

BRT REALTY TRUST  
Form DEF 14A  
January 28, 2013

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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 under §240.14a-12

**BRT REALTY TRUST**

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(Name of Registrant as Specified In Its Charter)

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

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**BRT REALTY TRUST**

**60 Cutter Mill Road  
Suite 303  
Great Neck, New York 11021  
(516) 466-3100**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
March 14, 2013**

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The Annual Meeting of Shareholders of BRT Realty Trust will be held on Thursday, March 14, 2013, at 9:00 a.m. local time, at the offices of BRT Realty Trust, 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021, for the following purposes:

1. To elect four Class II Trustees to serve until the 2016 Annual Meeting of Shareholders;
2. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending September 30, 2013; and
3. To transact any other business as may properly come before the meeting.

Shareholders of record at the close of business on January 15, 2013 are entitled to notice of and to vote at our annual meeting. It is important that your common shares of beneficial interest be represented and voted at the meeting. You can vote your common shares of beneficial interest by completing and returning the proxy card. Certain shareholders can also vote their common shares of beneficial interest over the internet or by telephone. If internet or telephone voting is available to you, voting instructions are printed on the proxy card sent to you. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the accompanying proxy statement.

Simeon Brinberg

*Secretary*

Great Neck, New York  
January 28, 2013

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**BRT REALTY TRUST  
2013 ANNUAL MEETING  
PROXY STATEMENT**

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**PROXY STATEMENT**

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**GENERAL**

Our board of trustees is furnishing you with this proxy statement to solicit proxies on its behalf to be voted at the 2013 annual meeting of shareholders of BRT Realty Trust. In this proxy statement we refer to BRT Realty Trust as "BRT," "we," "our," "us," "our company," or the "Trust" and to our common shares of beneficial interest as "common shares" or "shares." The meeting will be held at our offices, 60 Cutter Mill Road, Suite 303, Great Neck, New York, at 9:00 a.m., local time, on Thursday, March 14, 2013.

Our fiscal year begins on October 1<sup>st</sup> and ends on September 30<sup>th</sup>. Unless otherwise indicated or the context otherwise requires, all references to a year (*e.g.* 2012), refer to the applicable fiscal year ended September 30<sup>th</sup>.

Our executive offices are located at 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021. Our telephone number is (516) 466-3100.

**QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING**

*What is the purpose of the annual meeting?*

At our annual meeting, shareholders will vote on the following matters:

election of four directors (Matthew J. Gould, Louis C. Grassi, Israel Rosenzweig and Jeffrey Rubin) to hold office until the 2016 annual meeting;

ratification of the appointment of our independent registered public accounting firm (BDO USA, LLP) for the year ending September 30, 2013; and

such other matters as may properly come before the meeting.

*Who is entitled to vote?*

We are mailing this proxy statement on or about January 30, 2013 to our shareholders of record on January 15, 2013. The record date was established by our board of trustees. Shareholders as of the close of business on the record date of January 15, 2013 are entitled to notice of and to vote their shares at the meeting. Each share is entitled to one vote and shareholders do not have the right to vote cumulatively in the election of trustees. Our common shares constitute our only outstanding class of voting securities and will vote as a single class on all matters to be considered at the annual meeting.

*What constitutes a quorum?*

A quorum is the presence in person or by proxy of shareholders holding a majority of shares entitled to vote at the meeting. On the record date, there were 14,191,887 common shares outstanding and entitled to vote. In order to carry on the business at the meeting, a majority of our outstanding shares must be present in person or by proxy. This means that at least 7,095,944 common shares must be represented at the meeting, either in person or by proxy, to constitute a quorum. Generally, action cannot be taken at the meeting unless a quorum is present.

*How do I vote?*

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Because many shareholders cannot attend the meeting in person, it is necessary that a large number of shares be represented by proxy. Most shareholders have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage paid

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envelope provided. Please refer to your proxy card or to the information provided by your bank, broker, or other holder of record to see which options are available to you. You should be aware that if you vote over the Internet, you may incur costs, such as telephone and Internet access charges, for which you will be responsible. The Internet and telephone voting facilities for shareholders of record will close at 11:59 p.m., E.S.T. on March 13, 2013. If you vote by telephone or via the Internet, it is not necessary to return a proxy card.

If you wish to name as a proxy someone other than the proxies named on the proxy card, you may do so by crossing out the name of the designated proxies and inserting the name of another person. In that case, you should sign the proxy card and deliver it to the person so named, and the person so named must then be present to vote at the meeting. Proxy cards so marked should not be mailed to us or to our transfer agent, American Stock Transfer and Trust Company, LLC.

#### *Is my vote important?*

Yes. Under applicable rules, brokers, banks and other nominees are prohibited from voting shares held in street name on matters pertaining to the election of trustees unless the client specifically instructs his or her nominee to vote their shares. Shares held in street name and for which voting instructions are not provided and accordingly, as to which bank, brokers and other nominees do not have discretionary authority to vote on their clients' behalf, are referred to "broker non-votes." Because "broker non-votes" will have the effect of a vote against the election of the nominees to serve as trustees, it is very important that you vote your shares.

#### *Who will count the vote?*

A representative of our transfer agent, American Stock Transfer and Trust Company, LLC, will tabulate the votes and act as inspector of elections.

#### *Can I revoke my proxy before it is exercised?*

If you hold stock directly in your name, you can revoke your proxy at any time before it is voted at the annual meeting by filing a written revocation with our Secretary, or delivering to American Stock Transfer and Trust Company, LLC a properly executed proxy bearing a later date. If you vote by telephone or Internet you may also revoke your proxy with a timely and valid later telephone or Internet vote, as the case may be. You may also revoke your proxy by attending the meeting and voting in person. If not so revoked, the shares represented by such proxy will be voted.

If your shares are held in the name of a broker, bank or other nominee, you must contact such nominee and comply with the nominee's procedures if you want to revoke or change the instructions that you previously provided to the nominee. Attendance at the meeting will not by itself automatically revoke a previously granted proxy.

#### *How will my shares be voted?*

All shares entitled to vote and represented by properly completed proxies received prior to the meeting and not revoked, will be voted at the meeting in accordance with your instructions. If no choice is indicated on the proxy card received from a registered holder, the persons named as your proxies will vote the common shares "FOR" the four nominees (Matthew J. Gould, Louis C. Grassi, Israel Rosenzweig and Jeffrey Rubin) for Class II Trustee, "FOR" the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2013, and as the proxy holders may determine, in their discretion, with respect to other matters that properly come before the meeting. The board of trustees is not currently aware of any business to be acted upon at the meeting other than that which is described in this proxy statement.

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*Who is soliciting my vote and who pays the cost?*

We are soliciting proxies and will pay the entire cost of soliciting proxies, including preparing and mailing this proxy statement. In addition to the solicitation of proxies by mail and through our full-time and part-time employees, we will request banks, brokers, custodians, nominees and other record holders to forward copies of the proxy statement and other soliciting materials to persons for whom they hold common shares and to request instruction on how to vote the shares. We will reimburse such record holders for their reasonable out-of-pocket expenses in forwarding proxies and proxy materials to shareholders. We have retained AST Phoenix Advisors for a fee of \$4,500, plus reasonable out of pocket expenses, to aid in the solicitation of proxies from our shareholders. To the extent necessary in order to ensure sufficient representation at the meeting, we or our proxy solicitor may solicit the return of proxies by personal interview, mail, telephone, facsimile, Internet or other means of communication or electronic transmission. The extent to which this will be necessary depends upon how promptly proxies are returned. We urge you to send in your proxy without delay.

*What is householding?*

Shareholders who share the same address and last name may receive only one copy of the proxy materials unless we, in the case of shareholders of record, or such shareholder's broker, bank or nominee, in the case of shareholders whose shares are held in street name, has received contrary instructions. This practice, known as "householding," is designed to reduce printing and mailing costs. Shareholders desiring to discontinue householding and receive a separate copy of the proxy materials, may (1) if their shares are held in street name, notify their broker, bank or nominee or (2) if they are shareholders of record, direct a written request to: BRT Realty Trust, 60 Cutter Mill Road, Suite 303, Great Neck, NY 11021, Attn: Secretary.

*Are our proxy materials available on the Internet?*

Our proxy materials are available at: [www.brtherealty.com/investor\\_relations/annualmeetingmaterials.pdf](http://www.brtherealty.com/investor_relations/annualmeetingmaterials.pdf).

*When are shareholder proposals due for the 2014 Annual Meeting?*

Our annual meeting of shareholders for the year ending September 30, 2013 is scheduled to be held in March 2014. In order to have any proposal presented by a shareholder at the meeting included in the proxy statement and form of proxy relating to the 2014 meeting, the proposal, in writing and addressed to our secretary, must be received by us no later than October 2, 2013. Upon timely receipt of any such proposal, we will determine whether to include such proposal in the proxy statement in accordance with applicable regulations.

For any proposal that is not submitted for inclusion in next year's proxy statement, but is instead intended to be presented directly at the 2014 annual meeting of shareholders, rules and regulations promulgated pursuant to the Securities Exchange Act of 1934, as amended, permit us to exercise discretionary authority to the extent conferred by proxy if we:

receive notice of the proposal before December 16, 2013 and advise shareholders in the proxy statement for the 2014 annual meeting of shareholders of the nature of the proposal and how management intends to vote on such matter, or

do not receive notice of the proposal before December 16, 2013.



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**GOVERNANCE OF OUR COMPANY**

**General**

We are governed by a board of trustees and by the committees of the board. Members of the board are kept informed about our business through discussions with our chairman, our president and chief executive officer and our other officers, by reviewing materials provided to them and by participating in meetings of the board and its committees. During 2012, the board held four meetings and each trustee attended at least 75% of the aggregate number of board and applicable committee meetings. We typically schedule a board meeting in conjunction with our annual meeting and encourage our trustees to attend the annual meeting of shareholders. Seventy percent of individuals then serving as trustees attended our 2012 annual meeting of shareholders.

**Code of Business Conduct and Ethics**

We have adopted a code of business conduct and ethics that applies to all trustees, officers, employees, agents and consultants, including our chief executive officer, principal financial officer, principal accounting officer or controller or person performing similar functions. The code of business conduct and ethics covers a variety of topics, including those required by the Securities and Exchange Commission and the New York Stock Exchange. Topics covered include, but are not limited to, conflicts of interest, confidentiality of information, and compliance with laws and regulations. The code of business conduct and ethics, as amended and restated, is available at the corporate governance section of our website at [www.brtherealty.com](http://www.brtherealty.com) and may be obtained by writing to us at 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021, Attention: Secretary. During 2012, there were no waivers of the provisions of the code of business conduct and ethics with respect to any of our trustees, officers, employees, agents or consultants. We will post any amendments to, or waivers of, our code of business conduct and ethics on our website.

**Risk Oversight**

Management is responsible for the day-to-day management of risks we face. Our board of trustees has overall responsibility for overseeing risk management with a focus on the more significant risks facing us. Our audit committee oversees risk policies and processes related to our financial statements, financial reporting processes and liquidity risks, our nominating and corporate governance committee oversees corporate governance risks and our compensation committee oversees risks relating to remuneration of our officers and employees. The compensation committee does not believe that the compensation programs which are in place give rise to any risk that is reasonably likely to have a material adverse effect on us.

At each quarterly meeting of the audit committee, a portion of the meeting is devoted to reviewing material credit risks, our loan portfolio, status of the properties in our real estate portfolio and other matters which might have a material adverse impact on current or future operations, and, as required, the audit committee reviews risks arising from related party transactions. In addition, at each meeting of the audit committee, our chief financial officer, as well as the independent registered public accounting firm reviewing or auditing, as the case may be, our financial statements, reports to the committee with respect to compliance by us with our internal control policies in order to ascertain that no failures of a material nature have occurred. This process assists the audit committee in overseeing the risks related to our financial statements and the financial reporting process.

At each meeting of the board of trustees, the trustees review and discuss significant risk issues reviewed by the audit committee.

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Our company is led by Fredric H. Gould, chairman of our board, and Jeffery A. Gould, president and chief executive officer. The board of trustees believes that: (i) separating the role of chairman and chief executive officer is the most appropriate structure at this time because it makes the best use of the abilities of Fredric H. Gould and Jeffery A. Gould; and (ii) its risk oversight activities does not have any effect on the board's leadership structure. The nominating and corporate governance committee had previously considered the appointment of a lead director but determined that such appointment, in light of, among other things, the appointment of the special committee described below, would not improve the governance of our company.

**Committees of the Board of Trustees**

Our board of trustees has three standing committees: an audit committee, a compensation committee, and a nominating and corporate governance committee. In addition, the board has appointed a special committee its term expires in 2014. The board has adopted a charter for each standing committee, as well as corporate governance guidelines that address the make-up and functioning of the board. The charter for each standing committee requires that such committee be comprised of at least three independent directors and in the case of the audit committee, also requires that at least one member of the committee qualify as a "financial expert." All of the members of each committee were independent during their period of service on such committee and in the case of the audit committee, each such member was also financially literate.

You can find each charter and the corporate governance guidelines by accessing the corporate governance section of our website at [www.brtherealty.com](http://www.brtherealty.com). Copies of these charters and the corporate governance guidelines may be obtained by writing to us at 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021, Attention: Secretary.

The table below provides membership and meeting information for each of the board committees for 2012:

Name	Audit	Compensation	Nominating and Corporate Governance	Special
Kenneth F. Bernstein				
Alan H. Ginsburg		ü		
Louis C. Grassi	Chair*		ü	ü
Gary Hurand	ü		Chair	
Jeffrey Rubin		Chair		ü
Jonathan H. Simon		ü		
Elie Weiss	ü		ü	Chair
Number of Meetings	4	2	2	2

\*

Audit committee financial expert.

*Audit Committee*

This committee is responsible for assisting the board in overseeing, among other things, (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) our independent registered public accounting firm's qualification and independence, (iv) the performance of the accounting firm performing our internal control audit function, and (v) for the preparation of the audit committee report required by the Securities and Exchange Commission for inclusion in this proxy statement. This committee is also responsible for the selection and engagement of our independent registered public accounting firm and for approving related party transactions.

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*Compensation Committee*

This committee reviews and makes recommendations and/or determinations with respect to the salaries, bonuses and stock awards of our trustees, executive officers and employees.

*Nominating and Corporate Governance Committee*

This committee's principal responsibilities include proposing to the board of trustees a slate of nominees for election to the board of trustees at the annual meeting of shareholders, making a recommendation to the board of trustees with respect to the independence of each trustee, identifying and recommending candidates to fill vacancies on the board of trustees or committees thereof between annual meetings of shareholders, proposing a slate of officers to the trustees for election at the annual meeting of the board and monitoring corporate governance matters, including overseeing our corporate governance guidelines.

*Special Committee*

This committee was established in March 2011 to, among other things, review, analyze, monitor and make recommendations with respect to our management structure and the advisory agreement pursuant to which we make payments to our advisor, REIT Management Corp., which is wholly-owned by Fredric H. Gould, our Chairman of the Board. See "Executive Compensation Compensation Discussion and Analysis Analysis Advisor Fees."

**Trustee Qualifications**

The board believes that it should be comprised of trustees with complementary backgrounds, and that trustees should, at a minimum, have expertise that may be useful to us. Our nominating and corporate governance committee has not adopted a formal diversity policy in connection with the consideration of trustee nominations or the selection of nominees. It considers the personal and professional attributes and the business experience of each trustee candidate to promote diversity of expertise and experience among our trustees. Additionally, trustees should possess the highest personal and professional ethics and should be willing and able to devote the required amount of time to our business.

When considering candidates for trustee, the nominating and corporate governance committee will take into account a number of factors, including the following:

Independence from management;

Whether the candidate has relevant business experience;

Judgment, skill, integrity and reputation;

Financial and accounting background, to enable the committee to determine whether the candidate would be suitable for audit committee membership;

Executive compensation background, to enable the committee to determine whether the candidate would be suitable for compensation committee membership; and

The size and composition of the existing board.

The nominating and corporate governance committee will consider candidates for trustee suggested by shareholders, applying the criteria for candidates described above, considering the additional



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information referred to below and evaluating such nominees in the same manner as other candidates. Shareholders wishing to suggest a candidate for trustee should write to our Secretary and include:

A statement that the writer is a shareholder and is proposing a candidate for consideration by the committee;

The name of and contact information for the candidate;

A statement of the candidate's business and educational experience;

Information regarding each of the factors listed above sufficient to enable the committee to evaluate the candidate;

A statement detailing any relationship between the candidate and any of our competitors;

Detailed information about any relationship or understanding between the proposing shareholder and the candidate; and

A statement that the candidate is willing to be considered and willing to serve as a trustee if nominated and elected.

Before nominating a sitting trustee for re-election at an annual meeting of shareholders, the nominating and corporate governance committee will consider:

The trustee's performance on the board; and

Whether the trustee's re-election would be consistent with our corporate governance guidelines.

When seeking candidates for trustee, the nominating and corporate governance committee may solicit suggestions from management, incumbent trustees or others. The committee or its chairman will interview a candidate if it is believed the candidate might be suitable to be a trustee. The nominating and corporate governance committee may also ask the candidate to meet with management. If the nominating and corporate governance committee believes a candidate would be a valuable addition to the board, it will recommend the candidate's election to the full board.

The nominating and corporate governance committee generally intends to recommend that the board nominate incumbent trustees whom the committee believes will continue to make important contributions to us, inasmuch as the committee believes that the continuing service of qualified incumbents promotes stability and continuity, giving us the benefit of the familiarity and insight into our affairs that its trustees have accumulated during their tenure, while contributing to the board's ability to work as a collective body.

### **Independence of Trustees**

In determining whether our trustees are independent, we apply the New York Stock Exchange's corporate governance listing standards. Such standards provide:

No trustee qualifies as "independent" unless the board affirmatively determines that the trustee has no material relationship with us or any of our subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with us or any of our subsidiaries);

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A trustee who is an employee, or whose immediate family member is an executive officer, of ours or any of our subsidiaries is not independent until three years after the end of such relationship;

A trustee who received, or whose immediate family member received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from us or any of our subsidiaries, other than director and committee fees and pension or other forms of deferred

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compensation for prior services (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than \$120,000 in any twelve-month period;

A trustee who is, or who has an immediate family member who is, a current partner of our internal or external auditor, a trustee who is a current employee of our internal or external auditor, a trustee who has an immediate family member who is a current employee of our internal or external auditor and who personally participates in our audit, or a trustee who was, or whose immediate family member was, within the last three years, a partner or employee of our internal or external auditor and personally worked on our audit within that time, cannot be considered independent;

A trustee who is employed, or whose immediate family member is employed, as an executive officer of another company where any of our or any of our subsidiaries' present executive officers serve on that company's compensation committee is not "independent" until three years after the end of such service or employment relationship; and

A trustee who is a current employee, or whose immediate family member is a current executive officer, of a company that has made payments to, or received payments from, us or any of our subsidiaries for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues, is not "independent" until the commencement of the third fiscal year following the fiscal year in which such payments fall below such threshold.

The board has affirmatively determined that each of Kenneth F. Bernstein, Alan H. Ginsburg, Louis C. Grassi, Gary Hurand, Jeffrey Rubin, Jonathan H. Simon and Elie Weiss, constituting approximately 64% of our trustees, is "independent" for the purposes of Section 303A of the Listed Company Manual of the New York Stock Exchange, and all of the members of our committees are independent for the purposes of Section 303A. The board based these determinations primarily on a review of the responses of our trustees to questions regarding employment and compensation history, affiliations and family and other relationships, discussions with trustees and relevant facts and circumstances provided to management of any relationships bearing on the independence of a trustee.

In determining the independence of each of the foregoing trustees, the board considered that Gary Hurand holds approximately a 40% beneficial interest in a family entity which owns a preferred limited partnership interest in Gould Investors L.P., an affiliate of our company. See "Certain Relationships and Related Transactions." The preferred limited partnership interest owned by the Hurand family entity had, as of December 31, 2012, a deemed value of approximately \$11.5 million (the redemption price of the interest) and limited voting rights, and no member of the Hurand family, including Mr. Hurand, has any management involvement in Gould Investors. For 2012, distributions of approximately \$998,000 were accrued and paid on the interests owned by the Hurand family entity. Pursuant to the governing documents, in January 2012, Gould Investors exercised its right to repurchase and the Hurand family entity exercised its right to require Gould Investors to repurchase, approximately \$2.94 million or 20% of such preferred limited partnership interests. In October 2012, the family entity and Gould Investors agreed that notwithstanding the terms of such preferred interests, until the twelve months ending September 30, 2018, the family entity would defer its right to require Gould Investors to purchase, and Gould Investors would defer its right to redeem, up to 20% (without giving effect to the repurchase in January 2012) of the original preferred interest (a redemption value of up to \$2.94 million) that would otherwise be subject to potential redemption or repurchase during 2013. In connection therewith, the parties agreed to reduce the annual distribution rate on such deferred partnership interests from 8% to 5%.

The board concluded that the foregoing did not disqualify Mr. Hurand from being independent.

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None of the members of the compensation committee has ever been an officer or employee of our company or any of our subsidiaries or has had any relationship with the Trust that would require disclosure under Item 404 of Regulation S-K (Certain Relationships and Related Party Transactions).

**Compensation of Trustees**

The following table sets forth the cash compensation payable to the non-management members of our board of trustees for service on our board and the committees thereof:

	Committee				
	Board	Audit	Compensation	Nominating	Special
Annual retainer	\$ 20,000	\$ 5,000	\$ 4,000	\$ 3,000	
Presence in-person at meeting	1,200	1,000	1,000	1,000	1,000
Presence by telephone at meeting	750	750	750	750	1,000
Chairman's annual retainer	200,000(1)	10,000	8,000	4,000	

- (1) Such payment is made to Fredric H. Gould, a management trustee and the Chairman of our Board of Trustees.

In addition, in 2012 and 2013, each non-management member of our board of trustees was awarded 3,100 and 3,250, restricted common shares, respectively, under the 2009 Incentive Plan and 2012 Incentive Plan, respectively. The restricted shares have a five year vesting period, subject to acceleration upon the occurrence of specified events, during which the registered owner is entitled to vote and receive distributions, if any, on such shares. Non-management trustees who reside outside of the local area in which our executive office is located are reimbursed for travel expenses incurred in attending board and committee meetings.

The following table sets forth the cash and non-cash compensation of trustees for 2012:

Name(1)	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(2)	Total (\$)
Kenneth F. Bernstein*	23,750	19,840	43,590
Alan H. Ginsburg*	29,750	19,840	49,590
Fredric H. Gould	175,000(3)	58,400	233,400
Matthew J. Gould		58,400	58,400
Louis C. Grassi*	48,500	19,840	68,340
Gary Hurand*	40,500	19,840	60,340
Israel Rosenzweig		(4)	
Jeffrey Rubin*	39,750	19,840	59,590
Jonathan H. Simon*	30,750	19,840	50,590
Elie Weiss*	37,750	19,840	57,590

\*  
Independent trustee

- (1) This table does not reflect: (a) the compensation received by Jeffrey A. Gould, our president, chief executive officer and a trustee; or (b) compensation paid to Fredric H. Gould, Matthew J. Gould and Israel Rosenzweig by REIT Management Corp., our advisor and Majestic Property Management Corp., each of which is wholly-owned by Fredric H. Gould. See "Executive Compensation Summary Compensation Table" and





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"Certain Relationships and Related Transactions" for information regarding Jeffrey A. Gould's compensation and "Certain Relationships and Related Transactions" for information regarding payments to Fredric H. Gould, Matthew J. Gould and Israel Rosenzweig.

- (2) Represents the aggregate grant date fair value computed in accordance with ASC Topic 718.
- (3) Reflects the annual retainer paid to the Chairman of the Board.
- (4) Excludes 9,125 shares of restricted stock issued to him in 2012 prior to his becoming a trustee.

The table below shows the aggregate number of unvested restricted shares awarded to and held by the named trustees and the value thereof as of September 30, 2012:

Name	Unvested Restricted Shares	Market Value of Unvested Restricted Stock (\$)
Kenneth F. Bernstein(1)	13,700	89,050
Alan H. Ginsburg(1)	13,700	89,050
Fredric H. Gould(2)	38,875	252,688
Matthew J. Gould(2)	38,875	252,688
Louis C. Grassi(1)	13,700	89,050
Gary Hurand(1)	13,700	89,050
Israel Rosenzweig	38,875	252,688
Jeffrey Rubin(1)	13,700	89,050
Jonathan H. Simon(1)	13,700	89,050
Elie Weiss(1)	13,700	89,050

- (1) On January 31, 2008, we awarded 1,500 restricted shares, with a grant date fair value of \$23,535. On February 2, 2009, we awarded 3,000 restricted shares, with a grant date fair value of \$12,150. On January 29, 2010, we awarded 3,000 restricted shares with a grant date fair value of \$13,320. On January 15, 2011, we awarded 3,100 restricted shares with a grant date fair value of \$22,351. On January 16, 2012, we awarded 3,100 restricted shares with a grant date fair value of \$19,840. Each share of restricted stock vests five years after the date of grant.
- (2) On January 31, 2008, we awarded 4,000 restricted shares, with a grant date fair value of \$62,760. On February 2, 2009, we awarded 8,000 restricted shares, with a grant date fair value of \$32,400. On January 29, 2010, we awarded 8,000 restricted shares, with a grant date fair value of \$35,520. On January 15, 2011, we awarded 9,750 restricted shares with a grant date fair value of \$70,298. Each share of restricted stock vests five years after the date of grant. On January 16, 2012, we awarded 9,125 restricted shares with a grant date fair value of \$58,400. Each share of restricted stock vests five years after the date of grant.

### **Non-Management Trustee Executive Sessions**

In accordance with New York Stock Exchange listing standards, our non-management trustees meet regularly in executive sessions without management. "Non-management" trustees are all those trustees who are not employees or officers of our company and include trustees, if any, who are not employees or officers but who were not determined to be "independent" by our board of trustees. The person who presides over executive sessions of non-management trustees is one of the committee

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chairmen. To the extent practicable, the presiding trustee at the executive sessions is rotated among the chairmen of the board's committees. See "Governance of our Company Leadership Structure" for information about the decision not to appoint a "lead trustee."

**Communications with Trustees**

Shareholders and interested persons who want to communicate with our board or any individual trustee can write to:

BRT Realty Trust  
60 Cutter Mill Road, Suite 303  
Great Neck, NY 11021  
Attention: Secretary

Your letter should indicate that you are a shareholder of BRT Realty Trust. Depending on the subject matter, the Secretary will:

Forward the communication to the trustee or trustees to whom it is addressed;

Attempt to handle the inquiry directly; for example where it is a request for information about our company or it is a stock-related matter; or

Not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

At each board meeting, the Secretary will present a summary of communications received, if any, since the last meeting that were not forwarded and make those communications available to the trustees on request.

In the event that a shareholder, employee or other interested person would like to communicate with our non-management trustees confidentially, they may do so by sending a letter to "Non-Management Trustees" at the address set forth above. Please note that the envelope should contain a clear notation that it is confidential.

Table of Contents**INFORMATION REGARDING BENEFICIAL OWNERSHIP OF PRINCIPAL  
SHAREHOLDERS, TRUSTEES AND MANAGEMENT**

The following table sets forth information concerning our common shares owned as of January 15, 2013 by (i) each person beneficially owning five percent or more of our common shares, (ii) each trustee, (ii) each executive officer named in the Summary Compensation Table, and (iii) all trustees and executive officers as a group.

<b>Name of Beneficial Owner</b>	<b>Number of Shares Beneficially Owned(1)</b>	<b>Percent of Class</b>
Kenneth F. Bernstein(2)	23,248	*
Alan H. Ginsburg(2)	20,780	*
Fredric H. Gould(2)(3)	3,417,512	24.1
Jeffrey A. Gould(2)(4)	479,110	3.4
Matthew J. Gould(2)(5)	3,176,999	22.4
Mitchell Gould	101,979	*
Louis C. Grassi(2)	25,343	*
Gary Hurand(2)(6)	363,546	2.6
David W. Kalish(7)	448,685	3.2
Mark H. Lundy(8)	131,769	*
Israel Rosenzweig	394,702	*
Jeffrey Rubin(2)	23,248	*
Jonathan H. Simon(2)	20,780	*
Elie Weiss(2)(9)	38,121	*
George Zweier	40,990	*
Gould Investors L.P(10)	2,777,264	19.6
Greenwood Investments, Inc.(11)	871,245	6.1
All trustees and executive officers as a group (19 persons)	5,285,423	37.2

\*

Less than 1%

(1)

Shares are listed as beneficially owned by a person who directly or indirectly holds or shares the power to vote or to dispose of the shares. The percentage of beneficial ownership is based on 14,191,887 shares outstanding on January 15, 2013.

(2)

A trustee.

(3)

Includes (i) 271,440 shares owned by the pension and profit sharing trusts of BRT Realty Trust and REIT Management Corp. of which Fredric H. Gould is a trustee, as to which shares he has shared voting and investment power, (ii) 23,469 shares owned by a charitable foundation, of which he is a director, as to which shares he has shared voting and investment power, (iii) 33,259 shares owned by a trust for the benefit of his grandchildren of which he is a trustee (as to which shares he disclaims beneficial interest), (iv) 25,260 shares owned by a partnership in which an entity wholly owned by him is the managing general partner, and (v) 2,468 shares held by him as custodian for his grandson (as to which shares he disclaims beneficial interest). Also includes 37,081 shares owned by One Liberty Properties, Inc., of which he is chairman of the board and 2,777,264 shares owned by Gould Investors of which an entity wholly owned by him is the managing general partner and another entity wholly owned by him is the other general partner. Does not include 7,512 shares owned by his spouse, as to which shares she has sole voting and investment power and as to which he disclaims beneficial ownership.

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- (4) Includes 73,055 shares owned by Jeffrey A. Gould as custodian for his children (as to which shares he disclaims beneficial ownership), 23,469 shares owned by a charitable foundation of which he is a director, as to which shares he has shared voting and investment power and 33,259 shares owned by a trust for the benefit of his children and other relatives of which he is a trustee, and 37,081 shares owned by One Liberty Properties of which he is a director and an executive officer.
- (5) Includes 47,633 shares owned by Matthew J. Gould as custodian for his children (as to which shares he disclaims beneficial ownership), 23,469 shares owned by a charitable foundation of which he is a director, as to which shares he has shared voting and investment power, 33,259 shares owned by a trust for the benefit of his children and other relatives, of which he is a trustee (as to which he disclaims beneficial ownership), 37,081 shares owned by One Liberty Properties of which he is a director and an executive officer and 2,777,264 shares owned by Gould Investors. Mr. Gould is president of the managing general partner of Gould Investors. Does not include 1,140 shares owned by his children, as which he disclaims beneficial ownership.
- (6) Includes 96,872 shares held directly by Mr. Hurand, of which 57,293 shares are pledged; 101,945 shares owned by limited liability companies in which Mr. Hurand is a member, of which 97,953 shares are pledged; and 161,479 shares owned by a corporation in which Mr. Hurand is an officer and shareholder, of which 121,377 shares are pledged. Mr. Hurand shares voting and investment power with respect to the shares owned by the limited liability companies and the corporation.
- (7) Includes 312,636 shares owned by the pension and profit sharing trusts of BRT Realty Trust, REIT Management Corp. and Gould Investors as to which Mr. Kalish has shared voting and investment power. Does not include 4,870 shares owned by his spouse, as to which shares she has sole voting and investment power and as to which he disclaims beneficial ownership.
- (8) Includes 69,268 shares held in a margin account and which are therefore deemed to be pledged. Does not include 1,221 shares owned by his spouse, as custodian for their children, as to which shares she has sole voting and investment power and as to which he disclaims beneficial ownership.
- (9) Excludes 271 shares owned by his spouse, as to which shares he disclaims beneficial ownership.
- (10) Such person's address is: 60 Cutter Mill Road, Suite 303, Great Neck, NY 11021.
- (11) Based on information reported in Form 13F filed by such person with the SEC on November 15, 2012. Such form discloses the reporting person's address as 200 Clarendon Street, 25<sup>th</sup> floor, Boston, MA 02116.

**ELECTION OF TRUSTEES  
(Proposal 1)**

The board of trustees is divided into three classes, each of which is elected for a staggered term of three years. Our Third Amended and Restated Declaration of Trust provides for the number of trustees to be between five and fifteen, the exact number to be determined by our board of trustees. The board has fixed the number of trustees at eleven. The board may, following the meeting, increase or decrease the size of the board and fill any resulting vacancy or vacancies.

At the annual meeting of shareholders, four Class II Trustees (Matthew J. Gould, Louis C. Grassi, Israel Rosenzweig and Jeffrey Rubin) are standing for election to our board of trustees. Each nominee

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has been recommended to our board of trustees by the nominating and corporate governance committee for election at the annual meeting and each nominee has been nominated by our board of trustees to stand for election at the annual meeting, to hold office until our 2016 annual meeting and until his successor is elected and qualified. Class I Trustees will be considered for election at our 2015 annual meeting and Class III Trustees will be considered for election at our 2014 annual meeting. Proxies will not be voted for a greater number of persons than the number of nominees named in the proxy statement.

We expect each nominee to be able to serve if elected. However, if any nominee is unable to serve as a trustee, unless a shareholder withholds authority, the persons named in the proxy card may vote for any substitute nominee proposed by the board of trustees. Each nominee, if elected, will serve until the annual meeting of shareholders to be held in 2016. Each other trustee whose current term will continue after the date of our 2013 annual meeting will serve until the annual meeting of shareholders to be held in 2014 with respect to the Class III Trustees, and 2015 with respect to the Class I Trustees.

**Vote Required for Approval of Proposal 1**

The affirmative vote of a majority of the outstanding common shares is required for the election of each nominee for trustee. Abstentions and broker non-votes have the effect of a vote against the nominee(s).

The following table sets forth certain information regarding each nominee for election to the board of trustees:

**Nominees for Election as Class II Trustees Whose Term Will Expire in 2016**

Name and Age	Principal Occupation for the past Five Years and other Directorships or Significant Affiliations
Matthew J. Gould 53 years	Trustee since June 2004, a senior vice president since 1993, and a trustee from March 2001 to March 2004; vice president of REIT Management Corp., advisor to the Trust, since 1986; director and senior vice president of One Liberty Properties, Inc. since 1999; President of One Liberty Properties from 1989 to 1999; President of Georgetown Partners, Inc., the managing general partner of Gould Investors L.P., since March 1996. Gould Investors is primarily engaged in the ownership and operation of real estate properties held for investment. He is the son of Fredric H. Gould and brother of Jeffrey A. Gould. His experience in real estate matters, including the acquisition and sale of real property, mortgage financing and real estate management, makes him a valuable asset to our board in its deliberations.
Louis C. Grassi 57 years	Trustee since June 2003; Managing partner of Grassi & Co. CPAs, P.C. since 1980; Director of Flushing Financial Corp. since 1998. Mr. Grassi has been involved for more than 25 years in accounting and auditing issues. His knowledge of financial and accounting matters and his experience as a director and member of the audit committee of a publicly traded financial institution provides him with the accounting and governance background and skill needed as the chairman and financial expert of our audit committee and as a member of our compensation committee.

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<b>Name and Age</b>	<b>Principal Occupation for the past Five Years and other Directorships or Significant Affiliations</b>
Israel Rosenzweig 65 years	Trustee and Vice Chairman of our Board of Trustees since September 2012; Senior Vice President since April 1998. Mr. Rosenzweig has been a Vice President of Georgetown Partners, Inc., the managing general partner of Gould Investors, L.P., since May 1997. From 2000 to March 2009, he was President of GP Partners, Inc., an affiliate of Gould Investors L.P., which provided advisory services in the real estate and financial services industries to an investment advisor. He also has been a Senior Vice President of One Liberty Properties, Inc. since June 1989. His experience as a lending officer at a major financial institution prior to becoming associated with us, his knowledge and experience in business, finance and accounting matters and his approximately 30 years of experience in the real estate industry and of working with us, provides the Board with a valuable resource in its deliberations.
Jeffrey Rubin 44 years	Trustee since March 2004; since March 2009, President and CEO of The JR Group, which provides consulting services to the electronic payment processing industry; President and director of Newtek Business Services, Inc., a provider of business services and financial products to small and medium sized businesses, from February 1999 to March 2009. Mr. Rubin's experience as the president and a director of a public company and his experience in business and financial matters are valuable to our company in his activities as the chairman of our compensation committee and in his activities as a trustee.

**THE BOARD OF TRUSTEES RECOMMENDS A VOTE FOR THE ELECTION OF MATTHEW J. GOULD, LOUIS C. GRASSI, ISRAEL ROSENZWEIG AND JEFFREY RUBIN AS CLASS II TRUSTEES. THE PERSONS NAMED IN THE PROXY CARD INTEND TO VOTE SUCH PROXY FOR THE ELECTION OF SUCH PERSONS AS TRUSTEES.**

The following table sets forth certain information regarding trustees whose terms will continue after the date of the annual meeting:

#### **Class III Trustees Whose Term Will Expire in 2014**

<b>Name and Age</b>	<b>Principal Occupation for the past Five Years and other Directorships or Significant Affiliations</b>
Kenneth F. Bernstein 51 years	Trustee since June 2004; President and Chief Executive Officer of Acadia Realty Trust, a real estate investment trust focused primarily on the ownership, acquisition, redevelopment and management of retail properties, since January 2001. His experience as president and chief executive officer of a New York Stock Exchange listed REIT for approximately twelve years, his leadership positions with various real estate industry associations and his background as a practicing attorney make him a valuable member of our board.

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<b>Name and Age</b>	<b>Principal Occupation for the past Five Years and other Directorships or Significant Affiliations</b>
Fredric H. Gould 77 years	Trustee since 1983; Chairman of our Board since 1984; Chairman of the Board of Directors since 1989, Chief Executive Officer from July 2005 to December 2007, and President from July 2005 to December 2006, of One Liberty Properties; Chairman of the Board of Georgetown Partners, Inc., managing general partner of Gould Investors, since December 1997 and sole member of Gould General LLC, a general partner of Gould Investors; President of REIT Management Corp., advisor to the Trust, since 1986; Director of East Group Properties, Inc. since 1998. He is the father of Matthew J. Gould and Jeffrey A. Gould. Mr. Gould has been involved in the real estate industry for approximately 50 years, as an investor, owner, manager, and as the chief executive officer of publicly traded real estate entities and real estate investment trusts. He has also served as a director of four real estate investment trusts, and as a director and a member of the loan committee of two savings and loan associations. His knowledge and experience in business, finance, tax, accounting and legal matters and his knowledge of our company's business and history makes him an important member of our board of trustees.
Gary Hurand 66 years	Trustee since 1990; President of Dawn Donut Systems, Inc. since 1971; President of Management Diversified, Inc., a real property management and development company, since 1987; Director of Citizens Republic Bancorp Inc. and predecessor since 1990. He is the father-in-law of Elie Weiss. Mr. Hurand brings valuable business and leadership skills to the board in light of his 20 years of service as our trustee, his extensive experience in commercial real estate and in business operations and as a director and member of the audit committee of a publicly traded financial institution.
Elie Weiss 40 years	Trustee since December 2007; engaged in real estate development since September 1997; Executive Vice President of Robert Stark Enterprises, Inc., a company engaged in the development and management of retail, office and multi-family residential properties from September 1997 to September 2007. Mr. Weiss is a principal in two restaurant development and operating groups, Paladar Latin Kitchen and Rum Bar and Province with restaurants in Ohio, Maryland, Illinois and Arizona. He is also actively engaged in managing his personal real estate investments. He is the son-in-law of Gary Hurand. His entrepreneurial and extensive real estate experience makes him a valuable member of our board.

### **Class I Trustees Whose Term Expires in 2015**

<b>Name and Age</b>	<b>Principal Occupation for the past Five Years and other Directorships or Significant Affiliations</b>
Alan H. Ginsburg 74 years	Trustee since December 2006; Chief Executive Officer since 1987 of The CED Companies, a private company which develops, builds and manages multi-family apartment communities. His more than 20 years' experience as chief executive officer of a real estate developer/manager provides our board with a long-term perspective on the real estate and real estate lending industry.



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Name and Age	Principal Occupation for the past Five Years and other Directorships or Significant Affiliations
Jeffrey A. Gould 47 years	Trustee since 1997; President and Chief Executive Officer since January 2002, President and Chief Operating Officer from March 1996 to December 2001; Senior Vice President and director since December 1999 of One Liberty Properties.; Senior Vice President of Georgetown Partners, Inc., since 1996. He is the son of Fredric H. Gould and the brother of Matthew J. Gould. Mr. Jeffrey A. Gould's experience in a broad range of real estate activities, including mortgage lending, real estate evaluation, management and sale of real estate, and his eleven years as our President and Chief Executive Officer enables him to provide key insights on strategic, operational and financial matters related to our business.
Jonathan H. Simon 47 years	Trustee since December 2006; President and Chief Executive Officer since 1994 of The Simon Development Group, a private company which has developed, owns and manages a diverse portfolio of residential, retail and commercial real estate, primarily in New York City. His background in the real estate industry and in particular, his experience in real estate development, affords him an understanding of the challenges faced by real estate entrepreneurs which is helpful to us as a real property lender.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
(Proposal 2)**

**General**

The audit committee and the board of trustees is seeking ratification of the appointment of BDO USA, LLP ("BDO") as our independent registered public accounting firm for the year ending September 30, 2013. Representatives of BDO, our auditors for 2012, are expected to be present at the annual meeting and will have the opportunity to make a statement if such representatives desire to do so and will be available to respond to appropriate questions.

We are not required to have our shareholders ratify the selection of BDO as our independent registered public accounting firm. We are doing so because we believe it is good corporate practice. If our shareholders do not ratify the selection, the audit committee will reconsider whether or not to retain BDO, but may, after reconsidering, still decide to retain such firm. Even if the selection is ratified, the audit committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in our best interests.

**THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR RATIFICATION OF THE APPOINTMENT OF BDO AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING SEPTEMBER 30, 2013.**

**Change in Auditors**

On December 14, 2010, the audit committee of our board of trustees dismissed Ernst & Young LLP as our independent registered public accounting firm.

Ernst & Young's reports on our consolidated financial statements for the years ended September 30, 2010 and 2009 did not contain an adverse opinion or a disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles. During the years ended September 30, 2010 and 2009 and through December 14, 2010, (i) there were no disagreements with Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Ernst & Young, would have caused Ernst & Young to make a reference thereto in its reports on our

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consolidated financial statements for such periods and (ii) there were no "reportable events" as defined in Item 304(a)(1)(v) of Regulation S-K.

On December 28, 2010, the audit committee of our board of trustees engaged BDO as our independent registered public accountants, as of and for the year ended September 30, 2011 and the interim periods prior to such year-end.

During 2010 and 2009 and through December 28, 2010, we did not consult with BDO regarding the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, nor did BDO provide advice to us, either written or oral, that was an important factor considered by us in reaching a decision as to an accounting, auditing or financial reporting issue. Further, during 2010 and 2009 and through December 28, 2010, we did not consult with BDO on any matter described in Item 304(a)(2)(i) or (ii) of Regulation S-K.

### **Audit and Other Fees**

The following table presents, except as otherwise indicated, BDO's fees (including expenses) for the services indicated for 2012 and 2011:

	2012(1)	2011(1)
Audit fees(2)	\$ 384,936	\$ 332,695
Audit-related fees		
Tax fees		
All other fees		
<b>Total fees</b>	<b>\$ 384,936</b>	<b>\$ 332,695</b>

- 
- (1) The amount reflected in 2012 and 2011 excludes Ernst & Young's fees of: (a) \$10,000 and \$19,500 for its review in 2012 and 2011, respectively, of the consolidated financial statements for 2010 included in our 2012 Annual Report on Form 10-K; and (b) \$5,000 for its review of our registration statement in 2012.
- (2) Includes fees for the audit of our annual consolidated financial statements, the annual audit of internal controls over financial reporting, the review of the consolidated financial statements included in our quarterly reports on Form 10-Q, the review of a Registration Statement on Form S-8 in 2012 and the audits of the statements of revenues and certain expenses performed in 2012 in connection with multi-family property acquisitions in accordance with Rule 3-14 of Regulation S-X.

### **Approval Policy for Audit and Non-Audit Services**

The audit committee annually reviews and approves the retention of our independent registered public accounting firm for each fiscal year and the audit of our financial statements for such fiscal year, including the fee associated with the audit. In addition, the audit committee approves the provision of tax related and other non-audit services. Any fees for the audit and any fees for non-audit services in excess of those approved by the audit committee must receive the prior approval of the audit committee.

Proposals for any non-audit services to be performed by our independent registered public accounting firm must be approved in advance by the audit committee.

For 2012, the audit committee pre-approved all of the audit, tax and non-audit services rendered by our independent registered public accounting firm.

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**REPORT OF THE AUDIT COMMITTEE**

The audit committee of the board of trustees is comprised of three independent trustees and operates under a written charter adopted by the board of trustees. The board of trustees has determined that each member of the audit committee was independent during his service on the committee.

The role of the audit committee is to, among other things, select and engage our independent registered public accounting firm and to oversee and monitor our financial reporting process, the independence and performance of the independent registered public accounting firm and the functioning of our internal controls. It is management's responsibility to prepare financial statements in accordance with generally accepted accounting principles and of the independent registered public accounting firm to perform an independent audit of the financial statements and to express an opinion on the conformity of those financial statements with generally accepted accounting principles.

In performing its duties, the audit committee:

met and held discussions with management, the independent registered public accounting firm and the accounting firm performing the internal control audit function on our behalf;

discussed with the independent registered public accounting firm the overall scope and plan for its activities and reviewed with the accounting firm performing the internal control function its work plan and the scope of its activities;

obtained representations from management to the effect that the year-end consolidated financial statements were prepared in accordance with generally accepted accounting principles;

was advised by the independent registered public accounting firm that it would render an unqualified opinion with respect to the year-end consolidated financial statements;

reviewed and discussed the year end consolidated financial statements with management and the independent registered public accounting firm;

discussed and evaluated our internal control procedures with management, the independent registered public accounting firm and the accounting firm performing the internal control audit function;

reviewed with management the process used for the certifications under the Sarbanes-Oxley Act of 2002 of our filings with the Securities and Exchange Commission;

reviewed the unaudited quarterly financial statements prior to filing each Form 10-Q with the Securities and Exchange Commission and reviewed the quarterly earnings press releases;

discussed with the independent registered public accounting firm matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

discussed with the independent registered public accounting firm such firm's independence from the Trust and management, and received the written disclosures and the letter from such firm required by PCAOB Ethics and Independence Rule 3526 (Communication with Audit Committees Concerning Independence); and

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reviewed and approved the independent registered public accounting firm's fees, both for performing audit and non-audit services, and considered whether the provision of non-audit services by the independent registered public accounting firm was compatible with maintaining the independent registered public accounting firm's independence and concluded that it was compatible.

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The audit committee meets with the independent registered public accounting firm and the accounting firm performing the internal control audit function, with and without management present, to discuss the results of their examinations, their evaluations of the internal controls, and the overall quality of our financial reporting.

Based on the reviews and discussions referred to above, the audit committee recommended that the Trust's audited consolidated financial statements for the year ended September 30, 2012 be included in the Trust's Annual Report on Form 10-K for the year ended September 30, 2012 for filing with the Securities and Exchange Commission.

Louis C. Grassi (Chairman)  
Gary Hurand  
Elie Weiss  
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**EXECUTIVE COMPENSATION**

*Compensation Discussion and Analysis*

**Highlights**

The following are highlights of our compensation practices; we encourage you to read the more detailed information set forth herein:

all of our named executive officers (as defined herein) are employees at will none of these officers have employment agreements with us;

there are no severance or similar arrangements for our named executive officers, other than the accelerated vesting of restricted share awards upon the occurrence of specified events as described herein and the amounts to which they are entitled under qualified defined contribution plans.

there are no excise tax gross ups or similar arrangements for our executive officers;

the restricted shares awarded to our named executive officers generally vest five years after the grant date on a "cliff-vesting" basis the shares do not vest incrementally on a quarterly or annual basis;

the compensation we pay our named executive officers is generally related (though not formulaically tied to) to our financial performance and to a subjective evaluation of the individual performance of a named executive officer;

an amendment to our advisory agreement became effective January 1, 2012, pursuant to which a floor and ceiling was established on the fees paid to our advisor and the advisor no longer receives any portion of origination fees for loans we originate; and

because our executive officers and trustees beneficially own in the aggregate approximately 5.3 million shares or 37% of our outstanding shares and during the past nine years, only an aggregate of 7,800 shares have been sold by two insiders, we do not have and do not believe a formal policy requiring a minimum level of ownership of our shares by our executive officers and trustees is necessary or appropriate.

**General**

This compensation discussion and analysis describes our compensation objectives and policies as applied to our chief executive officer, chief financial officer and our three other most highly compensated officers (collectively, the "named executive officers") in 2012. This discussion and analysis focuses on the information contained in the compensation tables that follow this discussion and analysis. We also describe compensation actions taken historically to the extent it enhances an understanding of our executive compensation disclosure. Generally, our compensation committee oversees our compensation program, recommends the compensation of executive officers employed by us on a full-time basis to our board of trustees for its approval, and our audit committee reviews the appropriateness of the allocation to us under a shared services agreement of the compensation of executive officers who perform services for us on a part time basis. Another element of our compensation program is the fee paid by us to our advisor, REIT Management Corp., pursuant to the advisory agreement, and the related payment by our advisor of compensation to certain of our executive officers.

Historically, we have used the following compensation structure with respect to the compensation paid by us to our executive officers:

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executive officers who devote all, or substantially all, their business time to our affairs are compensated directly by us. The named executive officers who fit into this category are

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Jeffrey A. Gould, our president and chief executive officer, Mitchell Gould, our executive vice president and George Zweier, our vice president and chief financial officer. These named executive officers are involved to varying degrees in our lending and multi-family property businesses, management of our real estate assets (including the Newark Joint Venture), and financial reporting;

executive officers who devote their time to us on a part-time basis, whose basic annual compensation (base salary, bonus, if any, and perquisites) is allocated to us under a shared services agreement based upon the estimated time each devotes to us and to the other entities which are parties to the shared services agreement. These executive officers perform services to us related primarily to legal, accounting and tax matters, corporate governance, Securities and Exchange Commission and New York Stock Exchange reporting and other regulatory matters, and consult with our executives and employees in areas involving loan originations, multi-family property acquisitions, loan workouts, litigation (including foreclosure actions) and capital raising. David W. Kalish and Mark H. Lundy, senior vice presidents, who also serve as our senior vice president, finance and general counsel, respectively, are the only named executive officers who fit into this category;

executive officers who devote their time to us on a part-time basis, who receive compensation from our advisor, but do not receive basic annual compensation from us and whose basic annual compensation is not allocated to us under the shared services agreement. We pay a fee to our advisor for the services it performs for us pursuant to the advisory agreement. None of our named executive officers fit into this category in 2012. Jeffrey A. Gould, David W. Kalish and Mark H. Lundy, named executive officers, receive compensation from our advisor. The services which the advisor performs for us include, among other services, arranging and negotiating credit lines and mortgage financings, interfacing with our lenders, participating in our loan and multi-family property analysis and approval process (which includes its executives serving on our loan and investment committees), providing investment advice, workout and litigation strategy, long-term planning and consulting with our executives and employees in many other aspects of our business, as required. Of the named executive officers who receive compensation from the advisor, Jeffrey A. Gould is the only one who receives direct compensation from us. The basic annual compensation of David W. Kalish and Mark H. Lundy, both of whom receive compensation from our advisor, is allocated to us under the shared services agreement.

**Say-on-Pay**

In reviewing our compensation philosophy and practices and in approving base salaries for calendar 2013 and bonuses paid for services rendered in 2012, the compensation committee was aware of the results of our March 2011 "say-on-pay" vote in which approximately 96% of the shares that voted on such proposal, voted to approve our executive compensation practices, and viewed such results as generally supportive of our compensation philosophy, practices and determinations.

**Objectives of our Executive Compensation Program**

A principal objective of our compensation program for full-time officers is to ensure that the total compensation paid to them is fair and competitive. The compensation committee believes that relying on this principle permits us to retain and motivate these officers.

With respect to senior executive officers whose compensation is allocated to us under the shared services agreement (*i.e.*, part-time officers) it is our objective that each of these officers receives compensation which, as allocated to us, is reasonable for the services they perform on our behalf, and



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that those executives provide us with sufficient time and attention to fully meet our needs and to fully perform their duties on our behalf. The compensation committee believes that:

our part-time executive officers perform valuable services on our behalf, devote sufficient time and attention to our business needs, are able to fully meet our needs and perform their duties effectively; and

that utilizing part-time executive officers pursuant to the shared services agreement and the advisory agreement enables us to benefit from access to, and the services of, a group of senior executives with experience and knowledge in real estate lending and acquisitions, real estate management, finance, banking, legal, accounting and tax matters that an organization our size could not otherwise afford.

**Compensation Setting Process**

*Full-Time Officers*

To establish compensation for our executive officers for 2012, the compensation committee reviewed the annual compensation survey prepared for the National Association of Real Estate Investment Trusts (NAREIT) to assist us in providing a fair and competitive compensation package to our full-time executive officers. Although there are many companies engaged in real estate lending, there are few companies which engage in the short-term, bridge lending business in which we engage or have a market capitalization comparable to ours. As a result, the NAREIT compensation survey, although helpful, does not provide information which is directly applicable to us. Accordingly, and since we have only eight full-time employees, we determine compensation for our full-time employees, including our executive officers, on a case-by-case basis and our compensation decisions are subjective. We have not to date used specific performance targets though it is anticipated that performance goals will be established in connection with the grant in the future of performance based awards to our senior executives.

For our full-time executive officers, other than the president and chief executive officer, the recommendations of our president and chief executive officer plays a significant role in the compensation-setting process, since the president and chief executive officer is aware of each executive officer's duties and responsibilities and is most qualified to assess the level of each officer's performance in carrying out his duties and responsibilities. The president and chief executive officer, prior to making recommendations to the compensation committee concerning each executive officer's compensation, consults with the chairman of our board of trustees and other senior executive officers. During this process, they consider our overall performance for the preceding year including, without limitation, our revenues, results of operations and the management of our loan portfolio and real estate. Since executive officers have different responsibilities, no performance criteria is given more weight than any other. In considering base compensation, the president and chief executive officer, chairman of the board and other senior executive officers assess an individual's performance, which assessment is highly subjective. After this process, the president and chief executive officer proposes to the compensation committee with respect to each full-time executive officer, a base salary for the next year, a cash bonus applicable to the preceding year (which is paid in the following calendar year), and the number of shares of restricted stock to be awarded to each individual executive officer. At its annual compensation committee meeting, the compensation committee reviews these recommendations. The compensation committee has discretion to accept, reject or modify the recommendations. The final decision by the compensation committee on compensation matters related to executive officers is reported to the board of trustees, which, except as may be otherwise appropriate under applicable law, can approve or modify the action of the committee.

With respect to our president and chief executive officer, after the compensation committee has reviewed the NAREIT compensation survey for any helpful information, and our overall performance

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for the preceding year, the chairman of the committee meets with the president and chief executive officer to discuss and review his total compensation, including the compensation he receives from our advisor and from the other parties to the shared services agreement. The compensation committee then determines annual base compensation, and bonus, if any, for the president and chief executive officer and reports its determinations to the board of trustees. The number of shares of restricted stock to be awarded to the president and chief executive officer is considered and determined by the committee annually, at the same time the committee considers and approves all restricted stock awards to be made for that year.

*Part-Time Officers*

Our chairman of the board is a principal executive and/or sole owner of each entity which participates with us in the shared services agreement. In such capacity, our chairman, in consultation with our president and chief executive officer and others, determines the annual base compensation of our part-time executive officers to be paid in the aggregate by one or more of the entities which are parties to the shared services agreement. The annual base compensation, bonus, if any, pension contribution, and perquisites of certain of our part-time executive officers is allocated to us and other parties to the shared services agreement, pursuant to the shared services agreement. Our audit committee reviews the allocations made under the shared services agreement to determine that the allocations have been made in accordance with the terms of the shared services agreement.

The compensation committee is apprised of the compensation paid to our advisor. Since the compensation we pay the advisor is pursuant to an agreement approved by our board of trustees, the compensation committee does not approve such compensation. In addition, our compensation committee is apprised of the compensation paid by our advisor and other affiliates to each of our part-time executive officers.

**Components of Executive Compensation**

The principal elements of our compensation program for executive officers in 2012 were:

base salaries;

commissions, which are primarily provided to full-time executive officers and employees involved in loan origination activities;

annual cash bonuses, which are available only to full-time executive officers and are provided in the form of a cash payment;

long-term equity based compensation in the form of restricted stock; and

special benefits and perquisites.

In determining 2012 compensation, the compensation committee did not have a specific allocation goal between cash and equity-based compensation.

*Base Salary*

Full-Time Executive Officers

Base salary is the basic, least variable form of compensation for the job an executive officer performs and provides each full-time executive officer with a guaranteed annual income. Base salaries of executive officers compensated by us directly are generally targeted to be competitive with the salaries paid to executives performing substantially similar functions at other REITs with a market capitalization similar to ours. Any increase in base salary is determined on a case by case basis, is not based upon a structured formula and is based upon, among other considerations (i) our performance in



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the preceding year (e.g., revenues, net income, cash distributions, if any, paid to shareholders and share price performance), (ii) such executive's current base salary, (iii) amounts paid by similarly situated companies for executives performing substantially similar functions, (iv) years of service, (v) current job responsibilities, (vi) the individual's performance, and (vii) the recommendation of the president and chief executive officer and other senior executive officers.

Part-Time Executive Officers

In setting the annual base salary for these officers, the chairman of the board considers primarily the executive's responsibilities to all parties to the shared services agreement, the executive's performance, years of service, current annual base salary and the performance of the companies which participate in the shared services agreement. The annual base salary is allocated to the entities which are parties to the shared services agreement, including us, based on the estimated time devoted to each of the entities.

*Commissions*

We provide the opportunity for full-time executive officers involved in loan origination activities to earn a commission on each loan we originate. The commission is provided to incentivize our executives engaged in loan origination activities. The commission, which is currently an aggregate of 12-basis points of the loans originated, is divided among our full-time executive officers and employees engaged primarily in those activities. Fifty percent of the commission is paid at the time the loan is originated and the balance is paid at loan payoff. Mitchell Gould is our only named executive officer who engages primarily in loan origination activities.

*Bonus*

We provide the opportunity for our full-time executive officers and other full-time employees to earn an annual cash bonus. We provide this opportunity both to reward our officers and employees for past performance and to motivate and retain talented people. We recognize that annual bonuses are almost universally provided by other companies with which we might compete for talent. Annual cash bonuses for our executive officers (including the three named executive officers who devote substantially all of their business time to our affairs) are determined on a case-by-case basis and are determined subjectively. In determining annual cash bonuses, consideration is given to both an executive's performance and to our overall performance in the applicable year. Once our compensation committee has approved the annual bonus to be paid to each executive officer, the compensation committee presents its recommendations to the board of trustees for their approval. Based on our present structure and the small number of full-time executive officers, our compensation committee has not established formulas or performance goals to determine cash bonuses for our executive officers.

*Long-Term Equity Awards*

We provide the opportunity for our executive officers to receive long-term equity incentive awards. Our long-term equity incentive compensation program is designed to recognize responsibilities, reward performance, motivate future performance, align the interests of our executive officers with our shareholders' and retain our executive officers. The compensation committee reviews annually management's recommendations for long-term equity awards for all our officers, trustees and employees and makes recommendations to our board of trustees for the grant of equity awards. In determining the long-term equity compensation component, the compensation committee considers the factors it considers relevant, including our performance and individual performance. Existing ownership levels are not a factor in award determinations.

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We do not have a formal policy with respect to whether equity compensation should be paid in the form of stock options or restricted stock. For approximately the past eight years, we have awarded only restricted stock. The compensation committee believes restricted stock awards are more effective in achieving our compensation objectives, as restricted stock has a greater retention value. In addition, because fewer shares are normally awarded, it is potentially less dilutive. Executive officers realize value upon the vesting of the restricted stock, with the value potentially increasing if our stock performance increases.

All the outstanding restricted stock awards provide for five-year "cliff" vesting. The compensation committee believes that restricted stock awards with five-year "cliff" vesting provide a strong retention incentive for executives, and aligns the interests of our executive officers with our shareholders. We view our capital stock as a valuable asset that should be awarded judiciously. For that reason, it has been our policy that the aggregate restricted stock awards granted each year to our executive officers, employees, trustees and consultants should not exceed approximately 1% of our issued and outstanding common shares.

We do not have a formal policy on timing equity compensation grants in connection with the release of material non-public information. Generally, equity awards are granted in January of each year. In January 2013, we awarded 138,525 shares of restricted stock (including an aggregate of 26,000 shares awarded to non-management trustees and an aggregate of 54,125 shares to our named executive officers). The aggregate restricted stock authorized for awards by us on such date represents approximately 0.99% of our issued and outstanding shares.

*Executive Benefits and Perquisites*

We provide our executive officers and our employees with a competitive benefits and perquisites program. For 2012, the executive benefits and perquisites we provided to executive officers accounted for a small percentage of the compensation provided by, or allocated to, us for our executive officers. The executive benefits and perquisites we provided to certain of our full-time executive officers, in addition to the benefits and perquisites we provided to all our full-time employees, consisted of automobile allowances (including payments for automobile maintenance and repairs), the payment of certain educational expenses and the payment of premiums for additional disability insurance and/or long-term care insurance. The cost of the executive benefits and perquisites provided to our part-time executive officers, which benefits are similar to those provided to our full-time executive officers, was allocated among us and other entities pursuant to the shared services agreement.

*Employment and Severance Agreements; Post-Employment Benefits; Change of Control*

None of our named executive officers has employment or severance agreements with us. They are "at will" employees who serve at the pleasure of our board of trustees.

We do not provide for any post-employment benefits to our named executive officers other than their right to the vested portion of the defined contribution plan in which they participate and accelerated vesting of our restricted stock awards.

Generally, in the event of death, disability (*i.e.*, the inability to engage in gainful activity due to a life threatening or long lasting mental or physical impairment), retirement (having reached the age of 65 and worked for us for at least ten consecutive years) or a change of control (as described below), such person's shares of restricted stock vest fully. Subject to the specific terms and conditions of the applicable plan and award agreement, a change of control is generally deemed to occur if (i) any person, with specified exceptions, becomes the "beneficial owner" of securities representing 20% or more of the combined voting power of our then outstanding securities, (ii) the completion of a business combination or sale of all or substantially all of our assets or (iii) there is a change in the composition of a majority of our board of trustees, other than changes approved by incumbent trustees.

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We provide for accelerated vesting upon a change in control (on a single trigger basis) because, depending on the structure of the transaction, continuing such awards may unnecessarily complicate a potentially beneficial transaction. Among other things, it may not be possible to replace these awards with comparable awards of the acquiring company's stock and it would not be fair to our executives to lose the benefit of these awards. In addition, the acceleration of vesting aligns the interests of executives in a potential change in control transaction with those of our shareholders, by motivating them to work towards the completion of the transaction.

**Chairman of the Board's Compensation**

Effective as of January 1, 2012, we began paying a chairman's fee of \$200,000 per annum, payable in quarterly installments. Our chairman does not receive any additional direct compensation from us, other than any long-term equity awards granted to him by our board of trustees based upon our compensation committee's recommendation. Our chairman may also receive compensation from Majestic and its affiliates. For additional information regarding payments to our chairman, see "Certain Relationships and Related Transactions."

**Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code of 1986, as amended, imposes a limitation on the deductibility of certain compensation in excess of \$1 million earned by each of the chief executive officer and the four other most highly compensated officers of publicly held companies. In 2012, all compensation paid to our full-time executives is deductible by us. The compensation committee generally intends to preserve the deductibility of compensation payments and benefits to the extent reasonably practicable but has not adopted a formal policy that requires all such compensation to be fully deductible.

**Analysis***Base Salary and Bonus*Full-Time Executive Officers

In accordance with the compensation setting process described above, base salary and cash bonuses for 2012 were approved as follows for the named executive officers compensated directly by us:

	2012 Base Salary (\$)	2011 Base Salary(\$)	2012 Bonus (\$)(1)	2011 Bonus (\$)(2)	Percentage Increase of Salary and Bonus Combined
Jeffrey A. Gould President and Chief Executive Officer	471,718	458,416	35,000	30,000	3.7
Mitchell Gould Executive Vice President	362,629(3)	339,353(3)	40,000	27,500	9.8
George Zweier Vice President and Chief Financial Officer	212,765	201,585	27,500	16,500	10.2

(1) Represents the bonus applicable to 2012 which was paid in calendar 2013.

(2) Represents the bonus applicable to 2011 which was paid in calendar 2012.

(3) Includes commissions earned on loan originations of \$66,475 in 2012 and \$69,818 in 2011.



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In setting Jeffrey A. Gould's base salary for 2012, the compensation committee took into account our return to, and the scope of, our profitability in 2011, and that his base salary for 2012 represented an 8.5% increase from his 2007 base salary. For his 2012 bonus, the compensation committee considered our continued profitability, the success of the Newark Joint Venture in obtaining funds for the construction of five buildings at the Teachers Village site and our entry into the multi-family property ownership business through our investment in joint ventures that acquired five such properties. The increases in 2012 base salary for Messrs. M. Gould and Zweier are attributable to our return to and the scope of our profitability in 2011 as well as their individual performance. Mitchell Gould's 2012 bonus was based both on his performance (including the approximately \$9.5 million of net income attributable to common shareholders related to our loan and investment activities for which he has significant responsibility) and our continued profitability. George Zweier's bonus for 2012 was based on his individual performance (including his efforts with respect to financial and accounting matters relating to our multi-family property acquisitions) and our continued profitability.

The base salary and bonus of Jeffrey A. Gould, our president and chief executive officer, in 2012 was equal to 1.3x of Mitchell Gould's compensation and 2.2x of George Zweier's compensation. We have not adopted a policy with regard to the relationship of compensation among named executive officers or other employees. The compensation committee was aware of the differential in compensation among these executive officers and concluded that the differential was appropriate because, among other things, both Mitchell Gould and George Zweier have responsibilities primarily related to a specific activity, whereas Jeffrey A. Gould's responsibilities cover all our business activities including, among other things, loan originations and underwriting, negotiating joint venture agreements, loan enforcement, property sales, capital raising and investor relations.

Our compensation committee engaged FPL Associates L.P., a compensation consulting firm with extensive experience in advising REITs with respect to executive compensation matters, to assist the committee in developing a long-term performance based award program for our senior executives. In connection therewith, FPL prepared a report that reflected, among other things, the compensation paid for 2011 to our full-time executive officers in comparison to a full-time peer group (as described below). Though the report was issued after base salaries for 2012 had been determined, such report reflected that:

with respect to Jeffrey A. Gould, our chief executive officer, (a) the compensation we paid him ranked below the 25<sup>th</sup> percentile of the compensation paid to chief executive officers of the full-time peer group and (b) total compensation paid to him (including compensation paid by our affiliates) ranked between the 25<sup>th</sup> percentile and the median of the total compensation paid to chief executive officers of the full-time peer group; and

with respect to Messrs. M. Gould and Zweier, the total compensation paid to them was below the 25<sup>th</sup> percentile of the total compensation paid to the executive officers performing similar functions at the full-time peer group.

Part-Time Executive Officers

Mark H. Lundy serves as our senior vice president and general counsel. He is responsible for legal matters relating to loan origination and lending documentation, foreclosure activities, bankruptcy claims and issues, credit line documentation and other agreements entered into by us. In addition, he reviews, as necessary, our filings under the Securities Exchange Act of 1934, as amended, and our public disclosures. David W. Kalish serves as our senior vice president, finance. He has overall responsibility for implementation and enforcement of our internal controls, performs oversight and guidance in connection with our annual audit and our quarterly reports, performs oversight and guidance related to tax matters, is involved in banking relationships, chairs our disclosure controls and procedures committee and participates in the preparation and review of our disclosures under the Securities



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Exchange Act of 1934, as amended, and press releases. The compensation committee determined that based on the value of such person's services on our behalf, the compensation of Messrs. Lundy and Kalish, which is allocated to us, was reasonable.

The FPL report also compared the compensation paid for 2011 to our part-time named executive officers to a shared peer group. Though the report was issued after base salaries for 2012 had been determined, such report reflected that:

the compensation paid to Messrs. Kalish and Lundy and allocated to us pursuant to the shared services agreement is below the 25<sup>th</sup> percentile of the compensation paid to executive officers performing similar functions at the shared peer group; and

the total compensation (including compensation paid by our affiliates) paid (a) Mr. Lundy ranked higher than the 75<sup>th</sup> percentile and (b) Mr. Kalish ranked between the median and the 75<sup>th</sup> percentile, of the total compensation paid to executive officers performing similar functions at the shared peer group.

### Peer Groups

The components of the full-time peer groups are as follows:

Arbor Realty Trust, Inc.	MFA Financial, Inc.	PMC Commerical Trust
Capital Trust, Inc.	New York Mortgage Trust, Inc.	RAIT Financial Trust
Dynex Capital, Inc.	NorthStar Realty Finance Corp.	Redwood Trust, Inc.
iStar Financial Inc.		

The full-time peer group is applicable to the executives who devote substantially all of their business time to us. The report notes that the companies within this group may include public REIT's focused on the debt side of the business, debt companies with similar loan size and emphasis on senior lending, commercial banks, private debt/investment companies and/or debt/investment companies located in New York. Though FPL recognized that some of these specific peer group companies were not a perfect match to us because of our unique position among our peers (*i.e.*, smaller size, focus on short-term senior debt only and recent equity investment in multi-family joint ventures), it nonetheless believed that the selected peers were appropriate for benchmarking purposes.

The components of the shared peer group are as follows:

Arbor Realty Trust, Inc.	Getty Realty Corp.	NorthStar Realty Finance Corp.
Capital Trust, Inc.	iStar Financial Inc.	RAIT Financial Trust
CapLease, Inc.	Lexington Realty Trust	Urstadt Biddle Properties Inc.
Cousins Properties Incorporated	New York Mortgage Trust, Inc.	W.P. Carey & Co. LLC

The shared peer group is used for executives who dedicate a portion of their business time to our affairs and who also dedicate time to affiliated companies. The FPL report noted that companies in this peer group may exhibit similar characteristics to the full-time peer group companies or may be public entity REITs active in the net lease, public real estate companies comparable in size to us or One Liberty Properties and/or public real estate companies located in the New York area.

### *Long-Term Equity Awards*

We believe that our long-term equity compensation program, using restricted stock awards with five-year cliff vesting provides motivation for our executives and employees and is a beneficial retention tool. We are mindful of the potential dilution and compensation cost associated with awarding shares of restricted stock. Our policy remains to limit dilution and compensation costs. In January 2013 and 2012 we issued 138,525 and 136,650 restricted share awards, respectively, representing approximately 0.99%

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and 0.98% of our outstanding shares, respectively. In the past five years, we have awarded an average of 132,985 shares each year, representing an average of 0.98% per annum of our outstanding shares.

*New Long-Term Performance-Based Incentive Program*

Our compensation committee retained FPL Associates to assist with implementing a new performance-based long-term incentive program. Although the new program has not yet been finalized, it is currently contemplated that it will contain a seven-year performance period, with one or more interim measurement periods though seven years of performance will be required to earn the full awards that will be provided under the program. The performance measures will consist of an FFO-based metric, total shareholder return and metrics relating to the achievement of strategic objectives. We contemplate that performance based awards will be granted in 2013. The maximum number of shares with respect to which any participant may be granted performance based awards in any calendar year is 60,000 shares.

*Advisor Fees*

We and our advisor, REIT Management Corp., are parties to an amended and restated advisory agreement dated as of January 1, 2007, which we refer to as the Prior Advisory Agreement, pursuant to which our advisor performs the services described under "Executive Compensation Compensation Discussion and Analysis General" and for which we paid the advisor, through December 31, 2011, an annual fee of 0.6% of our invested assets and our borrowers paid our advisor a fee, upon funding a loan commitment, of 0.5% of the total commitment amount. Our advisor in turn compensated our executive officers. See "Certain Relationships and Related Transactions." Fredric H. Gould, chairman of our board, is the sole shareholder of our advisor. The Prior Advisory Agreement, which was to terminate on December 31, 2010, was extended from time-to-time until December 31, 2011.

In 2011, our Special Committee was formed to review our management structure and the Prior Advisory Agreement. This committee selected and retained independent counsel and The Delves Group, an independent compensation consultant that had not previously performed services on our or any of our affiliates behalf. The Delves Group reviewed and analyzed our management's analysis of three different management structures including the current structure. The Delves Group concluded that the assumptions and methodologies used by management in its analysis were sound and justified and that the fees paid pursuant to the Prior Advisory Agreement for 2007 through 2010 were within the range of competitive practices presented in its report.

The Special Committee concluded that based upon the report of The Delves Group and such committee's analysis of our business and personnel, our management structure was preferable to other available structures, and that it would be in our shareholders' best interest to negotiate amendments to the Prior Advisory Agreement to, among other things, cap the fees payable to our advisor, decrease compensation payable for non-performing loans and allow, in the short-term, for a further review of the impact on us of changes to the Prior Advisory Agreement. In furtherance thereof, the Special Committee negotiated amendments, which became effective January 1, 2012 to the Prior Advisory Agreement (as so amended by such amendments, the "New Advisory Agreement"). Pursuant to the New Advisory Agreement, (i) the stated termination date of such agreement was extended until June 30, 2014, (ii) the minimum and maximum fees payable in a fiscal year to our advisor were set at \$750,000 and \$4 million, respectively, subject to adjustment for any fiscal year of less than twelve months, and (iii) we are to pay our advisor the following annual fees, which are to be paid on a quarterly basis:

1.0% of the average principal amount of earning loans;

0.35% of the average amount of the fair market value of non-earning loans;

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0.45% of the average book value of all real estate properties, excluding depreciation ("BVRE");

0.25% of the average amount of the fair market value of marketable securities;

0.15% of the average amount of cash and cash equivalents;

The New Advisory Agreement reflects that in certain cases, we may own real estate assets or hold loans with another person or entity (a "co-venturer") pursuant to a joint venture, participation or other form of joint ownership arrangement. With respect to real estate assets held by us and a co-venturer, the New Advisory Agreement provides for the payment of the following fees:

for real estate assets that we manage:  $(0.45\% \times \text{our percentage interest in the venture} \times \text{BVRE}) + (0.4\% \times \text{investor's percentage interest in the venture} \times \text{BVRE})$ ; and

for real estate assets we do not manage:  $(0.45\% \times \text{our percentage interest in the venture} \times \text{BVRE})$ .

With respect to loans held by us and a co-venturer, the New Advisory Agreement provides for the payment of the following fees:

for earning loans held by a venture we manage:  $(1.0\% \times \text{our percentage interest in the venture} \times \text{the average amount of the loan}) + (0.4\% \times \text{our co-venturer's percentage interest in the venture} \times \text{the average amount of such loan})$ ;

for non-earning loans held by a venture we manage:  $(0.35 \times \text{the average amount of such loan} \times \text{our percentage interest in the venture}) + (0.35\% \times \text{our co-venturer's percentage interest in the venture} \times \text{the average amount of such loan})$ ;

for earning loans held by ventures we do not manage:  $(1.0 \times \text{our percentage interest in the venture} \times \text{the average amount of such loans})$ ; and

for non-earning loans held by ventures we do not manage:  $(0.35\% \times \text{our percentage interest in the venture} \times \text{the average amount of such loans})$ .

Since the fee paid by us to the advisor under the advisory agreement is based on an agreement which was approved by our board of trustees, the compensation committee does not review the fee nor the determinations made by Fredric H. Gould as to the payment of compensation by the advisor to any of our senior executive officers.

Three of our named executive officers (Jeffrey A. Gould, David W. Kalish and Mark H. Lundy) receive compensation from our advisor. The compensation committee is advised of such payments. The compensation committee has determined that if the compensation paid by us to our executive officers is reasonable, then the amounts paid to them by the advisor should not be considered as a factor in the determination of compensation relating to such executive's performance for us as long as these persons are satisfactorily performing their duties on our behalf. The compensation committee has determined that all persons who receive compensation from us and also from our advisor satisfactorily performed their duties on our behalf.

### *Stock Ownership Policy*

In view of the fact that our executive officers and trustees beneficially own in the aggregate more than 37% of our common shares and that only two of such insiders sold an aggregate of 7,800 shares during the past nine years, we do not have nor do we believe there is a need to adopt a policy regarding ownership of our shares by executive officers and trustees since their aggregate 37% ownership interest aligns their interest with the interests of our shareholders.



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#### *Perquisites*

The perquisites we provide to our executive officers, which are in addition to the benefits we provide to all our employees, account for a small percentage of the compensation paid by us to or allocated to us for our executive officers. We believe that such perquisites are competitive and appropriate.

#### *Post-Employment Benefits Program*

The following table sets forth the value (based on the closing price of our stock on September 30, 2012 of \$6.50 per share) and the number of shares subject to restricted stock awards held by our named executive officers that would vest upon death, disability or a change in control as of September 30, 2012:

Name	Number of Shares of Unvested Restricted Stock Held as of September 30, 2012	Value of Outstanding Shares of Unvested Restricted Stock at September 30, 2012 (\$)
Jeffrey A. Gould	38,875	252,688
George Zweier	19,100	124,150
Mitchell Gould	38,375	249,438
David W. Kalish	38,875	252,688
Mark H. Lundy	38,875	252,688

#### **Summary Compensation Table**

The following summary compensation table discloses the compensation paid and accrued for services rendered in all capacities to us during the years indicated for our named executive officers:

Name and Principal Position	Year	Salary (\$)(1)(2)	Bonus (\$)(1)(3)	Stock Awards (\$)(4)	All Other Compensation (\$)(5)	Total (\$)
Jeffrey A. Gould President and Chief Executive Officer	2012	471,718	35,000	58,400	219,280(6)	784,398
	2011	458,416	30,000	70,298	326,430	885,144
	2010	437,835	17,000	35,520	224,762	715,117
George Zweier, Vice President and Chief Financial Officer	2012	212,765	27,500	28,800	41,266(7)	310,331
	2011	201,585	16,500	30,282	38,682	287,049
	2010	192,545	14,000	18,648	39,909	265,102
Mitchell Gould Executive Vice President	2012	362,629	40,000	58,400	46,502(8)	507,531
	2011	339,353	27,500	70,298	47,292	484,443
	2010	258,046	13,000	35,520	46,574	353,140
David W. Kalish, Senior Vice President, Finance	2012	160,094		58,400	117,496(9)	335,990
	2011	153,303		70,298	170,479	394,080
	2010	148,012		35,520	77,655	261,187
Mark H. Lundy, Senior Vice President	2012	196,389		58,400	170,734(10)	425,523
	2011	199,088		70,298	239,275	508,661
	2010	163,141		35,520	107,701	306,362

(1)

The salary and bonus for each of Jeffrey A. Gould, George Zweier and Mitchell Gould was paid directly by us. The salary of Mitchell Gould includes commissions of \$66,475, \$69,818 and \$11,612 in 2012, 2011 and 2010, respectively, based on loan originations. David W. Kalish and Mark H. Lundy do not receive salary or bonus directly from us. They receive an annual salary and bonus

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from Gould Investors L.P. and related companies and their respective salaries and bonuses, if any, are allocated to us pursuant to the shared services agreement. The salaries of David W. Kalish and Mark H. Lundy that are allocated to us are set forth in the above Summary Compensation Table. See "Certain Relationships and Related Transactions" for a discussion of additional compensation paid to Jeffrey A. Gould, David W. Kalish and Mark H. Lundy by entities owned by Fredric H. Gould, the chairman of our board.

- (2) The annual base salaries in calendar 2013 for each of Jeffrey A. Gould, Mitchell Gould and George Zweier are \$490,000, \$330,000 and \$231,650, respectively.
- (3) The table sets forth the year in which the bonus was earned, not the year it was paid. The bonus for 2012, 2011 and 2010 reflects our performance and the performance of our named executive officers for such years and was paid in 2013, 2012 and 2011, respectively.
- (4) Represents the aggregate grant date fair value computed in accordance with FASB ASC 718. Excludes 13,725 restricted shares awarded to Messrs. J. Gould and Lundy, 10,550 restricted shares awarded to Mr. Kalish, 10,125 restricted shares awarded to Mr. M. Gould and 6,000 restricted shares awarded to George Zweier in January 2013.
- (5) We maintain a tax qualified defined contribution plan for all of our officers and employees, and entities which are parties with us to a shared services agreement (including Gould Investors) maintain substantially similar defined contribution plans for their officers and employees. We make an annual contribution to the plan for each officer and employee whose base salary is paid directly by us (and entities which are parties to the shared services agreement make annual contributions to its plan for each of its officers and employees) equal to 15% of such person's annual earnings, not to exceed \$37,313 for any person in 2012. The estimated amount payable as of September 30, 2012 to Messrs. J. Gould, Zweier and M. Gould pursuant to this plan upon the termination of their employment was \$1,356,000, \$417,000 and \$521,000, respectively. The method of payment upon termination of employment is determined solely by the participant who may elect a lump sum payment, the purchase of an annuity or a rollover into an individual retirement account.
- (6) Includes \$162,662 paid to him by REIT Management, our contribution of \$37,313 paid for his benefit to our defined contribution plan and perquisites totaling \$19,305, of which \$9,556 represents an automobile allowance, \$3,252 represents a premium paid for additional disability insurance and \$6,497 represents a premium paid for long-term care insurance.
- (7) Includes our contribution of \$35,866 paid for his benefit to our defined contribution plan and a \$5,400 automobile allowance.
- (8) Includes our contribution of \$37,313 paid for his benefit to our defined contribution plan and a \$5,400 automobile allowance.
- (9) Includes \$102,828 paid to him by REIT Management, our contribution of \$11,868 paid for his benefit to the Gould Investors L.P. defined contribution plan, and perquisites of \$2,800. The amounts reflected as contributions to the defined contribution plan and as perquisites are allocated to us pursuant to the shared services agreement.
- (10) Includes \$138,594 paid to him by REIT Management, contributions of \$15,066 paid for his benefit to the Gould Investors L.P. defined contribution plan, and perquisites of \$17,074, of which \$1,103, \$709, \$9,450 and \$5,813 represents amounts incurred by Gould Investors for additional disability insurance, long-term care insurance, an education benefit and an automobile allowance, respectively. The amounts reflected as contributions to the defined contribution plan and as perquisites are allocated to us pursuant to the shared services agreement.

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#### Grant of Plan-Based Awards

The following table discloses the grants of plan-based awards during 2012 to our named executive officers:

Name	Grant Date	All Other Stock Awards: Number of Shares of Stocks or Units (#)(1)	Grant Date Fair Value of Stock Awards (\$)
Jeffrey A. Gould	1/16/12	9,125	58,400
George Zweier	1/16/12	4,500	28,800
Mitchell Gould	1/16/12	9,125	58,400
David W. Kalish	1/16/12	9,125	58,400
Mark H. Lundy	1/16/12	9,125	58,400

- (1) Represents the grant in 2012 of restricted shares which generally vest in 2017.

#### Outstanding Equity Awards at Fiscal Year-End

The following table discloses the outstanding equity awards at September 30, 2012 for our named executive officers:

Name	Stock Awards Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Jeffrey A. Gould(1)	38,875	252,688
George Zweier(2)	19,100	124,150
Mitchell Gould(1)	38,375	249,438
David W. Kalish(1)	38,875	252,688
Mark H. Lundy(1)	38,875	252,688

- (1) On January 31, 2008, February 2, 2009, January 29, 2010, January 15, 2011 and January 16, 2012, we awarded 4,000, 8,000, 8,000, 9,750 and 9,125 restricted shares, respectively. Each share vests five years after the grant date.
- (2) On January 31, 2008, February 2, 2009, January 29, 2010, January 15, 2011 and January 16, 2012, we awarded 2,000, 4,200, 4,200, 4,200 and 4,500 restricted shares, respectively. Each share vests five years after the grant date.

#### Option Exercises and Stock Vested

The following table discloses options exercised and stock vested during 2012 for our named executive officers:

Name	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting
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		( $\text{\$}$ )
Jeffrey A. Gould	2,800	18,368
George Zweier	1,500	9,840
Mitchell Gould	2,500	16,400
David W. Kalish	2,800	18,368
Mark H. Lundy	2,800	18,368

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**COMPENSATION COMMITTEE REPORT**

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussions with management, we recommended to the Board of Trustees that the Compensation Discussion and Analysis be included in this proxy statement.

The Compensation Committee  
Jeffrey Rubin (Chairman)  
Alan Ginsburg  
Jonathan H. Simon

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Introduction**

Fredric H. Gould, chairman of our board of trustees, is chairman of the board of directors of One Liberty Properties, a real estate investment trust listed on the New York Stock Exchange that is engaged in the ownership of a diversified portfolio of income-producing real properties that are net leased to tenants, generally under long-term leases. He is also chairman of the board of directors and sole stockholder of the managing general partner of Gould Investors, a limited partnership that owns and operates a diversified portfolio of real estate and invests in other companies active in the real estate and finance industries, and the sole member of a limited liability company which is the other general partner of Gould Investors. Gould Investors owns approximately 19.6% of our outstanding common shares. In addition, Mr. Gould is an officer and sole shareholder of REIT Management, our advisor.

Jeffrey A. Gould, a trustee and our president and chief executive officer, is a senior vice president and a director of One Liberty Properties and a vice president of the managing general partner of Gould Investors. Matthew J. Gould, a trustee and one of our senior vice presidents, is the Vice Chairman of the Board of Directors of One Liberty Properties, and president of the managing general partner of Gould Investors. He is also an executive officer of REIT Management and of Majestic Property Management Corp. In addition, David W. Kalish, Simeon Brinberg, Mark H. Lundy and Israel Rosenzweig, each of whom is an executive officer of our company, are executive officers of One Liberty Properties, Inc. and of the corporate managing general partner of Gould Investors. Messrs. Kalish and Lundy are also officers of Majestic Property Management.

**Related Party Transactions**

We and certain related entities, including Gould Investors, One Liberty Properties, Inc., Majestic Property Management and REIT Management, occupy common office space and share certain services and personnel in common. In 2012, we reimbursed Gould Investors L.P. \$705,000 for common general and administrative expenses, including rent, telecommunication services, computer services, bookkeeping, secretarial and other clerical services and legal and accounting services. The reimbursement amount includes \$10,000 contributed to the annual rent of \$324,000 paid by Gould Investors, One Liberty Properties, and related entities to a subsidiary of Gould Investors which owns the building in which the offices of these entities are located, and an aggregate of \$549,000 allocated to us for services performed by certain executive officers who are engaged by us on a part-time basis, including the amounts allocated for the salary and benefits of David W. Kalish and Mark H. Lundy as set forth in the "Summary Compensation Table" and \$124,234 allocated for the salary of Simeon Brinberg. The allocation of general and administrative expenses is computed in accordance with a shared services agreement, and is based on the estimated time devoted by executive, administrative and clerical personnel to the affairs of each participating entity to the shared services agreement. The services of secretarial personnel generally is allocated on the same basis as that of the executive to whom each secretary is assigned. The amount of general and administrative expenses allocated to us represents approximately 26% of the total expenses allocated to all entities which are parties to the shared services agreement. We also lease under a direct lease with a subsidiary of Gould Investors L.P. approximately 4,300 square feet of office space at an annual rental of \$143,374 (plus real estate tax increases) which is a competitive rent for comparable office space in the area in which the building is located.

In 2012, pursuant to the Advisory Agreement between us and REIT Management, a company wholly-owned by Fredric H. Gould, we paid fees to REIT Management of \$1,104,000 and our borrowers paid fees to REIT Management of \$145,000. See "Executive Compensation Compensation Disclosure and Analysis Advisor Fees." Fredric H. Gould and Matthew J. Gould are executive officers

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of REIT Management. The total compensation they each received from REIT Management in 2012 is \$110,813 and \$203,475, respectively. The compensation received in 2012 by Jeffrey A. Gould, David W. Kalish and Mark H. Lundy from REIT Management is set forth in the Summary Compensation Table and the notes thereto. Simeon Brinberg and Israel Rosenzweig, received compensation from REIT Management in 2012 of \$16,193 and \$57,841, respectively.

Majestic Property Management, which is wholly-owned by Fredric H. Gould, provides real property management services and construction supervisory fees, real estate brokerage, mortgage brokerage and construction supervision services for affiliated entities, as well as companies that are non-affiliated entities. In 2012, we paid Majestic Property Management fees totaling \$61,770, representing, in the aggregate, less than 2% of the 2012 revenues of Majestic Property. In addition, in 2012, two unconsolidated joint ventures, in which we owned a 50% joint venture interest, paid Majestic Property Management for management services and brokerage commissions, a total \$12,153, representing less than 1% of the 2012 revenues of Majestic Property Management. Fredric H. Gould did not receive compensation from Majestic Property Management in 2012, and the following executive officers received compensation from Majestic Property Management in 2012 as follows: Simeon Brinberg, \$40,515; Jeffrey A. Gould, \$408,570; Matthew J. Gould, \$516,570; David W. Kalish, \$235,530; Mark H. Lundy, \$299,525; and Israel Rosenzweig, \$135,455. None of this compensation is included in the Summary Compensation Table. The real property management services provided by Majestic Property Management to us and our joint ventures include, among other things, rent billing and collection, leasing (including compliance with regulatory statutes and rules) and construction supervision of property improvements, maintenance and repairs related to various properties.

The fees paid by us to REIT Management and Majestic Property Management and the expenses reimbursed to Gould Investors under the shared services agreement were reviewed by our audit committee. The fees paid to REIT Management were paid pursuant to the advisory agreement. The expenses reimbursed to Gould Investors are reimbursed pursuant to the shared services agreement. The fees to Majestic Property Management are based on fees which would have been charged by unaffiliated persons for comparable services. Simeon Brinberg, Fredric H. Gould, Jeffrey A. Gould, Matthew J. Gould, David W. Kalish, Mark H. Lundy and Israel Rosenzweig also receive compensation from other entities wholly-owned by Fredric H. Gould and parties to the shared services agreement, none of which provided services to us or received compensation from us in 2012.

**Policies and Procedures**

Our code of business conduct and ethics provides in the "Conflicts of Interest" section that our board of trustees is aware of certain transactions between us and affiliated entities, including the sharing of services pursuant to the terms of a shared services agreement and the provision of services by affiliated entities to us. The provision states that the board has determined that the services provided by affiliated entities to us are beneficial and that we may enter into a contract or transaction with an affiliated entity provided that any such transaction is approved by the audit committee which is satisfied that the fees, charges and other payments made to the affiliated entities are at no greater cost or expense to us than would be incurred if we were to obtain substantially the same services from unrelated and unaffiliated entities. The term "affiliated entities" is defined in the code of business conduct and ethics as all parties to the shared services agreement and other entities in which our officers and trustees have an interest.

Our audit committee is advised of related party transactions which occurred in the prior quarter at each quarterly meeting, reviews the transactions and, except to the extent such transaction is effectuated pursuant to an agreement previously approved by such committee, either approves/ratifies or disapproves the transactions. If a transaction relates to a member of our audit committee, such member does not participate in the audit committee's deliberations. Our audit committee discusses related party transactions with our board of trustees on at least an annual basis.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, trustees and persons who beneficially own more than 10% of our common shares to file Initial Reports of Ownership and Reports of Changes in Ownership with the Securities and Exchange Commission and the New York Stock Exchange. Executive officers, trustees and greater than 10% beneficial owners are required by the rules and regulations promulgated pursuant to the Securities Exchange Act of 1934, as amended, to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of copies of these reports filed with the SEC, we believe that none of our trustees, executive officers and greater than 10% beneficial owners have failed to file on a timely basis reports required by Section 16(a) during 2012.

**OTHER MATTERS**

As of the date of this proxy statement, we do not know of any matter other than those stated in this proxy statement which are to be presented at the annual meeting of shareholders. If any other matter should properly come before the meeting, the persons named in the proxy card will vote the common shares represented by it in accordance with their best judgment. Discretionary authority to vote on other matters is included in the proxy.

By order of the Board of Trustees

Simeon Brinberg, *Secretary*

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