

CAPITAL TRUST INC
Form DEF 14A
April 29, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

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):

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

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CAPITAL TRUST, INC.

**410 Park Avenue, 14th Floor
New York, New York 10022**

April 29, 2008

Dear Shareholders:

You are cordially invited to attend the 2008 annual meeting of shareholders of Capital Trust, Inc., which will be held at 10:00 a.m., local time, on Thursday, June 5, 2008, at the offices of Paul, Hastings, Janofsky & Walker LLP, 75 East 55th Street, New York, New York 10022. At the annual meeting, shareholders will be asked to elect directors, ratify the appointment of Ernst & Young LLP as our independent auditors for 2008 and act upon such other business as may properly come before the meeting, all as described in the attached notice of annual meeting of shareholders and proxy statement.

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, date, sign and return your proxy card in the enclosed prepaid envelope or authorize your proxy electronically or telephonically as promptly as possible 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 2008 ANNUAL MEETING OF SHAREHOLDERS

To our Shareholders:

We hereby notify you that we are holding our 2008 annual meeting of shareholders at the offices of Paul, Hastings, Janofsky & Walker LLP, 75 East 55th Street, New York, New York 10022, on Thursday, June 5, 2008, at 10:00 a.m., New York City time, for the following purposes:

1. To elect nine directors to the board of directors to serve until our next annual meeting of shareholders and until such directors' successors are duly elected and qualify.
2. 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, 2008.
3. 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 shareholder as of the close of business on April 28, 2008, the record date for the annual meeting.

We have enclosed a proxy statement and a proxy card solicited by our board of directors.

To assure your representation at the annual meeting, please vote. Whether or not you plan to attend the annual meeting, please authorize your proxy electronically or telephonically by following the procedures described in our proxy statement, or complete, date, sign and return the enclosed proxy card promptly in the enclosed prepaid envelope. This will help ensure that your vote is counted. If you do not authorize your proxy electronically or telephonically or fail to return your card, your vote will not be counted, unless you attend the meeting and vote in person. You may revoke your proxy in the manner described in the proxy statement at any time before the proxy has been voted at the annual meeting.

By Order of the Board of Directors,

/s/ GEOFFREY G. JERVIS

Geoffrey G. Jervis
Secretary

April 29, 2008

CAPITAL TRUST, INC.

**410 Park Avenue, 14th Floor
New York, New York 10022**

PROXY STATEMENT

FOR

2008 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 5, 2008

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 2008 annual meeting of shareholders. The date, time and place of the annual meeting are:

Date: June 5, 2008
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, shareholders will be asked to:

Elect the following nominees as our directors to serve until our next annual meeting of shareholders and until such directors' successors are duly elected and qualify: Samuel Zell, Thomas E. Dobrowski, Martin L. Edelman, Craig M. Hatkoff, Edward S. Hyman, John R. Klopp, Henry N. Nassau, Joshua A. Polan and Lynne B. Sagalyn ("Proposal 1");

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, 2008 ("Proposal 2"); 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.

This proxy statement and the enclosed proxy card are being sent on or about April 29, 2008 to shareholders of record as of the close of business on April 28, 2008.

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

In this section of the proxy statement, we answer some common questions regarding the annual shareholders 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 5, 2008
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 you send me this proxy statement?

We sent you this proxy statement and the enclosed proxy card 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 meeting. But you don't have to attend in order to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card or authorize your proxy electronically or telephonically by following the procedures described below.

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 28, 2008, the record date determining the shareholders who are entitled to vote at the annual meeting. As of April 28, 2008, there were a total of 21,705,355 shares of our class A common stock outstanding and entitled to vote at the annual meeting. You get one vote for each share of class A common stock that you own. The enclosed proxy card shows the number of shares you can vote.

How are votes counted?

We will hold the annual meeting if shareholders representing the required quorum of shares of class A common stock entitled to vote either sign and return their proxy cards, 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 proxy card or 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 on the proxy card.

Your shares may be voted 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 New York Stock Exchange rules to cast votes on certain "routine" matters if they do not receive instructions from their customers. The election of directors and ratification of the appointment of Ernst & Young LLP as our independent auditors are considered routine matters for which brokerage firms may vote shares for which they did not receive instructions.

If you abstain or withhold votes or your shares are treated as broker non-votes, your abstention or withheld vote or the broker non-votes will not be counted as votes cast and will have no effect on the result of the vote on the election of directors and the ratification of the appointment of Ernst & Young LLP as our independent auditors.

What is the required vote for approval?

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

How do I vote by proxy?

Follow the instructions on the enclosed proxy card to vote on the matters to be considered at the annual meeting. Sign and date the proxy card and mail it back to us in the enclosed pre-addressed envelope or vote by telephone or over the Internet as explained below. The individuals named and designated as proxies in the proxy card will vote your shares as you instruct. You have the following choices in completing your voting:

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 abstain on the other proposal, in which case no vote will be recorded.

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

How can I vote by telephone or over the Internet?

In order to vote by telephone or over the Internet, call the toll-free number reflected on the enclosed proxy card or go to the www.voteproxy.com website, and follow the instructions. If you would like to receive future shareholder materials electronically, please enroll at www.amstock.com. If you would like to receive future shareholder materials electronically, and your shares are held by your broker, a bank or other nominee in "street name," please enroll at www.investordelivery.com. Please have the proxy card you received in hand when accessing the sites. You can vote by telephone or over the Internet at any time prior to 11:59 p.m. New York City time, June 4, 2008, the day before the annual meeting.

Please also refer to the proxy card enclosed herewith for instructions. If you choose not to vote electronically or telephonically, please complete and return the paper proxy card in the pre-addressed, postage-paid envelope provided herewith.

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

If your shares are held by your broker, a bank or other nominee in "street name", you will receive instructions for voting your shares from that party. In such cases, your ability to vote your shares by telephone or over the Internet will depend on the voting procedures of your broker, bank or nominee. These intermediaries may participate in a program provided through Broadridge Financial Solutions, Inc. that allows voting by telephone or over the Internet. If so, please follow the instructions provided by your broker, bank or nominee. 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 proxy form from the record holder of your shares.

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 nine directors and the proposal to

ratify the appointment of Ernst & Young LLP as our independent auditors for 2008. If other matters are properly presented at the meeting, the designated proxies will vote your shares in their discretion.

Can I change my vote after I return my proxy card?

Yes. At any time before the vote on a proposal, you can change your vote either by giving us a written notice revoking your proxy authorization or by executing or authorizing, dating, and delivering to us a new proxy via the Internet, telephone or mail prior to the annual meeting 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 or new proxy cards should be sent to Capital Trust, Inc. c/o American Stock Transfer & Trust Company, 6201 Fifteenth Avenue, Brooklyn, New York 11219, Attention: Paula Caroppoli.

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

Although we encourage you to complete and return a proxy card or vote telephonically or electronically, 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 proxy card or voted electronically or telephonically.

Who will count the votes?

Representatives of American Stock Transfer & Trust Company 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 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.

PROPOSAL 1 ELECTION OF DIRECTORS

The number of directors that comprise our entire board of directors has been fixed at nine. Nine nominees will be proposed for election as directors at the annual meeting to hold office until our next annual meeting of shareholders and until their successors are duly elected and qualify. All nine 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 April 28, 2008, and existing positions with us of the nominees, if any, are as follows:

Name	Age	Office or Position Held
Samuel Zell	66	Chairman of the Board of Directors
Thomas E. Dobrowski	64	Director
Martin L. Edelman	66	Director
Craig M. Hatkoff	54	Director
Edward S. Hyman	63	Director
John R. Klopp	54	Director, Chief Executive Officer and President
Henry N. Nassau	53	Director
Joshua A. Polan	60	Director
Lynne B. Sagalyn	60	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 also serves as chairman for four other public companies listed on the New York Stock Exchange: Equity Residential Properties Trust, the largest apartment real estate investment trust (REIT) in the United States; Equity Lifestyle Properties, an equity real estate investment trust that owns and operates manufactured home communities in 26 states; Covanta Holding Corp., an international leader in converting waste to energy; and Anixter (AXE), a value-add provider of integrated networking and cabling solutions that support business information and network infrastructure requirements. Mr. Zell is also the chairman and CEO of Tribune Company, the nation's largest employee-owned media company. In addition, he chairs his private entrepreneurial investment firm, Equity Group Investments, which was the originator of three of the largest REITs in the real estate industry, and he is the chairman of Equity International, a privately held, leading investor in real estate-related businesses outside of the United States. Equity International originated the public offerings for three international companies, in which Mr. Zell maintains substantial interests: Gafisa, the leading homebuilder in Brazil; BR Malls, one of the largest shopping center owners and operators in Brazil; and Homex, the fastest growing homebuilder in Mexico. Mr. Zell also served as chairman for Equity Office Properties Trust (EOP), the largest office REIT in the U.S., from its IPO in July 1997 until it sold in the largest private equity transaction in history in February 2007.

Thomas E. Dobrowski has been a director since 1998. Mr. Dobrowski has been retired from General Motors Asset Management, an investment manager for several pension funds of General Motors Corporation, its subsidiaries and affiliates, as well as for several third party clients, since

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October 2005. From December 1994 until September 2005, he was the managing director of real estate and alternative investments for General Motors Asset Management. Mr. Dobrowski is a director of Equity Lifestyle Properties, Inc.

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 since 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.

Craig M. Hatkoff has been a director since 1997. From 1997 to 2000, Mr. Hatkoff served as our vice chairman. Mr. Hatkoff is chairman of Turtle Pond Publications LLC, which is active in children's publishing and he has authored a series of best-selling children's books. He is a private investor in other entertainment ventures including Fillpoint LLC, a leading video game distribution company and Tribeca Enterprises. Mr. Hatkoff is a co-founder of the Tribeca Film Festival, North America's largest film festival. Mr. Hatkoff was a founder and a managing partner of Victor Capital Group, L.P., or Victor Capital, from 1989 until our acquisition of Victor Capital in 1997. Mr. Hatkoff was a managing director and co-head of Chemical Realty Corporation, the real estate investment banking arm of Chemical Banking Corporation, from 1982 until 1989. Mr. Hatkoff served as a trustee of the New York City Construction Authority from 2002 through 2005, an agency responsible for the construction of all public schools in New York City. He is a director of the Taubman Centers Inc., a REIT that owns and manages retail malls, where he serves on the compensation and nominating committees. He serves on the board of directors of the Rock and Roll Hall of Fame and the Borough of Manhattan Community College Foundation.

Edward S. Hyman has been a director since 2005. Mr. Hyman is chairman and president of International Strategy & Investment Group Inc. and chairman 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.

John R. Klopp has been a director since 1997, and our chief executive officer and president since 1997 and 1999, respectively. Mr. Klopp was a founder and a managing partner of Victor Capital from 1989 until the acquisition of Victor Capital by us in 1997. Mr. Klopp was a managing director and co-head of Chemical Realty Corporation from 1982 until 1989. From 1978 to 1982, Mr. Klopp held various positions with Chemical Bank's Real Estate Division, where he was responsible for originating, underwriting and monitoring portfolios of construction and permanent loans.

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.

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., 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.

Lynne B. Sagalyn has been a director since 1997. Dr. Sagalyn is Professor of Real Estate Development and Planning at the University of Pennsylvania, with appointments at both the Department of City Planning and the Wharton School's Real Estate Department. From 1992 until her appointments at the University of Pennsylvania in 2004, Dr. Sagalyn served as a professor and the Earl W. Kazis and Benjamin Schore Director of the MBA Real Estate Program and Paul Milstein Center for Real Estate at the Columbia University Graduate School of Business. She also serves on the faculty of the Weimer School for Advanced Studies in Real Estate and Land Economics. Dr. Sagalyn is a director of UDR, Inc. a self-administered REIT in the apartment communities sector. Additionally, Dr. Sagalyn is 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.

Vote Required; Recommendation

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

Board of Directors; Committees

Our board of directors has nine members and is currently comprised of Messrs. Zell, Dobrowski, Edelman, Hatkoff, Hyman, Klopp, 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 New York Stock Exchange, and therefore, upon the election of all nine nominees, we will meet the New York Stock Exchange 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 28, 2008, approximately 3.2% 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. Nassau serves as one of the trustees of our chief executive officer's family trust. Mr. Polan serves as a managing director of Berkley Capital, LLC, a wholly owned subsidiary of WRBC, which owns, as of April 28, 2008, approximately 17.6% 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 low risk 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 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. Mr. Zell recently ceased jointly reporting beneficial ownership of shares of class A common stock with Messrs. Klopp and Hatkoff, 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.

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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 New York Stock Exchange and Rule 10A-3 under the Securities Exchange Act of 1934, as amended. Each of Messrs. Dobrowski and Nassau is qualified as an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Exchange Act of 1934 and our board of directors has determined that they have the accounting and related financial management expertise within the meaning of the listing standards of the New York Stock Exchange. The Securities and Exchange Commission, or 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. A copy of our audit 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.

The audit committee has adopted complaint procedures for accounting, internal control and auditing matters in accordance with Rule 10A-3 under the Securities Exchange Act of 1934. The full text of these complaint procedures is available on our corporate website at www.capitaltrust.com. A copy of our complaint procedures is available free of charge, upon request directed to Investor Relations, Capital Trust, Inc., 410 Park Avenue, 14th Floor, New York, New York 10022.

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 New York Stock Exchange. 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 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 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 of our chief executive officer's compensation by considering among other factors selected by the compensation committee, our performance and relative shareholder 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 the 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;

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overseeing the drafting and review 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, establishing performance goals and confirming that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue 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 engaged the services of FPL Associates L.P., or FPL, as a compensation consultant to, among other things, benchmark our compensation to the appropriate peer group companies. FPL was engaged to (i) benchmark compensation data, including base salary, annual incentives, total annual cash compensation, annual long-term incentives and total remuneration, for our senior management team on a group basis as compared to the appropriate multiple peer groups, and (ii) assist the compensation committee in finalizing employment agreements for certain of our officers.

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 Securities Exchange Act of 1934, as in effect from time to time, and (ii) "outside directors" for the purposes of Section 162(m) of the Internal Revenue 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. A copy of our compensation 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.

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 New York Stock Exchange. 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 shareholders, 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 shareholders, 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 will involve an assessment of the personal qualities and characteristics, accomplishments and business reputation. 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 shareholders;

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 substantial duties of a director;

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, Hatkoff 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.

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 2007, our board of directors held 4 meetings and took action by written consent 7 times. During fiscal year 2007: (i) the audit committee held 4 meetings, (ii) the compensation committee held 2 meetings and took action by written consent 3 times, (iii) the corporate governance committee held 3 meetings and (iv) the investment committee did not hold any formal committee meetings in 2007, but rather discussed matters informally and acted by written consent 3 times in performing its functions. During fiscal year 2007, each director attended at least 75% of all meetings of the board of directors, and at least 75% of all meetings of committees on which he or she served. 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 one has not been designated, the chairperson of the corporate governance committee shall serve as such. Shareholders or interested parties may submit communications addressed to the board of directors or the non-management directors to the our secretary in accordance with our shareholder nominations and communications 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

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to comply with SEC regulations and New York Stock Exchange 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.

Shareholder Nominations and Communications Policy: Our board of directors has adopted policies with respect to the consideration of candidates recommended by shareholders for election as directors and shareholder communications with the board of directors.

Shareholders 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, Shareholder 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 shareholder who is submitting the nominee, the number of shares which are owned of record or beneficially by the submitting shareholder and a description of all arrangements or understandings between the submitting shareholder and the candidate.

Shareholders 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, Shareholder 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 shareholder nominations and communications policy is available on our corporate website at www.capitaltrust.com. A copy of the shareholder nominations and communications policy is available free of charge, upon request directed to Investor Relations, Capital Trust, Inc., 410 Park Avenue, 14th Floor, New York, New York 10022.

Director Attendance at Annual Meeting of Shareholders. We do not have a formal policy regarding attendance by directors at our annual meeting of shareholders but invite and encourage all directors to attend. We make every effort to schedule our annual meeting of shareholders 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 7, 2007, 2 directors attended.

Compensation Committee Interlocks and Insider Participation

During 2007, 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 2007. No committee member had any interlocking relationships requiring disclosure under applicable rules and regulations.

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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" beginning on page 32.

Executive and Senior Officers

The following sets forth the positions, ages as of April 28, 2008 and selected biographical information for our executive and senior officers who are not directors.

Jeremy FitzGerald, age 44, has served as a managing director since 1997. Ms. FitzGerald is responsible for originating, structuring and negotiating high yield investments. Prior to that time, she served as a principal of Victor Capital Group and had been employed in various positions at such firm since May 1990. She was previously employed in various positions at PaineWebber Incorporated.

Geoffrey G. Jervis, age 36, has served as our chief financial officer since 2005. Prior to that time, he served as our director of capital markets since 2004. He has been employed by us in various positions since 1999. Prior to joining us, Mr. Jervis was the chief of staff to the New York City Economic Development Corporation under the Giuliani Administration.

Stephen D. Plavin, age 48, has served as our chief operating officer since 1998. Prior to that time, 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.

Thomas C. Ruffing, age 47, has served as chief credit officer and head of asset management since July 2006. Mr. Ruffing is responsible for the credit writing and asset management of all of our investment portfolios. Prior to that time, he served as our director of asset management since 2001. Prior to joining us in 2001, Mr. Ruffing was employed by JPMorgan Chase serving in its real estate and lodging investment banking group since 1990.

Jay Thailer, age 39, has served as director of finance and accounting since April 2006. Prior to joining Capital Trust, he served as Chief Financial Officer and Executive Vice President of DVL, Inc., a publicly traded commercial finance and real estate operating company. Mr. Thailer is a Certified Public Accountant.

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. Our compensation committee is responsible for reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, evaluating the chief executive officer's performance in light of those 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 2007 include John R. Klopp, our chief executive officer, or CEO, Stephen D. Plavin, our chief operating officer, or COO, 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 shareholders and provide incentives for the creation of long-term shareholder value. Our executive compensation program consists of three main elements: an annual base salary, annual cash bonus compensation and long-term incentive compensation. The Company has 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.

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 platforms as well as the commercial mortgage backed securities (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. Starting with our CEO in 2004, in response to the competitive environment, we began to enter into employment agreements with our NEOs and as of the end of 2006 all four NEOs were employed under employment agreements that, among other things, specify their salary, bonus and long-term incentive compensation.

III. Procedural Approach

A. Role of the Board of Directors and Compensation Committee

Consistent with our philosophy, bonus and long-term compensation elements of our compensation are designed to be commensurate with the performance of the company. Our board of directors has endorsed the strategic business goals for our company that are centered on successfully managing the balance sheet and investment management segments of our business consistent with our investment strategy. Our compensation committee in consultation with our CEO translates these strategic business goals into performance measures that are included in the executive officers' performance compensation awards to determine the annual cash bonus opportunities and/or long-term incentive compensation opportunities provided for our CEO, COO and CFO in their employment agreements. Our compensation committee has the discretion to take into account individual and company performance in awarding additional bonuses to all of our NEOs, and has utilized that discretion in 2007 in compensating our CCO above the minimum amount specified in his employment agreement. Our CEO attends compensation committee meetings, but does not attend executive sessions. Our CEO makes

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recommendations to the compensation committee regarding the compensation of other NEOs, but does not vote on matters presented for approval or action by the compensation committee.

The compensation committee engaged the services of a compensation consultant, FPL Associates Compensation, a division of FPL Associates L.P. ("FPL"), at the time we entered into the 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.

Our compensation committee held meetings or acted through written consent five times during the year ended December 31, 2007 and held one meeting in 2008 with respect to 2007 compensation decisions. For 2007, in accordance with the employment agreements in place for our CEO, COO and CFO, the compensation committee, in consultation with the CEO, created objective performance measures that would be used to determine the annual cash bonus opportunity for each of the CEO, COO and CFO. Pursuant to their employment agreements, the CEO, COO and CFO, are eligible to receive annual cash bonuses at threshold (1.0x base salary), target (1.5x base salary) or maximum (2.0x base salary) level if these performance measures are achieved, and no required bonus in the event that these measures are not achieved. In addition, our CEO is eligible to receive additional long-term incentive compensation based upon the same formula. The performance measures approved by the compensation committee for 2007 consisted of (i) dividends declared, (ii) gross originations of new investments, (iii) net income per share, (iv) return on average common equity and (v) fund equity raised. These measures were not amended during performance year 2007. At its January 2008 meeting, the compensation committee obtained calculations from our CFO and director of finance that showed that all performance measures had been achieved at their maximum levels. For each of the 2007 performance measures, the maximum level and the actual 2007 performance was as follows: (i) dividends paid \$3.50 per share (maximum level) and \$5.10 per share (actual), (ii) gross originations \$2.15 billion (maximum level) and \$2.5 billion (actual), (iii) net income per share \$3.60 per share (maximum level) and \$4.77 per share (actual), (iv) return on average common equity 13.5% (maximum level) and 19.5% (actual), and (v) fund equity raised \$300 million (maximum level) and \$316 million (actual). Accordingly, the compensation committee approved payouts and awards to our CEO, COO and CFO at the maximum performance level for the performance achieved in 2007. In addition, the compensation committee approved an additional \$100,000 bonus to our CCO above the minimum bonus stipulated in his employment agreement, based on specific asset management successes as well as the continued growth in our investment portfolio and the number of third party investment management vehicles that we manage.

B. Interaction with Compensation Consultant

In 2007, the compensation committee engaged the services of FPL to assist in the negotiation of a new employment agreement with our CEO. Our CEO's existing employment agreement is set to expire in December 2008. The engagement and the negotiations with our CEO are ongoing.

IV. Compensation Structure

A. Overview of Elements of Pay

In 2007, we utilized three main elements of compensation:

Annual Base Salary Fixed salary as set forth in the executives' employment agreements, subject to increase from time to time at the discretion of the board of directors;

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

Long-Term Incentive Compensation Awarded in the form of (i) restricted and performance stock awards and/or (ii) cash based performance awards with payouts based on our receipt of incentive management fees from third party investment management vehicles we manage.

B. Detail of Elements of Pay

(1)

Base Salary

Pursuant to their employment agreements, the NEOs receive a base annual salary, subject to possible increases by the board of directors. The annual salaries vary according to 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 as well as the CMBS and structured finance groups within Wall Street commercial banks and investment banking firms. The compensation committee periodically may review base salaries for our named executive officers on its own initiative or at the recommendation of our CEO. No such adjustments were made for 2007.

Consistent with our philosophy of designing our executive compensation program to be commensurate with company performance, our mix of compensation is weighted towards the variable and long-term incentive components. Pursuant to their employment agreements, the NEOs are provided with opportunities for variable and long-term incentive compensation.

John R. Klopp serves as our chief executive officer and president pursuant to an employment agreement entered into as of February 24, 2004. The employment agreement provides for Mr. Klopp's employment through December 31, 2008. Under the employment agreement, Mr. Klopp receives a base salary of \$600,000 per year, subject to possible increase at the discretion of our board of directors.

Stephen D. Plavin serves as our chief operating officer pursuant to an employment agreement entered into as of December 28, 2005. The employment agreement provides for Mr. Plavin's employment through December 31, 2008, subject to our option to extend through December 31, 2009. 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.

Geoffrey G. Jervis serves as our chief financial officer pursuant to an employment agreement entered into as of September 29, 2006. The employment agreement provides for Mr. Jervis' employment through December 31, 2009, subject to our option to extend through December 31, 2010. Under the employment agreement, Mr. Jervis will receive a base salary of \$350,000 per year, or \$425,000 per year if employment is extended for the option year, subject to possible increase at the discretion of our board of directors.

Thomas C. Ruffing serves as our chief credit officer and head of asset management pursuant to an employment agreement entered into as of August 4, 2006. The employment agreement provides for Mr. Ruffing's employment through December 31, 2008. Under the employment agreement, Mr. Ruffing receives a base salary of \$250,000 per year, subject to possible increase at the discretion of our board of directors.

(2)

Annual Cash Bonus

We award cash bonuses as a short-term incentive to drive the achievement of our annual performance goals and to focus executive behavior on the fulfillment of annual business objectives. Pursuant to their employment agreements, our CEO, COO and CFO were eligible to earn annual cash bonuses for 2007 tied to the achievement of threshold, target or maximum performance levels set for performance measures selected by the compensation committee. This annual bonus opportunity is contained in performances awards granted under our then active long-term incentive plan, or 2004

Plan. For 2007, the performance measures were set at levels that the compensation committee believed would equate to acceptable management performance at threshold levels, good performance at the target level and outperformance at the maximum level. Our CEO, COO and CFO were eligible to earn annual cash bonuses ranging from 100% of base salary at threshold performance to 200% of base salary at maximum performance, with a target of 150% of base salary at target performance. As noted above, for 2007, the performance measures approved by the compensation committee for 2007 consisted of (i) dividends declared, (ii) gross originations, (iii) net income per share, (iv) return on average common equity and (v) fund equity raised and were weighted 30%, 20%, 20%, 20% and 10%, respectively, in the case of Mr. Klopp, 25%, 30%, 20%, 20% and 5%, respectively, in the case of Mr. Plavin and 25%, 20%, 25%, 20% and 10%, respectively, in the case of Mr. Jervis. In February 2008, the compensation committee confirmed that the maximum level of performance was achieved, entitling Mr. Klopp to a cash bonus of \$1,200,000, Mr. Plavin to a cash bonus of \$1,000,000 and Mr. Jervis to a cash bonus of \$700,000 for 2007.

Mr. Ruffing received an annual cash bonus for 2007 of \$350,000, which consisted of the minimum cash bonus stipulated in his employment contract of \$250,000 and an additional discretionary annual cash bonus of \$100,000. The compensation committee awarded the additional bonus based on superior individual performance as described above.

In March 2008, in accordance with the employment agreements for our CEO, COO and CFO, the compensation committee set the performance measures and the relative weights assigned to them (which vary by officer) that will be used to determine the amount of annual cash bonuses for 2008. Pursuant to their contracts, the CEO, COO and CFO, are eligible to receive annual cash bonuses at threshold (1.0x base salary), target (1.5x base salary) or maximum (2.0x base salary) level if these performance measures are achieved, and no required bonus in the event that these measures are not achieved. In addition, our CEO is eligible to receive additional long-term incentive compensation based upon the same formula. The performance measures approved by the compensation committee for 2008 consist of (i) adjusted net income, (ii) dividends declared, (iii) fund equity raised, (iv) liability management, (v) portfolio credit performance, and (vi) gross originations. For objectives (i) and (ii), the performance objectives carry weights of 20% for each of Mr. Klopp, Mr. Plavin and Mr. Jervis. For objectives (iii) and (iv), the performance objectives carry weights of 15% for Mr. Klopp, 20% for Mr. Jervis and 10% for Mr. Plavin. For objectives (v) and (vi), the performance objectives carry weights of 15% for Mr. Klopp, 20% for Mr. Plavin and 10% for Mr. Jervis. In light of the business environment for the company, the compensation committee, in consultation with the CEO, determined to change the performance measures for 2008 relative to 2007. In particular, the measures were changed to reflect the company's increased focus on (a) a more defensive posture for the balance sheet in 2008 and (b) the aggressive growth of the investment management business in 2008. Measures that remain the same as 2007 were measures related to dividends, net income, gross originations and fund equity raised, although these measures were adjusted in terms of the threshold, target and maximum amounts, as well as the definition of each measure. The dividend, net income and gross origination goals were lowered relative to 2007 and the fund equity raised goals were increased. The return on equity measure was eliminated and two new measures, liability management and portfolio credit performance, were added. The compensation committee believes that the performance measures and amounts for 2008 equate to acceptable management performance at threshold levels, good performance at the target level and outperformance at the maximum level.

(3)

Long-Term Incentive Compensation

Since we elected to be taxed as a REIT in 2003, the principal form of equity based long-term incentive compensation awarded to NEOs has taken the form of time-vested restricted stock and performance-vested performance stock issued under our then active long-term incentive plan, which is administered by the compensation committee. In addition, we also award cash based long-term incentive compensation in the form of performance awards issued under the 2004 Plan that provide for

payouts based on our receipt of incentive management fees from third party investment management vehicles we manage. We believe these awards focus NEO behavior on the fulfillment of long-term business objectives, and create a sense of ownership in the company that causes executive decisions to be aligned with the best interests of our shareholders. Pursuant to his employment agreement, for 2007, Mr. Klopp was eligible to earn shares of restricted and performance stock, subject to future vesting, tied to the achievement of threshold, target or maximum performance levels set for performance measures selected by the compensation committee. In each year of his contract commencing on and after January 1, 2005, Mr. Klopp is eligible to earn shares of restricted and performance stock with a value ranging from \$250,000 at threshold performance to \$750,000 at maximum performance, with a target of \$500,000 at target performance. The performance measures and weights assigned are the same as set for his annual cash bonus opportunity as described above. In February 2008, the compensation committee confirmed that the maximum level of performance was achieved with respect to the selected performance measures, and, as a result, Mr. Klopp earned an award of 26,436 shares of restricted and performance stock (valued at \$750,000 based on the average closing price for January 2008), awarded pursuant to his agreement 50% as restricted stock which will vest in equal installments over the three year period commencing on January 1, 2008 and ending on December 31, 2010 and 50% as performance stock which will vest on December 31, 2011 provided that the total shareholder return from January 1, 2008 through December 31, 2011 is at least 13% per annum.

Mr. Plavin and Mr. Jarvis' respective employment agreements contain an option for us to extend the terms of the agreements by one year through December 31, 2009 and December 31, 2010, respectively. In the event the options are exercised by us, Mr. Plavin and Mr. Jarvis are entitled to grants of 30,000 and 16,875 shares of restricted stock, respectively.

No cash based performance awards relating to incentive management fees from our third party investment management business were awarded to NEOs in 2007.

On April 26, 2007, the board of directors adopted the 2007 long-term incentive plan, or 2007 Plan, effective upon shareholder approval which occurred on June 7, 2007. The 2007 Plan includes shares available for issuance under our previous long-term incentive plan and constitutes the sole long-term incentive plan that governs all aspects of the company's long-term incentive compensation.

In 2007, 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.

(c)

Stock Option Awards

We made no grants of stock options to our named executive officers in 2007. 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.

(4)

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 match the first 3% of deferrals on a dollar-for-dollar basis.

Mr. Klopp is entitled to have premiums paid for life insurance, a leased car and a driver employed by the company.

Mr. Plavin is entitled to have his premiums paid for life insurance.

C. Interrelationship of Elements of Pay

In determining the overall mix of elements comprising total compensation, the compensation committee emphasizes the relationship of compensation to performance. Accordingly, in the case of the CEO, COO and CFO, a significant portion of total compensation that may be earned is performance based. This approach to compensation provides the executives with a base level of compensation, while motivating the executives to enhance our business and achieve our goals, thereby producing a high level of performance for the company and greater variable pay for the executive. We also award significant levels of long-term incentive compensation that through time or performance vesting provide a counter-balance to short-term annual cash bonus compensation and advance the company's retention and motivation compensation objectives.

D. Pay Levels and Benchmarking

The total annual compensation (salary, cash bonuses and long-term incentive compensation) for NEOs is determined based on several factors including the individual's position and responsibilities, as well as the pay levels in the marketplace for similar positions. As noted above, based on its benchmarking study, FPL has advised that as of the time the company entered into the employment agreements with the NEOs, the total compensation of each of the NEOs was "at market." The benchmarks used for the NEOs are drawn from a mixture of peer groups designed to provide a broader rather than more limited view of the compensation universe. The three main peer groups are: (1) the public commercial mortgage company peer group, (2) the Wall Street investment bank CMBS peer group, and (3) the traditional banks and related lenders CMBS peer group. The benchmark study analyzed various components of compensation, including base salary, annual cash bonuses, total annual cash, the value of long-term incentive awards, and total compensation.

V. Timing of Equity Grants

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. The compensation committee has not delegated its authority to make awards or prescribe the terms (including vesting terms) to our management. Our CEO makes recommendations to the compensation committee regarding the officers and employees recommended to receive awards, the type of award, the number of shares subject to the award and other terms of such award, including vesting terms and the life of the award.

Our policy provides for annual grants of equity based awards in the form of restricted and performance stock and 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 the compensation committee and typically are made in January or February of each calendar year after a review of the company's and individuals' 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 upon execution of a new employment agreement or at the time of new hire.

Awards of restricted and performance stock to existing employees are 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 the compensation committee, but management may also seek approvals by unanimous written consent of the committee members.

No stock options were granted to any executive officers during 2007.

VI. Stock Ownership Guidelines

As disclosed under the caption "Security Ownership of Certain Beneficial Owners and Management" below, our named executive officers are shareholders 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 an 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

Each NEO has an employment agreement that provides for severance payments and other benefits, including following a change in control that results in a loss of employment or a significant change in employment. The table below reflects the amount of compensation payable to each of our named executive officers in the event the executive's employment is terminated on specified grounds. An executive officer's employment terminates upon his/her death, and we may terminate his/her employment upon disability that has incapacitated him for 180 consecutive days, or for conduct defined as "cause" in the employment agreement or for reasons other than for cause. An executive officer may terminate his/her employment agreement for "good reason" as defined in the agreement, which includes the assignment of materially inconsistent duties, responsibilities and title and change in control, or without good reason. The amounts shown assume that such termination was effective as of December 31, 2007, and thus include amounts earned through such date and are estimates of the amounts which would be paid out to the executives upon their termination. The actual amounts to be paid out can only be determined at the time of such executive's separation from the company.

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Name and Termination Event	Cash Severance Payment	Continuation of Employer Paid Health Insurance	Acceleration of Stock Awards(1)	Acceleration of Management Fee Performance Compensation Awards	Total Termination Benefits
John R. Klopp					
Termination For Cause/Resignation Without					
Good Reason	\$ 0(2)\$	0 \$	0 \$	0 \$	0
Disability	\$ 900,000(3)\$	18,747(4)\$	2,321,738(5) \$	139,961(6) \$	3,380,446
Termination Other Than For Cause or					
Disability/Resignation With Good Reason(7)					
Death	\$ 2,400,000(8)\$	28,120(9)\$	6,680,382(10)\$	139,961(11)\$	9,248,463