

ARBOR REALTY TRUST INC

Form DEF 14A

April 30, 2009

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Filed by the Registrant

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))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ARBOR REALTY TRUST, INC.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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.

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- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

As filed with the Commission on April 30, 2009

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Arbor Realty Trust, Inc.

April 30, 2009

Dear Fellow Stockholders:

On behalf of the Board of Directors, I cordially invite you to attend the Annual Meeting of Stockholders of Arbor Realty Trust, Inc. to be held at the Teleconference Center on the lower level of 333 Earle Ovington Boulevard, Uniondale, New York, on June 18, 2009, at 1:00 p.m., local time. The matters to be considered by the stockholders at the annual meeting are described in detail in the accompanying materials.

It is important that you be represented at the annual meeting regardless of the number of shares you own or whether you are able to attend the annual meeting in person.

Let me urge you to mark, sign and date your proxy card today and to return it in the envelope provided.

Sincerely,

Ivan Kaufman
Chairman and Chief Executive Officer and President

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Arbor Realty Trust, Inc.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING TO BE HELD ON JUNE 18, 2009

**THE PROXY STATEMENT AND ANNUAL REPORT TO SECURITY HOLDERS ARE AVAILABLE AT:
<http://www.arbor.com/cm.htm>**

**Notice of Annual Meeting of Stockholders
To Be Held on June 18, 2009**

To the Stockholders of Arbor Realty Trust, Inc.:

The annual meeting of stockholders of Arbor Realty Trust, Inc., a Maryland corporation (the Company), will be held at the Teleconference Center on the lower level of 333 Earle Ovington Boulevard, Uniondale, New York, on June 18, 2009, beginning at 1:00 p.m., local time. Directions to attend the annual meeting and vote in person are available on our website, www.arbor.com, under the heading Investor Relations or can be obtained by calling our main telephone number, 1-516-506-4200.

The matters to be considered by stockholders at the annual meeting, which are described in detail in the accompanying materials, are:

- (1) a proposal to elect the three named nominees as Class III directors, each to serve until the 2012 annual meeting of stockholders and until their respective successors are duly elected and qualify;
- (2) a proposal to amend and restate the Company's 2003 Omnibus Stock Incentive Plan (the Stock Incentive Plan) to authorize (i) the grant of stock options under the Stock Incentive Plan, and (ii) the issuance of an additional 1,250,000 shares of the company's common stock as grants of restricted stock under the Stock Incentive Plan or underlying stock options granted under the Stock Incentive Plan;
- (3) a proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2009; and
- (4) the transaction of any other business that may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

Stockholders of record at the close of business on April 30, 2009 will be entitled to notice of and to vote at the annual meeting. **It is important that your shares be represented at the annual meeting regardless of the size of your securities holdings.** A proxy statement, proxy card, self-addressed envelope and Annual Report to Stockholders for the fiscal year ended December 31, 2008 accompany this notice. Whether or not you plan to attend the annual meeting in person, please complete, date and sign the proxy card. Return it promptly in the envelope provided, which requires no postage if mailed in the United States. If you are the record holder of your shares and you attend the annual

meeting, you may withdraw your proxy and vote in person, if you so choose.

By Order of the Board of Directors,

Walter K. Horn
Corporate Secretary

April 30, 2009
Uniondale, New York

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**Arbor Realty Trust, Inc.
333 Earle Ovington Boulevard
Suite 900
Uniondale, New York 11553
(516) 506-4200**

PROXY STATEMENT

**FOR THE ANNUAL MEETING OF STOCKHOLDERS
To Be Held on June 18, 2009**

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GENERAL INFORMATION CONCERNING SOLICITATION AND VOTING

This proxy statement and the accompanying proxy card and notice of annual meeting are provided in connection with the solicitation of proxies by and on behalf of the Board of Directors of Arbor Realty Trust, Inc., a Maryland corporation, for use at the annual meeting of stockholders to be held on June 18, 2009, at 1:00 p.m., local time, and any adjournments or postponements thereof.

We, our, us, and the Company each refers to Arbor Realty Trust, Inc. The Company conducts substantially all of its operations through Arbor Realty Limited Partnership, which we refer to as our operating partnership, and its subsidiaries. References to operating partnership units refer to partnership interests in Arbor Realty Limited Partnership. The Company is externally managed and advised by Arbor Commercial Mortgage, LLC, which we refer to as our external manager or our Manager.

The mailing address of our executive office is 333 Earle Ovington Boulevard, Suite 900, Uniondale, New York 11553. This proxy statement, the accompanying proxy card and the notice of annual meeting are first being mailed on or about May 1, 2009 to holders of our common stock, par value \$0.01 per share, of record on April 30, 2009. Our common stock are the only securities entitled to vote at the annual meeting and are referred to as our voting securities. Along with this proxy statement, we are also sending our Annual Report to Stockholders for the fiscal year ended December 31, 2008.

A proxy may confer discretionary authority to vote with respect to any matter presented at the annual meeting. As of the date of this proxy statement, management has no knowledge of any business that will be presented for consideration at the annual meeting and that would be required to be set forth in this proxy statement or the related proxy card other than the matters set forth in the Notice of Annual Meeting of Stockholders. If any other matter is properly presented at the annual meeting for consideration, it is intended that the persons named in the enclosed proxy card and acting thereunder will vote in accordance with their discretion on any such matter.

Matters to be Considered at the Annual Meeting

At the annual meeting, our stockholders will act upon:

- (1) a proposal to elect the three named nominees as Class III directors, each to serve until the 2012 annual meeting of stockholders and until their respective successors are duly elected and qualify;
- (2) a proposal to amend and restate the Company's 2003 Omnibus Stock Incentive Plan (the "Stock Incentive Plan") to authorize (i) the grant of stock options under the Stock Incentive Plan, and (ii) the issuance of an additional 1,250,000 shares of the company's common stock as grants of restricted stock under the Stock Incentive Plan or underlying stock options granted under the Stock Incentive Plan;
- (3) a proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2009; and
- (4) the transaction of any other business that may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

This proxy statement, form of proxy and voting instructions are being mailed starting on or about May 1, 2009.

Solicitation of Proxies

The enclosed proxy is solicited by and on behalf of our Board of Directors. The expense of preparing, printing and mailing this proxy statement and the proxies solicited hereby will be borne by the Company. In addition to the use of the mail, proxies may be solicited by officers and directors, without additional remuneration, by personal interview, telephone, telegraph or otherwise. The Company will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of voting securities held of record at the close of business on April 30, 2009 and will provide reimbursement for the cost of forwarding the material. In addition, we have engaged The Altman Group to assist in soliciting proxies from brokers, banks and other nominee holders of our common stock at a cost of approximately \$6,000, plus reasonable out-of-pocket expenses.

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Stockholders Entitled To Vote

As of the close of business on April 30, 2009, there were 25,387,410 shares of our common stock outstanding and entitled to vote. Each share of our common stock entitles the holder to one vote. Stockholders of record at the close of business on April 30, 2009 are entitled to vote at the annual meeting or any adjournment or postponement thereof.

Required Quorum/Vote

A quorum will be present if stockholders entitled to cast a majority of all the votes entitled to be cast at the annual meeting are present, in person or by proxy. If you have returned a valid proxy or if you hold your shares of our voting securities in your own name as holder of record and you attend the annual meeting in person, your shares will be counted for the purpose of determining whether there is a quorum. If a quorum is not present, the annual meeting may be adjourned by the chairman of the meeting or the stockholders entitled to vote at the annual meeting, present in person or by proxy, to a date not more than 120 days after the record date without notice other than announcement at the meeting.

Abstentions and broker non-votes will be counted in determining the presence of a quorum. Broker non-votes occur when a bank, broker or other nominee holding shares for a beneficial owner returns a properly executed proxy but does not vote on a particular proposal because it does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Under the rules of the New York Stock Exchange (the NYSE), banks, brokers and other nominees who hold shares in street name may have the authority to vote on certain matters when they do not receive instructions from beneficial owners. Banks, brokers and other nominees that do not receive instructions are entitled to vote on the election of directors contained in Proposal No. 1 and the ratification of the appointment of the independent registered public accounting firm contained in Proposal No. 3.

Election of each of the director nominees named in Proposal No. 1 requires the affirmative vote of a plurality of the votes cast in the election of directors at the annual meeting by holders of our voting securities. The candidates receiving the highest number of affirmative votes of the shares entitled to be voted will be elected directors. Shares represented by properly executed and returned proxies will be voted, if authority to do so is not withheld, for the election of the Board of Directors nominees named in Proposal No. 1. Votes may be cast in favor of or withheld with respect to all of the director nominees, or any of them. Abstentions will not be counted as having been voted and will have no effect on the outcome of the vote on the election of directors. Stockholders may not cumulate votes in the election of directors. A vote withheld from a director nominee will have no effect on the outcome of the vote because a plurality of the votes cast at the annual meeting is required for the election of each director.

Approval of the amendment and restatement of the Company's 2003 Omnibus Stock Incentive Plan, as specified in Proposal No. 2, requires the affirmative vote of a majority of the votes cast on the proposal at the annual meeting by holders of our voting securities; provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. For purposes of the vote on the Company's 2003 Omnibus Stock Incentive Plan, abstentions will have the same effect as votes against the proposal and broker non-votes will have the same effect as votes against the proposal, unless holders of more than 50% in interest of all securities entitled to vote on the proposal cast votes, in which event broker non-votes will not have any effect on the result of the vote.

Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2009, as specified in Proposal No. 3, requires the affirmative vote of a majority of the votes cast on the proposal at the annual meeting by holders of our voting securities. If this selection is not ratified by holders of our voting securities, the Audit Committee and our Board of Directors may reconsider its appointment and endorsement, respectively. Abstentions and broker non-votes, if any, will not be counted as having been voted and will have no effect on the outcome of the vote for this proposal. Even if the selection is ratified, the Audit Committee of the

Company's Board of Directors in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

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If the enclosed proxy is properly executed and returned to us in time to be voted at the annual meeting, it will be voted as specified on the proxy unless it is properly revoked prior thereto. If no specification is made on the proxy as to any one or more of the proposals, the shares of our voting securities represented by the proxy will be voted as follows:

- (1) **FOR** the election of the three named nominees as Class III directors, each to serve until the 2012 annual meeting of stockholders and until their respective successors are duly elected and qualify;
- (2) **FOR** the amendment and restatement of the Company's 2003 Omnibus Stock Incentive Plan (the "Stock Incentive Plan") to authorize (i) the grant of stock options under the Stock Incentive Plan, and (ii) the issuance of an additional 1,250,000 shares of the company's common stock as grants of restricted stock under the Stock Incentive Plan or underlying stock options granted under the Stock Incentive Plan;
- (3) **FOR** the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2009; and
- (4) in the discretion of the proxy holder on any other business that properly comes before the annual meeting or any adjournment or postponement thereof.

As of the date of this proxy statement, we are not aware of any other matter to be presented at the annual meeting.

Voting

If you hold your shares of our voting securities in your own name as a holder of record, you may instruct the proxies to vote your shares by signing, dating and mailing the proxy card in the postage-paid envelope provided. In addition, you may vote your shares of our voting securities in person at the annual meeting.

If your shares are held on your behalf by a broker, bank or other nominee, you will receive instructions from such individual or entity that you must follow in order to have your shares voted at the annual meeting.

Voting via telephone or the Internet may also be available depending on how you hold your shares. Please reference your proxy card for instructions on how to vote by these methods.

Right to Revoke Proxy

If you hold shares of our voting securities in your own name as a holder of record, you may revoke your proxy instructions through any of the following methods:

send written notice of revocation, prior to the annual meeting, to our Corporate Secretary, at 333 Earle Ovington Boulevard, Suite 900, Uniondale, New York 11553;

sign and mail a new, later dated proxy card to our Corporate Secretary at the address specified above; or

attend the annual meeting and vote your shares in person.

If your shares are held on your behalf by a broker, bank or other nominee, you must contact it to receive instructions as to how you may revoke your proxy instructions.

Copies of Annual Report to Stockholders

A copy of our Annual Report to Stockholders for the fiscal year ended December 31, 2008 will be mailed to stockholders entitled to vote at the annual meeting with this proxy statement and is also available without charge to stockholders upon written request to: Arbor Realty Trust, Inc., 333 Earle Ovington Boulevard, Suite 900, Uniondale, New York, 11553, Attn: Investor Relations. You may also access our Annual Report on Form 10-K as filed with the Securities and Exchange Commission under the [Investor Relations](#) [SEC Filings](#) link on our website at www.arborrealtytrust.com.

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Voting Results

American Stock Transfer & Trust Company, our independent tabulating agent, will have a representative present at the annual meeting and count the votes and act as the Inspector of Election. We will publish the voting results in our Quarterly Report on Form 10-Q for fiscal quarter ending June 30, 2009, which we plan to file with the U.S. Securities and Exchange Commission (the "SEC") in August 2009.

Confidentiality of Voting

We will keep all proxies, ballots and voting tabulations confidential. We will permit only our Inspector of Election, American Stock Transfer & Trust Company, and our outside legal counsel to examine these documents.

Recommendations of the Board of Directors

The Board of Directors recommends a vote:

- (1) **FOR** the election of Mr. Horn, Dr. Helmreich and Ms. Edwards, the three named nominees as Class III directors, each to serve until the 2012 annual meeting of stockholders and until their respective successors are duly elected and qualify;
- (2) **FOR** the amendment and restatement of the Company's 2003 Omnibus Stock Incentive Plan (the "Stock Incentive Plan") to authorize (i) the grant of stock options under the Stock Incentive Plan, and (ii) the issuance of an additional 1,250,000 shares of the company's common stock as grants of restricted stock under the Stock Incentive Plan or underlying stock options granted under the Stock Incentive Plan;
- (3) **FOR** the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2009; and
- (4) in the discretion of the proxy holder on any other business that properly comes before the annual meeting or any adjournment or postponement thereof.

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Our Board of Directors presently consists of ten members. Pursuant to our charter, the Board of Directors is divided into three classes of directors, each serving for three years after election and until his or her successor is duly elected and qualifies, with one class up for election at each annual meeting. At this year's annual meeting, the term of our three Class III directors will expire. Our other directors will remain in office for the remainder of their respective terms, as indicated below.

At the annual meeting, stockholders will vote on the election of Mr. Walter K. Horn, Dr. William Helmreich and Ms. Karen K. Edwards for a three-year term to serve until the 2012 annual meeting of stockholders and until their successors are duly elected and qualify.

The following table sets forth information concerning our ten directors, including the three Class III directors who are nominees for reelection at this year's annual meeting.

Current Directors Who are Nominees for Reelection

Name	Class	Age	New Term to Expire at Annual Meeting in
Walter K. Horn	III	66	2012
William Helmreich	III	63	2012
Karen K. Edwards	III	52	2012

Current Directors Whose Terms are not Expiring

Name	Class	Age	Term Expires at Annual Meeting in
John J. Bishar, Jr.	I	59	2010
Archie R. Dykes	I	78	2010
Joseph Martello	I	53	2010
Kyle A. Permut	I	47	2010
Ivan Kaufman	II	48	2011
C. Michael Kojaian	II	47	2011
Melvin F. Lazar	II	70	2011

Nominees

Walter K. Horn. Mr. Horn has served as one of our directors since November 2003 and our Corporate Secretary since July 2003. Mr. Horn was also our General Counsel and Director of Compliance until his retirement from those positions effective January 1, 2008. Mr. Horn is also a member of Arbor Commercial Mortgage's executive committee. Mr. Horn was General Counsel of Arbor National Holdings from 1991 until its sale in 1995 and was General Counsel

of Arbor Commercial Mortgage until March 2005. Mr. Horn's experience also includes serving as General Counsel with Resource One, Inc. and Long Island Trust Company.

William Helmreich. Dr. Helmreich has served as one of our directors since June 2003. Dr. Helmreich is the founder, and since 1980, owner and president of Byron Research and Consulting, a market research firm specializing in financial research, political polling, legal consulting, and issues relating to food products and real estate. He is a professor of Sociology at City College of New York and the CUNY Graduate Center, where he teaches sociology of marketing and consumer behavior. Since 2000, Dr. Helmreich has also been retained as Chairman for Academic Affairs for North Shore Hebrew Academy. He is a director of Transaction Inc., North Shore Hebrew Academy, North Shore Hebrew Academy High School and NSH Affordable Housing of Indiana, Inc., as well as other not-for-profit boards, and was a Senior Vice President of Good Earth Teas for many years.

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Karen K. Edwards. Ms. Edwards has served as one of our directors since August 2005. She was a Senior Vice President at GenSpring Family Offices (formerly Asset Management Advisors), an integrated wealth management firm, from June 2004 until October 2008. From January 2001 to August 2001, she was the Chief Operating Officer at New Vantage Group, a firm that manages early-stage venture funds for active angel investors. She co-founded the Investment Banking Group at Friedman, Billings, Ramsey & Co. (FBR), where she was a managing director from 1992 to 2000. In that role, she was responsible for raising equity and high yield debt capital for financial institutions and other financial services companies. She also developed FBR's mergers and acquisitions practice. Ms. Edwards is a Chartered Financial Analyst and a member and former president of the CFA Society of Washington. She is a member and former Treasurer of Women in Housing and Finance. She currently serves on the Alumni Board of the University of Virginia's Darden Graduate School of Business.

Continuing Directors

John J. Bishar, Jr. Mr. Bishar has served as one of our directors since April 2007. From August 2007 until December 31, 2008, he was the U.S. General Counsel of National Grid U.S.A., a wholly-owned subsidiary of National Grid plc, a multi-national energy delivery company. Since January 1, 2009, he has been the Senior Advisor to National Grid's current U.S. General Counsel. At National Grid U.S.A., Mr. Bishar was responsible for all U.S. legal matters, as well as U.S. ethics, compliance and risk reporting. National Grid plc acquired KeySpan Corporation, a large, diversified U.S. energy delivery company, in August of 2007. Mr. Bishar was Executive Vice President, General Counsel and Chief Governance Officer of KeySpan Corporation from 2002 until the acquisition. At KeySpan Corporation, Mr. Bishar was responsible for the Legal Services Business Unit, the Corporate Secretary's Office and for all governance and compliance matters. Prior to joining KeySpan in 2002, Mr. Bishar was a partner in the law firm of Cullen and Dykman LLP. He was the managing partner of the firm from 1993 to 2002 and a member of the firm's executive committee. From 1980 to 1987, Mr. Bishar was a Vice President and the General Counsel and Corporate Secretary of LITCO Bancorporation of New York Inc. Mr. Bishar is a graduate of Georgetown University and Fordham University School of Law.

Archie R. Dykes. Dr. Dykes has served as one of our directors since April 2006. Dr. Dykes is lead director of PepsiAmericas, Inc. He has served as chairman of Capital City Holdings Inc., a venture capital organization, for more than the past five years. Dr. Dykes served as Chairman and Chief Executive Officer of the Security Benefit Group of Companies from 1980 through 1987. He served as chancellor of the University of Kansas from 1973 to 1980. Prior to that, he was chancellor of the University of Tennessee. Dr. Dykes was Chairman of the Board and Chief Executive Officer of Fleming Companies, Inc. until September 2004. He assumed those roles at Fleming in March 2003 following his service to Fleming as Non-executive Chairman of the Board. He also serves as a director of Raytech Corporation and Midas, Inc. Dr. Dykes is a member of the board of trustees of the Kansas University Endowment Association, the William Allen White Foundation and YouthFriends, Inc. He formerly served as Vice Chairman of the Commission on the Operation of the United States Senate and as a member of the executive committee of the Association of American Universities.

Joseph Martello. Mr. Martello has served as one of our directors since June 2003. Mr. Martello is currently Chief Operating Officer of Arbor Management, LLC, the managing member of Arbor Commercial Mortgage. He is responsible for management of the investment portfolio and overseeing the day-to-day operations within Arbor Management. Mr. Martello is also a member of the executive committee of Arbor Commercial Mortgage. From 1995 to 1999, Mr. Martello was Chief Financial Officer of Arbor Commercial Mortgage. From 1990 to 1995, Mr. Martello was the Chief Financial Officer of Arbor National Holdings, Inc. Prior to that, he was a senior manager with the international accounting and consulting firm of Ernst & Young for eleven years. Mr. Martello is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants, where he is a former executive member of the Board of Directors of the Suffolk County chapter. Mr. Martello also serves as a director of Citala, Ltd., a privately-owned technology firm based in Israel.

Kyle A. Permut. Mr. Permut has served as one of our directors since August 2005. Prior to becoming one of our directors, Mr. Permut served as a managing director from 1997 to 2005 at Canadian Imperial Bank of Commerce (CIBC), the largest bank in Canada and one of the 10 largest in North America. In this position, he was head of CIBC World Markets Debt Capital Markets Group in the United States. He was a member of the firm's USA

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Management Committee, its executive board and the Debt Capital Markets Management Committee. Mr. Permut retired from CIBC in 2005.

Ivan Kaufman. Mr. Kaufman has served as our Chairman, Chief Executive Officer and President since June 2003. Mr. Kaufman has been Chief Executive Officer and President of Arbor Commercial Mortgage, LLC, our Manager, since its inception in 1993. Arbor Commercial Mortgage is a national commercial real estate finance company which specializes in debt and equity financing for multi-family and commercial real estate. In 1983, he co-founded a predecessor of Arbor National Holdings Inc. and its residential lending subsidiary, Arbor National Mortgage Inc., which became a public company in 1992 and was sold to BankAmerica in 1995. Mr. Kaufman was named regional Entrepreneur of the Year by Inc. Magazine for outstanding achievements in financial services in 1990. Mr. Kaufman has also served on Fannie Mae's regional advisory and technology boards, as well as the board of directors of the Empire State Mortgage Bankers Association.

C. Michael Kojaian. Mr. Kojaian has served as one of our directors since June 2003. Since 1998 Mr. Kojaian has been the chief operating officer of the Kojaian group of companies, a national multi-faceted real estate development, investment and asset management organization. Mr. Kojaian is the chairman of the board of Grubb & Ellis, a commercial real estate advisory firm.

Melvin F. Lazar. Mr. Lazar has served as one of our directors since his appointment in November 2003. Mr. Lazar is the founder of Lazar Levine & Felix LLP, certified public accountants, was its managing partner from 1969 until September 2002, and is still an employee of the firm, now known as Parente Randolph LLP. Mr. Lazar specializes in business valuations and merger and acquisition activities. Mr. Lazar serves on the boards of directors, and is the Chairman of the Audit Committees, of Enzo Biochem, Inc., a publicly-held biotechnology company, and Active Media Services, Inc., a privately-held corporate trading company.

Corporate Governance Profile

We are committed to good corporate governance practices and, as such, we have adopted formal corporate governance guidelines to enhance our effectiveness. The guidelines govern, among other things, board member qualifications, responsibilities, education and management succession. A copy of the corporate governance guidelines may be found at the corporate website at www.arborrealtytrust.com under the heading Investor Relations Corporate Governance.

The Board of Directors met on 14 occasions and acted by written consent on 11 occasions during 2008. No incumbent director attended fewer than 75 percent of all meetings of our Board of Directors and the committees on which such director served during 2008.

Senior Officer Code of Ethics and Code of Business Conduct and Ethics

We have adopted a senior officer code of ethics applicable to our Chief Executive Officer, Chief Financial Officer, Chief Credit Officer and Controller (or persons performing similar functions to the aforementioned officers regardless of whether such persons (1) are employed directly by the Company or (2) are employed by Arbor Commercial Mortgage, our Manager pursuant to a management agreement). We have also adopted a code of business conduct and ethics applicable to all employees, officers and directors. Both codes are available on our website at www.arborrealtytrust.com under the heading Investor Relations Corporate Governance. You may also obtain these documents, as well as our corporate governance guidelines, in print free of charge by writing the Company at 333 Earle Ovington Boulevard, Suite 900, Uniondale, New York, 11553: Attention: Investor Relations. Amendments to, and waivers from, the senior officer code of ethics and the code of business conduct and ethics for a director or officer will be disclosed at the same website address and heading provided above. We have filed our 2008 Domestic Company Section 303A CEO Certification with the NYSE without any qualifications. Our Sarbanes-Oxley

Section 302 Certification was filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2008.

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Director Independence

Of our ten directors, seven have been determined by our Board of Directors to be independent for purposes of the NYSE listing standards. Our independent directors are Messrs. Bishar, Kojaian, Lazar and Permut, Drs. Dykes and Helmreich and Ms. Edwards. In determining director independence, the Board of Directors reviewed, among other things, whether any transactions or relationships currently exist, or have existed in the past, between each director and the Company and its subsidiaries, affiliates and equity investors or independent registered public accounting firm. In particular, the board reviewed current or recent business transactions or relationships or other personal relationships between each director and the Company, including such director's immediate family and companies owned or controlled by the director or with which the director was affiliated. The purpose of this review was to determine whether any such transactions or relationships failed to meet any of the objective tests promulgated by the NYSE for determining independence or were otherwise sufficiently material as to be inconsistent with a determination that the director is independent.

The Board also examined whether there were any transactions or relationships between each director and members of the senior management of the Company or their affiliates. In reviewing the independence of Dr. Helmreich, the board carefully reviewed whether (1) Mr. Kaufman's and Dr. Helmreich's current and prior participation on the boards of North Shore Hebrew Academy, North Shore Hebrew Academy High School and NSH Affordable Housing of Indiana, Inc., all of which are not-for-profit organizations, (2) Dr. Helmreich's engagement since the summer of 2000 as an external consultant by North Shore Hebrew Academy in the capacity of chairman of Academic Affairs of North Shore Hebrew Academy and (3) Dr. Helmreich's prior receipt of consulting fees from Arbor Management, LLC should, based upon the totality of the circumstances, be deemed to be material so as to preclude a finding that Dr. Helmreich is independent. The board, in particular, reviewed the materiality of the transactions to the parties involved, the compensation and timing of Dr. Helmreich's advisory role with North Shore Hebrew Academy and Arbor Management, LLC and the absence of any employment or compensatory capacity by Dr. Helmreich with NSH Affordable Housing of Indiana, Inc. In reviewing the independence of Mr. Kojaian, the board carefully reviewed whether (1) Mr. Kaufman's and Mr. Kojaian's co-investment in an operating company and (2) Mr. Kojaian's beneficial ownership of approximately 4.0% of the Company's common stock, should, based upon the totality of the circumstances, be deemed to be material so as to preclude a finding that Mr. Kojaian is independent. The board, in particular, reviewed the materiality of the transactions to the parties involved. In reviewing the independence of Mr. Bishar, the board carefully reviewed whether Mr. Bishar's position as partner in the law firm of Cullen and Dykman LLP, which the Company has engaged and may continue to engage in connection with various real estate finance transactions, based upon the totality of the circumstances, should be deemed to be material so as to preclude a finding that Mr. Bishar is independent. In reviewing the independence of Mr. Permut, the board carefully reviewed whether Mr. Permut's previous designation as the legal guardian of the then minor children of Mr. Kaufman and his wife in the event of their death and his appointments as a secondary successor executor under the wills of Mr. Kaufman and his wife and as the initial successor trustee of certain of Mr. Kaufman's estate planning vehicles should, based upon the totality of the circumstances, be deemed to be material so as to preclude a finding that Mr. Permut is independent. As a result of its review, the board affirmatively determined that Messrs. Bishar, Kojaian, Lazar and Permut, Drs. Dykes and Helmreich and Ms. Edwards were independent under the NYSE listing standards.

Board Committees

Our board has established four standing committees, the principal functions of which are briefly described below. Matters put to a vote at any one of our four committees must be approved by a majority of the directors on the committee who are present at a meeting at which there is a quorum or by unanimous written consent of the directors on that committee. Our Board of Directors may from time to time establish certain other committees to facilitate the management of the Company.

Audit Committee

Our Board of Directors has established an Audit Committee, which is composed of four of our independent directors, Mr. Lazar, Mr. Bishar, Dr. Dykes and Ms. Edwards. The membership of the audit committee was increased to four directors in 2007 with the appointment of Mr. Bishar to the Board of Directors. During 2008, the Audit Committee met on five occasions. The Audit Committee assists the board in overseeing (1) the integrity of the Company's financial statements, (2) the Company's independent registered public accounting firm's qualifications

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and independence, (3) the performance of the Company's independent registered public accounting firm and the Company's internal audit function and (4) the Company's compliance with legal and regulatory requirements.

Mr. Lazar currently serves as chairman of the Audit Committee. The board has determined that Mr. Lazar qualifies as an Audit committee financial expert as defined by the rules of the SEC and that each member of the Audit Committee is financially literate. The Audit Committee is governed by a charter that has been adopted by the Board of Directors.

Compensation Committee

Our Board of Directors has established a Compensation Committee, which is composed of four of our independent directors, Messrs. Kojanian, Lazar and Permut and Dr. Helmreich. During 2008, the Compensation Committee met on one occasion and acted by written consent on two occasions. Mr. Kojanian is currently the chairman of the Compensation Committee. The principal functions of the Compensation Committee are to (1) evaluate the performance of our officers; (2) review the compensation payable to our officers and non-employee directors; (3) evaluate the performance of Arbor Commercial Mortgage; (4) review the compensation and fees payable to Arbor Commercial Mortgage under our management agreement; (5) review and discuss with management the compensation discussion and analysis disclosure included in this proxy statement; and (6) administer the issuance of any stock to our employees or the employees of Arbor Commercial Mortgage who provide services to us. The Compensation Committee is governed by a charter that has been adopted by the Board of Directors.

Nominating/Corporate Governance Committee

Our Board of Directors has established a Nominating/Corporate Governance Committee, which is composed of three of our independent directors, Dr. Helmreich, Mr. Bishar and Ms. Edwards. During 2008, the Nominating/Corporate Governance Committee met on two occasions. Dr. Helmreich currently serves as chairman of the Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee is responsible for seeking, considering and recommending to the board qualified candidates for election as directors and recommending a slate of nominees for election as directors at each annual meeting of stockholders. The Nominating/Corporate Governance Committee is also responsible for (1) preparing and submitting to the board for adoption the committee's selection criteria for director nominees; (2) reviewing and making recommendations on matters involving general operation of the board and our corporate governance; and (3) annually recommending to the board nominees for each committee of the board. In addition, the committee annually facilitates the assessment of the Board of Directors performance as a whole and of the individual directors and reports thereon to the board. The Nominating/Corporate Governance Committee is governed by a charter that has been adopted by the Board of Directors.

Copies of the charters of the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee charter are available on our website, www.arborrealtytrust.com, under the heading Investor Relations Corporate Governance. You may also obtain these documents in print free of charge by writing the Company at 333 Earle Ovington Boulevard, Suite 900, Uniondale, New York, 11553: Attention: Investor Relations.

Independent Director Committee

Our Board of Directors has established an Independent Director Committee, which is currently composed of seven of our independent directors, Messrs. Bishar, Kojanian, Lazar and Permut, Drs. Helmreich and Dykes and Ms. Edwards. Dr. Dykes currently serves as chairman of the Independent Director Committee. The Independent Director Committee is responsible for, among other things, considering and voting upon matters as to which the Board of Directors determines Arbor Commercial Mortgage or its affiliates (other than the Company or its subsidiaries) or any of our directors (other than an independent director) or officers has a conflict of interest, including the approval of transactions between the Company and Arbor Commercial Mortgage. The individual who serves as the chair of the

Independent Director Committee rotates each year among our independent directors.

In the first quarter of 2009, the Independent Director Committee formed a subcommittee consisting of Messrs. Bishar, Lazar and Permut to consider related party transactions proposed to be entered by Company on the

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one hand and Arbor Commercial Mortgage, Mr. Kaufman or any of their respective affiliates (other than the Company) on the other hand, when expedient approval of such transaction is deemed by the subcommittee to be necessary or appropriate.

Non-Management Directors

As required by the NYSE's Corporate Governance Standards, our non-management directors meet regularly in executive session without any members of management present. Mr. Permut currently presides at such regularly scheduled executive sessions of the non-management directors.

Stockholder and Interested Party Communications with Directors

The Board of Directors has established a process to receive communications from stockholders and other interested parties. Interested parties and stockholders may contact any member of the board (or all members), including non-management directors, by mail. To communicate with the Board of Directors, any individual director or any group or committee of directors, correspondence should be addressed to the Board of Directors or any such individual director or group or committee of directors by either name or title. All such correspondence should be sent in care of the Corporate Secretary at Arbor Realty Trust, Inc., 333 Earle Ovington Boulevard, Suite 900, Uniondale, New York, 11553.

All communications received as set forth in the preceding paragraph will be opened by the office of the Company's Corporate Secretary for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the board or any group or committee of directors, the office of the Corporate Secretary will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope is addressed.

Director Nomination Procedures

The Nominating/Corporate Governance Committee generally believes that, at a minimum, candidates for membership on the Board of Directors should have demonstrated an ability to make a meaningful contribution to the Board of Directors' oversight of our business and affairs and have a record and reputation for honest and ethical conduct. The Nominating/Corporate Governance Committee recommends director nominees to the Board of Directors based on, among other things, its evaluation of a candidate's experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries, understanding of our business environment and a willingness to devote adequate time and effort to board responsibilities. In making its recommendations to the Board of Directors, the Nominating/Corporate Governance Committee also seeks to have the Board nominate candidates who have diverse backgrounds and areas of expertise so that each member can offer a unique and valuable perspective.

The Nominating/Corporate Governance Committee may identify potential nominees by asking current directors and executive officers to notify the committee if they become aware of persons who meet the criteria described above, especially business and civic leaders in the communities in which we operate. It may also engage firms, at our expense, that specialize in identifying director candidates. As described below, the Nominating/Corporate Governance Committee will also consider candidates recommended by stockholders.

The Nominating/Corporate Governance Committee anticipates that once a person has been identified by the committee as a potential candidate, the committee will collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Nominating/Corporate Governance Committee determines that the candidate warrants further consideration, the chairman or another member of the

committee will contact the person. If the person expresses a willingness to be considered and to serve on the Board of Directors, the Nominating/Corporate Governance Committee will request information from the candidate, review the person's accomplishments and qualifications, including in light of any other candidates that the committee might be considering, and conduct one or more interviews with the candidate. In certain instances, members of the Nominating/Corporate Governance Committee may contact one or more references provided by the

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candidate or may contact other members of the business community or other persons that may have greater first-hand knowledge of the candidate's accomplishments.

In addition to stockholder nominations of individuals as director nominees submitted in accordance with our bylaw, as summarized below, the Nominating/Corporate Governance Committee will consider written recommendations from stockholders of potential director candidates. Such recommendations should be submitted to the Nominating/Corporate Governance Committee in care of the Corporate Secretary at Arbor Realty Trust, Inc., 333 Earle Ovington Boulevard, Suite 900, Uniondale, New York, 11553. Director recommendations submitted by stockholders should include the following:

the name, age, business address and residence address of the individual(s) recommended for nomination;

the class, series and number of any shares of our stock that are beneficially owned by the individual(s) recommended for nomination;

the date such shares of our stock were acquired by the individual(s) recommended for nomination and the investment intent of such acquisition; and

all other information relating to such candidate that would be required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the Exchange Act), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected.

Stockholder nominations of individuals as director nominees submitted in accordance with our bylaws must be delivered to the Corporate Secretary not earlier than the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting of stockholders; provided, however, that if the date of mailing of the notice for the annual meeting is advanced more than thirty days prior to or delayed by more than thirty days after the anniversary of the mailing of the notice for the preceding year's annual meeting, the stockholder nomination, including the information described above, must be delivered not earlier than the 120th day prior to the mailing of the notice for the upcoming annual meeting and not later than the close of business on the later of (1) the 90th day prior to the mailing of the notice for the upcoming annual meeting of stockholders and (2) the 10th day following the date on which public announcement of the mailing of the notice for the upcoming annual meeting is first made.

The Nominating/Corporate Governance Committee expects to use a similar process to evaluate candidates to the Board of Directors recommended by stockholders as the one it uses to evaluate candidates otherwise identified by the committee.

Director Attendance at Annual Meeting

We do not currently maintain a policy requiring our directors to attend the annual meeting; however, attendance by our directors is encouraged. All of our directors attended the 2008 annual meeting.

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AUDIT COMMITTEE REPORT AND DISCLOSURES

The following report of the Audit Committee (the "Audit Committee") of the Board of Directors (the "Board of Directors") of Arbor Realty Trust, Inc., a Maryland corporation ("Arbor" or the "Company"), does not constitute soliciting material and should not be considered filed or incorporated by reference into any other filing by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this report by reference therein.

The Audit Committee operates under a written charter adopted by the Board of Directors. The Board of Directors has determined that all members of the Audit Committee meet the independence standards established by the NYSE.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. The independent registered public accounting firm is responsible for performing an audit of the Company's consolidated financial statements in accordance with generally accepted accounting principles and issuing a report thereon. The Audit Committee reviews and oversees these processes, including oversight of (1) the integrity of the Company's financial statements, (2) the Company's independent registered public accounting firm's qualifications and independence, (3) the performance of the Company's independent registered public accounting firm and the Company's internal audit function and (4) the Company's compliance with legal and regulatory requirements.

In discharging its oversight role, the Audit Committee reviewed and discussed the audited financial statements contained in Arbor's Annual Report to Stockholders for fiscal year ended December 31, 2008 with Arbor's management and independent registered public accounting firm. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. The Audit Committee also discussed with the independent registered public accounting firm the matters required 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 ("PCAOB") in Rule 3200T.

In addition, the Audit Committee discussed with the independent registered public accounting firm the registered public accounting firm's independence from the Company and its management, and the independent registered public accounting firm provided to the Audit Committee the written disclosures and letter required from the independent registered public accounting firm by PCAOB Ethics and Independence Rule 3526 *Communications with Audit Committee Concerning Independence*.

The Audit Committee discussed with the Company's internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. The Audit Committee met with the internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of their examinations, the evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in Arbor's Annual Report on Form 10-K for the year ended December 31, 2008 for filing with the Securities and Exchange Commission.

Audit Committee:

Melvin F. Lazar (Chairman)
John J. Bishar, Jr.
Archie R. Dykes
Karen K. Edwards

April 30, 2009

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Our executive officers are elected annually by our Board of Directors and serve for a term of one year and until their respective successors are elected and qualify. Set forth below is information regarding our executive officers, as of the date of this proxy statement, unless otherwise indicated:

Name	Age	Position
Ivan Kaufman(*)	48	Chairman of the Board of Directors, Chief Executive Officer and President
Paul Elenio	41	Chief Financial Officer and Treasurer
Gene Kilgore	42	Executive Vice President Structured Securitization
Fred Weber	48	Executive Vice President Structured Finance
Walter K. Horn(*)	66	Corporate Secretary and Director
John Felletter	51	Senior Vice President Asset Management
Mark S. Fogel	40	Senior Vice President Asset Management

(*) Biographical information is provided above under Board of Directors.

Paul Elenio. Mr. Elenio has served as our Chief Financial Officer and Treasurer since September 2005. Mr. Elenio joined Arbor National Holdings, the predecessor company of our Manager, Arbor Commercial Mortgage, in 1991. In 1995, he was promoted to Vice President, Controller, in 2002 assumed the position of Vice President of Finance and in 2004 was further promoted to Senior Vice President, Finance. Mr. Elenio is responsible for overseeing all aspects of our financial operations. This includes financial reporting, tax planning, budgeting, and the appropriate utilization of our capital. He is also in charge of investor relations. Mr. Elenio also serves on Arbor Commercial Mortgage's executive committee. Prior to joining Arbor, Mr. Elenio was employed with Ernst & Young from 1989 to 1990 in the auditing department.

Gene Kilgore. Mr. Kilgore has served as our Executive Vice President Structured Securitization since October 2004. Mr. Kilgore also serves on Arbor Commercial Mortgage's executive committee. From September 2001 to September 2004, Mr. Kilgore was a portfolio manager for ZAIS Group, LLC, a structured finance investment advisor. From September 2000 to August 2001, Mr. Kilgore was director of risk finance at Barclays Capital. From September 1996 to September 2000, Mr. Kilgore worked at Standard & Poor's Ratings Service, where he was a director in the collateralized debt obligations group. He has also served as Vice President of Corporate Lending and Commercial Real Estate at Wachovia Bank.

Fred Weber. Mr. Weber has served as our Executive Vice President Structured Finance since June 2003. He also continues to provide services to Arbor Commercial Mortgage in his capacity as a continuing member of Arbor Commercial Mortgage's executive committee. Mr. Weber was employed by Arbor Commercial Mortgage from May 1999 until July 1, 2003. At Arbor Commercial Mortgage, Mr. Weber oversaw Arbor Commercial Mortgage's structured finance and principal transaction group, where he was responsible for origination, underwriting and closing coordination of debt and equity financing for various asset types and classes of commercial real estate nationwide. He has been involved in the mortgage banking industry for more than 17 years and has extensive real estate finance and acquisition experience. Mr. Weber is a member of the real estate finance committee of the Real Estate Board of New York. From July 1997 through February 1999, Mr. Weber was a partner and co-head of the real estate department with

Kronish Lieb Weiner & Hellman LLP. Previously, Mr. Weber was a partner with the law firm of Weil, Gotshal & Manges LLP.

John Felletter. Mr. Felletter has served as one of our Senior Vice Presidents of Asset Management since November 2008. He was a director at UBS from 1999 to 2006. In 2006, UBS created Dillon Read Asset Management and Mr. Felletter served as a director of the manager of that fund from 2006 to August 2007. Mr. Felletter has also held portfolio/asset management positions at Capital Trust (from 1998 to 1999), Phoenix Realty Securities (from 1996 to 1998), with the J.E. Roberts/Goldman Sachs Venture (from 1994 to 1996). Previously, Mr. Felletter worked for the Resolution Trust Corporation, Citibank, Capital Alliance, and Connecticut National Bank. Mr. Felletter has over 26 years of commercial real estate debt and equity experience, including acquisitions/dispositions, loan securitizations, exposure to troubled debt restructuring, workout and bankruptcy and

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oversight of portfolio monitoring, investor reporting and loan servicing. Mr. Felletter holds the Chartered Financial Analyst designation. Prior to his corporate career, Mr. Felletter served as a First Lieutenant in the United States Marine Corps.

Mark S. Fogel. Mr. Fogel has served as one of our Senior Vice Presidents of Asset Management since September 2005. Mr. Fogel served as our Vice President Asset Management between July 2003 and September 2005. Mr. Fogel was employed by Arbor Commercial Mortgage from August 2000 until July 2003. At Arbor Commercial Mortgage, Mr. Fogel asset managed Arbor Commercial Mortgage s structured and flow loan portfolio, where he was responsible for risk management, loan workouts and foreclosures, asset reporting and borrower relationship management on all classes of commercial real estate nationwide. He has been involved in the real estate industry for 15 years and has extensive real estate finance, development, asset management, and investment banking experience.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Committee Composition and Responsibility

Our Board of Directors has established a Compensation Committee, which is comprised of four of our six independent directors. The Compensation Committee is governed by a charter that has been adopted by the Board of Directors. The current Compensation Committee charter may be viewed on our website, www.arborrealtytrust.com, under the heading Investor Relations Corporate Governance.

The principal functions of the Compensation Committee are to (1) evaluate the performance of our officers; (2) review the compensation payable by the Company to our officers and non-employee directors; (3) evaluate the performance of Arbor Commercial Mortgage, our Manager, pursuant to the management agreement described under Management Agreement; (4) review the compensation and fees payable to Arbor Commercial Mortgage under our management agreement; (5) review and discuss with management the Compensation Discussion and Analysis disclosure included in our proxy statement; and (6) administer the issuance of any equity-based incentive awards to our employees or the employees of Arbor Commercial Mortgage who provide services to us.

Compensation Philosophy and Principles

The Compensation Committee acknowledges that the real estate finance industry is highly competitive and that experienced professionals have significant career mobility. The Company competes for executive talent with a large number of real estate investment companies and specialty finance companies, some of which are privately owned and some of which have significantly larger market capitalization than the Company. We are a specialized company in a highly competitive industry and our ability to attract, retain and reward our named executive officers and other key employees is essential to maintaining our competitive position in the real estate finance industry. For 2008, our named executive officers are Mr. Kaufman, our Chief Executive Officer, Mr. Elenio, our Chief Financial Officer, and Messrs. Weber, Kilgore and Fogel, the three most highly compensated executive officers (other than our Chief Executive Officer and our Chief Financial Officer). As described in Management Agreement, all cash compensation and benefits for Messrs. Kaufman and Elenio are paid by Arbor Commercial Mortgage, our Manager. Therefore, the Compensation Committee only approves the grants that may be made to Messrs. Kaufman and Elenio under the Company's Stock Incentive Plan.

The Compensation Committee's goal is to maintain compensation programs that are competitive within our industry, reward executives if the Company achieves its operational, financial and strategic goals and build stockholder value. In determining the form and amount of compensation payable by the Company to the named executive officers, the Compensation Committee is guided by the following objectives and principles:

Compensation levels should be sufficiently competitive to attract and retain key executives. The Company aims to ensure its executive compensation program attracts, motivates and retains high performance talent and rewards them for the Company achieving and maintaining a competitive position in its industry. Total compensation should increase with position and responsibility.

Compensation should relate directly to performance and incentive compensation should constitute a substantial portion of total compensation. The Company aims to promote a pay-for-performance culture, with a majority of total compensation being at risk. Accordingly, a substantial portion of total compensation should

be tied to and vary with the Company's operational, financial and strategic performance, as well as individual performance. Executives with greater roles and the ability to directly impact the Company's strategic goals and long-term results should bear a greater proportion of the risk if these goals and results are not achieved.

Long-term incentive compensation should align executives' interests with the Company's stockholders. Awards of equity-based compensation encourage executives to focus on the Company's long-term growth and prospects and motivate executives to manage the Company from the perspective of owners with a meaningful stake in the Company, as well as to focus on long-term career orientation.

There is no specific policy, practice or formula regarding an allocation between cash and non-cash compensation.

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The Compensation Committee reviews at least annually the goals and objectives of the Company's executive compensation plans, incentive compensation plans, equity-based plans and other compensation and employee benefit plans. The Compensation Committee believes that the Company's benefits are competitive with its peers and provide additional incentive for strong performance.

Compensation Setting Process

Management's Role in the Compensation-Setting Process

The Compensation Committee believes the Company's Chief Executive Officer, Mr. Kaufman, is in the best position to determine the responsibilities of each executive officer and observe how well each executive performs his responsibilities. Mr. Kaufman provides recommendations to the Compensation Committee regarding base salary levels and the form and amount of the annual cash incentive award and restricted stock awards paid to all executive officers. The Compensation Committee may exercise its discretion in modifying any of the recommendations and is responsible for ultimately approving all compensation arrangements payable by the Company to the named executive officers. Mr. Kaufman does not participate in any deliberations or approvals by the Compensation Committee with respect to any equity-based or other incentive awards that our Compensation Committee may grant to him. Additionally, Mr. Kaufman and other officers of the Company will provide compensation and other information to the Compensation Committee upon their request.

Mr. Kaufman's recommendations are based on his evaluation of the executive officers' performance, their contribution toward achieving operational, financial and strategic goals, current and historical elements of each executive's compensation and the financial performance of the Company.

Compensation Consultant

The charter of the Compensation Committee provides the committee with the sole authority to retain and terminate any compensation consulting firm or other adviser it deems appropriate. For 2008, the Compensation Committee did not engage a compensation consulting firm.

Determining Compensation Levels

The Compensation Committee annually determines targeted total compensation levels, as well as the individual compensation components payable by the Company to the named executive officers. In making such determinations, the Compensation Committee reviews and considers (1) recommendations of the Company's Chief Executive Officer, (2) historical compensation levels for each named executive officer, (3) industry and market conditions and the Company's future objectives and challenges, and (4) overall effectiveness of the executive compensation program. The Compensation Committee does not utilize specific performance-based goals in determining compensation levels, but reviews general industry trends as well as the overall performance of the Company.

Based upon discussions and recommendations of the Company's Chief Executive Officer, and upon its own judgment, the Compensation Committee approved (i) the base salary, cash incentive award and restricted stock incentive award of each of Messrs. Weber, Kilgore and Fogel with respect to their service in 2008, and (ii) the restricted stock incentive award of Mr. Elenio with respect to his service in 2008. The Compensation Committee believes these approved forms and levels of compensation are reasonable, appropriate and in line with the Company's compensation philosophy and principles.

Compensation recommendations regarding director compensation are reported to, and approved by, the full Board of Directors.

Forms of Compensation

Total compensation for the named executive officers is comprised of one or more of the following components:

base salary;

annual incentive awards; and

retirement and other benefits.

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Our named executive officers do not have employment, severance or change of control agreements, although their restricted stock award agreements provide for accelerated vesting upon our change of control as further described under Annual Incentive Awards Restricted Stock Awards. Our named executive officers serve for a term of one year and until their respective successors are elected and qualify, which enables the Company to terminate their employment with discretion as to the terms of any severance arrangement. This is consistent with the Company's performance-based employment and compensation philosophy.

Base Salary

Salaries provide executives with a base level of monthly income and help achieve the objectives outlined above by attracting and retaining strong talent. Base salaries of the three named executive officers that are payable by the Company are reviewed and approved annually by the Compensation Committee. Generally, base salaries are not based upon specific measures of corporate performance, but are determined by (1) tenure of service, (2) scope and complexity of the position, including current job responsibilities, and (3) the recommendations of our Chief Executive Officer, including an evaluation of each officer's individual performance and contribution to the Company's operational, financial and strategic goals and objectives. Consistent with compensation practices commonly applied in the real estate finance industry, salaries generally form a lower percentage of total compensation, with a substantial portion of total compensation coming from incentive compensation that is tied to Company performance.

For a further description of the base salaries paid to the named executive officers in 2008, please refer to the 2008 Summary Compensation Table set forth below.

Annual Incentive Awards

The Company aims to promote a pay-for-performance culture, with a majority of total compensation being at risk. The annual incentive award may be in the form of cash, stock-based awards under the Stock Incentive Plan or a combination thereof, at the discretion of the Compensation Committee. The Company does not have any specific policy, practice or formula regarding an allocation between the cash component and the stock-based component. These awards are designed to help achieve the objectives of the compensation program and may vary significantly from year to year. The Compensation Committee has not established any specific performance-based goals that must be met in order to participate in the annual incentive award.

The Compensation Committee believes that the structure and ultimate payout amounts of the incentive awards are appropriate to attract, retain and reward the named executive officers, are competitive with those offered by our peers, provide a strong, long-term performance and retention incentive, support a pay-for-performance culture, and increase the named executive officers' vested interest in the Company.

Cash Awards

In 2008, the Compensation Committee determined the cash incentive awards of the three named executive officers that are payable by the Company relative to each individual's contributions and responsibilities. Individuals with increased ability to directly impact the Company's performance were allocated larger awards because they bear a greater proportion of the risk that compensation will decrease if the Company does not perform as expected. In March 2009, the Company paid cash incentive awards to Messrs. Weber, Kilgore and Fogel of \$750,000, \$550,000 and \$150,000, respectively, with respect to their performance in 2008.

Stock-Based Awards

Restricted Stock Awards. Since the Company's formation in 2003, the Compensation Committee has granted the named executive officers (as well as other employees of the Company, employees of the Manager who provide services to the Company and the Company's non-management directors) restricted stock awards, consisting of shares of the Company's common stock that vest annually over a multi-year period, subject to the recipient's continued service to the Company. Employees realize value as the common stock underlying these restricted stock awards vest, with the value increasing if the Company's stock performance increases after the date of grant. Additionally, all of the common stock underlying these restricted stock awards, whether or not vested, are entitled to

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cash dividends paid to the Company's stockholders. From 2003 to 2008, the Company had regularly paid quarterly dividends to common stockholders. Therefore, the Company's historical dividend policy provided the recipients of these restricted stock awards (including the named executive officers) an additional element of compensation as well as an additional incentive to sustain or increase Company performance. All restricted stock awards have been granted pursuant to the Stock Incentive Plan.

Stock-Based Awards for 2008. The Compensation Committee believes that stock-based awards must be sufficient in size and value to provide a strong, long-term performance and retention incentive for named executive officers, and to increase their vested interest in the Company. In determining the equity component of the named executive officer's compensation, the Compensation Committee considers all relevant factors, including the Company's performance and relative stockholder return, the awards granted in past years and the relative value of the awards. On April 21, 2009, the Compensation Committee granted each of Messrs. Elenio, Weber and Kilgore 30,000 shares of common stock with respect to their 2008 performance. In order to emphasize employee retention at a critical time for the Company, and due to the relatively low value of these grants based on the current market value of the Company's common stock, all of the common stock granted to these named executive officers in April 2009 was fully vested as of the date of grant. For the same reasons, the Compensation Committee also decided in April 2009 to accelerate the vesting of all then unvested shares underlying restricted stock awards previously granted to Messrs. Elenio, Weber, Kilgore and Fogel (as well as all other recipients of restricted stock grants to date). The following table sets forth each named executive officer who owned shares subject to vesting prior to such acceleration and the number of shares that became fully vested in April 2009 due to such acceleration:

Named Executive Officer	Number of Shares Accelerated
Fred Weber	130,606
Gene Kilgore	66,206
Paul Elenio	26,906
Mark Fogel	10,472

All shares previously granted to Mr. Kaufman were fully vested in April 2009. In view of his current significant ownership of Company common stock, Mr. Kaufman was not granted any stock-based awards for 2008.

The Company does not have a formal policy on timing equity compensation grants in connection with the release of material non-public information to affect the value of compensation. The Compensation Committee has generally granted stock-based awards once a year in the month of April.

Future Grants of Stock Options. The Compensation Committee had viewed restricted stock awards as more effective than stock options in achieving the Company's compensation objectives. However, given the current environment, the significant dislocation in the capital and credit markets in general and the commercial real estate market in particular, and the significant decline in the market value of the Company's common stock over the past year, the Compensation Committee now considers stock options, in addition to restricted stock awards, as a viable tool to retain key employees on a going forward basis. To the extent that the Compensation Committee decides to grant stock options under the Stock Incentive Plan in the future, the exercise price for the stock options will be equivalent to the market price of the underlying common stock on the date of grant, (ii) the stock options will vest over a multi-year period, and (iii) the stock options will be exercisable for ten years from the date of grant. Stock options align employee incentives with the interests of shareholders because they have value only if the Company's stock price increases over time. The Compensation Committee believes that the ten-year term of the stock options will help focus employees on the Company's long-term growth. Because the Company's stock options will vest over a multi-year period, stock

options are intended to help retain key associates and keep employees focused on long-term performance. As previously disclosed, the Company has been re-evaluating its historical dividend policy based upon the market environment, the Company's capital needs and its estimated taxable income and REIT distribution requirements. As a result, stock options may be more attractive to employees than restricted stock awards in the near term. As discussed further under the heading "Proposal No. 2" in this proxy statement, the Board has approved an amendment and restatement of the Stock Incentive Plan, subject to the approval of the Company's stockholders being sought in such Proposal No. 2, to authorize the grant of stock options under the Stock Incentive Plan.

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Retirement and Other Benefits

The Company maintains a 401(k) plan through an affiliate for all employees, including the named executive officers, as a source of retirement income by enabling participants to save on a pre-tax basis and by providing Company matching contributions. All of the named executive officers participated in the 401(k) plan in 2008. However, the Company only made matching contributions equal to \$3,450 for each of Messrs. Weber, Kilgore and Fogel. Arbor Commercial Mortgage made matching contributions for Messrs. Kaufman and Elenio.

The Company does not maintain any non-qualified deferred compensation plans that would allow executives to elect to defer receipt (and taxation) of their base salaries, bonuses or other compensation.

The named executive officers are eligible to participate in the Company's active employee flexible benefits plans, which are generally available to all Company employees. Under these plans, all employees are entitled to medical, dental, vision, life insurance and long-term disability coverage. Additionally, all of the Company's employees are entitled to vacation, sick leave and other paid holidays. The Compensation Committee believes that the Company's commitment to provide the employee benefits described above recognizes that the health and well-being of the Company's employees contribute directly to a productive and successful work life that enhances results for the Company and its stockholders.

The Company provides all named executive officers who are Company employees, i.e. Messrs. Weber, Kilgore and Fogel, with (1) life insurance coverage equal to their annual salary, subject to a maximum of \$250,000, and (2) long-term disability coverage equal to 60% of the employee's current base salary, up to a maximum annual benefit of \$120,000.

For further information regarding the premiums paid on the named executive officers' insurance policy, please refer to the Summary Compensation Table set forth below.

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code generally limits the deductible amount of total annual compensation paid by a public company to each covered employee (the chief executive officer and three other most highly compensated executive officers of the Company other than the chief financial officer) to no more than \$1 million. Excluded from total compensation for this purpose is compensation that is performance-based within the meaning of Section 162(m) of the Internal Revenue Code. Unless an exception applies, compensation otherwise deductible in connection with awards granted under the Plan will be subject to this limit. We expect that the majority of the compensation paid by the Company to the named executive officers in 2008 will be deductible to the Company. The Compensation Committee will consider various alternatives to preserving the deductibility of compensation payments and benefits to the extent reasonably practicable and to the extent consistent with its other compensation objectives. The Committee has not adopted a formal policy that requires all compensation paid to the named executives to be fully deductible.

Executive Compensation in 2009

In March 2009, the Compensation Committee approved the salaries of Messrs. Weber, Kilgore and Fogel for 2009, which did not increase from 2008.

The Compensation Committee intends to continue its strategy of compensating the Company's named executive officers through programs that emphasize incentive compensation, fostering a pay-for-performance culture. To that end, a majority of executive compensation will continue to be tied to Company and individual performance, while

maintaining an appropriate balance between cash and non-cash compensation.

The foregoing discussion primarily describes the compensation philosophies, principles and practices the Compensation Committee utilized in setting executive compensation for the 2008 fiscal year. In the future, as the Compensation Committee continues to review each element of the executive compensation program, these philosophies, principles and practices may change.

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Management Agreement

We are externally managed and advised by Arbor Commercial Mortgage pursuant to the terms of a management agreement described below. We believe Arbor Commercial Mortgage's experience and reputation positions it to originate attractive investment opportunities for us. Our management agreement with Arbor Commercial Mortgage was developed to capitalize on synergies with Arbor Commercial Mortgage's origination infrastructure, existing business relationships and management expertise.

Because our management agreement provides that Arbor Commercial Mortgage assumes principal responsibility for managing our affairs, certain of our executive officers, who are employees of our Manager, do not receive cash compensation or benefits from us for serving as our executive officers. They may receive grants of equity-based incentive awards under the Stock Incentive Plan. In their capacities as officers or employees of our Manager or its affiliates, they devote such portion of their time to our affairs as is required for the performance of the duties of our Manager under the management agreement. Mr. Ivan Kaufman, our Chairman, President and Chief Executive Officer, serves as the Chief Executive Officer of Arbor Commercial Mortgage. Mr. Paul Elenio, our Chief Financial Officer, also serves as Chief Financial Officer of our Manager. Each of Messrs. Kaufman and Elenio receives his cash compensation and benefits from our Manager. Our Manager has informed us that, because the services performed by its officers or employees in their capacities as such are not performed exclusively for us, it cannot segregate and identify that portion of the compensation awarded to, earned by or paid to our executive officers by our Manager that relates solely to their services to us.

Since we currently employ only five executive officers and 32 employees in total, we rely to a significant extent on the facilities and resources of our Manager to conduct our operations. For performing services under the management agreement, Arbor Commercial Mortgage receives a base management fee and incentive compensation based on our performance. Our Manager uses the proceeds from its base management fee in part to pay compensation to its officers and employees who, notwithstanding that some of them are also our officers, receive no direct compensation from us, other than restricted stock that the Compensation Committee may grant to them pursuant to the Company's 2003 Omnibus Stock Incentive Plan.

Base Management Fee

Our Manager receives an annual base management fee based on the equity (as defined in the management agreement) of our operating partnership. The amount of the base management fee does not depend on the performance of the services provided by our Manager or the types of assets it selects for our investment, but the value of our operating partnership's equity will be affected by the performance of these assets. The base management fee is payable monthly in arrears in cash, calculated monthly as a percentage of our equity and equal to 0.75% per annum of the equity up to \$400 million, 0.625% per annum of the equity between \$400 million and \$800 million and 0.50% per annum of the equity in excess of \$800 million. We incurred \$3.5 million in base management fees to Arbor Commercial Mortgage for management services rendered for the year ended December 31, 2008. All amounts incurred have been paid to date.

Incentive Compensation

Our Manager is entitled to receive incentive compensation in an annual amount equal to the product of:

(1) 25% of the dollar amount by which:

the sum of: (i) our operating partnership's Funds From Operations (as determined in accordance with the management agreement) for such quarter and (ii) gains (or losses) from debt restructuring and sales of

property per operating partnership unit (as determined in accordance with the management agreement) for such quarter; exceeds

the product of (i) the weighted average (based on shares of our common stock and operating partnership units) of (a) the per operating partnership unit book value of the net assets contributed by Arbor Commercial Mortgage, (b) the \$15.00 offering price per share of our common stock in our private placement of units in July 2003, (c) the offering price per share (including shares of common stock issued upon exercise of warrants or options) of any subsequent offerings by us of our common stock

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(adjusted for any prior capital dividends or distributions), and (d) the issue price per operating partnership unit for subsequent contributions to our operating partnership, and (ii) the greater of (x) 9.50% per annum and (y) the Ten Year U.S. Treasury Rate plus 3.50% per annum; multiplied by

(2) the weighted average number of our operating partnership units outstanding, including operating partnership units issued to us equal to the number of shares of our common stock issued by us.

The incentive compensation is payable annually in arrears. The Manager receives quarterly installments of the annual incentive compensation in advance, which installments are calculated based on the 12-month period ending on the last day of the fiscal quarter with respect to which such installment is payable. After the end of the fiscal year, the Manager calculates the annual incentive compensation due for the immediately preceding fiscal year. If the annual incentive compensation for such fiscal year is less than the sum of the quarterly installment payments made during such fiscal year, the management agreement provides that the Manager repay the Company the amount of such overpayment, in cash.

At least 25% of this incentive compensation is payable to our Manager in shares of our common stock having a value equal to the average closing price per share for the last twenty days of the fiscal quarter for which the incentive compensation is being paid.

In 2008, the Company paid the Manager two quarterly installments of the Manager's estimated incentive compensation for 2008 based on the Company's results for the twelve months ended March 31, 2008 and June 30, 2008. The amounts paid were \$2.9 million in the aggregate. The Company paid the Manager \$1.5 million in cash and 116,680 shares of the Company's common stock, which was valued at \$1.4 million at the time payment in 2008, in satisfaction of these quarterly installment payment obligations. After the end of the 2008 fiscal year, the incentive compensation for 2008 was recalculated pursuant to the terms of the management agreement and it was determined that the Manager did not earn any incentive compensation for 2008. Therefore, the \$2.9 million amount was determined to be an overpayment of the Manager's incentive compensation for 2008. As a result, the Company recorded \$2.9 million in due from related party in its financial statements for the year ended December 31, 2008.

Table of Contents**Executive Compensation****Summary Compensation Table**

The following table sets forth the total compensation amounts paid to our named executive officers for the years ended December 31, 2008, 2007 and 2006.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock	All Other	Total (\$)
				Awards (\$) ⁽¹⁾	Compensation (\$)	
Ivan Kaufman	2008	\$ 0 ⁽²⁾	\$ 0 ⁽²⁾	\$ 0	\$ 0 ⁽²⁾	\$ 0
Chief Executive Officer and	2007	\$ 0 ⁽²⁾	\$ 0 ⁽²⁾	\$ 0	\$ 0 ⁽²⁾	\$ 0
President	2006	\$ 0 ⁽²⁾	\$ 0 ⁽²⁾	\$ 33,333	\$ 0 ⁽²⁾	\$ 33,333
Paul Elenio	2008	\$ 0 ⁽²⁾	\$ 0 ⁽²⁾	\$ 71,307	\$ 0 ⁽²⁾	\$ 71,307
Chief Financial Officer	2007	\$ 0 ⁽²⁾	\$ 0 ⁽²⁾	\$ 51,463	\$ 0 ⁽²⁾	\$ 51,463
	2006	\$ 0 ⁽²⁾	\$ 0 ⁽²⁾	\$ 162,848	\$ 0 ⁽²⁾	\$ 162,848
Fred Weber	2008	\$ 500,000	\$ 750,000	\$ 1,413,147	\$ 4,962 ⁽³⁾	\$ 2,668,109
Executive Vice President	2007	\$ 491,667	\$ 200,000	\$ 1,254,192	\$ 8,262 ⁽³⁾	\$ 1,954,121
Structured Finance	2006	\$ 400,000	\$ 200,000	\$ 925,428	\$ 7,776 ⁽³⁾	\$ 1,533,204
Gene Kilgore	2008	\$ 495,833	\$ 550,000	\$ 811,142	\$ 4,314 ⁽⁴⁾	\$ 1,861,289
Executive Vice President	2007	\$ 394,583	\$ 600,000	\$ 343,297	\$ 7,518 ⁽⁴⁾	\$ 1,345,398
Structured Securitization	2006	\$ 235,000	\$ 500,000	\$ 255,550	\$ 6,955 ⁽⁴⁾	\$ 997,505
Mark Fogel ⁽⁵⁾	2008	\$ 197,917	\$ 150,000	\$ 113,202	\$ 3,738 ⁽⁶⁾	\$ 464,857
Senior Vice President	2007	\$ 172,917	\$ 125,000	\$ 66,688	\$ 6,900 ⁽⁶⁾	\$ 371,505
Asset Management	2006	N/A	N/A	N/A	N/A	N/A

⁽¹⁾ Represents the dollar amount recognized for financial statement reporting purposes for the years ended December 31, 2008, 2007 and 2006 in accordance with Financial Accounting Standards Board Statement No. 123 (revised 2004) (SFAS No. 123(R)) for restricted common stock awards granted in 2003, 2005, 2006, 2007 and 2008 (without reflecting estimates of forfeitures). There were no forfeitures of any awards during 2008, 2007 or 2006. All awards are valued based on the closing price of the Company's common stock on the applicable date of grant. Note 12 to the Company's consolidated financial statements included in the 2008 Annual Report on Form 10-K contains more information about the Company's accounting for stock-based compensation arrangements. Dividends are paid on the restricted stock, whether or not vested, at the same rate and in the same manner as paid to our other common stockholders. Although we granted shares of restricted common stock to Messrs. Elenio, Weber and Kilgore in April 2009 with respect to their performance in 2008, these grants are not reflected above because they did not give rise to a SFAS 123(R) compensation expense in 2008. In addition, as of April 8, 2009 the Compensation Committee accelerated the vesting of all then unvested shares underlying previously granted restricted common stock as of such date. See Executive Compensation Compensation Discussion and Analysis Forms of Compensation Stock-Based Awards for further information.

⁽²⁾ Messrs. Kaufman and Elenio do not receive cash compensation or benefits from us for serving as our executive officers. They are employed and compensated by our Manager, Arbor Commercial Mortgage. See Compensation Discussion & Analysis Management Agreement for further information.

- (3) Includes \$3,450 for Company matching contributions to the 401(k) plan and \$1,512 for basic term life insurance for 2008, \$6,750 for Company matching contributions to the 401(k) plan and \$1,512 for basic term life insurance for 2007 and \$6,600 for Company matching contributions to the 401(k) plan and \$1,176 for basic term life insurance for 2006.
- (4) Includes \$3,450 for Company matching contributions to the 401(k) plan and \$864 for basic term life insurance for 2008, \$6,750 for Company matching contributions to the 401(k) plan and \$768 for basic term life insurance for 2007 and \$6,600 for Company matching contributions to the 401(k) plan and \$355 for basic term life insurance for 2006.
- (5) Mr. Fogel was not a named executive officer with respect to 2006.

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(6) Includes \$3,450 for Company matching contributions to the 401(k) plan and \$288 for basic term life insurance for 2008 and \$6,750 for Company matching contributions to the 401(k) plan and \$150 for basic term life insurance for 2007.

Grants of Plan-Based Awards

The following shares of restricted common stock were granted to the named executive officers pursuant to the Company's 2003 Omnibus Stock Incentive Plan during 2008.

Name	Grant Date	Approval Date	All Other Stock Awards:	
			Number of Shares of Stock or Units (#) ⁽¹⁾	Grant Date Fair Value of Stock Awards(\$)
Ivan Kaufman	N/A	N/A	0	\$ 0
Paul Elenio	04/02/08	03/07/08	9,340	\$ 153,550
	06/30/08	06/30/08	20,000	\$ 180,400
Fred Weber	04/02/08	03/07/08	77,840	\$ 1,279,690
	06/30/08	06/30/08	20,000	\$ 180,400
Gene Kilgore	04/02/08	03/07/08	43,590	\$ 716,620
	06/30/08	06/30/08	20,000	\$ 180,400
Mark Fogel	04/02/08	03/07/08	9,340	\$ 153,550

(1) As of December 31, 2008, these shares were subject to the terms of a restricted stock award agreement providing that the shares vest subject to the continued service of the named executive officer to the Company, but will become fully vested upon a change of control (as defined in the agreement) of the Company. In addition, as of April 8, 2009 the Compensation Committee accelerated the vesting of all then unvested shares underlying previously granted restricted common stock as of such date. See Executive Compensation Compensation Discussion and Analysis Forms of Compensation Stock-Based Awards for further information.

Cash dividends are paid on all outstanding shares of restricted stock at the same rate as is paid to all stockholders, which was \$2.10 per share for 2008.

Outstanding Equity Awards at Fiscal Year-End

The table below lists the number of shares of common stock held by each our named executive officers as of December 31, 2008 that were subject to vesting (pursuant to the terms of the related restricted stock award agreement) as of that date.

Stock Awards	
Number of Shares or Units	Market Value of Shares or

Name	of Stock That Have Not Vested (#)	Units of Stock That Have Not Vested (\$)⁽¹⁾⁽²⁾
Ivan Kaufman	0	\$ 0
Paul Elenio	26,906 ⁽²⁾	\$ 79,373
Fred Weber	130,606 ⁽²⁾	\$ 385,288
Gene Kilgore	66,206 ⁽²⁾	\$ 195,308
Mark Fogel	10,472 ⁽²⁾	\$ 30,892

⁽¹⁾ Based on the closing price of the common stock on December 31, 2008 of \$2.95.

⁽²⁾ In April 2009, the Compensation Committee approved the immediate vesting of all unvested restricted common stock awards granted to date. See Compensation Discussion and Analysis Forms of Compensation Annual Incentive Awards Restricted Stock Awards for information regarding these grants.

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Stock Vested Table

The table below lists the number of shares of restricted common stock held by each our named executive officers as of December 31, 2008 that vested (pursuant to the terms of the related restricted stock award agreement) during 2008.