CAPITAL TRUST INC
Form DEF 14A
May 02, 2011

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 (Amendment No.)

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 240.14a-12

CAPITAL 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):

þ No fee required.

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

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(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CAPITAL TRUST, INC.
410 Park Avenue, 14th Floor
New York, New York 10022

May 2, 2011

Dear Stockholders:

You are cordially invited to attend the 2011 annual meeting of stockholders of Capital Trust, Inc., a Maryland Corporation, which will be held at 10:00 a.m., local time, on Friday, June 24, 2011, at the offices of Paul, Hastings, Janofsky & Walker LLP, 75 East 55th Street, New York, New York 10022. At the annual meeting, stockholders will be asked to:

elect directors,

approve and adopt our 2011 long-term incentive plan,

approve our tax benefit preservation rights agreement,

ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2011, and

act upon such other business as may properly come before the meeting,

all as described in the attached notice of annual meeting of stockholders and proxy statement.

This year, we will be using the Notice and Access method of providing proxy materials to you via the Internet. We believe that this process will provide you with a convenient and quick way to access the proxy materials, including our proxy statement and 2010 annual report to stockholders, and authorize a proxy to vote your shares, while allowing us to conserve natural resources and reduce the costs of printing and distributing the proxy materials. On or about May 10, 2011, we will mail to our stockholders a Notice of Meeting and Internet Availability of Proxy Materials, which we refer to as the Notice and Access card, containing instructions on how to access our proxy statement and our 2010 annual report to stockholders and authorize a proxy to vote electronically via the Internet. The Notice and Access card also contains instructions as to how you can receive a paper copy of our proxy materials.

It is important that your shares be represented at the meeting and voted in accordance with your wishes. Whether or not you plan to attend the meeting, we urge you to complete a proxy as promptly as possible by Internet, telephone or mail so that your shares will be voted at the annual meeting. This will not limit your right to vote in person or to attend the meeting.

Sincerely,

/s/ Samuel Zell
Samuel Zell
Chairman of the Board

CAPITAL TRUST, INC.
410 Park Avenue, 14th Floor
New York, New York 10022

NOTICE OF 2011 ANNUAL MEETING OF STOCKHOLDERS

To our Stockholders:

We hereby notify you that we are holding our 2011 annual meeting of stockholders at the offices of Paul, Hastings, Janofsky & Walker LLP, 75 East 55th Street, New York, New York 10022, on Friday, June 24, 2011, at 10:00 a.m., New York City time, for the following purposes:

1. To elect eight directors to the board of directors to serve until our next annual meeting of stockholders and until such directors successors are duly elected and qualify.

2. To consider and vote upon a proposal to approve and adopt our 2011 long-term incentive plan.

3. To consider and vote upon a proposal to approve our tax benefit preservation rights agreement.

4. To consider and vote upon the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2011.

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

You can vote your shares of class A common stock if our records show that you were a stockholder as of the close of business on April 29, 2011, the record date for the annual meeting.

Stockholders, whether or not they expect to be present at the meeting, are requested authorize a proxy to vote their shares electronically via the Internet or by telephone or by completing and returning the proxy card if you requested paper copies of our proxy materials. Voting instructions are provided in the notice of meeting and Internet availability of proxy materials, or, if you requested paper copies, the instructions are printed on your proxy card and included in the accompanying proxy statement. Any person giving a proxy has the power to revoke it at any time prior to the meeting and stockholders who are present at the meeting may withdraw their proxies and vote in person.

By Order of the Board of Directors,

/s/ Geoffrey G. Jervis
Geoffrey G. Jervis
Secretary

May 2, 2011

CAPITAL TRUST, INC.
410 Park Avenue, 14th Floor
New York, New York 10022

PROXY STATEMENT FOR
2011 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 24, 2011

This proxy statement is being furnished by and on behalf of our board of directors in connection with the solicitation of proxies to be voted at the 2011 annual meeting of stockholders. The date, time and place of the annual meeting are:

Date: June 24, 2011
Time: 10:00 a.m., New York City time
Place: The law offices of Paul, Hastings, Janofsky & Walker LLP,
75 East 55th Street, New York, New York 10022

At the annual meeting, stockholders will be asked to:

Elect the following nominees as our directors to serve until our next annual meeting of stockholders and until such directors successors are duly elected and qualify: Samuel Zell, Thomas E. Dobrowski, Martin L. Edelman, Edward S. Hyman, Stephen D. Plavin, Henry N. Nassau, Joshua A. Polan and Lynne B. Sagalyn (Proposal 1);

Consider and vote upon the approval and adoption of our 2011 long-term incentive plan attached hereto as Appendix A (Proposal 2);

Consider and vote upon the approval of our tax benefit preservation rights agreement attached hereto as Appendix B (Proposal 3);

Consider and vote upon the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm, referred to herein as our independent auditors, for the fiscal year ending December 31, 2011 (Proposal 4); and

Transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

Our principal offices are located at 410 Park Avenue, 14th Floor, New York, New York 10022 and our telephone number is (212) 655-0220.

We are furnishing the proxy materials for the 2011 annual meeting electronically using the Internet through the mailing of a notice of meeting and internet availability of proxy materials to our stockholders. The notice regarding Internet availability of proxy materials furnishing this proxy statement and the enclosed proxy card and our 2010 annual report to stockholders will be first mailed to stockholders of record on or about May 10, 2011.

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GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

In this section of the proxy statement, we answer some common questions regarding the 2011 annual stockholders meeting and the voting of shares at the meeting.

Where and when will the annual meeting be held?

The date, time and place of the meeting are:
June 24, 2011
10:00 a.m. (New York City time)
The law offices of Paul, Hastings, Janofsky & Walker LLP
75 East 55th Street
New York, New York 10022

Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a paper copy of proxy materials?

The United States Securities and Exchange Commission, or the SEC, has approved Notice and Access rules relating to the delivery of proxy materials over the Internet. These rules permit us to furnish proxy materials, including this proxy statement and our annual report, to our stockholders by providing access to such documents on the Internet instead of mailing printed copies. Most stockholders will not receive paper copies of the proxy materials unless they request them. Instead, the notice of meeting and Internet availability of proxy materials, which we refer to as the Notice and Access card, which has been mailed to our stockholders, provides instructions regarding how you may access and review all of the proxy materials on the Internet. The Notice and Access card also instructs you as to how you may submit your proxy via the Internet. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials printed on the Notice and Access card.

Can I vote my shares by filling out and returning the Notice and Access card?

No. The Notice and Access card identifies the items to be voted on at the annual meeting, but you cannot vote by marking the Notice and Access card and returning it. The Notice and Access card provides instructions on how to vote via the Internet or in person at the meeting or to request a paper proxy card, which will contain instructions for authorizing a proxy to vote by the Internet, by telephone or by returning a signed paper proxy card.

Why did you send me the Notice and Access card?

We sent you the Notice and Access card regarding this proxy statement because our board of directors is asking for your proxy to vote your shares at the annual meeting. We have summarized information in this proxy statement that you should consider in deciding how to vote at the annual meeting. You don t have to attend the annual meeting in order to vote your shares. Instead, you may simply authorize a proxy to vote your shares electronically via the Internet or by telephone or by completing and returning the proxy card if you requested a paper copy of our proxy materials. Voting instructions are provided on the Notice and Access card, or, if you requested a paper copy of our proxy materials, the instructions are printed on your proxy card and included in this proxy statement.

Who can vote?

You can vote your shares of class A common stock if our records show that you were the owner of the shares as of the close of business on April 29, 2011, the record date determining the stockholders who are entitled to vote at the annual meeting. As of April 29, 2011, there were a total of 22,211,108 shares of our class A common stock outstanding and entitled to vote at the annual meeting. You have one vote for each share of class A common stock that you own.

How are votes counted?

We will convene the annual meeting if stockholders representing the required quorum of shares of class A common stock entitled to vote either sign and return their paper proxy cards, authorize a proxy to vote electronically or telephonically or attend the meeting. A majority of the shares of class A common stock entitled to vote at the meeting present in person or by proxy will constitute a quorum. If you sign and return your paper proxy card or authorize a proxy to vote electronically or telephonically, your shares will be counted to determine whether we have a quorum even if you abstain or fail to vote as indicated in the proxy materials. Broker non-votes (which occur when a brokerage firm has not received voting instructions from the beneficial owner on a non-routine matter, as defined by the New York Stock Exchange, or NYSE) will also be considered present for the purpose of determining whether we have a quorum.

Your shares may be voted on Proposal 4 if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority under the NYSE rules to cast votes on certain routine matters if they do not receive instructions from their customers. The ratification of the appointment of Ernst & Young LLP as our independent auditors is considered a routine matter for which brokerage firms may vote shares for which they did not receive instructions from beneficial owners. Proposals 1, 2 and 3, relating to the election of directors, approval and adoption of our 2011 long-term incentive plan and approval of our tax benefit preservation rights agreement are not considered routine matters and therefore, if you do not provide voting instructions to your brokerage firm as described below, no vote for your shares will be cast with respect to these proposals.

For purposes of the election of directors, abstentions and broker non-votes, if any, will not be counted as votes cast and will have no effect on the result of the vote. For purposes of the vote on the ratification of the appointment of Ernst & Young LLP as our independent auditors and approval of our tax benefit preservation rights agreement, abstentions and broker non-votes, if any, will not be counted as votes cast and will have no effect on the result of the vote. For purposes of the vote on the approval and adoption of our 2011 long-term 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. Both abstentions and broker non-votes will be considered present for the purpose of determining the presence of a quorum.

What is the required vote for approval?

The election of each of our nominees for director requires a plurality of all the votes cast at the annual meeting. Each of the ratification of the appointment of Ernst & Young LLP as our independent auditors and the approval of our tax benefit preservation rights agreement requires a majority of the votes cast at the annual meeting on such matter.

Approval of our 2011 long-term incentive plan will require the affirmative vote of a majority of the votes cast on the proposal, provided that the total vote cast on the proposal represents over 50% in interest of the shares of class A common stock entitled to vote on the proposal.

How do I vote by proxy?

Follow the instructions on the Notice and Access card to authorize a proxy to vote your shares electronically via the Internet. If you requested a paper copy of our proxy materials, follow the instructions printed on the paper proxy card to authorize a proxy to vote via the Internet, by telephone or by completing and returning the paper proxy card. The individuals named and designated as proxies will vote your shares as you instruct. You have the following choices in

voting electronically, by telephone or by paper proxy card:

You may vote on each proposal, in which case your shares will be voted in accordance with your choices.

In voting on directors, you can either vote FOR all directors or withhold your vote on all or certain directors specified by you.

You may vote FOR , against or abstain on the proposals to approve and adopt our 2011 long-term incentive plan and approve our tax benefit preservation rights agreement.

You may vote FOR , against or abstain on the proposal to ratify the appointment of Ernst & Young LLP as our independent auditors.

You may submit a signed proxy without indicating your vote on any matter, in which case the designated proxies will vote to elect all eight nominees as directors and approve the other proposals.

How can I authorize a proxy to vote by telephone or over the Internet?

To authorize a proxy to vote electronically via the Internet, go to the www.proxyvote.com website and follow the instructions. Please have your Notice and Access card in hand when accessing the website, as it contains a 12-digit control number required to vote.

If you requested a paper copy of our proxy materials, in order to authorize a proxy to vote by telephone or over the Internet, you must either call the toll-free number reflected on the paper proxy card or go to the www.proxyvote.com website and follow the instructions. Please have your paper proxy card in hand when calling the toll-free number or accessing the website, as it contains a 12-digit control number required to vote.

You can authorize a proxy to vote by telephone or via the Internet at any time prior to 11:59 p.m. New York City time, June 23, 2011, the day before the annual meeting.

What do I do if my shares are held in street name ?

If your shares are held by your brokerage firm, a bank or other nominee in street name, you will receive a Notice and Access card intended for their beneficial holders with instructions for providing to such intermediary voting instructions for your shares electronically via the Internet at the www.proxyvote.com website, utilizing the 12-digit control number printed on the card. You may also request paper copies of the proxy materials and provide voting instructions by completing and returning the enclosed voting instruction form in the addressed, postage paid envelope provided. Alternatively, if you receive paper copies, many banks and brokerage firms provide instructions for their beneficial holders to provide voting instructions via the Internet or by telephone. If your shares are held in street name and you would like to vote your shares in person at the annual meeting, you must contact your broker, bank or other nominee to obtain a legal proxy form from the record holder of your shares and present it to the inspector of election with your ballot.

What if other matters come up at the annual meeting?

The only matters we now know of that will be voted on at the annual meeting include the proposals we have described in this proxy statement: the election of eight directors, the approval and adoption of our 2011 long-term incentive plan and the approval of our tax benefit preservation rights agreement, and the ratification of the appointment of Ernst & Young LLP as our independent auditors for 2011. If other matters are properly presented at the meeting, the proxies designated in the proxy cards will vote your shares in their discretion.

Can I change my vote after I submit my proxy?

Yes. At any time before the vote on a proposal, you can change your vote either by executing or authorizing, dating and delivering to us a new proxy via the Internet, by telephone or mail prior to the annual meeting, by giving us a written notice revoking your proxy card or by attending the annual meeting and voting your shares in person. Your attendance at the annual meeting will not, by itself, revoke a proxy previously given by you. We will honor the proxy card or authorization with the latest date.

Proxy revocation notices should be sent to Capital Trust, Inc., 410 Park Avenue, 14th Floor, New York, New York 10022, Attention: Secretary, and new paper proxy cards should be sent to Vote Processing c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717.

Can I vote in person at the annual meeting rather than by authorizing a proxy?

Although we encourage you to complete and return a paper proxy card or authorize a proxy to vote telephonically or electronically via the Internet, to ensure that your vote is counted, you can attend the annual

meeting and vote your shares in person even if you have submitted a paper proxy card or authorized a proxy electronically or telephonically.

Who will count the votes?

Representatives of Broadridge Financial Solutions, Inc. will count the votes and will serve as the independent inspector of election.

Who pays for this proxy solicitation?

We do. In addition to sending you these proxy materials, some of our employees may contact you by telephone, by mail or in person. None of these employees will receive any extra compensation for doing this. We have engaged Mackenzie Partners, Inc., an outside proxy solicitation firm, to solicit votes and the cost to us of engaging such a firm is estimated to be $10,000 plus reasonable out-of-pocket expenses.

PROPOSAL 1 ELECTION OF DIRECTORS

The number of directors that comprise our entire board of directors has been fixed at eight. Eight nominees will be proposed for election as directors at the annual meeting to hold office until our next annual meeting of stockholders and until their successors are duly elected and qualify. All eight nominees currently serve on our board of directors.

All of the nominees are willing to serve as directors but, if any of them should decline or be unable to act as a director, the individuals designated in the proxy cards as proxies will exercise the discretionary authority provided to vote for the election of such substitute nominee selected by our board of directors, unless the board alternatively acts to reduce the size of the board or maintain a vacancy on the board in accordance with our bylaws. The board of directors has no reason to believe that any such nominees will be unable or unwilling to serve.

Nominees for Election as Directors

The names, ages as of May 2, 2011, and existing positions with us of the nominees, if any, are as follows:

Name	Age	Office or Position Held
Samuel Zell	69	Chairman of the Board of Directors
Thomas E. Dobrowski	67	Director
Martin L. Edelman	69	Director
Edward S. Hyman	66	Director
Stephen D. Plavin	51	Director, Chief Executive Officer and President
Henry N. Nassau	56	Director
Joshua A. Polan	63	Director
Lynne B. Sagalyn	63	Director

The name, principal occupation for the last five years, selected biographical information and the period of service as our director of each of the nominees are set forth below.

Samuel Zell has been the chairman of the board of directors since 1997. He maintains a substantial interest in and serves as chairman for four other companies listed on the NYSE: Equity Residential, the largest apartment real estate investment trust (REIT) in the United States; Equity Lifestyle Properties, a REIT that owns and operates manufactured

home communities; Covanta Holding Corp., an international leader in converting waste to energy; and Anixter International (AXE), a value-added provider of integrated networking and cabling solutions that support business information and network infrastructure requirements. Mr. Zell is also the chairman of Tribune Company, a media conglomerate. In December 2008, the Tribune Company filed for protection under Chapter 11 of the United States Bankruptcy Code. In addition, Mr. Zell is President and Chairman of Equity Group Investments, the private investment firm he founded more than 40 years ago, and he is the chairman of Equity International, a private leading investor in real estate-related businesses outside of the United States. Mr. Zell is most recognized as

a founding father of today s public real estate industry and as the originator of three of the largest REITs in industry history. He served as chairman for one of those REITs, Equity Office Properties Trust, from its initial public offering in July 1997 until it was sold in the largest leveraged buyout in history in February 2007. Mr. Zell serves on the JPMorgan National Advisory Board; The President s Advisory Board at the University of Michigan; and with the combined efforts of University of Michigan Business School, established the Zell/Lurie Entrepreneurial Center. As the current or past chairman of other REITs founded by him, we believe Mr. Zell has the leadership experience to serve as our chairman.

Thomas E. Dobrowski has been a director since 1998. Mr. Dobrowski has been retired from General Motors Asset Management (GMAM), an investment manager for several pension funds of General Motors, its subsidiaries and affiliates, as well as for several third party clients, since October 2005. From December 1994 until September 2005, he was the managing director of real estate and alternative investments for GMAM. Mr. Dobrowski is a director of Equity Lifestyle Properties, Inc. and previously served as a director of Equity Office Properties Trust until its sale in 2007. Mr. Dobrowski had a long career as a senior investment officer for a major pension plan investor, and oversaw the original investment made by GMAM into our business, which gives him unique insight into our investment activities.

Martin L. Edelman has been a director since 1997. Mr. Edelman has been of counsel to Paul, Hastings, Janofsky & Walker LLP, and prior thereto Battle Fowler LLP, each a law firm that has provided services to us. Mr. Edelman was a partner with Battle Fowler LLP from 1972 to 1993. He had been a director of Cendant Corporation and a member of the executive committee of that corporation s board of directors from November 1993 until its deconsolidation in 2006. He currently serves as a director of Avis/Budget Group, Inc., a rental car company, and Ashford Hospitality Trust, a hospitality property focused REIT. Mr. Edelman has extensive commercial real estate industry experience and knowledge developed over his nearly 40 years of practicing law, which provides us with valuable perspectives into developments in our industry.

Edward S. Hyman has been a director since 2005. Mr. Hyman is chairman of International Strategy & Investment Group Inc. and is a director of International Strategy & Investment Inc. Prior to forming both of these companies in April 1991, he was vice chairman and a member of the board of C.J. Lawrence Inc., which he joined in 1972. Mr. Hyman is a board member of the China Institute and Said Holdings Limited as well as a member of the Advisory Committee for the New York Public Library s Financial Services Leadership Forum and a member of Money Marketeers. He also serves on the finance committee of Bowdin College. Mr. Hyman is a leading Wall Street economist which provides him with unique insight into economic conditions that impact our business.

Stephen D. Plavin has been a director and serves as our president and chief executive officer since December 2009. Mr. Plavin served as our chief operating officer since 1998. Prior to joining us, Mr. Plavin was employed for fourteen years with the Chase Manhattan Bank and its securities affiliate, Chase Securities Inc. Mr. Plavin held various positions within the real estate finance unit of Chase, including the management of: loan origination and execution, loan syndications, portfolio management, banking services and real estate owned sales. He served as a managing director responsible for real estate client management for Chase s major real estate relationships and in 1997 he became co-head of global real estate for Chase. Mr. Plavin serves as a director of Omega Healthcare Investors, Inc., a skilled nursing real estate investment trust and as non-executive Chairman of WCI Communities Inc. Mr. Plavin s experience and background as a senior member of management since 1998 have provided him with valuable knowledge of and experience with our business, which we believe positions him to contribute to our board s oversight functions.

Henry N. Nassau has been a director since 2003. Mr. Nassau has been a partner since September 2003 and is chair of the corporate and securities group at the law firm Dechert LLP. Mr. Nassau was the chief operating officer of Internet Capital Group, Inc., an Internet holding company, from December 2002 until June 2003, having previously served as

managing director, general counsel and secretary since May 1999. Mr. Nassau was previously a partner at Dechert LLP from September 1987 to May 1999 and was chair of the firm s business department from January 1998 to May 1999. At Dechert LLP, Mr. Nassau engages in the practice of corporate law, concentrating on mergers and acquisitions, public offerings, private equity and venture capital financing. Mr. Nassau has significant professional experience as an officer of a public company and as an attorney and partner in a major law firm which allows him to make unique contributions in the area of corporate governance.

Joshua A. Polan has been a director since 2004. Mr. Polan is a managing director of Berkley Capital, LLC, a wholly owned subsidiary of W. R. Berkley Corporation, which we refer to as WRBC. He has been an executive officer of Interlaken Capital, Inc., or Interlaken, a company substantially owned and controlled by William R. Berkley, WRBC s chairman of the board and chief executive officer, since June 1988, and currently serves as managing director of Interlaken. For more than five years prior to June 1988, Mr. Polan was a partner in the public accounting firm of Touche Ross & Co. Mr. Polan is a member of the management committee of LD Realty Advisors LLC, the general partner of LDPG Realty Investors, L.P. We believe Mr. Polan s experience in the insurance industry and the investment activities of his employer provides useful insight into our business.

Lynne B. Sagalyn has been a director since 1997. Dr. Sagalyn is the Earle W. Kazis and Benjamin Schore Professor of Real Estate at Columbia Business School where she is director of the Paul Milstein Center for Real Estate and the MBA Real Estate Program. This position marks a return to Columbia, where she had been a professor of finance and economics for more than twelve years, and to the MBA Real Estate Program, which she developed during that period. From 2004 until her return to Columbia in July 2008, Professor Sagalyn held appointments at the University of Pennsylvania in both the School of Design (City Planning Department) and the Wharton School (Real Estate Department). Dr. Sagalyn is the Vice Chairman and a director of UDR, Inc., a self-administered REIT in the apartment communities sector. Additionally, Dr. Sagalyn serves on the Advisory Board of The Goldman Family Enterprises. She has also served on the New York City Board of Education Chancellor s Commission on the Capital Plan. Through her prominent positions in graduate real estate programs of leading universities, Dr. Sagalyn brings expertise in real estate and finance to our board and the audit committee, of which she is the chair.

Vote Required; Recommendation

The election to the board of directors of each of our eight nominees will require the affirmative vote of a plurality of all the votes cast at the annual meeting. Our board of directors unanimously recommends that you vote for the election of all eight nominees named above.

Board of Directors; Committees

Our board of directors has eight members and is currently comprised of Messrs. Zell, Dobrowski, Edelman, Hyman, Plavin, Nassau and Polan and Dr. Sagalyn. Our board of directors has determined that Messrs. Dobrowski, Hyman, Nassau, Polan and Zell and Dr. Sagalyn are independent under the criteria for independence set forth in the listing standards of the NYSE, and therefore, upon the election of all eight nominees, we will meet the NYSE requirement for a majority of independent directors serving on the board of directors. Our board of directors considered the following transactions, relationships and arrangements between each director or any member of his or her immediate family and the company and its subsidiaries and affiliates. Mr. Dobrowski was previously employed by the investment manager for several pension funds of General Motors Corporation, its subsidiaries and affiliates, which have invested in our private funds and which own, as of April 29, 2011, approximately 3.1% of the shares of our class A common stock, and he serves on the board of directors of another company chaired by our chairman of the board. Mr. Polan serves as a managing director of Berkley Capital, LLC, a wholly owned subsidiary of WRBC, which owns, as of April 29, 2011, approximately 17.3% of the shares of our class A common stock and whose nomination is required pursuant to a director nomination right. We also entered into three separate account advisory agreements with affiliates of WRBC under which we direct for investment, on a discretionary basis, $350 million of committed capital on behalf of WRBC in commercial real estate mortgages, mezzanine loans and participations therein. In addition, on April 27, 2007, we purchased a $20.0 million subordinated interest in a mortgage from a dealer. Proceeds from the original mortgage financing were used for the construction and leasing of an office building in Washington, D.C. that is owned by a joint venture. WRBC has a substantial economic interest in one of the joint venture partners. This loan was sold to the joint venture owner at a discount in November 2009. A wholly-owned subsidiary of WRBC is an investor in Five Mile Capital Partners LLC and private funds under its management, collectively referred to as Five

Mile. On March 31, 2011, Five Mile provided an $83.0 million mezzanine loan to our majority-owned subsidiary in connection with our recently completed comprehensive restructuring. The Zell family has invested in our private funds and we previously made minor payments for insurance services to a subsidiary of Equity Office Properties Trust.

Our board of directors currently has four standing committees: an audit committee, a compensation committee, a corporate governance committee and an investment committee.

Audit Committee: The audit committee is currently comprised of Messrs. Dobrowski and Nassau and Dr. Sagalyn, with Dr. Sagalyn serving as the committee s chairperson. All audit committee members meet the independence criteria and have the qualifications set forth in the listing standards of the NYSE and Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Each of Messrs. Dobrowski and Nassau is qualified as an audit committee financial expert within the meaning of Item 407(d)(ii) of Regulation S-K under the Exchange Act, and our board of directors has determined that they each have the accounting and related financial management expertise within the meaning of the listing standards of the NYSE. The SEC has determined that the audit committee financial expert designation does not impose on a person with that designation any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the audit committee of the board of directors in the absence of such designation. The audit committee appoints our independent auditors, oversees the quality and integrity of our financial reporting and the audits of our financial statements by our independent auditors and in fulfilling its oversight function, reviews with our management and independent auditors the scope and result of the annual audit, our auditors independence and our accounting policies. The audit committee is also responsible for the overall administration of our code of business conduct and ethics, including its interpretation and amendment. Our board of directors has adopted a written charter under which the audit committee operates. This charter is posted on our corporate website at *www.capitaltrust.com*.

The audit committee has adopted procedures for the processing of complaints relating to accounting, internal control and auditing matters in accordance with Rule 10A-3 under the Exchange Act. The full text of these complaint procedures is available on our corporate website at *www.capitaltrust.com*.

Compensation Committee: The compensation committee is currently comprised of Mr. Polan and Dr. Sagalyn, with Mr. Polan serving as the committee s chairperson. All compensation committee members meet the independence criteria set forth in the listing standards of the NYSE. The compensation committee oversees the compensation of executive officers and senior management, including plans and programs relating to cash compensation, incentive compensation, equity-based awards and other benefits and perquisites and administers any such plans or programs as required by the terms thereof.

In particular, the compensation committee s primary duties are described in the compensation committee charter and include:

- reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, evaluating the performance of our chief executive officer in light of those goals and objectives, and either as a committee or together with the other independent directors (as directed by our board of directors) exercising sole authority to determine and approve our chief executive officer s compensation level based on this evaluation;

- determining the long-term incentive component, if any, of our chief executive officer s compensation by considering among other factors selected by the compensation committee, our performance and relative stockholder return, our chief executive officer s individual performance, including progress on strategic objectives, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to our chief executive officer in past years;

- considering the recommendations of our chief executive officer with respect to non-chief executive officer management and key employee compensation and determining and approving such compensation;

reviewing and making recommendations to our board of directors with respect to incentive compensation plans and equity-based compensation plans or material changes to any such existing plans and discharging and administering any such plans as required by the terms thereof;

overseeing the drafting and reviewing and discussing with management the compensation discussion and analysis and related disclosures required by the SEC;

preparing and approving the compensation committee report for inclusion in our proxy statement in accordance with applicable SEC regulations;

periodically reviewing, as and when determined appropriate, executive compensation programs and total compensation levels;

reviewing and making recommendations to our board of directors concerning compensation arrangements for non-employee members of our board of directors and stock ownership guidelines;

in consultation with management, overseeing regulatory compliance with respect to compensation matters, including overseeing our policies on structuring compensation programs to preserve tax deductibility, and, as and when required or desired, establishing performance goals and confirming that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code, or the Code;

reviewing and approving any severance or similar termination payments proposed to be made to any of our current or former executive officers; and

performing any other duties or responsibilities expressly delegated to the compensation committee by our board of directors from time to time relating to our compensation programs.

The compensation committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to retain counsel and other experts or consultants as it deems appropriate, without obtaining the approval of our board of directors or management. The compensation committee shall have the sole authority to select and retain a compensation consultant to assist in the evaluation of chief executive officer compensation.

The compensation committee has previously engaged the services of a compensation consultant, FPL Associates Compensation, a division of FPL Associates L.P., or FPL, with respect to the now expired employment agreements we entered into with certain of our executive officers. FPL has no other relationships with the company and is considered an independent third party advisor. FPL did not provide compensation consulting services with respect to compensation decisions made for 2010, but was consulted with respect to certain awards in 2011, including a component of certain awards made upon the recent consummation of our comprehensive debt restructuring.

The compensation committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the committee. In particular, the committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the compensation committee who are (i) Non-Employee Directors for the purposes of Rule 16b-3 under the Exchange Act, as in effect from time to time, and (ii) outside directors for the purposes of Section 162(m) of the Code, as in effect from time to time.

Our board of directors has adopted a written charter under which the compensation committee operates. This charter is posted on our corporate website at *www.capitaltrust.com*.

Corporate Governance Committee: The corporate governance committee is currently comprised of Messrs. Dobrowski, Nassau and Polan, with Mr. Nassau serving as the committee s chairperson. All corporate governance committee members meet the independence criteria set forth in the listing standards of the NYSE. Among other things, the corporate governance committee identifies qualified individuals to become board members, recommends to the board individuals to be designated as nominees for election as directors at the annual meetings of stockholders, and develops and recommends to the board our corporate governance guidelines.

More specifically, the corporate governance committee is responsible for reviewing, on an annual basis, the requisite skills and characteristics of individual members of the board of directors, as well as the composition of the board as a

whole, in the context of our needs. The corporate governance committee will review all nominees for director, including those recommended by stockholders, in accordance with requirements and qualifications set forth in our corporate governance guidelines and will recommend that the board select those nominees whose attributes it believes would be most beneficial to us. This review involves an assessment of the personal qualities and characteristics, accomplishments and business reputation of director candidates. The corporate governance committee will assess candidates qualifications based on the following minimum criteria, which may be modified from time to time by the corporate governance committee:

demonstrated personal integrity and moral character;

willingness to apply sound and independent business judgment for the long-term interests of stockholders;

relevant business or professional experience, technical expertise or specialized skills;

personality traits and background that appear to fit with those of the other directors to produce a collegial and cooperative board responsive to the company s needs; and

ability to commit sufficient time to effectively carry out the substantial duties of a director.

While our corporate governance guidelines do not include an express diversity policy, we note that Dr. Sagalyn, who has been one of our longest standing directors, was recruited in part with a gender diversity goal in mind. Other women have served on our board during our corporate history, which we believe establishes a record of gender diversity.

Our board of directors has adopted a written charter under which the corporate governance committee operates. This charter is posted on our corporate website at *www.capitaltrust.com*. A copy of our corporate governance committee charter is available free of charge, upon request directed to Investor Relations, Capital Trust, Inc., 410 Park Avenue, 14th Floor, New York, New York 10022.

Investment Committee: The investment committee is currently comprised of Messrs. Zell and Nassau. The investment committee exercises the authority of the board to approve additions to or modifications of our portfolio of loans and investments beyond the limits of the authority delegated to management in our loan policy.

Meetings: Our board of directors conducts its business through meetings of the board, actions taken by written consent in lieu of meetings and by the actions of its committees. During fiscal year 2010, our board of directors held five meetings and took one action by written consent. During fiscal year 2010: (i) the audit committee held four meetings, (ii) the compensation committee held one meeting and took one action by written consent, (iii) the corporate governance committee held one meeting and (iv) the investment committee did not hold any formal committee meetings, but rather discussed matters informally. During fiscal year 2010, each director attended at least 80% of all meetings of the board of directors and at least 75% of all meetings of committees on which he or she served.

Executive Sessions: Executive sessions of non-management directors are periodically held in connection with regularly scheduled meetings of the board. Our corporate governance guidelines provide that, at their discretion, the non-management directors may designate the director who will preside at each executive session of the board, or if no director has been designated, the chairperson of the corporate governance committee shall serve as such presiding director. No director has been designated to preside at all executive sessions and therefore Henry N. Nassau, chairman of our governance committee, presides at executive sessions of the board. Stockholders or interested parties may submit communications addressed to the board of directors or the non-management directors to our secretary in accordance with our stockholder nominations and communications policy.

Board Leadership Structure and Role in Risk Oversight: We have separated the positions of chairman of the board and chief executive officer since our business was founded in 1997. Mr. Samuel Zell currently serves as chairman of the board and Mr. Stephen D. Plavin serves as our chief executive officer and is a member of the board. We believe that this leadership structure is appropriate since it allows our chief executive officer to focus on the management of our day-to-day operations, while allowing the chairman of the board to lead the board in the performance of its oversight role in our governance.

As with every business, we confront and must manage various risks and our success in risk management can impact our ultimate success. We face a number of risks, including financial and economic risks related to the performance of our portfolio and how our investments have been financed. Our senior management is responsible for the day-to-day

management of risks we face, while our board of directors, as a whole and through its committees, has responsibility for the oversight of our risk management. Our board has the responsibility to satisfy itself that the risk management processes designed by management are adequate and functioning as designed. Our loan policy, as approved by the board, contains procedures designed to mitigate the risks that arise in connection with our investment activities. The board has fostered a culture of transparent and open communication with senior management, a critical condition for effective risk management and oversight. Senior management regularly reports to the board on conditions in our business and our portfolio and addresses any questions or concerns raised by the board on risk management-related and any other matters. While our board of directors is ultimately responsible for

risk oversight, our board committees assist the board in fulfilling its oversight responsibilities in certain areas of risk. The audit committee assists the board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements, and, in accordance with NYSE requirements, discusses policies with respect to risk assessment and risk management. The compensation and the corporate governance committee assist the board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs and risks associated with board organization, membership and structure, succession planning, and corporate governance. The investment committee exercises the authority of the board to approve additions to or modifications of our portfolio of loans and investments beyond the limits of the authority delegated to management in our loan policy.

Corporate Governance

Code of Business Conduct and Ethics: We have adopted a code of business conduct and ethics that applies to all of our directors and employees, including our principal executive officer, principal financial officer and principal accounting officer. This code of business conduct and ethics is designed to comply with SEC regulations and NYSE listing standards related to codes of conduct and ethics and is posted on our corporate website at *www.capitaltrust.com*. A copy of our code of business conduct and ethics is available free of charge, upon request directed to Investor Relations, Capital Trust, Inc., 410 Park Avenue, 14th Floor, New York, New York 10022.

Corporate Governance Guidelines: We have also adopted corporate governance guidelines to advance the functioning of our board of directors and its committees and to set forth our board of directors expectations as to how it should perform its functions. Our corporate governance guidelines are posted on our corporate website at *www.capitaltrust.com*. A copy of our corporate governance guidelines is available free of charge, upon request directed to Investor Relations, Capital Trust, Inc., 410 Park Avenue, 14th Floor, New York, New York 10022.

Stockholder Nominations and Communications Policy: Our board of directors has adopted policies with respect to the consideration of candidates recommended by stockholders for election as directors and stockholder and interested party communications with the board of directors.

Stockholders may recommend director nominees for consideration by the corporate governance committee by submitting the names and the following supporting information to our secretary at: Secretary, Stockholder Nominations, Capital Trust, Inc., 410 Park Avenue, 14th Floor, New York, New York 10022. The submissions should include a current resume and curriculum vitae of the candidate and a statement describing the candidate s qualifications and contact information for personal and professional references. The submission should also include the name and address of the stockholder who is submitting the nominee, the number of shares which are owned of record or beneficially by the submitting stockholder and a description of all arrangements or understandings between the submitting stockholder and the candidate.

Stockholders and other interested parties may communicate directly with our board of directors or the non-management directors. All communications should be in writing and should be directed to our secretary at: Secretary, Stockholder Communications, Capital Trust, Inc., 410 Park Avenue, 14th Floor, New York, New York 10022. The sender should indicate in the address whether it is intended for the entire board of directors, the non-management directors as a group or an individual director. Each communication intended for the board of directors or non-management directors received by the secretary will be forwarded to the intended recipients in accordance with the existing instructions.

The full text of the stockholder nominations and communications policy is available on our corporate website at *www.capitaltrust.com*.

Director Attendance at Annual Meeting of Stockholders: We do not have a formal policy regarding attendance by directors at our annual meeting of stockholders but invite and encourage all directors to attend. We make every effort to schedule our annual meeting of stockholders at a time and date to permit attendance by directors, taking into account the directors schedules and the timing requirements of applicable law. At our last annual meeting, which was held on June 24, 2010, two directors attended.

Compensation Committee Interlocks and Insider Participation

During 2010, the compensation committee of the board of directors was comprised of Mr. Polan and Dr. Sagalyn. None of the committee s members was employed by us as an officer or employee during 2010. No committee member had any interlocking relationships requiring disclosure under applicable rules and regulations.

For a description of certain relationships and transactions with members of the board of directors or their affiliates, see Transactions With Related Persons, Promoters and Certain Control Persons below.

Executive and Senior Officers

The following sets forth the positions, ages as of May 2, 2011 and selected biographical information for our executive and senior officers who are not directors.

Geoffrey G. Jervis, age 39, has served as our chief financial officer since 2005. Prior to that time, he served as our director of capital markets since 2004. Mr. Jervis is responsible for all capital markets and finance activities for the balance sheet and investment management segment of our business. He has been employed by us in various positions since 1998. Prior to joining us, Mr. Jervis was the chief of staff to the New York City Economic Development Corporation. Mr. Jervis received a B.A. from Vanderbilt University and an M.B.A. with honors from Columbia Business School.

Thomas C. Ruffing, age 50, has served as chief credit officer and head of asset management since July 2006. Mr. Ruffing is responsible for the credit underwriting and asset management of all of our investment portfolios. Prior to that time, he served as our head of asset management since 2001. Prior to joining us in 2001, Mr. Ruffing was employed by JPMorgan Chase serving in its real estate finance and investment banking group since 1990. Mr. Ruffing received B.S. and M.E. degrees from the University of Virginia and an M.B.A. from Columbia Business School.

COMPENSATION COMMITTEE REPORT*

Our compensation committee has reviewed the Compensation Discussion & Analysis with management and, based on that review, recommends to the board of directors that it be included in our proxy statement which is incorporated by reference in our annual report on Form 10-K.

Compensation Committee

Joshua A. Polan
Lynne B. Sagalyn

* The material in this report is not solicitation material, is not deemed filed with the Securities and Exchange Commission, and is not incorporated by reference in any filing of the company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any filing.

COMPENSATION DISCUSSION AND ANALYSIS

I. Administration of Compensation Programs

Our compensation committee oversees our compensation programs. As described in greater detail above, our compensation committee is responsible for reviewing and approving corporate goals and objectives relevant to the compensation of our employees. In particular, our compensation committee is responsible for evaluating the performance of our chief executive officer in light of preset goals and objectives, and determining and approving the chief executive officer s compensation level based on this evaluation. Our compensation committee is also responsible for reviewing and approving the salaries and other compensation of our named executive officers, which we refer to as NEOs. Our NEOs for 2010 include Stephen D. Plavin, our chief executive officer, or CEO, Geoffrey G. Jervis, our chief financial officer, or CFO, and Thomas C. Ruffing, our chief credit officer, or CCO.

II. Compensation Philosophy and Program Objectives

Our objective is to provide compensation packages that attract, retain and motivate experienced and qualified executives, reward individual performance, align the interests of our NEOs with those of our stockholders and provide incentives for the creation of stockholder value. Historically, our executive compensation program has consisted of three main elements: an annual base salary, annual cash bonus compensation and long-term incentive compensation. Under our historical practices, we had designed the bonus and long-term compensation elements of our NEO compensation program to link individual compensation to the achievement of objective performance measures relating to key business goals that drive our financial performance.

Our historical practices were impacted by the effects of the financial market turmoil and the restructuring of our recourse liabilities that we concluded with our lenders in March 2009, which we refer to as our March 2009 Restructuring. Under the terms of our March 2009 Restructuring, annual cash compensation for our employees, other than our CEO, COO and CFO, was capped at $5.8 million (approximately the level of compensation for this group of employees in 2008). Our CEO, COO and CFO base salaries were set at then existing levels and any bonus compensation required the approval of not only our board of directors, but also representatives from certain of our lenders. Our compensation committee s discretion was limited as long as these restrictions remained in place.

On March 31, 2011, we restructured all of our recourse debt obligations pursuant to a series of transactions that, except for certain key man provisions discussed below, eliminated the restrictive covenants that were established in 2009, including those governing the compensation payable to our NEOs and other employees. With the elimination of these restrictions, we were able to award additional bonus and incentive compensation upon the consummation of our recently completed comprehensive debt restructuring, which we refer to as the restructuring awards, discussed below.

We believe that the compensation provided to our executives should be commensurate with the performance of the company and must recognize the competitive environment for talented executives in which we operate. We compete for talent with other public and private commercial mortgage finance company platforms, private equity firms, as well as the commercial mortgage backed securities, or CMBS, and structured finance groups within Wall Street commercial banks and investment banking firms. The overall principle guiding our NEO compensation is to pay total compensation that encourages outstanding performance and is in line with the competitive market. The actual compensation paid to each NEO will vary based on company and individual performance and the NEO s role within the company. The employment agreements previously in effect with each of our NEOs have expired. Going forward, in light of the flexibility we possess following our recently consummated comprehensive debt restructuring, our compensation committee and our board will reevaluate the need for employment agreements with our NEOs.

III. Procedural Approach

Role of the Board of Directors and Compensation Committee

Consistent with our philosophy, bonus and long-term compensation elements of our compensation program are designed to be commensurate with the performance of the company. In the past, prior to the recent turmoil in the

financial markets and the resulting impact on our business, our board of directors had endorsed strategic business goals for our company that were centered on the growth and management of the balance sheet and investment management segments of our business. Our compensation committee in consultation with our CEO considered these strategic business goals along with individual and company performance in determining bonuses to our NEOs. Given the conditions in our business, which culminated in the March 2009 Restructuring, we shifted our focus in 2009 and 2010 to managing our portfolio and associated liabilities in order to obtain maximum recoveries and stabilizing our platform. In the face of the impending maturities of our recourse debt obligations on March 15, 2011, we embarked on an effort to implement a comprehensive restructuring of all of our outstanding recourse debt obligations, which we successfully consummated on March 31, 2011. As discussed below, effective as of the close of the restructuring, our compensation committee authorized grants of certain restructuring awards to our NEOs. The restructuring awards were designed to serve our goal of retaining these executives, as well as to reward them for the successful consummation of the comprehensive restructuring. In developing the level of these awards, our compensation committee made qualitative judgments concerning the respective roles played by, and level of contribution made by, the NEOs.

In the future, as our operations normalize, consistent with our past practices, our compensation committee will revisit our executive compensation program as part of the annual review of salary, bonus and incentive compensation with a goal to implement programs that link individual compensation to the achievement of objective performance measures relating to key business goals that drive our financial performance.

Our CEO attends compensation committee meetings, but does not attend executive sessions. Our CEO makes recommendations to our compensation committee regarding the compensation of other NEOs, but does not vote on matters presented for approval or action by our compensation committee.

Our compensation committee previously engaged the services of a compensation consultant, FPL Associates Compensation, a division of FPL Associates L.P., or FPL, at the time we previously entered into the now expired employment agreements with our NEOs and determined that these agreements were at market. FPL has no other relationships with the company and is considered an independent third party advisor. FPL did not provide any compensation consulting services with respect to the compensation decisions made for 2010, but was consulted with respect to certain awards in 2011, including the component of the restructuring awards that are tied to the long-term recovery of our legacy assets.

Our compensation committee held meetings or acted through written consent twice during the year ended December 31, 2010.

IV. Compensation Structure

A. Overview of Elements of Pay

In 2010, we utilized two main elements of compensation for our NEOs:

Annual Base Salary Fixed salary as established in the executives employment agreements, when applicable, or otherwise as determined, at the discretion of our compensation committee; and

Annual Cash Bonus Variable pay in the form of cash bonuses that is designed to reward executives for the attainment of annual business goals.

Prior to the financial market turmoil, we awarded long-term restricted and performance based stock awards to our NEOs as part of our compensation program. Given the conditions in our business, none of our NEOs received

discretionary awards of restricted or performance stock in 2010.

B. Detail of Elements of Pay

(1) Base Salary

Our NEOs receive an annual base salary, subject to possible increases by the board of directors. The annual salaries vary according to our compensation committee s discretionary assessment of the levels of responsibility undertaken by the executive officers. We strive to compensate our NEOs with salaries commensurate with

prevailing compensation practices in public and private commercial mortgage finance platforms, private equity firms, as well as the CMBS and structured finance groups within Wall Street commercial banks and investment banking firms. Our compensation committee periodically may review base salaries for our named executive officers on its own initiative or at the recommendation of our CEO. As described above, the cash compensation paid in 2010 to our CEO and CFO were set at the levels in effect at the time of our March 2009 Restructuring.

Stephen D. Plavin serves as our chief executive officer and president. Mr. Plavin s prior employment agreement expired on December 31, 2009 at which time his annual base salary was $500,000 per year. Under the employment agreement, Mr. Plavin received a base salary at an annual rate of $450,000 for the remainder of calendar year 2005 and, as of January 1, 2006, Mr. Plavin s base salary was increased to $500,000 per year, subject to possible increase at the discretion of our board of directors and approval by our lenders. Mr. Plavin served as our chief operating officer until his promotion to chief executive officer and president effective December 2009. In conjunction with his promotion, the board increased Mr. Plavin s base salary to $550,000 effective January 1, 2010 but consistent with the restrictions on compensation imposed by our March 2009 Restructuring, Mr. Plavin was paid a salary of $500,000 in 2010. In April 2011, after the elimination of such restrictions, he was paid all approved and unpaid salary for 2010.

Geoffrey G. Jervis serves as our chief financial officer. Mr. Jervis prior employment agreement expired on December 31, 2010 at which time his annual base salary was $450,000 per year. The board had increased Mr. Jervis base salary above the $425,000 amount required in his employment agreement to $450,000 effective January 1, 2010, but consistent with the restrictions on compensation imposed by our March 2009 Restructuring, Mr. Jervis was paid a salary of $350,000 for 2010. In April 2011, after the elimination of such restrictions, he was paid all approved and unpaid salary for 2010.

Thomas C. Ruffing serves as our chief credit officer and head of asset management. Mr. Ruffing receives a base salary of $250,000 per year and has received the same base salary since September 2006.

Our compensation committee and board acted to increase the salaries of Messrs. Plavin and Jervis for 2010 as an additional incentive to retain their services. This action was taken at the time our former chief executive officer resigned from his employment with us, significantly increasing the responsibilities of these two key executives.

(2) Annual Cash Bonus

Under the terms of the March 2009 Restructuring, cash bonuses payable to our CEO and CFO for 2010 were limited to the amounts paid to them for 2008. Given this limitation and general conditions in our business, our compensation committee did not award cash bonuses in 2010 by reference to performance based financial criteria (as had occurred in the past). Instead, bonuses for NEO services in 2010 were determined in the sole discretion of our compensation committee within the parameters of the restrictions placed by our lenders. Messrs. Plavin and Jervis were paid annual cash bonuses of $681,575 and $503,178, respectively and Mr. Ruffing received an annual cash bonus for 2010 of $300,000, which was recommended by our CEO and approved by our compensation committee. In awarding 2010 bonuses, the committee made qualitative judgments about the roles played by the NEO in stabilizing our operations and positioning us towards achieving our goal of obtaining a comprehensive restructuring of all of our recourse debt obligations. Our NEOs were also awarded bonuses as part of the restructuring awards as described below.

(3) Long-Term Incentive Compensation

In 2007, our board of directors adopted and our stockholders approved our 2007 long-term incentive plan, or 2007 Plan. The 2007 Plan includes shares available for issuance under our previous long-term incentive plan and currently constitutes the sole long-term incentive plan that governs all aspects of the company s long-term incentive compensation. As of April 15, 2011, there were 68,000 shares available to be awarded under the 2007 Plan. In light of

the low number of shares available under the 2007 Plan, we are proposing the adoption of a new 2011 long-term incentive plan described in Proposal 2 below.

Our compensation committee previously authorized awards of restricted stock and performance stock to our NEOs, in certain cases pursuant to the terms of employment agreements governing our NEOs employment and in

other cases pursuant to the incentive programs developed under the oversight of the committee. None of our current NEOs received discretionary awards of restricted or performance stock in 2010, but our NEOs were awarded restricted stock as part of the restructuring awards as described below.

In previous years, our compensation committee awarded our NEOs cash based performance awards that represented derivative interests in the incentive management fees received by us from certain of our investment management vehicles. These awards are intended to incentivize the executives to deploy the investment capital and manage the portfolio investments effectively. In setting the level of participation, our compensation committee makes qualitative judgments as to the role played in deploying the capital and managing the assets in respect of the investment management vehicles. No such performance awards were made to our NEOs in 2010. However, in January 2011, our compensation committee awarded such performance awards that represent derivative interests in the incentive management fees received by us from CT Opportunity Partners I, LP, or CTOPI. Pursuant to these awards, Messrs. Plavin, Jervis and Ruffing receive 13.5%, 9.0% and 4.5%, respectively, of the incentive fees received by us from our management of CTOPI. The awards are subject to vesting provisions which provide that the NEO s right to the payments vest one third on the January 18, 2011 date of award, one third on January 15, 2012 and one third on the date of our receipt of the incentive management fee, provided that the NEO is employed on each such vesting date. In addition, our NEOs were awarded similar performance based awards tied to the long term recovery of our legacy assets as part of the restructuring awards as described below.

Since 2007, certain NEOs elected to defer receipt of certain restricted stock awards that would otherwise become payable to them after 2007 and upon the satisfaction of vesting periods set forth in their individual award agreements. An award subject to a deferral election will continue to vest at the end of the vesting period pursuant to its original terms, but will not be distributed to the executive until the occurrence of the applicable distribution event set forth in the deferral election. Distribution events may include: death, disability, or other separation from service; change in control of the company; and a specified date elected by the executive.

(4) Stock Option Awards

We made no grants of stock options to our named executive officers in 2010. All outstanding stock options have vested, having been granted prior to our election to be taxed as a REIT in 2003, after which we determined to use restricted and performance stock as the principal form of equity based long-term incentive compensation awarded to NEOs.

(5) Retirement, Perquisites and Other Personal Benefits

We do not maintain any defined benefit or supplemental executive retirement programs for NEOs. We do, however, maintain a 401(k) plan and we contribute 3% of compensation, subject to the stipulated annual maximum amount, towards deferred benefits. In addition, Mr. Plavin was reimbursed for the premiums paid for life insurance.

B. Interrelationship of Elements of Pay

In determining the overall mix of elements comprising total compensation, our compensation committee focused in 2010 on providing our NEOs with their base salaries supplemented by discretionary cash bonuses at levels that reflected our compensation committee s assessment of both their overall performance, general conditions in our business and their role and efforts in positioning us to achieve a comprehensive restructuring of our recourse debt obligations, subject to the limitations imposed by our March 2009 Restructuring. In the past, we also awarded significant levels of long-term incentive compensation, but given the general conditions in our business, no such awards were made in 2010.

C. Pay Levels and Benchmarking

Our compensation committee set pay levels and made awards in 2010 on a discretionary basis, without reference to any benchmarking data. The committee s key goal was to retain our executives in circumstances of an unstable debt structure that required a comprehensive restructuring which was deemed necessary in order to preserve our ability to maximize the recovery from our legacy assets for our stockholders. Our compensation

committee made qualitative judgments about the respective roles played by, and level of contribution made by, the executives in leading and positioning us to achieve our comprehensive debt restructuring.

V. Timing of Equity Grants

As explained above, no stock options were granted to any of our NEOs during 2010, and other equity awards occurred only when required under the terms of our employment agreements with our NEOs. These and all other equity based awards to our NEOs are awarded under our 2007 Plan. As administrator, the compensation committee is authorized in its discretion to grant awards under the plans, establish the terms of such awards, including vesting terms, prescribe grant agreements evidencing such awards and establish programs for granting awards. Our compensation committee has not delegated its authority to make awards or prescribe the terms (including vesting terms) to our management, but once authorized, the committee may authorize the CEO to allocate a portion of the awards to employees in his discretion. We do not have any plans, policies or practices to time the grant of equity awards to our executive officers in coordination with the release of material non-public information. Grants of other equity-based awards are determined by our compensation committee and typically are made in January or February of each calendar year after a review of the company s and individual s performance during the prior year. We do not follow a set schedule for making equity grants under our plans and grants may also occur at other times of the year such as upon execution of a new employment agreement or at the time of new hire.

Awards of restricted and performance stock to existing employees are generally denominated in a dollar value and the number of shares awarded is currently determined using a 30-day average price except that in the case of new hires, the number of shares awarded is determined using the employee s start date for determining the base price. Approvals of equity based awards are typically obtained at meetings of our compensation committee, but management may also seek approvals by unanimous written consent of the committee members. Our compensation committee awarded restricted stock denominated in a fixed number of shares in connection with our comprehensive debt restructuring.

VI. Stock Ownership Guidelines

As disclosed under the caption Security Ownership of Certain Beneficial Owners and Management below, our named executive officers are stockholders of the company. We do not currently have stock ownership guidelines for our named executive officers.

VII. Adjustment or Recoupment of Awards

The 2007 Plan contains a forfeiture or clawback mechanism to recoup awards from a NEO to the extent any of our financial results are misstated as a result of the NEO s willful misconduct or gross negligence and the financial results are restated downward. In addition, Section 304 of Sarbanes-Oxley provides the ability to recover incentive awards in certain circumstances. Under this law, if we are required to restate our financials due to noncompliance with any financial reporting requirements as a result of misconduct, the chief executive officer and chief financial officer must reimburse us for (1) any bonus or other incentive- or equity-based compensation received during the 12 months following the first public issuance of the non-complying document, and (2) any profits realized from the sale of our securities during those 12 months.

VIII. Post-Employment Severance and Change-in-Control Benefits

Our prior employment agreements with our NEOs have expired and therefore our NEOs are not entitled to any severance payments and other benefits following a change in control or otherwise.

IX. Impact of Tax and Accounting

Section 162(m) of the Internal Revenue Code limits the deductibility in our tax return of compensation over $1.0 million to certain of our executive officers unless, in general, the compensation is paid pursuant to a plan which is performance-related, non-discretionary and has been approved by our stockholders. Our compensation committee s policy with respect to Section 162(m) is to make reasonable efforts to ensure that compensation is deductible to the extent permitted, while simultaneously providing our executives with appropriate rewards for their

performance and therefore our compensation committee may authorize the payment of compensation to NEOs outside the limits of Section 162(m).

X. Awards Made Upon Consummation of Comprehensive Restructuring

On March 31, 2011, we consummated a series of transactions with our creditors and restructured and substantially reduced our previously restructured recourse legacy debt obligations. Effective upon consummation of the restructuring, our compensation committee authorized recovery awards in the form of additional cash and incentive compensation, to each of our three NEOs. The recovery awards were comprised of:

a special one-time cash bonus,

a grant of restricted stock, and

a long-term cash-based performance award tied to the recovery of legacy assets owned by a newly-formed majority-owned subsidiary, CT Legacy REIT Mezz Borrower, Inc. or CT Legacy REIT, referred to as the legacy asset recovery awards.

The restricted stock vests 25% on the date of grant and the balance in equal installments over the three year period commencing on April 1, 2011 and ending on March 31, 2014. The legacy asset recovery based awards provide for payments to our NEOs and certain other employees of an amount not to exceed 6.75% of the total recovery (subject to certain caps) of the net assets of CT Legacy REIT, referred to as the employee pool. The legacy asset recovery awards vest 25% on March 31, 2011, 25% on March 31, 2013, 25% on March 31, 2014 and the balance at the time of distribution under the plan.

Mr. Plavin was awarded a bonus of $1,185,000, 140,000 shares of restricted stock and a legacy asset recovery based award providing for a 35% allocation of the employee pool. Mr. Jervis was awarded a bonus of $985,000, 100,000 shares of restricted stock and a legacy asset recovery based award providing for a 25% allocation of the employee pool. Mr. Ruffing was awarded a bonus of $250,000, 60,000 shares of restricted stock and a legacy asset recovery based award providing for a 15% allocation of the employee pool.

In developing the level of these awards, our compensation committee made qualitative judgments about the respective roles played by, and level of contribution made by, the executives in connection with the restructuring effort. Mr. Plavin was awarded the highest amounts given the key leadership he played throughout the restructuring process. The awards made to Messrs. Jervis and Ruffing reflected the committee s judgment as to the relative importance of their respective roles and the contributions made towards achieving the restructuring.

XI. Conclusion

Our compensation committee believes that the total compensation paid to each of our NEOs in 2010 complied with the restrictions placed by our lenders. Given this constraint, our compensation committee believes that the level and kind of compensation paid to its NEOs was as close to competitive as could be achieved under the circumstances and otherwise was appropriate given the performance of the NEOs in stabilizing our business and positioning us to achieve a comprehensive restructuring of our recourse debt obligations.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth for the year indicated the annual compensation of our chief executive officer, our chief financial officer and our other named executive officers, as such term is defined in Item 402(a) of Regulation S-K.

Name and Principal Position	Year	Salary $(1)	Bonus $(2)	Stock Awards $(3)	Non-Equity Incentive Plan Compensation $(4)	All Other Compensation $(5)	Total $
Stephen D. Plavin	2010	550,000	681,575		36,081	9,635	1,277,291
Chief Executive Officer	2009	500,000	681,575	108,000		9,635	1,299,210
	2008	500,000			681,575	9,185	1,190,760
Geoffrey G. Jervis	2010	450,000	503,178	21,431	12,268	7,350	994,227
Chief Financial Officer,	2009	350,000	503,178			7,350	860,528
Treasurer and Secretary	2008	350,000			503,178	6,900	860,078
Thomas C. Ruffing	2010	250,000	300,000		23,092	7,350	580,442
Chief Credit Officer and	2009	250,000	300,000			7,350	557,350
Head of Asset Management	2008	250,000	300,000			6,900	556,900

(1) Effective January 1, 2010, the salary for Mr. Plavin and Mr. Jervis was increased to $550,000 and $450,000, respectively, from $500,000 and $350,000, respectively. During the year 2010, Messrs. Plavin and Jervis were paid at the salary in-place as of December 31, 2009 and in April 2011, after the elimination of restrictions on compensation imposed by certain of our lenders, they were paid all approved and unpaid salary for 2010.

(2) Mr. Plavin, Mr. Jervis and Mr. Ruffing were paid $681,575, $503,178 and $300,000 in discretionary annual cash bonuses, respectively, for their performance in 2010 and 2009. For 2008, pursuant to their employment agreements, Mr. Plavin, and Mr. Jervis received annual cash bonuses pursuant to performance awards under our long term incentive plan. Consequently, their annual cash bonuses are presented in the chart above in the column entitled Non-equity Incentive Plan Compensation and are described in (4) below. Mr. Ruffing was paid a $250,000 cash bonus pursuant to the minimum amount stipulated in his employment agreement as well as a $50,000 discretionary cash bonus for his performance in 2008.

(3) Represents the aggregate grant date fair value of restricted stock granted in each respective year, calculated under the Financial Accounting Standard Board s Accounting Codification Topic 718 (formerly Statement of Financial Accounting Standards 123 ®), or ASC Topic 718. Under ASC Topic 718, the grant date fair value is calculated using the closing market price of our common stock on the date of grant, which is then recognized over the service period of the award.

(4) The amounts reported include amounts received by named executive officers pursuant to previously granted performance awards representing derivative interests in incentive management fees received by us in 2010 from one of our third party investment management vehicles, CT Mezzanine Partners III, Inc. In 2010, Mr. Plavin,

Mr. Jervis and Mr. Ruffing received $36,081, $12,268 and $23,092, respectively, of such payments. In 2009 and 2008, Mr. Plavin, Mr. Jervis and Mr. Ruffing did not receive any such payments. Pursuant to their employment agreements, Mr. Plavin and Mr. Jervis received performance awards that provide for cash payments intended as an annual bonus, based upon the achievement by the company of certain quantitative performance hurdles. For performance year 2008 (paid in 2009), these amounts were $681,575 and $503,178 for Mr. Plavin and Mr. Jervis, respectively.

(5) We made a 401(k) contribution of $7,350, $7,350 and $6,900 in 2010, 2009 and 2008, respectively to each of our named executive officers. Mr. Plavin was reimbursed for life insurance premiums ($2,285) in 2010, 2009 and 2008.

Grants of Plan-Based Awards

Other than 16,875 shares granted on January 1, 2010 to Mr. Jervis in connection with the extension of his employment contract, we did not make any performance awards or restricted stock awards to our NEOs pursuant to our long-term incentive plan in 2010.

Outstanding Equity Awards at Fiscal Year-End 2010

The following table shows the number of shares covered by stock options and restricted and performance stock grants held by our named executive officers on December 31, 2010.

No stock options have been granted since our election to be taxed as a REIT in 2003 after which we determined to use restricted and performance stock as the principal form of equity based long-term incentive compensation. All stock options are fully vested.

		Option Awards			Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options Currently Exercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares of Restricted Stock That Have Not Vested(1) (#)	Market Value of Shares of Restricted Stock That Have Not Vested(2) ($)	Equity Incentive Plan Awards: Number of Unearned Shares of Performance Stock That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares of Performance Stock That Have Not Vested ($)
Stephen D. Plavin	5/7/2001	10,001	15.00	5/7/2011				
Geoffrey G. Jervis	2/1/2001	2,223	13.50	2/1/2011				
Thomas C. Ruffing								

Option Exercises and Stock Vested

The following table shows the number of shares of our class A common stock acquired upon the vesting of restricted stock awards during the year ended December 31, 2010. None of our named executive officers exercised stock options during 2010.

	Option Awards(1)		Stock Awards(2)	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Stephen D. Plavin				
Geoffrey G. Jervis			8,438	13,079
Thomas C. Ruffing				

(1) All options issued by us to named executive officers were issued prior to 2003, have fully vested pursuant to their respective award agreement and are exercisable. Value Realized on Exercise equals the market value on the date of exercise less the exercise price.

(2) The number of shares acquired on vesting is comprised exclusively of shares of restricted stock which vested in 2010 pursuant to all prior grants to each employee and the value shown is based upon the market price on the various vesting dates.

Director Compensation

In 2010, our non-employee directors earned fees at an annual rate of $75,000. Payment for services is made quarterly in the form of cash and/or stock units. For those directors who have elected to receive stock units, the number of units is determined based upon the quarterly fee and the average stock price for the applicable quarter. In addition, the chairperson of our audit committee receives $12,000 per annum payable in four quarterly installments. All directors are also reimbursed for travel expenses incurred in attending board and committee meetings.

Each member of a special committee of our board, Messrs. Dobrowski, Nassau and Edelman, formed to oversee management in our effort to restructure our debt obligations, was paid $50,000 for his service in 2010 and 2011. This fee was paid effective upon the consummation of the restructuring and was made in April 2011.

The following table sets forth the compensation paid by us to our non-employee directors for the fiscal year ended December 31, 2010:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Samuel Zell(1)	75,000						75,000
Thomas E. Dobrowski(2)	75,000						75,000
Martin L. Edelman(3)	75,000						75,000
Craig M. Hatkoff(4)	18,750						18,750
Edward S. Hyman(5)	75,000						75,000
Henry N. Nassau(6)	75,000						75,000
Joshua A. Polan(7)	75,000						75,000
Lynne B. Sagalyn(8)	87,000						87,000

(1) Mr. Zell s compensation was paid 50% ($37,500) in cash and 50% ($37,500) in stock units under our 2007 Plan.

(2) Mr. Dobrowski s compensation was paid 50% ($37,500) in cash and 50% ($37,500) in stock units under our 2007 Plan.

(3) Mr. Edemman s compensation was paid 50% ($37,500) in cash and 50% ($37,500) in stock units under our 2007 Plan.

(4) Mr. Hatkoff s compensation was paid 50% ($9,375) in cash and 50% ($9,375) in stock units under our 2007 Plan. He retired as a director in April 2010.

(5) Mr. Hyman s compensation was paid 50% ($37,500) in cash and 50% ($37,500) in stock units under our 2007 Plan.

(6) Mr. Nassau s compensation was paid 100% in cash.

(7) Mr. Polan s compensation was paid 100% in cash to W.R. Berkley Corporation.

(8) Dr. Sagalyn s audit committee chairperson fee of $12,000 was paid in cash and the remaining compensation was paid 50% ($37,500) in cash and 50% ($37,500) in stock units under our 2007 Plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own, or are part of a group that owns, more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC and the NYSE. Officers, directors and greater than 10% stockholders are required by regulation of the SEC to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of Forms 3, 4 and 5 and amendments thereto available to us and other information obtained from our directors, officers and certain 10% stockholders or otherwise available to us, we believe that no director, officer or beneficial owner of more than 10% of our class A common stock failed to file on a timely basis a report required pursuant to Section 16(a) of the Exchange Act with respect to 2010.

Security Ownership of Certain Beneficial Owners and Management

As of April 29, 2011, there were a total of 22,211,108 shares of our class A common stock issued and outstanding. The following table sets forth as of April 15, 2011, certain information with respect to the beneficial ownership of our class A common stock, by:

each person known to us to be the beneficial owner of more than 5% of our outstanding class A common stock;

each director, director nominee and named executive officer currently employed by us; and

all of our directors and executive officers as a group.

Such information (other than with respect to our directors and executive officers) is based on a review of statements filed with the SEC pursuant to Sections 13(d), 13(f) and 13(g) of the Exchange Act with respect to our class A common stock.

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class
Greater than 5% Owner		
W. R. Berkley Corporation, et al.(2)	3,843,413	17.3%
Barclays Global Investors, NA., et al.(3)	1,275,337	5.7%
Bay Resource Partners, L.P., et al.(4)	1,255,500	5.6%
Vornado Realty, L.P.(5)	1,212,805	5.5%
Veqtor Finance Company, L.L.C, et al.(6)	1,170,829	5.3%
Officers and Directors		
Thomas E. Dobrowski(7)	75,662	*
Martin L. Edelman(8)	108,565	*
Edward S. Hyman(9)	243,995	1.1%
Henry N. Nassau(10)	58,229	*
Geoffrey G. Jervis(11)	119,087	*
Stephen D. Plavin(12)	227,554	1.0%
Joshua A. Polan(13)		
Thomas C. Ruffing(14)	65,566	*
Lynne B. Sagalyn(8)(15)	109,065	*
Samuel Zell(8)(16)	150,231	*
All executive officers and directors as a group (10 persons)	1,157,954	5.2%

* Represents less than 1%.

(1) The number of shares are those beneficially owned, as determined under the rules of the SEC, and such information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which a person has sole or shared voting power or investment

power and any shares which the person has the right to acquire within 60 days through the exercise of any option, warrant or right, through conversion of any security or pursuant to the automatic termination of a power of attorney or revocation of a trust, discretionary account or similar arrangement.

(2) Based on both internal information and information contained in a Schedule 13D/A filed with the SEC on August 6, 2007, by (i) W. R. Berkley Corporation, (ii) Admiral Insurance Company, (iii) Berkley Insurance Company, (iv) Berkley Regional Insurance Company and (v) Nautilus Insurance Company, collectively, Berkley. Berkley s address is 475 Steamboat Road, Greenwich, CT 06830.

(3) Based solely on information contained in a Schedule 13G filed with the SEC on February 5, 2009, by (i) Barclays Global Investors, NA. (address: 400 Howard Street, San Francisco, CA 94105) and (ii) Barclays

Global Fund Advisors (address: 400 Howard Street, San Francisco, CA 94105), collectively, Barclays. The Barclays 13G reported beneficial ownership as follows: Barclays Global Investors, NA. reported sole voting power of 654,343 shares and sole dispositive power of 730,090 shares and Barclays Global Fund Advisors reported sole voting power of 545,247 shares and sole dispositive power of 545,247 shares.

(4) Based solely on information contained in a Schedule 13G filed with the SEC on May 25, 2008, by (i) Bay Resource Partners, L.P., (ii) Bay II Resource Partners, L.P., (iii) Bay Resources Partners Offshore Fund, Ltd., (iv) GMT Capital Corp. and (v) Thomas E. Claugus, collectively, Bay Resources (address: 2100 RiverEdge Parkway, Ste. 840, Atlanta, GA 30328). The Bay Resources Schedule 13G reported beneficial ownership as follows: Bay Resource Partners, L.P. reported shared voting power of 297,100 shares and shared dispositive power of 297,100 shares; Bay II Resource Partners, L.P. reported shared voting power of 207,600 shares and shared dispositive power of 207,600 shares; Bay Resource Partners Offshore Fund, Ltd. reported shared voting power of 593,700 shares and shared dispositive power of 593,700 shares; GMT Capital Corp. reported shared voting power of 1,219,800 shares and shared dispositive power of 1,219,800 shares; and Thomas E. Claugus reported sole voting power of 35,700 shares, shared voting power of 1,219,800 shares, sole dispositive power of 35,700 shares and shared dispositive power of 1,219,800 shares.

(5) Based on both internal information and information contained in a Schedule 13D/A filed with the SEC on October 4, 2004, by Vornado Realty L.P., or Vornado. Vornado s address is 888 Seventh Avenue, New York, NY 10019.

(6) Based solely on information contained in a Schedule 13D/A filed with the SEC on November 17, 2009, by (i) Veqtor Finance Company, L.L.C. (Veqtor), (ii) Samstock, L.L.C. (Samstock), (iii) EGI-Properties Fund (08-10), L.L.C. (EGI), (iv) SZ Investments, L.L.C. (SZI), (v) Zell General Partnership, Inc. (ZGPI), (vi) Sam Investment Trust (SIT) and (vii) Chai Trust Company, LLC (Chai), collectively, the EGI Entities (address: Two North Riverside Plaza, Suite 600, Chicago IL 60606). The EGI Entities Schedule 13D/A reported beneficial ownership as follows: Veqtor reported sole voting power of 897,429 shares and sole dispositive power of 897,429 shares; Samstock reported sole voting power of 25,000 shares and sole dispositive power of 25,000 shares; EGI reported sole voting power of 248,400 shares and sole dispositive power of 248,400 shares; SZI reported sole voting power of 273,400 shares and sole dispositive power of 273,400 shares; ZGPI reported sole voting power of 1,170,829 shares and sole dispositive power of 1,170,829 shares; SIT reported sole voting power of 1,170,829 shares and sole dispositive power of 1,170,829 shares; and Chai reported sole voting power of 1,170,829 shares and sole dispositive power of 1,170,829 shares. SZI is the managing member of Samstock and is the manager of EGI. ZGPI is the managing member of Veqtor and SZI. SZI is indirectly owned by various trusts established for the benefic of Mr. Zell and his family, the trustee of each of which is Chai. The sole shareholder of ZGPI is SIT, a trust established for the benefit of Samuel Zell and members of his family. Chai serves as the trustee of SIT. Mr. Zell is not an officer or director of Chai and does not have voting or dispositive power over such shares, and therefore Mr. Zell disclaims beneficial ownership thereof except to the extent of his pecuniary interest therein.

(7) Represents 75,662 shares obtainable upon conversion of vested stock units.

(8) In the case of Mr. Zell, Mr. Edelman and Dr. Sagalyn, includes 100,231 shares obtainable by each upon conversion of vested stock units.

(9) Includes 76,720 shares obtainable upon conversion of vested stock units.

(10) Includes 53,729 shares obtainable upon conversion of vested stock units.

(11) Includes 2,223 shares issuable upon the exercise of vested stock options held by Mr. Jervis. Includes 75,000 shares for Mr. Jervis that are the subject of restricted stock awards for which he retains voting rights.

(12) Includes 10,001 shares issuable upon the exercise of vested stock options held by Mr. Plavin. Includes 105,000 shares for Mr. Plavin that are the subject of restricted stock awards for which he retains voting rights.

(13) Does not include the shares owned by W. R. Berkley Corporation, as to which Mr. Polan disclaims beneficial ownership.

(14) Includes 45,000 shares for Mr. Ruffing that are the subject of restricted stock awards for which he retains voting rights.

(15) Includes 500 shares owned by Dr. Sagalyn s spouse.

(16) Includes (i) 100,231 shares obtainable upon conversion of vested stock units; (ii) 40,000 shares owned by Mr. Zell; and (iii) 10,000 shares owned by Helen Zell Revocable Trust, the trustee of which is Helen Zell, Mr. Zell s spouse. Does not include 897,429 shares held by Veqtor Finance Company, L.L.C.; 25,000 shares held by Samstock, L.L.C.; and 248,400 shares held by EGI-Properties Fund (08-10), L.L.C., as to which such shares Mr. Zell does not hold voting or dispositive power, which power is indirectly held by Chai Trust Company, LLC, of which Mr. Zell is not an officer of director, and as to which such shares Mr. Zell disclaims beneficial ownership of except to the extent of his pecuniary interest therein.

Our officers and directors may pledge shares of our class A common stock they own as security for potential or actual borrowings. Mr. Plavin (103,731 shares) pledged all or a portion of his shares of our class A common stock.

Transactions With Related Persons, Promoters and Certain Control Persons

Relationship with Martin L. Edelman

Martin L. Edelman, a director, is of counsel to Paul, Hastings, Janofsky & Walker LLP, a law firm that provides us with ongoing legal representation with respect to various matters.

Investments by trusts established for the benefit of Samuel Zell in our funds

Trusts established for the benefit of the chairman of our board of directors, Samuel Zell, and members of his family indirectly invested, on the same terms available to third party investors, in CT Opportunity Partners I, LP, a third-party investment management vehicle which we currently manage, pursuant to which capital commitments and capital contributions have been made, and from which income has been received, since 2007.

Transactions Involving W. R. Berkley Corporation

On November 9, 2006, we commenced our CT High Grade Mezzanine (SM) investment management initiative and entered into three separate account agreements with affiliates of WRBC for an aggregate of $250.0 million. Pursuant to these agreements, we invested, on a discretionary basis, capital on behalf of WRBC in commercial real estate mortgages, mezzanine loans and participations therein. The separate accounts were entirely funded with committed capital from WRBC and are currently managed by a subsidiary of our wholly-owned investment management subsidiary, CT Investment Management Co. LLC, or CTIMCO. Each separate account has a one-year investment period with extension provisions. CTIMCO earns a management fee equal to 0.25% per annum on invested assets. On July 25, 2007, we amended the agreements to increase the aggregate commitment of the WRBC affiliates to $350.0 million and extended the investment period to July 2008.

On April 27, 2007, we purchased a $20.0 million subordinated interest in a mortgage from a dealer. Proceeds from the original mortgage financing provide for the construction and leasing of an office building in Washington, D.C. that is owned by a joint venture. WRBC has a substantial economic interest in one of the joint venture partners. This loan was sold to the joint venture owner at a discount in November 2009. A wholly-owned subsidiary of WRBC is an investor in Five Mile Capital Partners LLC and private funds under its management. On March 31, 2011, Five Mile provided an $83.0 million mezzanine loan to our majority-owned subsidiary in connection with our recently completed comprehensive restructuring. The mezzanine loan has an interest rate of 15.0% per annum of which 7.0% may be deferred, and matures on March 31, 2016.

Other Transactions with Related Parties

In July 2008, CT Opportunity Partners I, LP, or CTOPI, a private equity fund that we manage, held its final closing, completing a capital raise with $540 million total equity commitments. EGI-Private Equity II, L.L.C., an entity which is indirectly owned by trusts established for the benefit of the chairman of our board, Samuel Zell, owns a 3.7% limited partner interest in CTOPI. Mr. Zell is not a trustee of such trusts. In 2010, we recorded fees of $4.2 million from CTOPI, of which $169,000 were attributable to EGI Private Equity II, L.L.C.

We believe that the terms of the foregoing transactions are no less favorable than could be obtained by us from unrelated parties on an arm s-length basis.

Pursuant to our code of business conduct and ethics, our audit committee must review and approve in advance all material related party transactions, including financial transactions, arrangements or relationships, or series of any of the foregoing, in which we participate that involve $120,000 or more with any of our directors, officers, employees or significant stockholders (i.e., holders of 5% of our outstanding stock) or any immediate family member, as defined to include others sharing a household of any of the foregoing, which we refer to collectively as related persons, or any entity in which any of our related persons is employed or has with other related persons a collective interest in more than 5%, or in the case of a partnership, for which any of them serves as a general partner or is otherwise associated. Pursuant to our code of business conduct and ethics, directors, officers and employees must not enter into, develop or continue any such material transaction, arrangement or relationship without obtaining such prior audit committee approval. In addition, our chief financial officer reports all related party transactions, arrangements or relationships not subject to prior audit committee approval to our audit committee at regularly scheduled audit committee meetings. Further, under our code of business conduct and ethics, all instances involving such potential related party transactions, arrangements or relationships, regardless of the amount involved, are required to be reported to either our chief executive officer, chief operating officer or chief financial officer, who will assess the materiality of the transaction, arrangement or relationship and elevate the matter to the audit committee as appropriate.

PROPOSAL 2 APPROVAL AND ADOPTION OF CAPITAL TRUST, INC. s 2011 LONG-TERM INCENTIVE PLAN

Our board of directors adopted the Capital Trust, Inc. 2011 Long-Term Incentive Plan, which we refer to as the Plan, on April 27, 2011, subject to receipt of stockholder approval at the annual meeting. Below is a summary of the principal provisions of the Plan and its operation. A copy of the Plan is set forth in full in Appendix A to this proxy statement, and the following description of the Plan is qualified in its entirety by reference to Appendix A. Terms in this section of the proxy statement that begin with an initial capital letter (and are not otherwise defined) have the defined meaning set forth in the Plan, unless their context indicates a different meaning.

Background

Our board has approved the Plan and is proposing that the Plan be approved by our stockholders at the annual meeting as the sole plan under which we will make future equity-based incentive awards for directors, consultants, and employees employed by us or any of our Affiliates (including non-employees to whom an offer of employment has been made or is existing), and members of our board. Our current incentive share plan, under which no future awards will occur if the Plan receives your approval, is the Capital Trust, Inc. 2007 Long-Term Incentive Plan which was adopted and approved by our stockholders on June 7, 2007, which we refer to as the 2007 Plan. The discussion below uses the term Eligible Persons to refer to all individuals who may receive awards under the Plan.

The amount and nature of the proposed awards under the Plan have not yet been determined, although the Plan permits grants of Options, Stock Appreciation Rights (referred to below as SARs), Restricted Shares, Restricted Share Units (referred to below as RSUs), Deferred Share Units (referred to below as DSUs), Performance Units, and Dividend Equivalent Rights (referred to below as DERs), all of which we collectively refer to below as the Awards. Our board believes that the Plan is an important factor in attracting, retaining and motivating Eligible Persons. Our board believes that we need the flexibility that the Plan will provide both to have an increased reserve of Shares available for future equity-based Awards, and to make future Awards selected from a broad range of cash and Share-based alternatives.

Consistent with the 2007 Plan, the Plan will reserve a number of Shares for future Awards equal to 1,000,000 Shares. If the Plan is approved by our stockholders we will register on a Form S-8 registration statement to be filed with the SEC at our expense. Stockholder approval of the Plan will not affect prior awards under the 2007 Plan, which will remain in effect, although no additional Awards will be granted under the 2007 Plan. If Awards granted under the

2007 Plan expire or terminate or are otherwise forfeited for any reason without having resulted in the issuance of Shares, the Shares that were not issued will become available for subsequent Awards under the Plan.

The Board unanimously recommends that you vote FOR the approval of the Capital Trust, Inc. 2011 Long-Term Incentive Plan. The affirmative vote of a majority of the votes cast on the proposal is required for approval of the Plan, provided that the total votes cast on the proposal represents over 50% in interest of the shares of class A common stock entitled to vote on the proposal.

Purpose

The purpose of the Plan is to attract, retain and motivate select Eligible Persons, and to provide incentives and rewards for superior performance.

Shares Subject to the Plan

The Plan provides that no more than 1,000,000 Shares may be issued pursuant to Awards under the Plan. The Shares deliverable pursuant to Awards shall be authorized but unissued Shares or issued Shares that we hold in trust and are otherwise deliverable pursuant to Awards. The number of Shares available for Awards, as well as the terms of outstanding Awards, are subject to adjustment as provided in the Plan for stock splits, stock dividends, recapitalizations and other similar events. Shares that are subject to any Award that expires, or is forfeited, cancelled or otherwise terminated without the issuance of some or all of the Shares that are subject to the Award will again be available for subsequent Awards.

Administration

Either our board of directors or a committee appointed by our board will administer the Plan. Our board of directors and any committee exercising discretion under the Plan from time to time are referred to herein as the Committee. The compensation committee of our board of directors will act as the Committee for purposes of the Plan. Our board may at any time appoint additional members to the Committee, remove and replace members of the Committee with or without Cause, and fill vacancies on the Committee. To the extent permitted by law, the Committee may authorize one or more persons who are reporting persons for purposes of Rule 16b-3 under the Securities Exchange Act of 1934 (or other officers) to make Awards to eligible persons who are not reporting persons for purposes of Rule 16b-3 (or other officers whom we have specifically authorized to make Awards). With respect to decisions involving an Award intended to satisfy the requirements of Section 162(m) of the Internal Revenue Code, the Committee is to consist of two or more directors who are outside directors for purposes of that Internal Revenue Code section. The Committee may delegate administrative functions to individuals who are reporting persons for purposes of Rule 16b-3 of the Securities Exchange Act, officers or employees employed by us or our Affiliates.

Subject to the terms of the Plan, the Committee has express authority to determine the Eligible Persons who will receive Awards, the number of Shares, units or dollars to be covered by each Award, and the terms and conditions of Awards. The Committee has broad discretion to prescribe, amend, and rescind rules relating to the Plan and its administration, to interpret and construe the terms of the Plan and the terms of all Award agreements, and to take all actions necessary or advisable to administer the Plan. Within the limits of the Plan, the Committee may accelerate the vesting of any Award, allow the exercise of unvested Awards, and may modify, replace, cancel or renew them.

The Plan provides that we and our Affiliates will indemnify members of the Committee and their delegates against any claims, liabilities or costs arising from the good faith performance of their duties under the Plan. The Plan releases these individuals from liability for good faith actions associated with the Plan s administration.

Eligibility

The Committee may grant options that are intended to qualify as incentive stock options, or ISOs, only to employees, and may grant all other Awards to any Eligible Persons. The Plan and the discussion below use the term Participant to refer to an Eligible Person who has received an Award. The Plan provides that, during any calendar year, no Participant may receive Options and SARs under the Plan that relate to more than 100,000 Shares (as adjusted for

stock splits and other similar transactions).

Types of Awards

Options. Options granted under the Plan provide Participants with the right to purchase Shares at a predetermined exercise price. The Committee may grant Options that are intended to qualify as ISOs or Options that are not intended to so qualify, referred to herein as Non-ISOs. The Plan also provides that ISO treatment may

not be available for Options that become first exercisable in any calendar year to the extent the value of the underlying Shares that are the subject of the Option exceed $100,000 (based upon the Fair Market Value of the Shares of common stock on the Option grant date).

Share Appreciation Rights (SARs). A SAR generally permits a Participant who receives it to receive, upon exercise, cash and/or Shares equal in Fair Market Value to an amount determined by multiplying (a) the excess of the Fair Market Value, on the date of exercise, of the Shares with respect to which the SAR is being exercised, over the exercise price of the SAR for such Shares by (b) the number of Shares with respect to which the SARs are being exercised. The Committee may grant SARs in tandem with Options or independently of them. SARs that are independent of Options may limit the value payable on its exercise to a percentage, not exceeding 100%, of the excess value.

Exercise Price for Options and SARs. The exercise price of ISOs, Non-ISOs, and SARs may not be less than 100% of the Fair Market Value on the Grant Date of the Shares subject to the Award (110% of Fair Market Value for ISOs granted to Employees who, on the Grant Date, own Shares representing more than 10% of the combined voting power of all classes of common stock of the Company).

Exercise of Options and SARs. To the extent exercisable in accordance with the agreement evidencing an Award, an Option or SAR may be exercised in whole or in part, and from time to time during its term; subject to earlier termination relating to a holder s termination of employment or service. With respect to options, the Committee has the discretion to accept payment of the exercise price in any of several forms (or combination of them), including: cash or check in U.S. dollars, certain Shares, and cashless exercise under a program the Committee approves. The term over which Participants may exercise Options and SARs may not exceed ten years from the Grant Date (five years in the case of ISOs granted to Employees who, on the Grant Date, own Shares representing more than 10% of the combined voting power of all classes of common stock of the Company).

Subject to the terms of the agreement evidencing an Award, Options and SARs may be exercised during the six-month period after the Participant retires, during the one-year period after the Participant s termination of service due to death or permanent disability, and during the 90-day period after the Participant s termination of employment without cause (but in no case later than the initial expiration date of the Option or SAR). The agreements evidencing the grant of an Option may, in the discretion of the Committee, set forth additional or different terms and conditions applicable to such Option upon a termination or change in status of the employment or service of the option holder. All SARs may be settled in cash or Shares, and any such Shares that a Participant receives shall be counted against the number of Shares available for award under the Plan.

Restricted Shares, Restricted Share Units (RSUs), Unrestricted Shares, and Deferred Share Units (DSUs). Under the Plan, the Committee may grant Restricted Shares that are forfeitable until certain vesting requirements are met, may grant RSUs which represent the right to receive Shares after certain vesting requirements are met, and may grant Unrestricted Shares as to which the Participant s interest is immediately vested. For Restricted Shares and DSUs, the Plan provides the Committee with discretion to determine the terms and conditions under which a Participant s interests in such Awards becomes vested. The Plan provides for Awards of DSUs principally in order to permit certain directors, consultants, or members of a select group of management or highly compensated employees to defer their receipt of compensation payable in cash or Shares (including Shares that would otherwise be issued upon the vesting of Restricted Shares and RSUs). DSUs represent a vested future right to receive Shares.

Performance Units. The Plan authorizes the Committee to grant performance-based awards in the form of Performance Units that the Committee may or may not designate as Performance Compensation Awards that are intended to be exempt from Code section 162(m) limitations. In either case, Performance Units vest and become payable based upon the achievement, within the specified period of time, of performance objectives applicable to the

individual, the company or any Affiliate of the company. Performance Units are payable in Shares, cash or some combination of the two; subject to an individual Participant limit of, during any performance period, no more than 250,000 Shares (or, for Performance Units to be settled in cash, $5,000,000). The Committee decides the length of Performance Periods, but the periods may not be less than one fiscal year.

With respect to Performance Compensation Awards, the Plan requires that the Committee specify in writing the Performance Period to which the Award relates, and an objective formula by which to measure whether and the extent to which the Award is earned on the basis of the level of performance achieved with respect to one or more

Performance Measures. Once established for a Performance Period, the Performance Measures and Performance Formula applicable to the Award may not be amended or modified in a manner that would cause the compensation payable under the Award to fail to constitute performance-based compensation under Code section 162(m).

Under the Plan, the possible Performance Measures for Performance Compensation Awards include, but are not limited to: basic, diluted or adjusted earnings per Share; sales or revenue; earnings before interest, taxes and other adjustments (in total or on a per Share basis); basic or adjusted net income; return on equity, assets, capital, operating revenue or similar measure; economic value added; working capital; total stockholder return; new product introductions or product line enhancements; market share improvement; research; licensing; litigation; human resources; information services; strategic mergers or acquisitions; and sales of assets of affiliates or business units. Each measure will be, to the extent applicable, determined in accordance with generally accepted accounting principles as consistently applied by us (or such other standard applied by the Committee) and, if so determined by the Committee, and in the case of a Performance Compensation Award, to the extent permitted under Code section 162(m), adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment, unusual or infrequently occurring events and transactions and cumulative effects of changes in accounting principles. Performance measures may vary from Performance Period to Performance Period, and from Participant to Participant, and may be established on a stand-alone basis, in tandem or in the alternative.

Dividend Equivalent Rights (DERs). The Committee may grant DERs to any Eligible Person, and may do so either pursuant to an agreement that is independent of any other Award, or through a provision in another Award (other than an Option or SAR) that DERs attach to the Shares underlying the Award. For example, and without limitation, the Committee may grant DERs in respect of each Share subject to an Award of Restricted Shares, RSUs, DSUs, or Performance Units. Each DER represents the right of the Participant to receive amounts based on the dividends declared on Shares as of all dividend payment dates during the term of the DER as determined by the Committee. Unless otherwise determined by the Committee, a DER shall expire upon the earlier of termination of the Participant s Continuous Service or termination of the DER, provided that a DER that is granted as part of another Award shall expire only when the Award is settled or otherwise forfeited.

DERs will be paid out (i) on the record date for dividends if the Award occurs on a stand-alone basis, and (ii) on the vesting or later settlement (or other designated date) of another Award if the DER is granted as part of it, unless otherwise provided in an agreement evidencing the award. With respect to DERs, payment of all amounts will be in Shares, with cash paid in lieu of fractional Shares, provided that the Committee may instead provide in an Award agreement for cash settlement of all or part of the DERs. The Committee may impose such other terms and conditions on the grant of a DER as it deems appropriate in its discretion as reflected by the terms of the agreement. The Committee may also authorize, for any Participant or group of Participants, a program under which the payments with respect to DERs may be deferred pursuant to certain terms and conditions.

Forfeiture and Recoupment

To the extent provided in an agreement granting an Award, we have the following recourse against a Participant who does not comply with certain employment-related covenants, either during employment or after ceasing to be employed: we may terminate any outstanding, unexercised, unexpired, unpaid, or deferred Awards, rescind any exercise, payment or delivery pursuant to the Award, or recapture any common stock (whether restricted or unrestricted) or proceeds from the Participant s sale of Shares issued pursuant to the Award. Essentially the same forfeiture and recoupment rights are available to us with respect to Awards that are granted, vested, or settled during certain periods affected by a Participant s fraud or misconduct, or a financial restatement, and all Awards are subject to any recoupment that is required under applicable law.

Income Tax Withholding

As a condition for the issuance of Shares pursuant to Awards, the Plan requires satisfaction of any applicable federal, state, local, or foreign withholding tax obligations that may arise in connection with the award or the issuance of Shares. This is generally accomplished through a net settlement whereby we withhold, from the Shares otherwise deliverable pursuant to the Award being settled, a number of Shares, having a Fair Market Value equal to the minimum required tax withholdings.

Transferability

Awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of other than by will or the laws of descent and distribution, except to the extent the Committee permits lifetime transfers in the form of a Non-ISO, Share-settled SAR, Restricted Shares, or Performance Units to charitable institutions, certain family members or related trusts, or as otherwise approved by the Committee.

Certain Corporate Transactions

The Committee is required to equitably adjust the number of Shares covered by each outstanding Award, and the number of Shares that have been authorized for issuance under the Plan but as to which no Awards have yet been granted or that have been returned to the Plan upon cancellation, forfeiture or expiration of an Award, as well as the price per Share covered by each such outstanding Award, to reflect any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination, recapitalization or reclassification of the Shares, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by us. In the event of any such transaction or event, the Committee may provide for the substitution for all or some Awards by such alternative consideration (including securities of any surviving entity) as the Committee may in good faith determine to be equitable under the circumstances and may require in connection therewith the surrender of all Awards so replaced. In any case, such substitution of securities will not require the consent of any person who is holding Awards pursuant to the Plan.

In addition, in the event of a Change in Control (but subject to the terms of any Award agreements or any employment or other similar agreement with a Participant then in effect), each outstanding Award shall be assumed or a substantially equivalent award shall be substituted by the surviving or successor corporation or a parent or subsidiary of such surviving or successor corporation upon the consummation of the transaction; provided, however, that to the extent outstanding Awards are neither being assumed nor replaced with substantially equivalent Awards by the successor corporation, the Committee may in its sole and absolute discretion and authority, without obtaining the approval or consent of the our stockholders or any Participant with respect to his or her outstanding Awards, take one or more of the following actions: (a) accelerate the vesting of Awards for any period so that Awards shall vest (and, to the extent applicable, become exercisable) as to the Shares that otherwise would have been unvested and provide that repurchase rights of the Company with respect to Shares issued pursuant to an Award shall lapse as to the Shares subject to any repurchase right; (b) arrange or otherwise provide for payment of cash or other consideration to Participants in exchange for the satisfaction and cancellation of outstanding Awards; or (c) terminate all or some Awards upon the consummation of the transaction, provided that the Committee shall provide for vesting of such Awards in full as of a date immediately prior to consummation of the Change of Control. To the extent that an Award is not exercised prior to consummation of a transaction in which the Award is not being assumed or substituted, such Award shall terminate upon such consummation.

Notwithstanding the above, in the event a Participant holding an Award assumed or substituted by the successor corporation in a Change in Control is Involuntarily Terminated by the successor corporation in connection with, or within 12 months (or other period either set forth in an Award Agreement, or as increased thereafter by the Committee to a period longer than 12 months) following consummation of, the Change in Control, then any assumed or substituted Award held by the terminated Participant at the time of termination shall accelerate and become fully vested (and exercisable in full in the case of Options and SARs), and any repurchase right applicable to any Shares shall lapse in full. The acceleration of vesting and lapse of repurchase rights provided for in the previous sentence shall occur immediately prior to the effective date of the Participant s termination. Finally, if the Company dissolves or liquidates, all Awards will terminate immediately prior to such dissolution or liquidation, subject to the ability of our

board to exercise any discretion that the board of directors may exercise in the case of a Change in Control.

Term of the 2011 Stock Plan; Amendments or Termination.

The term of the Plan is ten years from April 27, 2011, the date it was approved by our board of directors. Our board may from time to time, amend, alter, suspend, discontinue or terminate the Plan; provided that no amendment, suspension or termination of the Plan shall materially and adversely affect Awards already granted. Furthermore,

neither we nor the Committee shall, without stockholder approval, allow for a repricing within the meaning of the federal securities laws applicable to proxy statement disclosures. In addition, the Committee may not cancel an outstanding Option whose exercise price is greater than Fair Market Value at the time of cancellation for the purpose of reissuing the Option to the participant at a lower exercise price or granting a replacement award of a different type. Notwithstanding the foregoing, the Committee may amend the Plan to comply with changes in tax or securities laws or regulations, or in the interpretation thereof.

Expected Tax Consequences

The following is a brief summary of certain tax consequences of certain transactions under the Plan. This summary is not intended to be complete and does not describe state or local tax consequences.

U.S. Federal Income Tax Consequences

Under the United States Internal Revenue Code, the Company will generally be entitled to a deduction for federal income tax purposes at the same time and in the same amount as the ordinary income that Participants recognize pursuant to Awards (subject to the Participant s overall compensation being reasonable, and to the discussion below with respect to Code section 162(m)). For Participants, the expected U.S. federal income tax consequences of Awards are as follows:

Non-ISOs. A Participant will not recognize income at the time a Non-ISO is granted. At the time a Non-ISO is exercised, the Participant will recognize ordinary income in an amount equal to the excess of (a) the Fair Market Value of the Shares issued to the Participant on the exercise date, over (b) the exercise price paid for the Shares. At the time of sale of Shares acquired pursuant to the exercise of a Non-ISO, the appreciation (or depreciation) in value of the Shares after the date of exercise will be treated either as short-term or long-term capital gain (or loss) depending on how long the Shares have been held.

ISOs. A Participant will not recognize income upon the grant of an ISO. There are generally no tax consequences to the Participant upon exercise of an ISO (except the amount by which the Fair Market Value of the Shares at the time of exercise exceeds the exercise price is a tax preference item possibly giving rise to an alternative minimum tax). If the Shares are not disposed of within two years from the date the ISO was granted or within one year after the ISO was exercised, any gain realized upon the subsequent disposition of the Shares will be characterized as long-term capital gain and any loss will be characterized as long-term capital loss. If both of these holding period requirements are not met, then a disqualifying disposition occurs and (a) the Participant recognizes ordinary income gain in the amount by which the Fair Market Value of the Shares at the time of exercise exceeded the exercise price for the ISO, and (b) any remaining amount realized on disposition (except for certain wash sales, gifts or sales to related persons) will be characterized as capital gain or loss.

Share Appreciation Rights. A Participant to whom a SAR is granted will not recognize income at the time of grant of the SAR. Upon exercise of a SAR, the Participant must recognize taxable compensation income in an amount equal to the Fair Market Value of any Shares or cash that the Participant receives.

Restricted Shares, RSUs, DSUs, Performance Units, and DERs. In general, a Participant will not recognize income at the time of grant of Restricted Shares, RSUs, DSUs, Performance Units, or DERs, unless the Participant elects with respect to Restricted Shares to accelerate income taxation to the date of the Award. In this event, a Participant would recognize ordinary income equal to the excess of the Fair Market Value of the Restricted Shares over any amount the Participant pays for them (in which case subsequent gain or loss would be capital in nature). In the absence of an election to accelerate income taxation to the date of an Award, a Participant must recognize taxable compensation income equal to the Fair Market Value of any Shares and/or cash that the Participant receives when the Award vests.

Similar tax consequences apply to Performance Units and DERs.

Unrestricted Shares. A Participant will recognize income at the time of grant of Unrestricted Shares, in an amount equal to the excess of the Fair Market Value of the Shares issued to the Participant, over any amount the Participant pays for them (in which case subsequent gain or loss would be capital in nature).

Special Tax Provisions. Under certain circumstances, the accelerated vesting, cash-out or accelerated lapse of restrictions on Awards in connection with a change in control of the company might be deemed an excess parachute payment for purposes of the golden parachute tax provisions of Internal Revenue Code section 280G, and the Participant may be subject to a 20% excise tax and we may be denied a tax deduction. Furthermore, we may not be able to deduct the aggregate compensation in excess of $1,000,000 attributable to Awards that are not performance-based within the meaning of Internal Revenue Code section 162(m) in certain circumstances.

Income Taxes and Deferred Compensation. The Plan provides that Participants are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with Awards (including any taxes arising under Section 409A of the Internal Revenue Code), and that we will not have any obligation to indemnify or otherwise hold any Participant harmless from any or all of such taxes. Nevertheless, the Plan authorizes the Committee to organize any deferral program, to require deferral election forms, and to grant or to unilaterally modify any Award in a manner that (i) conforms with the requirements of Section 409A of the Internal Revenue Code, (ii) that voids any Participant election to the extent it would violate Section 409A, and (iii) for any distribution election that would violate Section 409A, to make distributions pursuant to the Award at the earliest to occur of a distribution event that is allowable under Section 409A or any distribution event that is both allowable under Section 409A and is elected by the Participant, with the Committee s consent, in accordance with Section 409A.

General Tax Law Considerations. The preceding paragraphs are intended to be merely a summary of certain important tax law consequences concerning a grant, vesting or settlement of Awards under the Plan based on laws in existence as of the date of this Proxy Statement. Special rules may apply to our officers, directors or greater than ten percent stockholders. Participants in the Plan should review the current tax treatment with their individual tax advisors at the time of grant, exercise or any other transaction relating to an Award or the underlying Shares.

New Plan Benefits

The Committee will grant Awards under the Plan at its discretion. Consequently, it is not possible to determine at this time the amount or dollar value of Awards to be provided under the Plan, other than to note that the Committee has not granted Awards that are contingent upon the approval of the Plan.

Vote Required; Recommendation

Approval of the Plan will require the affirmative vote of a majority of the votes cast on the proposal for the Plan, provided that the total votes cast on the proposal represents over 50% in interest of the shares of class A common stock entitled to vote on the proposal. **Our board of directors unanimously recommends that you vote for the adoption of the Plan.**

PROPOSAL 3 APPROVAL OF THE TAX BENEFIT PRESERVATION RIGHTS AGREEMENT

Our board of directors requests your approval of our tax benefit preservation rights agreement, dated March 3, 2011, between us and American Stock Transfer & Trust Company, LLC, which we refer to as the Rights Agreement. The Rights Agreement is designed to preserve our substantial tax assets.

Description of the Rights Agreement

The Rights Agreement is intended to protect our ability to carry forward our net operating losses and certain other tax attributes, collectively referred to as the Tax Benefits. We have experienced and may continue to experience substantial net operating losses for federal and state income tax purposes. In general, we may carry forward net operating losses in certain circumstances to offset current and future taxable income, which will reduce federal and

state income tax liability, subject to certain requirements and restrictions. The Rights Agreement also has certain ancillary anti-takeover effects.

These Tax Benefits can be valuable to us. However, if we experience an ownership change , as defined for purposes of Section 382, referred to as Section 382, of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder, our ability to use the Tax Benefits could be substantially limited and delayed, which would significantly impair the value of the Tax Benefits.

Generally, we will experience an ownership change if the percentage of the shares of our common stock owned by one or more five-percent stockholders increases by more than fifty percentage points over the lowest percentage of shares of our common stock owned by such stockholder at any time during the prior three-year period or, if sooner, since our last ownership change. Therefore, the Rights Agreement has a 4.9% trigger threshold that is intended to act as a deterrent to any person or entity seeking to acquire 4.9% or more of our outstanding common stock without the prior approval of our board of directors.

The description of the Rights Agreement contained in this Proposal 3 is qualified in its entirety by reference to the text of the Rights Agreement and is attached to this proxy statement as Appendix B. You are urged to read carefully the Rights Agreement in its entirety as the discussion herein is only a summary.

The Rights. On February 9, 2011, our board of directors approved the Rights Agreement. In connection therewith, on March 3, 2011, we declared a dividend of one preferred stock purchase right, referred to as a Right, for each outstanding share of our class A common stock to stockholders of record at the close of business on March 14, 2011. Such date is referred to as the Rights Plan Record Date. Each Right entitles the registered holder to purchase from us one one-thousandth of one share of our series A junior participating preferred stock, par value $0.01 per share, referred to as the Preferred Stock, at a purchase price equal to $6.00 per one one-thousandth of a share, subject to adjustment. Such price is referred to as the Exercise Price. The description and terms of the Rights are set forth in the Rights Agreement. In addition, one Right will be issued with each share of our common stock that becomes outstanding after the Rights Plan Record Date, and prior to the earliest of (i) the Distribution Date (as defined below), (ii) the date the Rights are redeemed, (iii) the date the Rights are exchanged, or (iv) the date the Rights otherwise expire (see Expiration Date of the Rights below). The Rights trade automatically with shares of our common stock and separate and become exercisable only under the circumstances described below.

Exercisability. Until the Distribution Date (as defined below), the Rights will be attached to all certificates representing shares of our common stock then outstanding, and no separate Rights certificates, referred to as Rights Certificates, will be distributed. Subject to certain exceptions specified in the Rights Agreement, the Rights will separate from our class A common stock and become separately tradable and exercisable only upon the earlier of (i) ten business days following a public announcement that a person or group of affiliated or associated persons, collectively referred to as an Acquiring Person, has acquired beneficial ownership of 4.9% or more of our outstanding class A common stock or (ii) ten business days (or such later day as our board of directors may determine) following the commencement or announcement of an intention to make a tender offer or exchange offer that would result in a person or group becoming an Acquiring Person. Such earlier date is referred to as the Distribution Date. The Rights Agreement includes a procedure whereby our board of directors will consider requests to exempt certain acquisitions of our class A common stock from the applicable ownership trigger if our board of directors determines that the requested acquisition will not jeopardize or endanger the availability of the Tax Benefits.

Rights Holders Have No Rights as a Stockholder Until a Right Is Exercised. Until a Right is exercised, the holder of such Right will have no rights as our stockholder (beyond those possessed as an existing stockholder), including, without limitation, the right to vote or to receive dividends with respect to the Right.

Grandfathered Persons. The Rights Agreement provides that any person or entity who otherwise would be an Acquiring Person on the date the Rights Agreement was adopted, each referred to as a Grandfathered Person, shall not be deemed to be an Acquiring Person for purposes of the Rights Agreement unless such Grandfathered Person

increases its beneficial ownership by more than one-quarter of one percentage point over such Grandfathered Person s lowest percentage of ownership of our class A common stock after the adoption of the Rights Agreement, subject to specified exceptions.

Detachment and Transfer of Rights. Until the Distribution Date, (i) the Rights will be evidenced by our class A common stock certificates and will be transferred with and only with such certificates, (ii) our new class A

common stock certificates issued after the Record Date will contain a notation incorporating the Rights Agreement by reference, and (iii) the surrender for transfer of any certificates for our class A common stock outstanding will also constitute the transfer of the Rights associated with our common stock represented by such certificate.

As soon as practicable after the Distribution Date, Rights Certificates will be mailed to holders of record of our common stock as of the close of business on the Distribution Date and, thereafter, the separate Rights Certificates alone will represent the Rights.

Flip-in Rights. At any time after a Distribution Date has occurred, each holder of a Right, other than the Acquiring Person, will thereafter have the right to receive, upon paying the Exercise Price and in lieu of a number of one one-thousandths of a share of Preferred Stock, our class A common stock (or, in certain circumstances, cash or other of our securities) having a market value equal to two times the Exercise Price of the Right. For example, assuming a $3.00 market price for our class A common stock and the current Exercise Price of $6.00, after the Distribution Date each Right would entitle its holder to purchase four shares of our class A common stock with a market value of $12.00 for an aggregate purchase price of $6.00, or $1.50 per share. All Rights beneficially owned by any Acquiring Person would be null and void.

Flip-over Rights. In the event any person or group becomes an Acquiring Person and we merge into or engage in certain other business combinations with an Acquiring Person, or 50% or more of our consolidated assets or earning power are sold to an Acquiring Person, each holder of a Right (other than void Rights owned by an Acquiring Person) will thereafter have the right to receive, upon payment of the Exercise Price, common stock of the acquiring company that at the time of such transaction will have a market value equal to two times the Exercise Price of the Right.

Exchange of Rights. At any time after a person becomes an Acquiring Person, in lieu of allowing the flip-in to occur, our board of directors may exchange the Rights (other than void Rights owned by an Acquiring Person), in whole or in part, at an exchange ratio of one share of our class A common stock, (or, under certain circumstances, cash, property or other of our securities, including fractions of a share of preferred stock) per Right. Notwithstanding the foregoing, our board of directors may not conduct such an exchange at any time any person (other than with us or certain entities affiliated with us) together with such person s affiliates or associates becomes the beneficial owner of 50% or more of our class A common stock.

Redemption of Rights. At any time prior to a Distribution Date, our board of directors may redeem the Rights in whole, but not in part, at a price of $0.001 per Right and on such terms and conditions as our board of directors may establish. Immediately upon the action of our board of directors ordering redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the redemption price.

Expiration Date of the Rights. The Rights will expire at 5:00 P.M. (New York City time) on the earliest of:

March 14, 2014, the three-year anniversary of the Rights Plan Record Date;

the time at which the Rights are redeemed or exchanged under the Rights Agreement;

the final adjournment of our 2011 annual meeting of stockholders if stockholder approval of the Rights Agreement has not been received prior to such time;

the repeal of Section 382 or any successor statute, if our board of directors determines that the Rights Agreement is no longer necessary for the preservation of Tax Benefits;

the beginning of a taxable year with respect to which our board of directors determines that no Tax Benefits may be carried forward; or

such time when our board of directors determines that a limitation on the use of Tax Benefits under Section 382 would no longer be material to us.

Anti-Dilution Provisions. The Rights Agreement includes customary anti-dilution provisions designed to maintain the effectiveness of the Rights.

Amendments. The terms of the Rights may be amended by a resolution of our board of directors without the consent of the holders of the Rights, except that after a person or group becomes an Acquiring Person, no such

amendment may adversely affect the interests of the holders of the Rights (other than void Rights of an Acquiring Person). After the period for redemption of the Rights has expired, our board of directors may not amend the Rights Agreement to extend the period for redemption of the Rights.

Terms of the Preferred Stock. In connection with the Rights Agreement, our board of directors reclassified and designated 50,000 shares of Preferred Stock as shares of Series A Junior Participating Preferred Stock, as set forth in the Articles Supplementary, filed with the State Department of Assessments and Taxation of Maryland on March 3, 2011. A copy of the Articles Supplementary has been filed with the SEC as an exhibit to a Registration Statement on Form 8-A dated March 4, 2011.

Vote Required; Recommendation

The affirmative vote of a majority of the votes cast on the proposal at the annual meeting is required to approve our tax benefit preservation rights agreement. **Our board of directors unanimously recommends that you vote for the approval of our tax benefit preservation rights agreement**.

PROPOSAL 4 RATIFICATION OF INDEPENDENT AUDITORS

Description of Proposal

Our board of directors has appointed Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2011, and has further directed that the appointment of such independent auditors be submitted for ratification by our stockholders at the annual meeting. We have been advised by Ernst & Young LLP that neither that firm nor any of its associates has any relationship with us or our subsidiaries other than the usual relationship that exists between independent auditors and clients. Ernst & Young LLP will have a representative at the annual meeting who will have an opportunity to make a statement, if he or she so desires, and will be available to respond to appropriate questions.

Stockholder ratification of the appointment of Ernst & Young LLP as our independent auditors is not required by our charter or otherwise. However, our board of directors is submitting the appointment of Ernst & Young LLP to the stockholders for ratification as a matter of what it considers to be good corporate practice. Even if the appointment is ratified, our board of directors in its discretion may direct the appointment of different independent auditors at any time during the year if our board determines that such a change would be in our best interests.

Independent Auditors Fees

Aggregate fees we were billed for the fiscal years ended December 31, 2010 and 2009 by our independent auditors, Ernst & Young LLP, are as follows:

	Fiscal Year Ended December 31,	
	2010	**2009**
Audit fees(a)	$ 1,012,400	$ 1,081,900
Audit-related fees(b)	107,584	98,770
Total audit and audit-related fees	1,119,984	1,180,670
Tax fees(c)	219,340	278,078
All other fees		

Total(d)	$ 1,339,324	$ 1,458,748

(a) Audit fees include amounts billed to us related to annual financial statement audit work, quarterly financial statement reviews and comfort letters on and review of SEC registration statements.

(b) The audit-related fees include principally amounts billed to us related to due diligence and agreed upon procedures for 2010.

(c) Tax fees include amounts billed to us primarily for tax planning and consulting, tax compliance and preparation and review of federal, state and local tax returns and tax fees related to REIT tax matters.

(d) The amounts in the table do not include audit fees for 2010 and 2009 of $243,100 and $208,100, respectively, and tax fees of $71,625 and $128,298, respectively, relating to our third party investment management vehicles (CT Mezzanine Partners III, Inc., CT Large Loan 2006, Inc., CT Opportunity Partners I, LP and CT High Grade Partners II, LLC).

The audit committee of our board of directors was advised of the services provided by Ernst & Young LLP that are unrelated to the audit of the annual fiscal year end financial statements and the review of interim financial statements and has considered whether the provision of such services is compatible with maintaining Ernst & Young LLP s independence as our independent auditors.

Audit Committee Pre-Approval Policy

In accordance with our audit committee pre-approval policy, all audit and non-audit services performed for us by our independent auditors were pre-approved by the audit committee of our board of directors, which concluded that the provision of such services by Ernst & Young LLP was compatible with the maintenance of that firm s independence in the conduct of its auditing functions.

The pre-approval policy provides for categorical pre-approval of specified audit and permissible non-audit services and requires the specific pre-approval by the audit committee, prior to engagement, of such services, other than audit services covered by the annual engagement letter, that are individually estimated to result in an amount of fees that exceed $100,000. In addition, services to be provided by the independent auditors that are not within the category of pre-approved services must be approved by the audit committee prior to engagement, regardless of the service being requested or the dollar amount involved.

Requests or applications for services that require specific separate approval by the audit committee are required to be submitted to the audit committee by both management and the independent auditors, and must include a detailed description of the services to be provided and a joint statement confirming that the provision of the proposed services does not impair the independence of the independent auditors.

The audit committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the audit committee at its next scheduled meeting. The audit committee does not delegate to management its responsibilities to pre-approve services to be performed by the independent auditors.

Vote Required; Recommendation

The affirmative vote of a majority of the votes cast on the proposal at the annual meeting is required to ratify the appointment of Ernst & Young LLP as our independent auditors. **Our board of directors unanimously recommends that you vote for the ratification of Ernst & Young LLP as our independent auditors**.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS*

Our board of directors audit committee carries out oversight functions with respect to the preparation, review and audit of our financial statements, our system of internal controls and the qualifications, independence and performance of our internal auditor consultants and independent auditors and operates under a written charter adopted by the board of directors. The charter can be viewed, together with any future changes that may occur, on our website at *www.capitaltrust.com*. The audit committee has the sole authority and responsibility to select, evaluate and, as appropriate, replace our independent auditors. The audit committee members are independent within the meaning of the applicable New York Stock Exchange listing standards and Rule 10A-3 under the Securities Exchange Act of 1934, as amended.

Our management is responsible for the development, maintenance and evaluation of internal controls and procedures and our financial reporting system, the maintenance of appropriate accounting and financial reporting principles or policies and the preparation of financial statements in accordance with generally accepted accounting principles. Our independent auditors perform an independent audit of our consolidated financial statements in accordance with generally accepted auditing standards and issue a report thereon. The audit committee s responsibility is to monitor and oversee the foregoing functions.

The audit committee has met and held discussions with management and the independent auditors with respect to our consolidated financial statements for fiscal year 2010 and related matters. Management advised the committee that our consolidated financial statements were prepared in accordance with generally accepted accounting principles and the committee has reviewed and discussed the consolidated financial statements with management and our independent auditors, Ernst & Young LLP. Our independent auditors presented to and reviewed with the audit committee the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees). Our independent auditors also provided to the committee the written disclosures and the letter from the auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence and in connection therewith the committee discussed with the independent auditors their views as to their independence. The audit committee also reviewed, among other things, the audit and non-audit services performed by, and the amount of fees paid for such services to, Ernst & Young LLP. The audit committee meetings regularly include executive sessions with our independent auditors without the presence of our management.

In undertaking its oversight function, the audit committee relied, without independent verification, on management s representation that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and on the representations of the independent auditors included in their report on our financial statements. The audit committee is not, however, professionally engaged in the practice of accounting or auditing and does not provide any expert or other special assurance or professional opinion as to the sufficiency of the external or internal audits, whether the company s financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or on the effectiveness of the system of internal control.

Based on the audit committee s considerations, discussions with management and discussion with the independent auditors as described above, the audit committee recommended to the board of directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the Securities and Exchange Commission.

Audit Committee

Lynne B. Sagalyn
Thomas E. Dobrowski
Henry N. Nassau

* The material in this report is not solicitation material, is not deemed filed with the Securities and Exchange Commission, and is not incorporated by reference in any filing of the company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any filing.

ANNUAL REPORT

Our annual report to stockholders is being concurrently made available for distribution to our stockholders.

OTHER MATTERS

Our management does not know of any other matters to come before the annual meeting. If, however, any other matters do come before the annual meeting, it is the intention of the persons designated as proxies to vote in accordance with their discretion on such matters.

STOCKHOLDER PROPOSALS

If you wish to submit a stockholder proposal pursuant to Rule 14a-8 under the Securities Exchange Act for inclusion in our proxy statement and proxy card for our 2012 annual meeting of stockholders, you must submit the proposal to our secretary no later than January 10, 2012. In addition, if you desire to bring business (including director nominations) before our 2012 annual meeting, you must comply with our bylaws, which currently require that you provide written notice of such business to our secretary no earlier than December 11, 2011 and no later than 5:00 p.m. Eastern time on January 10, 2012. For additional requirements, stockholders should refer to our bylaws, Article II, Section 12, Nominations and Proposals by Stockholders, a current copy of which may be obtained from our secretary. If we do not receive timely notice pursuant to our bylaws, any proposal may be excluded from consideration at the meeting, regardless of any earlier notice provided in accordance with Rule 14a-8.

Appendix A

Capital Trust, Inc. 2011 Long-Term Incentive Plan

CAPITAL TRUST, INC.

2011 LONG-TERM INCENTIVE PLAN

As approved by the Board of Directors
on April 27, 2011, and by the Company s
stockholders on June , 2011.

CAPITAL TRUST, INC.
2011 LONG-TERM INCENTIVE PLAN

Plan Document

1. *Introduction.*

(a) *Purpose.* By resolution of its Board of Directors approved on April 27, 2011, Capital Trust, Inc. (the Company) hereby establishes this equity-based incentive compensation plan to be known as the Capital Trust, Inc. 2011 Long-Term Incentive Plan (the Plan), for the following purposes: (i) to enhance the Company s ability to attract highly qualified personnel; (ii) to strengthen its retention capabilities; (iii) to enhance the long-term performance and competitiveness of the Company; and (iv) to align the interests of Plan participants with those of the Company s stockholders. This Plan is intended to serve as the sole source for all future equity-based awards to those eligible for Plan participation.

(b) *Effective Date.* This Plan shall become effective on the date (the Effective Date) upon which it has received approval by a vote of a majority of the votes cast at a duly held meeting of the Company s stockholders (or by such other stockholder vote that the Committee determines to be sufficient for the issuance of Shares and Awards according to the Company s governing documents and Applicable Law).

(c) *Definitions.* Terms in the Plan and any Appendix that begin with an initial capital letter have the defined meaning set forth in *Appendix I* or elsewhere in this Plan, in either case unless the context of their use clearly indicates a different meaning.

(d) *Effect on Other Plans, Awards, and Arrangements.* This Plan is not intended to affect and shall not affect any stock options, equity-based compensation, or other benefits that the Company or its Affiliates may have provided, or may separately provide in the future, pursuant to any agreement, plan, or program that is independent of this Plan. Notwithstanding the foregoing, effective upon stockholder approval of this Plan, no further awards of any kind shall occur under the Company s 2007 Long-Term Incentive Plan, and any Shares that are currently subject to awards under such plan but as to which Shares are not issued due to a forfeiture, cancellation, or other settlement thereof shall be added to the reserve of Shares that are authorized and available for issuance pursuant to this Plan.

2. *Types of Awards.* The Plan permits the granting of the following types of Awards according to the Sections of the Plan listed below:

Section 5	Options
Section 6	Share Appreciation Rights (SARs)
Section 7	Restricted Shares, Restricted Share Units (RSUs), and Unrestricted Shares
Section 8	Deferred Share Units (DSUs)

Section 9	Performance and Cash-settled Awards
Section 10	Dividend Equivalent Rights

3. *Shares Available for Awards.*

(a) *Generally,* Subject to Section 13 below, a total of one million (1,000,000) Shares shall be available for issuance under the Plan. The Shares deliverable pursuant to Awards shall be authorized but unissued Shares, or issued Shares that the Company holds in trust and are otherwise deliverable pursuant to Awards.

(b) *Replenishment; Counting of Shares.* Any Shares reserved for Awards will again be available for future Awards if the Shares for any reason will never be issued to a Participant or Beneficiary pursuant to an Award (for example, due to its settlement in cash rather than in Shares, or the Award s forfeiture, cancellation, expiration, or net settlement through the issuance of Shares). Further, and to the extent permitted under Applicable Law, the maximum number of Shares available for delivery under the Plan shall not be reduced by any Shares issued under the Plan through the settlement, assumption, or substitution of outstanding awards or obligations to grant future awards as a condition of the Company s or an Affiliate s acquiring another entity. On the other hand, Shares that a Person owns and tenders in payment of all or part of the exercise price of an Award or in satisfaction of applicable

Withholding Taxes shall not increase the number of Shares available for future issuance under the Plan. Shares reacquired by the Company on the open market using Option Proceeds shall be available for Awards. The increase in Shares available pursuant to the repurchase of Shares with Option Proceeds shall not be greater than the amount of such proceeds divided by the Fair Market Value of a Share on the date of exercise of the Option giving rise to such Option Proceeds.

(c) *ISO Share Reserve.* The number of Shares that are available for ISO Awards shall not exceed one million (1,000,000) Shares (as adjusted pursuant to Section 13 of the Plan, and as determined in accordance with Code Section 422).

(d) *Vesting Limitation.* Notwithstanding any other provision of the Plan to the contrary, Awards (other than Options and SARs)shall become vested on a pro rata basis over a period of not less than three years (or, in the case of vesting with respect to Performance Awards, over a period of not less than one year measured from the commencement of the period over which performance is evaluated) following the Grant Date; ***provided****, however*, that, notwithstanding the foregoing, such Awards that result in the issuance of an aggregate of up to fifteen percent (15%) of the Shares available pursuant to Section 3(a), as adjusted pursuant to Section 13 below, may be granted to any one or more Eligible Persons without respect to such minimum vesting provisions.

4. *Eligibility.*

(a) *General Rule.* Subject to the express provisions of the Plan, the Committee shall determine from the class of Eligible Persons those Persons to whom Awards may be granted. Each Award shall be evidenced by an Award Agreement that sets forth its Grant Date and all other terms and conditions of the Award, that is signed on behalf of the Company (or delivered by an authorized agent through an electronic medium), and that, if required by the Committee, is signed by the Eligible Person as an acceptance of the Award. The grant of an Award shall not obligate the Company or any Affiliate to continue the employment or service of any Eligible Person, or to provide any future Awards or other remuneration at any time thereafter.

(b) *Option and SAR Limits per Person.* Within each calendar year during the term of the Plan, no Participant may receive Awards of Options and SARs that relate to more than one hundred thousand (100,000) Shares as such number may be adjusted pursuant to Section 13 below.

(c) *Replacement Awards.* Subject to Applicable Law (including any associated stockholder approval requirements), the Committee may, in its sole discretion and upon such terms as it deems appropriate, require as a condition of the grant of an Award to a Participant that the Participant, consent to surrender for cancellation some or all of the Awards or other grants that the Participant has received under this Plan or otherwise. An Award conditioned upon such surrender may or may not be the same type of Award, may cover the same (or a lesser or greater) number of Shares as such surrendered Award, may have other terms that are determined without regard to the terms or conditions of such surrendered Award, and may contain any other terms that the Committee deems appropriate. In the case of Options and SARs, these other terms may not involve an exercise price that is lower than the exercise price of the surrendered Option or SAR unless either (i) the Award is made in connection with the assumption or exchange of economically-equivalent awards in connection with a Change in Control, or (ii) the Company s stockholders approve the grant itself or the program under which the grant is made pursuant to the Plan.

5. *Stock Options.*

(a) *Grants.* Subject to the special rules for ISOs set forth in Section 5(b) below, the Committee may grant Options to Eligible Persons pursuant to Award Agreements setting forth terms and conditions that are not inconsistent with the Plan, that may be immediately exercisable or that may become exercisable in whole or in part based on future events

or conditions, that may include vesting or other requirements for the right to exercise the Option, and that may differ for any reason between Eligible Persons or classes of Eligible Persons, ***provided*** in all instances that:

(i) the exercise price for Shares subject to purchase through exercise of an Option shall not be less than 100% of the Fair Market Value of the underlying Shares on the Grant Date (unless the Award replaces a previously issued Option or SAR); and

(ii) no Option shall be exercisable for a term ending more than ten years after its Grant Date.

(b) *Special ISO Provisions.* The following provisions shall control any grants of Options that are denominated as ISOs; ***provided*** that ISOs may not be granted more than ten (10) years after Board approval of the Plan.

(i) *Eligibility.* The Committee may grant ISOs only to Employees (including officers who are Employees) of the Company or an Affiliate that is a parent corporation or subsidiary corporation within the meaning of Code Section 424.

(ii) *Documentation.* Each Option that is intended to be an ISO must be designated in the Award Agreement as an ISO, ***provided*** that any Option designated as an ISO will be a Non-ISO to the extent the Option fails to meet the requirements of Code Section 422 or the provisions of this Section 5(b). In the case of an ISO, the Committee shall determine on the Grant Date the acceptable methods of paying the exercise price for Shares, and it shall be included in the applicable Award Agreement.

(iii) *$100,000 Limit.* To the extent that the aggregate Fair Market Value of Shares with respect to which ISOs first become exercisable by a Participant in any calendar year (under this Plan and any other plan of the Company or any Affiliate) exceeds one hundred thousand dollars (U.S. $100,000), such excess Options shall be treated as Non-ISOs. For purposes of determining whether the one hundred thousand dollars (U.S. $100,000) limit is exceeded, the Fair Market Value of the Shares subject to an ISO shall be determined as of the Grant Date. In reducing the number of Options treated as ISOs to meet the one hundred thousand dollars (U.S. $100,000) limit, the most recently granted Options shall be reduced first. In the event that Code Section 422 is amended to alter the limitation set forth therein, the limitation of this Section 5(b)(iii) shall be automatically adjusted accordingly.

(iv) *Grants to 10% Holders.* In the case of an ISO granted to an Employee who is a Ten Percent Holder on the Grant Date, the ISO s term shall not exceed five years from the Grant Date, and the exercise price shall be at least 110% of the Fair Market Value of the underlying Shares on the Grant Date. In the event that Code Section 422 is amended to alter the limitations set forth therein, the limitation of this paragraph shall be automatically adjusted accordingly.

(v) *Substitution of Options.* In the event the Company or an Affiliate acquires (whether by purchase, merger, or otherwise) all or substantially all of outstanding capital stock or assets of another corporation or in the event of any reorganization or other transaction qualifying under Code Section 424, the Committee may, in accordance with the provisions of that Code Section, substitute ISOs for ISOs previously granted under the plan of the acquired company provided (A) the excess of the aggregate Fair Market Value of the Shares subject to an ISO immediately after the substitution over the aggregate exercise price of such shares is not more than the similar excess immediately before such substitution, and (B) the new ISO does not give additional benefits to the Participant, including any extension of the exercise period.

(vi) *Notice of Disqualifying Dispositions.* By executing an ISO Award Agreement, each Participant agrees to notify the Company in writing immediately after the Participant sells, transfers or otherwise disposes of any Shares acquired through exercise of the ISO, if such disposition occurs within the earlier of (A) two (2) years of the Grant Date, or (B) one (1) year after the exercise of the ISO being exercised. Each Participant further agrees to provide any information about a disposition of Shares as may be requested by the Company to assist it in complying with any applicable tax laws.

(c) *Method of Exercise.* Each Option may be exercised, in whole or in part (***provided*** that the Company shall not be required to issue fractional shares) at any time and from time to time prior to its expiration, but only pursuant to the terms of the applicable Award Agreement, and subject to the times, circumstances and conditions for exercise contained in the applicable Award Agreement. Exercise shall occur by delivery of both written notice of exercise to the secretary of the Company, and payment of the full exercise price for the Shares being purchased. The methods of payment that the Committee may in its discretion accept or commit to accept in an Award Agreement include:

(i) cash or check payable to the Company (in U.S. dollars);

(ii) other Shares that (A) are owned by the Participant who is purchasing Shares pursuant to an Option, (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option is being exercised, (C) are all, at the time of such surrender, free and clear of any and all

claims, pledges, liens and encumbrances, or any restrictions which would in any manner restrict the transfer of such shares to or by the Company (other than such restrictions as may have existed prior to an issuance of such Shares by the Company to such Participant), and (D) are duly endorsed for transfer to the Company;

(iii) a net exercise by surrendering to the Company Shares otherwise receivable upon exercise of the Option;

(iv) a cashless exercise program that the Committee may approve, from time to time in its discretion, pursuant to which a Participant may elect to concurrently provide irrevocable instructions (A) to such Participant s broker or dealer to effect the immediate sale of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the exercise price of the Option plus all applicable taxes required to be withheld by the Company by reason of such exercise, and (B) to the Company to deliver the certificates for the purchased Shares directly to such broker or dealer in order to complete the sale; or

(v) any combination of the foregoing methods of payment.

The Company shall not be required to deliver Shares pursuant to the exercise of an Option until the Company has received sufficient funds or value to cover the full exercise price due and all applicable Withholding Taxes required by reason of such exercise.

Notwithstanding any other provision of the Plan to the contrary, no Participant who is a Director or an executive officer of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

(d) *Exercise of an Unvested Option.* The Committee in its sole discretion may allow a Participant to exercise an unvested Option, in which case the Shares then issued shall be Restricted Shares having analogous vesting restrictions to the unvested Option.

(e) *Termination of Continuous Service.* The Committee may establish and set forth in the applicable Award Agreement the terms and conditions on which an Option shall remain exercisable, if at all, following termination of a Participant s Continuous Service. The Committee may waive or modify these provisions at any time. To the extent that a Participant is not entitled to exercise an Option at the date of his or her termination of Continuous Service, or if the Participant (or other Person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time specified in the Award Agreement or below (as applicable), the Option shall terminate and the Shares underlying the unexercised portion of the Option shall revert to the Plan and become available for future Awards.

The following provisions shall apply to the extent an Award Agreement does not specify the terms and conditions upon which an Option shall terminate when there is a termination of a Participant s Continuous Service:

Reason for Terminating Continuous Service	**Option Termination Date**
(I) By the Company for Cause, or what would have been Cause if the Company had known all of the relevant facts.	Termination of the Participant s Continuous Service, or when Cause first existed if earlier.
(II) Disability of the Participant.	Within one year after termination of the Participant s Continuous Service.
(III) Retirement of the Participant.	Within six months after termination of the Participant s Continuous Service.

(IV) Death of the Participant during Continuous Service or within 90 days thereafter.	Within one year after termination of the Participant s Continuous Service.
(V) Any other reason.	Within 90 days after termination of the Participant s Continuous Service.

If there is a blackout period under the Company s insider trading policy or Applicable Law (or a Committee-imposed blackout period) that prohibits the buying or selling of Shares during any part of the ten day period before

the expiration of any Option based on the termination of a Participant s Continuous Service (as described above), the period for exercising the Options shall be extended until ten days beyond when such blackout period ends. Notwithstanding any provision hereof or within an Award Agreement, no Option shall ever be exercisable after the expiration date of its original term as set forth in the Award Agreement.

6. *SARs*.

(a) *Grants.* The Committee may grant SARs to Eligible Persons pursuant to Award Agreements setting forth terms and conditions that are not inconsistent with the Plan; ***provided*** that:

(i) the exercise price for the Shares subject to each SAR shall not be less than one hundred percent (100%) of the Fair Market Value of the underlying Shares on the Grant Date (unless the Award replaces a previously issued Option or SAR);

(ii) no SAR shall be exercisable for a term ending more than ten years after its Grant Date; and

(iii) each SAR shall, except to the extent a SAR Award Agreement provides otherwise, be subject to the provisions of Section 5(e) relating to the effect of a termination of Participant s Continuous Service, Section 5(f) relating to anti-dilution for cash dividends, and Section 5(g) relating to buyouts, in each case with SAR being substituted for Option.

(b) *Settlement.* Subject to the Plan s terms, a SAR shall entitle the Participant, upon exercise of the SAR, to receive Shares having a Fair Market Value on the date of exercise equal to the product of the number of Share as to which the SAR is being exercised, and the excess of (i) the Fair Market Value, on such date, of the Shares covered by the exercised SAR, over (ii) an exercise price designated in the SAR Award Agreement. Notwithstanding the foregoing, a SAR Award Agreement may limit the total settlement value that the Participant will be entitled to receive upon the SAR s exercise, and may provide for settlement either in cash or in any combination of cash or Shares that the Committee may authorize pursuant to an Award Agreement. If, on the date on which a SAR or portion thereof is to expire, the Fair Market Value of the underlying Shares exceeds their aggregate exercise price of such SAR, then the SAR shall be deemed exercised and the Participant shall within ten days thereafter receive the Shares and/or cash that would have been issued on such date if the Participant had affirmatively exercised the SAR on that date.

(c) *SARs related to Options.* The Committee may grant SARs either concurrently with the grant of an Option or with respect to an outstanding Option, in which case the SAR shall extend to all or a portion of the Shares covered by the related Option, and shall have an exercise price that is not less than the exercise price of the related Option. A SAR shall entitle the Participant who holds the related Option, upon exercise of the SAR and surrender of the related Option, or portion thereof, to the extent the SAR and related Option each were previously unexercised, to receive the settlement determined pursuant to Section 6(b) above. Any SAR granted in tandem with an ISO will contain such terms as may be required to comply with the provisions of Code Section 422.

(d) *Effect on Available Shares.* At each time of exercise of a SAR that is settled through the delivery of Shares to the Participant, only those Shares that are issued or delivered in settlement of the exercise shall be counted against the number of Shares available for Awards under the Plan.

7. *Restricted Shares, RSUs, and Unrestricted Shares*.

(a) *Grant.* The Committee may grant Restricted Shares, RSUs, or Unrestricted Shares to Eligible Persons, in all cases pursuant to Award Agreements setting forth terms and conditions that are not inconsistent with the Plan. The Committee shall establish as to each Restricted Share or RSU Award the number of Shares deliverable or subject to

the Award (which number may be determined by a written formula), and the period or periods of time (the Restriction Period) at the end of which all or some restrictions specified in the Award Agreement shall lapse, and the Participant shall receive unrestricted Shares (or cash to the extent provided in the Award Agreement) in settlement of the Award. Such restrictions may include, without limitation, restrictions concerning voting rights and transferability, and such restrictions may lapse separately or in combination at such times and pursuant to such circumstances or based on such criteria as selected by the Committee, including, without limitation, criteria based on the Participant s duration of employment, directorship or consultancy with the Company, individual, group, or divisional performance criteria, Company performance, or other criteria selection by the Committee. The

Committee may make Restricted Share and RSU Awards with or without the requirement for payment of cash or other consideration. In addition, the Committee may grant Awards hereunder in the form of Unrestricted Shares which shall vest in full upon the Grant Date or such other date as the Committee may determine or which the Committee may issue pursuant to any program under which one or more Eligible Persons (selected by the Committee in its sole discretion) elect to pay for such Shares or to receive Unrestricted Shares in lieu of cash bonuses that would otherwise be paid.

(b) *Vesting and Forfeiture.* Subject to Section 3(d) of the Plan, the Committee shall set forth, in an Award Agreement granting Restricted Shares or RSUs, the terms and conditions under which the Participant s interest in the Restricted Shares or the Shares subject to RSUs will become vested and non-forfeitable. Except as set forth in the applicable Award Agreement or as the Committee otherwise determines, upon termination of a Participant s Continuous Service for any reason, the Participant shall forfeit his or her Restricted Shares and RSUs to the extent the Participant s interest therein has not vested on or before such termination date; ***provided*** that if a Participant purchases Restricted Shares and forfeits them for any reason, the Company shall return the purchase price to the Participant to the extent either set forth in an Award Agreement or required by Applicable Laws.

(c) *Certificates for Restricted Shares.* Unless otherwise provided in an Award Agreement, the Company shall hold certificates representing Restricted Shares and dividends (whether in Shares or cash) that accrue with respect to them until the restrictions lapse, and the Participant shall provide the Company with appropriate stock powers endorsed in blank. The Participant s failure to provide such stock powers within ten days after a written request from the Company shall entitle the Committee to unilaterally declare a forfeiture of all or some of the Participant s Restricted Shares.

(d) *Section 83(b) Elections.* A Participant may make an election under Code Section 83(b) (the Section 83(b) Election) with respect to Restricted Shares. A Participant who has received RSUs may, within ten days after receiving the RSU Award, provide the Committee with a written notice of his or her desire to make Section 83(b) Election with respect to the Shares subject to such RSUs. The Committee may in its discretion convert the Participant s RSUs into Restricted Shares, on a one-for-one basis, in full satisfaction of the Participant s RSU Award. The Participant may then make a Section 83(b) Election with respect to those Restricted Shares; ***provided*** that the Participant s Section 83(b) Election will be invalid if not filed with the Company and the appropriate U.S. tax authorities within thirty (30) days after the Grant Date of the RSUs that are thereafter replaced by the Restricted Shares.

(e) *Deferral Elections for RSUs.* To the extent specifically provided in an Award Agreement and subject to and in accordance with Section 8 below, a Participant who is a Director or a member of a select group of management or highly compensated Employees (within the meaning of ERISA) may irrevocably elect, in accordance with Section 8 below, to defer the receipt of all or a percentage of the Shares that would otherwise be transferred to the Participant both more than twelve (12) months after the date of the Participant s deferral election and upon the vesting of an RSU Award. If the Participant makes this election, the Company shall credit the Shares subject to the election, and any associated Shares attributable to Dividend Equivalent Rights attached to the Award, to a DSU account established pursuant to Section 8 below on the date such Shares would otherwise have been delivered to the Participant pursuant to this Section.

(f) *Issuance of Shares upon Vesting.* As soon as practicable after vesting of a Participant s Restricted Shares (or of the right to receive Shares underlying RSUs), the Company shall deliver to the Participant, free from vesting restrictions, one Share for each surrendered and vested Restricted Share (or deliver one Share free of the vesting restriction for each vested RSU), unless an Award Agreement provides otherwise and subject to Section 11 regarding Withholding Taxes. No fractional Shares shall be distributed, and cash shall be paid in lieu thereof.

8. *DSUs.*

(a) *Elections to Defer.* The Committee may make DSU awards to Eligible Persons pursuant to Award Agreements (regardless of whether or not there is a deferral of the Eligible Person s compensation), and may permit select Eligible Persons who are Directors or members of a select group of management or highly compensated Employees (within the meaning of ERISA) to irrevocably elect, on a form provided by and acceptable to the Committee (the Election Form), to forego the receipt of cash or other compensation (including the Shares

deliverable pursuant to any RSU Award) and in lieu thereof to have the Company credit to an internal Plan account a number of DSUs having a Fair Market Value equal to the Shares and other compensation deferred. These credits will be made at the end of each calendar quarter (or other period determined by the Committee) during which compensation is deferred. Notwithstanding the foregoing sentence, a Participant s Election Form will be ineffective with respect to any compensation that the Participant earns before the date on which the Election Form takes effect. For any Participant who is subject to U.S. income taxation, the Committee shall only authorize deferral elections under this Section 8(a) (i) pursuant to written procedures, and using written Election Forms, that satisfy the requirements of Code Section 409A, and (ii) only by Eligible Persons who are Directors, Consultants, or members of a select group of management or highly compensated Employees (within the meaning of ERISA).

(b) *Vesting.* Unless an Award Agreement expressly provides otherwise, each Participant shall be 100% vested at all times in any Shares subject to DSUs.

(c) *Issuances of Shares.* Unless an Award Agreement expressly provides otherwise, the Company shall settle a Participant s DSU Award, by delivering one Share for each DSU, in five substantially equal annual installments that are issued before the last day of each of the five calendar years that end after the date on which the Participant s Continuous Service ends for any reason, subject to

(i) the Participant s right to elect a different form of distribution, only on a form provided by and acceptable to the Committee, that permits the Participant to select any combination of a lump sum and annual installments that are triggered by, and completed within ten years following, the last day of the Participant s Continuous Service, and

(ii) the Company s acceptance of the Participant s distribution election form executed at the time the Participant elects to defer the receipt of cash or other compensation pursuant to Section 8(a), ***provided*** that the Participant may change a distribution election through any subsequent election that (A) the Participant delivers to the Company at least one year before the date on which distributions are otherwise scheduled to commence pursuant to the Participant s initial distribution election, and (B) defers the commencement of distributions by at least five years from the originally scheduled distribution commencement date.

Fractional shares shall not be issued, and instead shall be paid out in cash.

(d) *Emergency Withdrawals.* In the event that a Participant suffers an unforeseeable emergency within the contemplation of this Section 8(d), the Participant may apply to the Committee for an immediate distribution of all or a portion of the Participant s DSUs. The unforeseeable emergency must result from a sudden and unexpected illness or accident of the Participant, the Participant s spouse, or a dependent (within the meaning of Code Section 152) of the Participant, casualty loss of the Participant s property, or other similar extraordinary and unforeseeable conditions beyond the control of the Participant. The Committee shall, in its sole and absolute discretion, determine whether a Participant has a qualifying unforeseeable emergency, may require independent verification of the emergency, and may determine whether or not to provide the Participant with cash or Shares. Examples of purposes which are not considered unforeseeable emergencies include post-secondary school expenses or the desire to purchase a residence. In no event will a distribution be made to the extent the unforeseeable emergency could be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the Participant s nonessential assets to the extent such liquidation would not itself cause a severe financial hardship. The amount of any distribution hereunder shall be limited to the amount necessary to relieve the Participant s unforeseeable emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution. The number of Shares subject to the Participant s DSU Award shall be reduced by any Shares distributed to the Participant and by a number of Shares having a Fair Market Value on the date of the distribution equal to any cash paid to the Participant pursuant to this Section 8(d). For all DSUs granted to Participants who are U.S. taxpayers, the term unforeseeable emergency shall be interpreted in accordance with Code Section 409A.

(e) *Termination of Service.* For purposes of this Section 8, a Participant s Continuous Service shall only end when the Participant incurs a separation from service within the meaning of Treasury Regulations § 1.409A-1(h). A Participant shall be considered to have experienced a termination of Continuous Service when the facts and circumstances indicate that either (i) no further services will be performed for the Company or any Affiliate after a certain date, or (ii) that the level of bona fide services the Participant will perform after such date (whether as an

Employee, Director, or Consultant) are reasonably expected to permanently decrease to no more than fifty percent (50%) of the average level of bona fide services performed by such Participant (whether as an Employee, Director, or Consultant) over the immediately preceding thirty-six (36) month period (or full period of services to the Company and its Affiliates if the Participant has been providing such services for less than thirty-six (36) months).

9. *Performance and Cash-Settled Awards.*

(a) *Performance Units.* Subject to the limitations set forth in paragraph (b) hereof, the Committee may in its discretion grant Performance Awards, including Performance Units to any Eligible Person, including Performance Units that (i) have substantially the same financial benefits and other terms and conditions as Options, SARs, RSUs, or DSUs, but (ii) are settled only in cash. All Awards hereunder shall be made pursuant to Award Agreements setting forth terms and conditions that are not inconsistent with the Plan.

(b) *Performance Compensation Awards.* Subject to the limitations set forth herein, the Committee may, at the time of grant of a Performance Award, designate its as a Performance Compensation Award (payable in cash or Shares) in order that such Award constitutes, qualified performance-based compensation under Code Section 162(m), and has terms and conditions designed to qualify as such. With respect to each such Performance Compensation Award, the Committee shall establish, in writing within the time required under Code Section 162(m), a Performance Period, Performance Measure(s) , and Performance Formula(e) (each such term being defined below). Once established for a Performance Period, the Performance Measure(s) and Performance Formula(e) shall not be amended or otherwise modified to the extent such amendment or modification would cause the compensation payable pursuant to the Award to fail to constitute qualified performance-based compensation under Code Section 162(m).

A Participant shall be eligible to receive payment in respect of a Performance Compensation Award only to the extent that the Performance Measure(s) for such Award is achieved and the Performance Formula(e) as applied against such Performance Measure(s) determines that all or some portion of such Participant s Award has been earned for the Performance Period. As soon as practicable after the close of each Performance Period, the Committee shall review and certify in writing whether, and to what extent, the Performance Measure(s) for the Performance Period have been achieved and, if so, determine and certify in writing the amount of the Performance Compensation Award to be paid to the Participant and, in so doing, may use negative discretion to decrease, but not increase, the amount of the Award otherwise payable to the Participant based upon such performance

(c) *Limitations on Awards.* The maximum Performance Compensation Award that any one Participant may receive for any one Performance Period, without regard to time of vesting or exercisability, shall not together exceed two hundred and fifty thousand (250,000) Shares, as adjusted pursuant to Section 13 below (or, for Performance Units to be settled in cash, five million dollars (U.S. $5,000,000)). The Committee shall have the discretion to provide in any Award Agreement that any amounts earned in excess of these limitations will be credited as DSUs or as deferred cash compensation under a separate plan of the Company (***provided*** in the latter case that such deferred compensation either bears a reasonable rate of interest or has a value based on one or more predetermined actual investments). Any amounts for which payment to the Participant is deferred pursuant to the preceding sentence shall be paid to the Participant in a future year or years not earlier than, and only to the extent that, the Participant is either not receiving compensation in excess of these limits for a Performance Period, or is not subject to the restrictions set forth under Code Section 162(b).

(d) *Definitions.*

(i) Performance Formula means, for a Performance Period, one or more objective formulas or standards established by the Committee for purposes of determining whether or the extent to which an Award has been earned based on the level of performance attained or to be attained with respect to one or more Performance Measure(s). Performance

Formulae may vary from Performance Period to Performance Period and from Participant to Participant and may be established on a stand-alone basis, in tandem or in the alternative.

(ii) Performance Measure means one or more of the following selected by the Committee to measure Company, Affiliate, and/or subsidiary, division or business unit performance for a Performance Period, whether in absolute or relative terms including, without limitation: terms relative to a peer group or index;

basic, diluted, or adjusted earnings per share; sales or revenue; earnings before interest, taxes, and other adjustments (in total or on a per share basis); cash available for distribution; basic or adjusted net income; returns on equity, assets, capital, revenue or similar measure; level and growth of dividends; the price or increase in price of Shares; total stockholder return; distributions received on the account of so called carried interests or incentive management fees from any other private equity fund or managed account managed by the Company; total assets; growth in assets, new originations of assets, or financing of assets; equity market capitalization; assets under management; reduction or other quantifiable goal with respect to general and/or specific expenses; third-party equity capital under management or raised; and mergers, acquisitions, increase in enterprise value of Affiliates, subsidiaries, divisions or business units or sales of assets of Affiliates, subsidiaries, divisions or business units or sales of assets. Each such measure shall be, to the extent applicable, determined in accordance with generally accepted accounting principles as consistently applied by the Company (or such other standard applied by the Committee) and, if so determined by the Committee, and in the case of a Performance Compensation Award, to the extent permitted under Code Section 162(m), adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment, unusual or infrequently occurring events and transactions and cumulative effects of changes in accounting principles. Performance Measures may vary from Performance Period to Performance Period and from Participant to Participant, and may be established on a stand-alone basis, in tandem or in the alternative.

(iii) Performance Period means one or more periods of time (of not less than one fiscal year of the Company), as the Committee may designate, over which the attainment of one or more Performance Measure(s) will be measured for the purpose of determining a Participant s rights in respect of an Award.

(e) *Deferral Elections.* At any time prior to the date that is both at least six months before the close of a Performance Period (or shorter or longer period that the Committee selects) with respect to a Performance Award and at which time vesting or payment is substantially uncertain to occur, the Committee may permit a Participant who is a member of a select group of management or highly compensated employees (within the meaning of ERISA) to irrevocably elect, on a form provided by and acceptable to the Committee, to defer the receipt of all or a percentage of the cash or Shares that would otherwise be transferred to the Participant upon the vesting of such Award. If the Participant makes this election, the cash or Shares subject to the election, and any associated interest and dividends, shall be credited to an account established pursuant to Section 8 hereof on the date such cash or Shares would otherwise have been released or issued to the Participant pursuant to this Section.

10. *Dividend Equivalent Rights*. The Committee may grant Dividend Equivalent Rights to any Eligible Person, and may do either pursuant to an Award Agreement that is independent of any other Award, or through a provision in another Award (other than an Option or SAR) that Dividend Equivalent Rights attach to the Shares underlying the Award. For example, and without limitation, the Committee may grant a Dividend Equivalent Right in respect of each Share subject to a Restricted Stock Award, Restricted Stock Unit Award, Deferred Share Unit, or Performance Unit Award.

(a) *Nature of Right*. Each Dividend Equivalent Right shall represent the right to receive amounts based on the dividends declared on Shares as of all dividend payment dates during the term of the Dividend Equivalent Right (as determined by the Committee). Unless otherwise determined by the Committee, a Dividend Equivalent Right shall expire upon termination of the Participant s Continuous Service, ***provided*** that a Dividend Equivalent Right that is granted in as part of another Award shall have a term and an expiration date that coincide with those of the related Award.

(b) *Settlement*. Unless otherwise provided in an Award Agreement, Dividend Equivalent Rights shall be paid out on the (i) on the record date for dividends if the Award occurs on a stand-alone basis, and (ii) on the vesting or later settlement date (or other date specified in the Award Agreement) for another Award if the Dividend Equivalent Right is granted as part of it. Payment of all amounts determined in accordance with this Section shall be in Shares, with

cash paid in lieu of fractional Shares, ***provided*** that the Committee may instead provide in an Award Agreement for cash settlement of all or part of the Dividend Equivalent Rights. For DERs settled in Shares, only the Shares actually issued pursuant to Dividend Equivalent Rights shall count against the Share limits set forth in Section 3 above.

(c) *Other Terms*. The Committee may impose such other terms and conditions on the grant of a Dividend Equivalent Right as it deems appropriate in its discretion as reflected by the terms of the Award Agreement. The Committee may establish a program under which Dividend Equivalent Rights may be granted in conjunction with other Awards. The Committee may also authorize, for any Participant or group of Participants, a program under which the payments with respect to Dividend Equivalent Rights may be deferred pursuant to the terms and conditions determined under Section 8 above.

11. *Taxes; Withholding*.

(a) *General Rule*. Participants are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with Awards, and neither the Company, any Affiliate, nor any of their employees, directors, or agents shall have any obligation to mitigate, indemnify, or to otherwise hold any Participant harmless from any or all of such taxes. The Company s obligation to deliver Shares (or to pay cash) to Participants pursuant to Awards is at all times subject to their prior or coincident satisfaction of all required Withholding Taxes. Except to the extent otherwise either provided in an Award Agreement or thereafter authorized by the Committee, the Company or any Affiliate will satisfy required Withholding Taxes that the Participant has not otherwise arranged to settle before the due date thereof

(i) first from withholding the cash otherwise payable to the Participant pursuant to the Award;

(ii) then by withholding and cancelling the Participant s rights with respect to a number of Shares that (A) would otherwise have been delivered to the Participant pursuant to the Award, and (B) have an aggregate Fair Market Value equal to the Withholding Taxes (such withheld Shares to be valued on the basis of the aggregate Fair Market Value thereof on the date of the withholding); and

(iii) finally, withholding the cash otherwise payable to the Participant by the Company.

The number of Shares withheld and cancelled to pay a Participant s Withholding Taxes will be rounded up to the nearest whole Share sufficient to satisfy such taxes, with cash being paid to the Participant in an amount equal to the amount by which the Fair Market Value of such Shares exceeds the Withholding Taxes.

(b) *U.S. Code Section 409A*. To the extent that the Committee determines that any Award granted under the Plan is subject to Code Section 409A, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Code Section 409A. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, the Committee may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate (i) to exempt the Award from Code Section 409A and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) to comply with the requirements of Code Section 409A and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

(c) *Unfunded Tax Status.* The Plan is intended to be an unfunded plan for incentive compensation. With respect to any payments not yet made to a Person pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Person any rights that are greater than those of a general creditor of the Company or any Affiliate, and a Participant s rights under the Plan at all times constitute an unsecured claim against the general assets of the Company for the collection of benefits as they come due. Neither the Participant nor the Participant s duly-authorized transferee

or Beneficiaries shall have any claim against or rights in any specific assets, Shares, or other funds of the Company.

12. *Non-Transferability of Awards.*

(a) *General.* Except as set forth in this Section 12, or as otherwise approved by the Committee, Awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. The designation of a death Beneficiary by a Participant will not constitute a transfer.

An Award may be exercised, during the lifetime of the holder of an Award, only by such holde