grantee to exercise or receive a grant or settlement of any Performance Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions. If and to the extent required under Code Section 162(m), any power or authority relating to an Award intended to qualify under Code Section 162(m), shall be exercised by the Committee and not the Board.

14.6. Performance Awards or Annual Incentive Awards Granted to Designated Covered Employees.

If and to the extent that the Committee determines that a Performance Award or Annual Incentive Award to be granted to a Grantee who is designated by the Committee as likely to be a Covered Employee should constitute qualified performance-based compensation for purposes of Code Section 162(m), the grant, exercise, and/or settlement of such Award shall be contingent upon achievement of pre-established performance goals and other terms set forth in this **Section 14.6**.

14.6.1. Performance Goals Generally.

The performance goals for Performance Awards or Annual Incentive Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this **Section 14.6**. Performance goals shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being substantially uncertain. The Committee may determine that such Awards shall be granted, exercised, and/or settled upon achievement of any single performance goal or of two (2) or more performance goals. Performance goals may differ for Awards granted to any one Grantee or to different Grantees.

14.6.2. Timing For Establishing Performance Goals.

Performance goals shall be established not later than the earlier of (i) ninety (90) days after the beginning of any Performance Period applicable to such Awards and (ii) the date on which twenty-five percent (25%) of any Performance Period applicable to such Awards has expired, or at such other date as may be required or permitted for compensation payable to a Covered Employee to constitute Performance-Based Compensation.

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14.6.3. Settlement of Awards; Other Terms.

Settlement of such Awards shall be in cash, shares of Stock, other Awards, or other property, including an Award that is subject to additional Service-based vesting, as determined in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Awards. The Committee shall specify the circumstances in which such Performance Awards or Annual Incentive Awards shall be paid or forfeited in the event of termination of Service by the Grantee prior to the end of a Performance Period or settlement of Awards. In the event payment of the Performance-Based Award is made in the form of another Award subject to Service-based vesting, the Committee shall specify the circumstances in which the payment Award will be paid or forfeited in the event of a termination of Service.

14.6.4. Performance Measures.

The performance goals upon which the payment or vesting of a Performance Award or Annual Incentive Award to a Covered Employee that is intended to qualify as Performance-Based Compensation may be conditioned shall be limited to the following Performance Measures:

(a) net earnings or net income;

(b) operating earnings or Core Earnings (as defined in the management agreement between the Company and the Manager, as amended from time to time);

(c) pretax earnings;

(d) earnings per share of Stock;

(e) share price, including growth measures and total stockholder return;

(f) earnings before interest and taxes;

(g) earnings before interest, taxes, depreciation, and/or amortization;

(h) return measures, including return on assets, capital, investment, equity, sales, or revenue;

(i) cash flow, including operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment;

(j) expense targets;

(k) market share;

(l) financial ratios as provided in credit agreements of the Company and its Subsidiaries;

(m) working capital targets;

(n) completion of acquisitions of assets;

(o) completion of asset sales;

(p) revenues under management;

(q) funds from operations;

(r) distributions to stockholders; and

(s) any combination of any of the foregoing business criteria.

Business criteria may be (but are not required to be) measured on a basis consistent with U.S. Generally Accepted Accounting Principles.

Any Performance Measure(s) may be used to measure the performance of the Company, its Subsidiaries, and/or its Affiliates as a whole or any business unit of the Company, its Subsidiaries, and/or its Affiliates or any

combination thereof, as the Committee may deem appropriate, or any of the above Performance Measures as compared to the performance of a group of comparable companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or the Company may select the Performance Measure specified in clause (e) above as compared to various stock market indices. The Committee also has the authority to provide for accelerated vesting of any Performance Award or Annual Incentive Award based on the achievement of performance goals pursuant to the Performance Measures specified in this **Section 14**.

14.6.5. Evaluation of Performance.

The Committee may provide in any such Performance Award or Annual Incentive Award that any evaluation of performance may include or exclude any of the following events that occur during a Performance Period: (a) asset write-downs; (b) litigation or claims, judgments, or settlements; (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results; (d) any reorganization or restructuring events or programs; (e) extraordinary, non-core, non-operating, or nonrecurring items; (f) acquisitions or divestitures; (g) foreign exchange gains and losses; (h) tax valuation allowance reversals; (i) impairment expense; and (j) environmental expense. To the extent such inclusions or exclusions affect Awards to Covered Employees that are intended to qualify as Performance-Based Compensation, such inclusions or exclusions shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.

14.6.6. Adjustment of Performance-Based Compensation.

The Committee shall have the discretion to adjust Awards that are intended to qualify as Performance-Based Compensation, either on a formula or discretionary basis, or on any combination thereof, as the Committee determines consistent with the requirements of Code Section 162(m) for deductibility.

14.6.7. Committee Discretion.

In the event that Applicable Laws change to permit Committee discretion to alter the governing Performance Measures without obtaining stockholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining stockholder approval, provided that the exercise of such discretion shall not be inconsistent with the requirements of Code Section 162(m). In addition, in the event that the Committee determines that it is advisable to grant Awards that shall not qualify as Performance-Based Compensation, the Committee may make such grants without satisfying the requirements of Code Section 162(m) and base vesting on Performance Measures other than those set forth in **Section 14.6.4**.

14.7. Status of Awards under Code Section 162(m).

It is the intent of the Company that Performance Awards and Annual Incentive Awards under **Section 14.6** granted to persons who are designated by the Committee as likely to be Covered Employees within the meaning of Code Section 162(m) and the regulations promulgated thereunder shall, if so designated by the Committee, constitute qualified performance-based compensation within the meaning of Code Section 162(m) and the regulations thereunder. Accordingly, the terms of **Section 14.6**, including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m). If any provision of the Plan or any agreement relating to any such Awards does not comply or is inconsistent with the requirements of Code Section 162(m), such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

15. TERMS AND CONDITIONS OF LONG-TERM INCENTIVE UNITS

LTIP Units are intended to be profits interests in the operating partnership affiliated with the Company, if any (such operating partnership, if any, the **Operating Partnership**), the rights and features of which, if applicable, will be set forth in the agreement of limited partnership for the Operating Partnership (the **Operating Partnership Agreement**). Subject to the terms and provisions of the Plan and the Operating Partnership Agreement, the

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Committee, at any time and from time to time, may grant LTIP Units to any person eligible for an Award under **Section 6.1** in such amounts and upon such terms as the Committee shall determine. LTIP Units must be granted for Service to the Operating Partnership.

15.1. Vesting.

Subject to **Section 18**, each LTIP Unit granted under the Plan shall vest at such times and under such conditions as shall be determined by the Committee and stated in the Award Agreement.

16. PARACHUTE LIMITATIONS

If any Grantee is a disqualified individual, as defined in Code Section 280G(c), then, notwithstanding any other provision of the Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by such Grantee with an Applicable Entity, except an agreement, contract, or understanding that expressly addresses Code Section 280G or Code Section 4999 (an **Other Agreement**), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Grantee (including groups or classes of Grantees or beneficiaries of which the Grantee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Grantee (a **Benefit Arrangement**), any right of the Grantee to any exercise, vesting, payment, or benefit under the Plan shall be reduced or eliminated:

(i) to the extent that such right to exercise, vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Grantee under the Plan, all Other Agreements, and all Benefit Arrangements, would cause any exercise, vesting, payment, or benefit to the Grantee under the Plan to be considered a parachute payment within the meaning of Code Section 280G(b)(2) as then in effect (a **Parachute Payment**); and

(ii) if, as a result of receiving such Parachute Payment, the aggregate after-tax amounts received by the Grantee from the Company under the Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Grantee without causing any such payment or benefit to be considered a Parachute Payment.

The Company shall accomplish such reduction by first reducing or eliminating any cash payments (with the payments to be made furthest in the future being reduced first), then by reducing or eliminating any accelerated vesting of Performance Awards, then by reducing or eliminating any accelerated vesting of Options or SARs, then by reducing or eliminating any accelerated vesting of Restricted Stock or Stock Units, then by reducing or eliminating any other remaining Parachute Payments.

17. REQUIREMENTS OF LAW

17.1. General.

No person eligible for an Award under the Plan will be permitted to acquire, or will have any right to acquire, shares of Stock thereunder if such acquisition would be prohibited by any share ownership limits contained in charter or bylaws or would impair the Company s status as a REIT. The Company shall not be required to offer, sell, or issue any shares of Stock under any Award, whether pursuant to the exercise of an Option or SAR or otherwise, if the offer, sale, or issuance of such shares of Stock would constitute a violation by the Grantee, any other individual or entity exercising an Option or SAR, or any Applicable Entity of any provision of Applicable Laws, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the offering, listing, registration, or qualification of any shares of Stock subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the offering, issuance, sale, or purchase of shares of Stock in connection with any Award, no shares of Stock may be offered, issued, or sold to the Grantee or any other individual or entity exercising an Option or SAR pursuant to such Award unless such offering, listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions

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not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of such Award. Without limiting the generality of the foregoing, in connection with the Securities Act, upon the exercise of any Option or any SAR that may be settled in shares of Stock or the delivery of any shares of Stock underlying an Award, unless a registration statement under the Securities Act is in effect with respect to the shares of Stock covered by such Award, the Company shall not be required to offer, sell, or issue such shares of Stock unless the Committee shall have received evidence satisfactory to it that the Grantee or any other individual or entity exercising such Option or SAR or accepting delivery of such shares may acquire such shares of Stock pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Committee shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any share of Stock or other securities issuable pursuant to the Plan pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or a SAR or the issuance of shares of Stock or other securities issuable pursuant to the Plan to comply with any Applicable Laws. As to any jurisdiction that expressly imposes the requirement that an Option (or SAR that may be settled in shares of Stock) shall not be exercisable until the shares of Stock subject to such Option or SAR are registered under the securities laws thereof or are exempt from such registration, the exercise of such Option or SAR under circumstances in which the laws of such jurisdiction apply shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

17.2. Rule 16b-3.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards pursuant to the Plan and the exercise of Options and SARs granted hereunder that would otherwise be subject to Section 16(b) of the Exchange Act will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Committee does not comply with the requirements of Rule 16b-3, such provision or action shall be deemed inoperative with respect to such Awards to the extent permitted by Applicable Laws and deemed advisable by the Committee, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify the Plan in any respect necessary or advisable in its judgment to satisfy the requirements of, or to permit the Company to avail itself of the benefits of, the revised exemption or its replacement.

18. EFFECT OF CHANGES IN CAPITALIZATION

18.1. Changes in Stock.

If the number of outstanding shares of Stock is increased or decreased or the shares of Stock are changed into or exchanged for a different number of shares or kind of capital stock or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse stock split, spin-off, combination of stock, exchange of stock, stock dividend, or other distribution payable in capital stock, or other increase or decrease in shares of Stock effected without receipt of consideration by the Company occurring after the Original Effective Date, the number and kinds of shares of stock for which grants of Options and other Awards may be made under the Plan, including, without limitation, the limits set forth in **Section 6.2**, shall be adjusted proportionately and accordingly by the Committee. In addition, the number and kind of shares of Stock for which Awards are outstanding shall be adjusted proportionately and accordingly by the Committee so that the proportionate interest of the Grantee immediately following such event shall, to the extent practicable, be the same as immediately before such event. Any such adjustment in outstanding Options or SARs shall not change the aggregate Option Price or SAR Exercise Price payable with respect to shares that are subject to the unexercised portion of such outstanding Options or SARs, as applicable, but shall include a corresponding proportionate adjustment in the per share Option Price or SAR Exercise Price, as applicable. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. Notwithstanding the foregoing, in the event of any distribution to the Company s stockholders of securities of any other entity or other assets (including an extraordinary dividend but excluding a non-extraordinary dividend declared and paid

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by the Company) without receipt of consideration by the Company, the Committee shall, in such manner as the Committee deems appropriate, adjust (i) the number and kind of shares of Stock subject to outstanding Awards and/or (ii) the aggregate and per share Option Price of outstanding Options and the aggregate and per share SAR Exercise Price of outstanding SARs as required to reflect such distribution.

18.2. Reorganization in Which the Company Is the Surviving Entity Which Does not Constitute a Change in Control. Subject to **Section 18.3**, if the Company shall be the surviving entity in any reorganization, merger, or consolidation of the Company with one or more other entities which does not constitute a Change in Control, any Option or SAR theretofore granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to such Option or SAR would have been entitled immediately following such reorganization, merger, or consolidation, with a corresponding proportionate adjustment of the per share Option Price or SAR Exercise Price so that the aggregate Option Price or SAR Exercise Price thereafter shall be the same as the aggregate Option Price or SAR Exercise Price of the shares of Stock remaining subject to the Option or SAR as in effect immediately prior to such reorganization, merger, or consolidation. Subject to any contrary language in an Award Agreement, in another agreement with the Grantee, or otherwise set forth in writing, any restrictions applicable to such Award shall apply as well to any replacement shares received by the Grantee as a result of such reorganization, merger, or consolidation. In the event of any reorganization, merger, or consolidation of the Company referred to in this **Section 18.2**, Performance Awards shall be adjusted (including any adjustment to the Performance Measures applicable to such Awards deemed appropriate by the Committee) so as to apply to the securities that a holder of the number of shares of Stock subject to the Performance Awards would have been entitled to receive immediately following such reorganization, merger, or consolidation.

18.3. Change in Control in which Awards are not Assumed. Except as otherwise provided in the applicable Award Agreement, in another agreement with the Grantee, or as otherwise set forth in writing, upon the occurrence of a Change in Control in which outstanding Options, SARs, Restricted Stock, Stock Units, Dividend Equivalent Rights, LTIP Units, or other Equity-Based Awards are not being assumed or continued:

(i) in each case with the exception of any Performance Award, all outstanding Restricted Stock and LTIP Units shall be deemed to have vested, all Stock Units shall be deemed to have vested and the shares of Stock subject thereto shall be delivered, and all Dividend Equivalent Rights shall be deemed to have vested and the shares of Stock subject thereto shall be delivered, immediately prior to the occurrence of such Change in Control, and

(ii) either of the following two (2) actions shall be taken:

(A) fifteen (15) days prior to the scheduled consummation of a Change in Control, all Options and SARs outstanding hereunder shall become immediately exercisable and shall remain exercisable for a period of fifteen (15) days, which exercise shall be effective upon such consummation; or

(B) the Committee may elect, in its sole discretion, to cancel any outstanding Awards of Options, SARs, Restricted Stock, Stock Units, and/or Dividend Equivalent Rights and pay or deliver, or cause to be paid or delivered, to the holder thereof an amount in cash or securities having a value (as determined by the Committee acting in good faith), in the case of Restricted Stock, Stock Units, and Dividend Equivalent Rights (for shares of Stock subject thereto), equal to the formula or fixed price per share paid to holders of shares of Stock pursuant to such Change in Control and, in the case of Options or SARs, equal to the product of the number of shares of Stock subject to such Options or SARs (the **Award Stock**) multiplied by the amount, if any, by which (I) the formula or fixed price per share paid to holders of shares of Stock pursuant to such transaction exceeds (II) the Option Price or SAR Exercise Price applicable to such Award Stock.

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(iii) for Performance Awards denominated in Stock, Stock Units, or LTIP Units, if less than half of the Performance Period has lapsed, such Awards shall be converted into Restricted Stock or Stock Units assuming target performance has been achieved (or Unrestricted Stock if no further restrictions apply). If more than half the Performance Period has lapsed, the Awards shall be converted into Restricted Stock or Stock Units based on actual performance to date (or Unrestricted Stock if no further restrictions apply). If actual performance is not determinable, based on the discretion of the Committee, then Performance Awards shall be converted into Restricted Stock or Stock Units assuming target performance has been achieved (or Unrestricted Stock if no further restrictions apply). After application of this **Section 18.3(iii)**, if any Awards arise from application of this **Section 18.3(iii)**, such Awards shall be settled under the applicable provision of **Section 18.3(i)** or **(ii).**

(iv) Other-Equity Based Awards shall be governed by the terms of the applicable Award Agreement.

With respect to the Company s establishment of an exercise window, (i) any exercise of an Option or SAR during such fifteen (15)-day period shall be conditioned upon the consummation of the applicable Change in Control and shall be effective only immediately before the consummation thereof, and (ii) upon consummation of any Change in Control, the Plan and all outstanding but unexercised Options and SARs shall terminate. The Committee shall send notice of an event that will result in such a termination to all individuals and entities who hold Options and SARs not later than the time at which the Company gives notice thereof to its stockholders.

18.4. Change in Control in which Awards are Assumed.

Except as otherwise provided in the applicable Award Agreement or in another agreement with the Grantee, or as otherwise set forth in writing, upon the occurrence of a Change in Control in which outstanding Awards are being assumed or continued, the following provisions shall apply to such Award, to the extent assumed or continued:

The Plan and the Options, SARs, Restricted Stock, Stock Units, Dividend Equivalent Rights, and Other Equity-Based Awards theretofore granted under the Plan shall continue in the manner and under the terms so provided in the event of any Change in Control to the extent that provision is made in writing in connection with such Change in Control for the assumption or continuation of such Options, SARs, Restricted Stock, Stock Units, Dividend Equivalent Rights, and Other Equity-Based Awards, or for the substitution for such Options, SARs, Restricted Stock, Stock Units, Dividend Equivalent Rights, and Other Equity-Based Awards for new common stock options, stock appreciation rights, restricted stock, stock units, dividend equivalent rights, and other equity-based awards relating to the stock of a successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number of shares (disregarding any consideration that is not common stock) and option and stock appreciation rights exercise prices.

18.5. Adjustments.

Adjustments under this **Section 18** related to shares of Stock or other securities of the Company shall be made by the Committee, whose determination in that respect shall be final, binding, and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share. The Committee shall determine the effect of a Change in Control upon Awards other than Options, SARs, Restricted Stock, Stock Units, and Dividend Equivalents, and such effect shall be set forth in the appropriate Award Agreement. The Committee may provide in the applicable Award Agreement at the time of grant, in another agreement with the Grantee, or otherwise in writing at any time thereafter with the consent of the Grantee, for different provisions to apply to an Award in place of those provided in **Sections 18.1**, **18.2**, **18.3**, and **18.4**. This **Section 18** shall not limit the Committee s ability to provide for alternative treatment of Awards outstanding under the Plan in the event of change in control events involving the Company that do not constitute a Change in Control.

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18.6. No Limitations on Company.

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets (including all or any part of the business or assets of any Subsidiary or other Affiliate) or engage in any other transaction or activity.

19. GENERAL PROVISIONS

19.1. Disclaimer of Rights.

No provision in the Plan or in any Award or Award Agreement shall be construed to confer upon any individual or entity the right to remain in the employ or Service of any Applicable Entity, or to interfere in any way with any contractual or other right or authority of the Applicable Entity either to increase or decrease the compensation or other payments to any individual or entity at any time, or to terminate any employment or other relationship between any individual or entity and the Applicable Entity. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, in another agreement with the Grantee, or otherwise in writing, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee thereof, so long as such Grantee continues to provide Service. The obligation of the Company to pay any benefits pursuant to the Plan shall be interpreted as a contractual obligation to pay only those amounts provided herein, in the manner and under the conditions prescribed herein. The Plan and Awards shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan.

19.2. Nonexclusivity of the Plan.

Neither the adoption of the Plan nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board or the Committee to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Board or the Committee in their discretion determine desirable.

19.3. Withholding Taxes.

Any Applicable Entity, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any federal, state, or local taxes of any kind required by law to be withheld with respect to the vesting of or other lapse of restrictions applicable to an Award or upon the issuance of any shares of Stock upon the exercise of an Option or pursuant to any other Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay in cash to the Applicable Entity, as the case may be, any amount that the Applicable Entity may reasonably determine to be necessary to satisfy such withholding obligation; provided that if there is a same-day sale of shares of Stock subject to an Award, the Grantee shall pay such withholding obligation on the day on which such same-day sale is completed. Subject to the prior approval of the Applicable Entity, which may be withheld by the Applicable Entity, as the case may be, in its sole discretion, the Grantee may elect to satisfy such withholding obligations, in whole or in part, (i) by causing the Applicable Entity to withhold shares of Stock otherwise issuable to the Grantee or (ii) by delivering to the Applicable Entity shares of Stock already owned by the Grantee. The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. The Fair Market Value of the shares of Stock used to satisfy such withholding obligations shall be determined by the Applicable Entity as of the date on which the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this **Section 19.3** may satisfy such Grantee s withholding obligations only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements. The maximum number of shares of Stock that may

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be withheld from any Award to satisfy any federal, state, or local tax withholding requirements upon the exercise, vesting, or lapse of restrictions applicable to such Award or payment of shares of Stock pursuant to such Award, as applicable, may not exceed such number of shares of Stock having a Fair Market Value equal to the minimum statutory amount required by the Applicable Entity to be withheld and paid to any such federal, state, or local taxing authority with respect to such exercise, vesting, lapse of restrictions or payment of shares of Stock. Notwithstanding **Section 2.22** or this **Section 19.3**, for purposes of determining taxable income and the amount of the related tax withholding obligation pursuant to this **Section 19.3**, for any shares of Stock subject to an Award that are sold by or on behalf of a Grantee on the same date on which such shares may first be sold pursuant to the terms of the related Award Agreement, the Fair Market Value of such shares shall be the sale price of such shares on such date (or if sales of such shares are effectuated at more than one sale price, the weighted average sale price of such shares on such date), so long as such Grantee has provided the Applicable Entity, or its designee or agent, with advance written notice of such sale. In such case, the percentage of shares of Stock withheld shall equal the applicable minimum withholding rate.

19.4. Captions.

The use of captions in the Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

19.5. Other Provisions.

Each Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Committee, in its sole discretion.

19.6. Number and Gender.

With respect to words used in the Plan, the singular form shall include the plural form, and the masculine gender shall include the feminine gender, etc., as the context requires.

19.7. Severability.

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

19.8. Governing Law.

The validity and construction of the Plan and the instruments evidencing the Awards hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of Maryland, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan and the instruments evidencing the Awards granted hereunder to the substantive laws of any other jurisdiction.

19.9. Section 409A of the Code.

The Company intends to comply with Code Section 409A, or an exemption to Code Section 409A, with regard to Awards hereunder that constitute nonqualified deferred compensation within the meaning of Code Section 409A. To the extent that the Company determines that a Grantee would be subject to the additional twenty percent (20%) tax imposed on certain nonqualified deferred compensation plans pursuant to Code Section 409A as a result of any provision of any Award granted under the Plan, such provision shall be deemed amended to the minimum extent necessary to avoid application of such additional tax. The nature of any such amendment shall be determined by the Committee.

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To record the amendment and restatement of the Plan by the Board as of March 24, 2014, effective upon and subject to approval of the Plan, as amended and restated, by the stockholders on May 8, 2014, the Company has caused its authorized officer to execute the Plan.

COLONY FINANCIAL, INC.

By:
Name: Ronald Sanders
Title: Chief Legal Officer and Secretary

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