

ANTHRACITE CAPITAL INC
Form DEF 14A
April 14, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant ..

Check the appropriate box:

.. Preliminary Proxy Statement

.. Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

.. Definitive Additional Materials

.. Soliciting Material Pursuant to §240.14a-12

Anthracite Capital, Inc.

(Name of Registrant as Specified in Its Charter)

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Anthracite Capital, Inc.

40 East 52nd Street

New York, New York 10022

April 14, 2008

Dear Fellow Stockholders:

On behalf of the Board of Directors, I cordially invite you to attend the 2008 Annual Meeting of Stockholders of Anthracite Capital, Inc. (the Annual Meeting) to be held at the Omni Berkshire Place, 21 East 52nd Street, Second Floor, New York, NY 10022, on Thursday, May 15, 2008 at 10:00 a.m., Eastern Time. The matters to be voted on by the stockholders at the Annual Meeting are described in detail in the accompanying materials.

IT IS VERY IMPORTANT THAT YOU BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU OWN OR WHETHER YOU ARE ABLE TO ATTEND THE ANNUAL MEETING IN PERSON. Let me urge you to mark, sign and date your proxy card today and to return it in the envelope provided, even if you plan to attend the Annual Meeting. This will not prevent you from voting in person, but will ensure that your vote is counted if you are unable to attend the Annual Meeting.

Your continued support of and interest in Anthracite Capital, Inc. are sincerely appreciated.

Sincerely,

/s/ Carl F. Geuther

Carl F. Geuther

Chairman of the Board of Directors

ANTHRACITE CAPITAL, INC.

NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 15, 2008

To the Stockholders of Anthracite Capital, Inc.:

NOTICE IS HEREBY GIVEN that the 2008 Annual Meeting of Stockholders (the Annual Meeting) of Anthracite Capital, Inc. (the Company) will be held at the Omni Berkshire Place, 21 East 52nd Street, Second Floor, New York, NY 10022, on Thursday, May 15, 2008, at 10:00 a.m., Eastern Time, for the following purposes:

1. To elect three directors to serve on the Board of Directors of the Company for a three-year term expiring in 2011, to elect one director to serve on the Board of Directors of the Company for a two-year term expiring in 2010, and to elect one director to serve on the Board of Directors of the Company for a one-year term expiring in 2009, in each case, until their respective successors are duly elected and qualifies;
2. To ratify the appointment by the Board of Directors of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2008;
3. To approve the Anthracite Capital, Inc. 2008 Manager Equity Plan; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Only stockholders of the Company of record as of the close of business on March 31, 2008 will be entitled to notice of, and to vote at, the Annual Meeting or any adjournments or postponements thereof.

Further information regarding the Annual Meeting, the nominees for election as directors, the independent registered public accounting firm, the Anthracite Capital, Inc. 2008 Manager Equity Plan and other matters is contained in the enclosed Proxy Statement. We have enclosed a Proxy Statement, form of proxy and self-addressed envelope. Please complete, date and sign the proxy card. Return it promptly in the envelope provided, which requires no postage if mailed in the United States. If you attend the Annual Meeting, you may withdraw your proxy and vote in person, if you so choose.

By Order of the Board of Directors,

/s/ Vincent B. Tritto

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Vincent B. Tritto

Secretary

New York, New York

April 14, 2008

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING IN PERSON OR BY PROXY; PLEASE MARK, DATE, SIGN AND RETURN THE APPROPRIATE ENCLOSED PROXY OR PROXIES IN THE ACCOMPANYING ENVELOPE PROVIDED FOR YOUR CONVENIENCE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. YOU MAY ALSO CALL GEORGESON, INC., THE COMPANY S PROXY SOLICITOR, AT 1-877-278-6310 FOR MORE INFORMATION ABOUT THE ENCLOSED PROXY STATEMENT OR TO VOTE YOUR SHARES.

ANTHRACITE CAPITAL, INC.

40 EAST 52ND STREET

NEW YORK, NEW YORK 10022

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

This Proxy Statement and the accompanying proxy card and Notice of Annual Meeting are provided in connection with the solicitation of proxies by the Board of Directors of Anthracite Capital, Inc., a Maryland corporation (the Company or Anthracite), for use at the 2008 Annual Meeting of Stockholders (the Annual Meeting) to be held at the Omni Berkshire Place, 21 East 52nd Street, Second Floor, New York, NY 10022, on Thursday, May 15, 2008 at 10:00 a.m., Eastern Time, and any adjournments or postponements thereof. The mailing address of the Company's executive office is 40 East 52nd Street, New York, NY 10022. This Proxy Statement, the accompanying proxy card and the Notice of Annual Meeting are first being mailed to holders of the Company's common stock, par value \$.001 per share (the Common Stock), on or about April 14, 2008.

Matters to Be Voted on at the Annual Meeting

At the Annual Meeting, holders of the Common Stock will vote on (i) the election of five directors to serve on the Board of Directors of the Company; (ii) the ratification of the appointment by the Audit Committee of the Board of Directors of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2008; (iii) the approval of the Anthracite Capital, Inc. 2008 Manager Equity Plan; and (iv) such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Stockholders Entitled to Vote

The Board of Directors has fixed the close of business on March 31, 2008 as the record date for the determination of stockholders entitled to notice of and to vote their shares of Common Stock at the Annual Meeting. As of March 31, 2008, the Company had 64,791,761 shares of Common Stock outstanding. Each share of Common Stock entitles its holder to one vote.

Voting at the Annual Meeting

If the enclosed proxy is properly executed and returned to the Company in time to be voted at the Annual Meeting, it will be voted as specified on the proxy, unless it is properly revoked prior thereto. If no specification is made on the proxy as to any one or more of the proposals, the shares of Common Stock represented by the proxy will be voted as follows:

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FOR the election of each of the director nominees;

FOR the ratification of the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2008; and

FOR the approval of the Anthracite Capital, Inc. 2008 Manager Equity Plan.

Voting on Other Matters

If any other matters are properly presented at the Annual Meeting for consideration, the persons named in the proxy will have the discretion to vote on those matters for you. At the date this Proxy Statement went to press, the Company did not know of any other matter to be raised at the Annual Meeting.

Required Vote

A majority of the votes entitled to be cast at the Annual Meeting, represented in person or by proxy, constitutes a quorum for purposes of transacting business at the Annual Meeting. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a bank, broker, or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Election of each nominee for director will require the affirmative vote of a plurality of the votes cast in person or by proxy at the Annual Meeting for such slot. This means that the director nominee with the most votes for a particular slot is elected for that slot. Votes withheld from one or more director nominees therefore will have no effect on the outcome of the vote.

The affirmative FOR vote of a majority of votes cast in person or by proxy at the Annual Meeting is required to approve all other proposals, including the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm and the approval of the Anthracite Capital, Inc. 2008 Manager Equity Plan (the 2008 Manager Equity Plan). In tabulating the voting result for any particular proposal, abstentions and, if applicable, broker non-votes are not counted as votes FOR or AGAINST the proposal.

If the 2008 Manager Equity Plan is not approved by the affirmative FOR vote of a majority of votes cast in person or by proxy at the Annual Meeting, it will not become effective. The Board of Directors of the Company, however, reserves the right, subject to all applicable laws, regulations and stock exchange listing standards, to adopt such other compensation plans and programs as it deems appropriate and in the best interests of the Company and its stockholders.

Under the rules of the New York Stock Exchange (NYSE), if you are a beneficial owner of the Company's shares, your bank, broker or other holder who holds your shares in street name (each, a record holder) has the authority to vote your shares on certain matters when it does not receive voting instructions from you. Record holders that do not receive voting instructions are entitled to vote on the election of directors and the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm. Record holders may not vote on the approval of the 2008 Manager Equity Plan absent instructions from you. Without your voting instructions, a broker non-vote will occur.

Cost of Proxy Solicitation

The Company will pay the expenses of soliciting proxies. Proxies may be solicited in person or by mail, telephone, electronic transmission and facsimile transmission on the Company's behalf by directors, officers or employees of the Company or its subsidiaries, without additional compensation. The Company will reimburse brokerage houses and other custodians, nominees and fiduciaries that are requested to forward soliciting materials to the beneficial owners of the stock held of record by such persons.

Solicitation of Proxies

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Georgeson, Inc. (Georgeson) has been engaged to assist in the solicitation of proxies for the Company. In addition to solicitations made by mail, solicitations also may be made by telephone, through the Internet or in person by officers or employees of the Company and by certain financial

services firms and their representatives, who will receive no extra compensation for their services. If the Company records votes by telephone or through the Internet, it will use procedures designed to authenticate stockholders' identities, to allow stockholders to authorize the voting of their shares in accordance with their instructions and to allow stockholders to confirm that their instructions have been recorded properly.

In all cases in which a telephone proxy is solicited, the Georgeson representative is required to ask for each stockholder's full name and address and to confirm that the stockholder has received the proxy materials in the mail. If the stockholder is a corporation or other entity, the Georgeson representative is required to ask for the person's title and for confirmation that the person is authorized to direct the voting of the shares. If the information solicited agrees with the information provided to the Georgeson representative, then the Georgeson representative has the responsibility to explain the process, to read the proposals listed on the Proxy Card and to ask for the stockholder's instructions on each proposal. Although the Georgeson representative is permitted to answer questions about the process, he or she is not permitted to recommend to the stockholder how to vote, other than to read any recommendation set forth in this Proxy Statement. Georgeson will record the stockholder's instructions on the Proxy Card. Within 72 hours, the stockholder will be sent a letter or mailgram that confirms his or her vote and that asks the stockholder to call Georgeson immediately if his or her instructions are reflected incorrectly in the confirmation.

Revocation of Proxies

A person giving the enclosed proxy has the power to revoke it at any time before it is exercised by (i) attending the Annual Meeting and voting in person, (ii) duly executing and delivering a proxy bearing a later date prior to the Annual Meeting or (iii) sending written notice of revocation to the Company's Secretary prior to the Annual Meeting at 40 East 52nd Street, New York, NY 10022.

List of Stockholders

A list of stockholders entitled to vote at the Annual Meeting will be available at the Annual Meeting and for ten days prior to the Annual Meeting, between the hours of 9:00 a.m. and 5:00 p.m., Eastern Time, at the Company's executive office at 40 East 52nd Street, New York, NY 10022, by contacting the Secretary of the Company.

Copies of Proxy Statement / Annual Report to Stockholders

A copy of the Annual Report on Form 10-K filed by the Company with the Securities and Exchange Commission (the "SEC") for its latest fiscal year, the 2007 Annual Report to Stockholders and this Proxy Statement and form of proxy is available without charge to stockholders at the Company's website at www.anthracitecapital.com or upon written request to Anthracite Capital, Inc., 40 East 52nd Street, New York, NY 10022, Attention: Secretary. Neither the Annual Report on Form 10-K for the year ended December 31, 2007 nor the 2007 Annual Report to Stockholders is part of the proxy solicitation materials.

Confidentiality of Voting

The Company keeps all proxies, ballots and voting tabulations confidential as a matter of practice. The Company only lets its Inspector of Election, American Stock Transfer and Trust Company, examine these documents. Occasionally, stockholders provide

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written comments on their proxy card, which then may be forwarded to the Company's management by American Stock Transfer and Trust Company.

Voting Results

American Stock Transfer and Trust Company, the Company's independent tabulating agent, will count the votes and act as the Inspector of Election. The Company will publish the voting results in its Quarterly Report on Form 10-Q for the fiscal quarter ending June 30, 2008, which the Company plans to file with the SEC in August 2008.

Recommendations of the Board of Directors

The Board of Directors recommends a vote **FOR** each of the nominees for director, **FOR** the ratification of the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2008 and **FOR** the approval of the Anthracite Capital, Inc. 2008 Manager Equity Plan.

PROPOSAL 1

ELECTION OF DIRECTORS

The Company's Bylaws provide that the Board of Directors shall consist of no less than three and no more than nine directors, and the number of directors may be increased or decreased within those parameters by the Board of Directors. The Company's Board of Directors is currently comprised of eight members and will increase to nine members upon the election of Walter E. Gregg Jr. (as described below) at the Annual Meeting. The Company's Board of Directors is classified into three groups, designated Class I, Class II and Class III. The term of office of the members of one class of directors expires each year in rotation so that the members of one class are elected at each annual meeting to serve for full three-year terms, or until their successors are duly elected and qualifies. Each class consists, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors.

At the Annual Meeting, three directors will be elected to serve on the Board of Directors of the Company for a three-year term expiring in 2011, one director will be elected to serve on the Board of Directors of the Company for the two-year balance of a term expiring in 2010 and one director will be elected to serve on the Board of Directors for the one-year balance of a three-year term expiring in 2009, in each case, until their respective successors are duly elected and qualifies. The shares of Common Stock represented by the enclosed proxy will be voted for the election as directors of the five nominees named below, unless a vote is withheld from any of the five individual nominees. If any nominee becomes unavailable or unwilling to serve as a director on the Board of Directors of the Company for any reason, shares of Common Stock represented by the accompanying proxy will be voted for such other person as the Board of Directors may nominate.

At the Annual Meeting, one director will be elected by the holders of the Company's 12% Series E-1 Cumulative Convertible Redeemable Preferred Stock, 12% Series E-2 Cumulative Convertible Redeemable Preferred Stock and 12% Series E-3 Cumulative Convertible Redeemable Preferred Stock, in each case par value \$0.001 and liquidation preference \$1,000 per share (collectively, the Series E Preferred Stock), to serve on the Board of Directors until the next Annual Meeting of Stockholders in 2009.

Pursuant to the Articles Supplementary governing the Series E Preferred Stock, so long as more than 50% of the shares of the issued Series E Preferred Stock have been continuously owned by the initial holder thereof, holders of the Series E Preferred Stock, voting together as a single class, shall have the right to elect one member of the Company's Board of Directors. On April 4, 2008, the sole holder of the Series E Preferred Stock designated Andrew P. Rifkin as the Series E Preferred Stock designee and Mr. Rifkin was appointed to the Company's Board of Directors. Mr. Rifkin currently serves as a Class III director.

The Board of Directors has no reason to doubt the availability of any nominee, and each nominee has indicated his or her willingness to serve as a director of the Company if elected by the stockholders at the Annual Meeting.

Information Concerning the Director Nominees

The Board of Directors has unanimously proposed Hugh R. Frater, Jeffrey C. Keil and Deborah J. Lucas as nominees for election as Class II directors of the Company, each to serve for a three-year term expiring in 2011, Walter E. Gregg Jr. as nominee for election as a Class I director of the Company to serve for the two-year balance of a three-year term expiring in 2010 and

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Christopher A. Milner as nominee for election as a Class III director of the Company to serve for the one-year balance of a three-year term expiring in 2009.

The Board of Directors recommends a vote **FOR** each of the nominees for director.

Information Concerning the Incumbent Directors and Director Nominees

Information concerning the names, ages, terms and positions with the Company and business experience of the members of the Board of Directors and Mr. Gregg is set forth below. Hugh R. Frater has been elected to the Board of Directors since November 1997. Jeffrey C. Keil has been elected to the Board of Directors since March 1998. Deborah J. Lucas has been elected to the Board of Directors since May 2005. Christopher A. Milner was appointed to the Board of Directors in November 2007 by the Board of Directors to fill a vacancy caused by Ralph L. Schlosstein's resignation from the Board of Directors. Andrew P. Rifkin was elected to the Board of Directors upon the issuance of the Series E Preferred Stock on April 4, 2008. All of them have served continuously with the Company since their respective election or appointment. Mr. Gregg previously has not been a director of the Company.

Name	Age	Position	Class	Director Term Expires(1)
Affiliated Directors:				
Scott M. Amero	44	Director	III	2009
Hugh R. Frater	52	Director	II	2011(5)
Christopher A. Milner	41	Director	III	2009(6)
Unaffiliated Directors:				
Carl F. Geuther (2)(4)	62	Chairman of the Board of Directors	I	2010
Walter E. Gregg Jr.	66	Director	I	2010(7)
Jeffrey C. Keil (2)(3)	64	Director	II	2011(5)
John B. Levy (3)(4)	60	Director	I	2010
Deborah J. Lucas (2)(3)(4)	49	Director	II	2011(5)
Andrew P. Rifkin	49	Director	III	2009(8)

- (1) The Company's Board of Directors is classified into three groups and each group is elected on a staggered basis for three-year terms.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Nominating and Corporate Governance Committee.
- (5) Shows dates as if each of the nominees is elected as director for a three-year term at the Annual Meeting.
- (6) Shows date as if the nominee is elected at the Annual Meeting to serve the one-year balance of the three-year term of his predecessor, Ralph L. Schlosstein, expiring in 2009.
- (7) Shows date as if the nominee is elected at the Annual Meeting to serve the two-year balance of the three-year term expiring in 2010.
- (8) Shows the date as if the nominee is elected at the Annual Meeting by the holders of the Series E Preferred Stock. Pursuant to Section 4.1.2 of the Company's charter, the Series E Preferred Stock director will be elected by the holders of the Series E Preferred Stock annually.

Scott M. Amero, Director since September 2005, is a Vice Chairman and Global Chief Investment Officer for Fixed Income of BlackRock Financial Management, Inc. (the "Manager"). He is a member of the Executive, Operating and Leadership Committees of the Manager. Mr. Amero is Co-Head of the Fixed Income Investment Strategy Group that is responsible for global fixed income strategy, asset allocation and overall management of client portfolios. In this capacity, Mr. Amero coordinates the Manager's team of portfolio managers and credit analysts who specialize in

government, agency, corporate, mortgage, asset-backed and structured securities worldwide. Prior to joining the Manager in 1990, Mr. Amero was a Vice President in Fixed Income Research at the First Boston Corporation. Mr. Amero joined First Boston Corporation in 1985 and became the firm's primary strategist for short-duration securities. Mr. Amero earned a B.A. degree in Applied Mathematics and Economics from Harvard University in 1985, and an M.B.A degree in Finance from New York University in 1991.

Hugh R. Frater, Director since November 1997 and nominee, served as President and Chief Executive Officer of the Company from 1998 until his resignation from those positions in February 2004. In February 2004, Mr. Frater became an Executive Vice President of The PNC Financial Services Group, Inc. (PNC), where he was responsible for PNC's real estate businesses, which include commercial real estate lending, loan servicing and origination and syndication of affordable housing tax credits. Mr. Frater was also President of Midland Loan Services, Inc. (Midland), a wholly owned subsidiary of PNC. Mr. Frater resigned from PNC and Midland, effective May 1, 2007. Prior to joining PNC, Mr. Frater was a founding partner and Managing Director of the Manager, where he served as head of the Real Estate Division, co-head of the Account Management Group, and member of the management committee. Prior to joining BlackRock in 1988, Mr. Frater was a Vice President in Investment Banking at Lehman Brothers in the financial institutions department. Mr. Frater is also a director of Board Assist, LLC.

Christopher A. Milner, Director since 2007 and nominee, has served as Chief Executive Officer of the Company since February 2004 and served as Vice President and Chief Investment Officer from 1998 to 2004. Mr. Milner is also a Managing Director of the Manager and President of the Carbon Capital series of private real estate debt funds, also managed by the Manager. Mr. Milner is a member of the Manager's Global Real Estate Investment Committee and is responsible for high yield real estate debt portfolio management across all of the Manager's accounts. Prior to joining the Manager in 1997, Mr. Milner was Vice President and Manager of PNC Real Estate Capital Markets, where he was responsible for origination, underwriting and securitization of all commercial mortgage conduit production. Prior to co-founding PNC's CMBS Program in 1995, Mr. Milner was a Vice President in PNC's real estate asset management subsidiary. In this capacity, Mr. Milner was responsible for the resolution of distressed commercial real estate loans and the coordination of PNC's special servicer ratings and sub-performing/non-performing loan sales. Mr. Milner has completed real estate debt, equity and capital markets transactions with an aggregate value of \$20 billion. Mr. Milner joined PNC in 1990 upon completion of his graduate work (M.B.A. in Finance with a concentration in Real Estate) at Indiana University. While attending graduate school, Mr. Milner worked at Melvin Simon & Associates the predecessor to the Simon Property Group (NYSE: SPG). Mr. Milner earned a liberal arts B.A. degree from DePauw University in 1988.

Carl F. Geuther, Director since March 1998 and Chairman of the Board of Directors since November 2007, is a former Executive Vice President and Chief Financial Officer of WMC Mortgage Corp., a mortgage banking company. Mr. Geuther was Vice Chairman and Chief Financial Officer, and previously Executive Vice President, of Great Western Financial Corporation and Great Western Bank from 1986 to 1997. Mr. Geuther joined Great Western following its acquisition of Aristar, Inc., a consumer finance and insurance company, in 1983, where he served as Executive Vice President and Chief Financial Officer and previous financial management positions since 1974.

Walter E. Gregg Jr., nominee, formerly Vice Chairman and Director of PNC from which he retired in 2002. Mr. Gregg served on the Board of Directors of PFPC Worldwide, Inc. and BlackRock, Inc. from 1998 to 2002. Mr. Gregg received his B.S. and J.D. degrees from the University of Pittsburgh, and is a certified public accountant.

Jeffrey C. Keil, Director since March 1998 and nominee, is a private investor who had been President and a director of Republic New York Corporation and Vice Chairman of Republic National Bank of New York from 1984 to 1996. Mr. Keil currently is the non-executive chairman of a privately held insurance company and the non-executive chairman of a privately held registered investment adviser. Mr. Keil has been a director of Leucadia National Corporation since April 2004.

John B. Levy, Director since 2007, is President of John B. Levy & Company, Inc., a private real estate investment banking firm founded by him in 1995 and headquartered in Richmond, Virginia. Prior to forming this firm, Mr. Levy served from 1993 as a partner in Republic Realty Mortgage Corporation, which at the time was one of the largest privately held commercial mortgage banks in the United States. In this role, Mr. Levy was responsible for nationwide business development and managed the investments of a diverse portfolio of national clients. Prior to his service with Republic Realty Mortgage Corporation, he was co-head of real estate investment banking at NationsBanc Mortgage, by which company and its predecessors he was employed from 1983 to 1993.

Deborah J. Lucas, Director since May 2005 and nominee, is the Donald C. Clark Household International Distinguished Professor of Finance at the Kellogg School of Management at Northwestern University, where she teaches courses in fixed income securities and corporate finance. Her research focuses on asset pricing and federal financial risk. Her past appointments include chief economist at the Congressional Budget Office from 2000 to 2001, and Senior Staff Economist at the Council of Economic Advisers from 1992 to 1993. She serves on the Board of Directors of General Dynamics Corp., the Access Group and the Center on Federal Financial Institutions.

Andrew P. Rifkin, Director since April 2008, oversees the overall acquisitions and asset management activities of DLJ Real Estate Capital Partners, Inc. (RECP). Mr. Rifkin has been a senior member of RECP since its inception in 1995 and has been responsible for many of the successful investments in the RECP Funds. Prior to joining RECP, Mr. Rifkin was a Vice President at Goldman, Sachs & Co. (Goldman) in the Real Estate Principal Investment Area, where his responsibilities included asset management for various Whitehall portfolios. Mr. Rifkin was a recipient of Goldman's 1992 Innovation Award as a member of the Whitehall team that created and negotiated the original joint venture relationship between Goldman and the J.E. Robert Companies. Mr. Rifkin graduated with honors from the State University of New York at Binghamton with a B.S. degree in Mathematics and received an M.S. degree in Computer Science from Cornell University. He served on the Board of Directors of the Company from December 1999 to February 2002.

Additional Disclosure

On April 4, 2008, the Company issued and sold to RECP IV Cite CMBS Equity, L.P., a Delaware limited partnership and subsidiary of DLJ Real Estate Capital Partners IV, L.P., (i) 23,375 shares of the Company's 12% Series E-1 Cumulative Convertible Redeemable Preferred Stock, (ii) 23,375 shares of the Company's 12% Series E-2 Cumulative Convertible Redeemable Preferred Stock, (iii) 23,375 shares of the Company's 12% Series E-3 Cumulative Convertible Redeemable Preferred Stock, and (iv) 3,494,021 shares of Common Stock for an aggregate purchase price of \$93.5 million.

DLJ Real Estate Capital Partners IV, L.P. is a fund managed by DLJ Real Estate Capital Partners, Inc., a wholly owned subsidiary of Credit Suisse. Credit Suisse and/or its affiliates have engaged in transactions, including swap transactions, with the Company, the Manager and/or their affiliates in the past and may do so from time to time in the future. The Company, the Manager and/or their affiliates have purchased and may from time to time in the future purchase commercial mortgage-backed and other securities and loans from Credit Suisse and its affiliates in the

ordinary course of business. The Company, the Manager and/or their affiliates may from time to time enter into strategic and other transactions with DLJ Real Estate Capital Partners IV, L.P. and its subsidiaries.

Unaffiliated Directors

The Articles of Incorporation of the Company require that a majority of the Company's directors be Unaffiliated Directors.

Unaffiliated Director means any director who (a) does not own greater than a de minimis interest in the Manager or any of its affiliates, other than the Company and any person controlled by the Company and (b) within the last two years has not directly or indirectly (i) been an officer of or employed by the Company or the Manager or any of their respective affiliates, (ii) been a director of the Manager or any of its affiliates, other than the Company and any person controlled by the Company, (iii) performed more than a de minimis amount of services for the Manager or any of its affiliates or (iv) had any material business or professional relationship with the Manager or any of its affiliates other than as a director of the Company or any person controlled by the Company. There are presently five Unaffiliated Directors on the Company's Board of Directors: Messrs. Geuther, Keil, Levy, Rifkin and Ms. Lucas. The Board of Directors has determined that Mr. Gregg, if elected, would be an Unaffiliated Director.

Compensation of Directors

Directors generally are elected for a term of three years and hold office until their successors are duly elected and qualified. The Company pays an annual director's retainer to each Unaffiliated Director and to Mr. Frater, since his resignation from PNC and Midland, and a fee of \$1,000 for each meeting of the Board of Directors and committees attended by the Unaffiliated Director and Mr. Frater. The annual director's retainer increased from \$40,000 to \$75,000, effective April 1, 2008. As compensation for acting as Chairman of the Board of Directors, Carl F. Geuther, effective April 1, 2008, receives an additional \$25,000 retainer per year. Effective April 1, 2008, the annual retainer will be paid entirely in common stock on a quarterly basis. In addition, the Unaffiliated Directors who serve as chair of the Nominating and Corporate Governance Committee or chair of the Compensation Committee each receive an additional \$5,000 per year, and the Unaffiliated Director who serves as chair of the Audit Committee receives an additional \$10,000 per year. The Company also grants each Unaffiliated Director and Mr. Frater 1,000 shares of restricted Common Stock of the Company or the equivalent amount of cash as of the date of each annual meeting of the Company's stockholders. The Company reimburses the costs and expenses of all directors for attending meetings of the Board of Directors. Directors who are also employees of the Manager (Messrs. Amero and Milner) will not be, and have not been for the year ended December 31, 2007, separately compensated by the Company.

DIRECTOR COMPENSATION

The table below summarizes the compensation paid by the Company to its Unaffiliated Directors and Mr. Frater for the year ended December 31, 2007.

Name	Fees	Stock	Option	Non-Equity	Change in Pension	All Other	Total
	Earned or Paid in Cash (b)	Awards (c)	Awards (d)	Incentive Plan Compensation (e)	Value and Nonqualified Deferred Compensation Earnings (f)	Compensation (g)	
(a) Donald G. Drapkin (1)	\$ 9,778	\$	\$	\$	\$	\$	\$ 9,778
Hugh R. Frater	27,444	8,410					35,854
Carl F. Geuther	55,222	8,410					63,632
Jeffrey C. Keil	55,222	8,410					63,632
Leon T. Kendall (1)	17,167						17,167
John B. Levy	27,444	8,410					35,854
Deborah J. Lucas	51,278	8,410					59,688

- (1) Donald G. Drapkin resigned from the Board of Directors effective May 22, 2007 and Leon T. Kendall did not stand for re-election at the last annual meeting on May 22, 2007.

The Company did not pay any compensation to its directors who are also employees of the Manager (Messrs. Amero and Milner) for the year ended December 31, 2007.

Mr. Schlosstein resigned from the Board of Directors in November 2007 and did not receive any compensation from the Company for the year ended December 31, 2007.

CORPORATE GOVERNANCE

Determination of Director Independence

At least a majority of the directors serving on the Board of Directors must be independent directors under the NYSE corporate governance rules. The NYSE corporate governance rules generally require companies to have a majority of independent directors and a fully independent audit, compensation and nominating and governance committee. The NYSE corporate governance rules also require disclosure in a company's proxy statement of the board's determination as to the independence of the members of these committees.

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company. The Board of Directors has adopted categorical standards as set forth below (the Categorical Standards) to assist it in determining whether or not certain relationships between its directors and the Company or its subsidiaries or affiliates (either directly or as partner, shareholder or officer of an organization that has a relationship with the Company or its subsidiaries or affiliates) are material relationships for purposes of the NYSE corporate governance rules. In this regard, the Board may adopt and disclose Categorical Standards to assist it in making determinations of independence and may make a general disclosure if a director meets these standards. Any determination of independence for a director who does not meet these standards must be specifically explained. Relationships not covered by these Categorical Standards will be evaluated on an individual basis as provided for in the NYSE corporate governance rules.

I. *Application of Categorical Standards*

None of the relationships described below shall be deemed to be a material relationship between a director and the Company and thus a director having such a relationship may be deemed to be independent for purposes of the NYSE corporate governance rules, unless the relationship causes the director not to be independent as a result of any of the provisions of the bright line independence standards set forth below. The provisions of these bright line independence standards establish mandatory independence standards involving the employment, affiliations, and compensation of a director or an immediate family member.

In applying these Categorical Standards, the Board will take into account any look-back or transition period specified in the NYSE corporate governance rules.

A. Relationships arising in the ordinary course of business with the Company or its Manager

Asset management, acting as trustee, lending, deposit, banking, or other financial service relationships (such as those involving investment in various of the funds, investment vehicles or accounts sponsored or managed by the Company or the Manager, fiduciary, brokerage, custody, capital markets, treasury management, or similar products and services) or other relationships involving the provision of products or services either by or to Anthracite or its subsidiaries or affiliates or the Manager and involving a director, his or her immediate family members, or a company or charitable organization of which the director or an immediate family member is (or, at the time of the transaction, was) a partner, shareholder, officer, employee or director will not be considered material relationships if the following condition is satisfied:

the products and services are being provided in the ordinary course of business and on substantially the same terms and conditions, including price, as would be available to similarly situated customers.

B. Relationships with companies of which a director is a shareholder or partnerships of which a director is a partner

Any relationship not described in Section A above, between the Company or one of its subsidiaries or affiliates or the Manager (as the case may be) and a company (including a limited liability company) or partnership to which a director is connected solely as a shareholder (or member) or partner will not be considered a material relationship, provided the director is not a principal shareholder of the company or a principal partner of the partnership. For purposes of this Categorical Standard, a person is a principal shareholder of a company if he or she directly or indirectly, or acting in concert with one or more persons, owns, controls, or has the power to vote more than 10 percent of any class of voting securities of the company. A person is a principal partner of a partnership if he or she directly or indirectly, or acting in concert with one or more persons, owns, controls, or has the power to vote a 25 percent or more general partnership interest, or more than a 10 percent overall partnership interest and has the single largest interest in the partnership. Shares or partnership interests owned or controlled by a director's immediate family member who shares the director's home are considered to be held by the director.

C. Contributions made or pledged to charitable organizations

Contributions made to any charitable organization pursuant to a matching gift program maintained by the Company or by its subsidiaries or affiliates or by the Manager or by any foundation sponsored by or associated with the Company or its subsidiaries or affiliates or by the Manager are not considered to be a material relationship and shall not be included in calculating the materiality threshold set forth in (i) below. Other contributions made or pledged by the Company, its subsidiaries or affiliates, by the Manager or by any foundation sponsored by or associated with the Company or its subsidiaries or affiliates or the Manager to a charitable organization of which a director or an immediate family member is an executive officer, director, or trustee will not be considered a material relationship if the following conditions are satisfied:

(i) within the preceding three years, the aggregate amount of such contributions during any single fiscal year of the charitable organization did not exceed the greater of \$1 million or 2 percent of the charitable organization's consolidated gross revenues for that fiscal year; and

(ii) the charitable organization is not a family foundation created by the director or an immediate family member.

D. Certain familial relationships

A relationship involving a director's relative will not be considered a material relationship unless the relative is an immediate family member of the director.

II. *Mandatory Independence Standards*

To be considered independent, a director must also meet the bright-line independence tests under the listing standards of the NYSE.

These Categorical Standards are available on the investor relations page of the Company's website, www.anthracitecapital.com, under the heading Investor Relations/Corporate Governance. In addition to applying these guidelines, the Board of Directors will consider all relevant facts and circumstances in making an independence determination. The board has determined that the

following directors satisfy the independence requirements of the Board of Directors and the NYSE:

Ms. Lucas and Messrs. Geuther, Keil, Levy and Rifkin. The Board of Directors has also determined that Mr. Gregg would satisfy the independence requirements of the Board of Directors and the NYSE.

Board and Committee Meetings

The Board of Directors has three standing committees: an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee. Each of the committees is composed entirely of independent directors, as determined in accordance with the applicable rules of the NYSE. The current charters for each of the Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee are available on the investor relations page of the Company's website, www.anthracitecapital.com, under Investor Relations/Corporate Governance. Further, the Company will provide a copy of these charters without charge to each stockholder upon written request. Requests for copies should be addressed to Anthracite Capital, Inc., 40 East 52nd Street, New York, NY 10022, Attention: Secretary.

The following descriptions of the functions performed by the committees of the Board of Directors are general in nature and are qualified in their entirety by reference to the committees' charters.

Audit Committee

The Audit Committee, presently composed of Messrs. Geuther and Keil and Ms. Lucas, appoints the Company's independent registered public accounting firm (subject to stockholder ratification), reviews the financial statements of the Company and considers such other matters in relation to the internal and external audit of the financial affairs of the Company as may be necessary or appropriate to facilitate accurate and timely financial reporting. The Board of Directors adopted a revised charter for the Audit Committee on March 11, 2004, a copy of which was included as Exhibit A to the Company's proxy statement for the 2004 Annual Meeting of Stockholders. Each Audit Committee member is independent as defined in the NYSE listing standards and the applicable SEC rules. The Board of Directors has determined that Mr. Geuther qualifies as an audit committee financial expert as defined in the SEC rules, and the Board of Directors has determined that each member of the Audit Committee has accounting and related financial management expertise within the meaning of the listing standards of the NYSE. The Audit Committee met seven times during the fiscal year ended December 31, 2007.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee, presently composed of Messrs. Geuther and Levy and Ms. Lucas, recommends to the Board of Directors individuals qualified to serve as directors of the Company and on committees of the Board of Directors; advises the Board of Directors with respect to the composition of the Board of Directors, procedures and committees; advises the Board of Directors with respect to the corporate governance principles applicable to the Company; and oversees the evaluation of the Board of Directors and the Company's management. The Board of Directors adopted a charter for the Nominating and Corporate Governance Committee on June 25, 2003, which was subsequently revised on March 11, 2004. The Nominating and Corporate Governance Committee met six times during the fiscal year ended December 31, 2007.

The Nominating and Corporate Governance Committee, as required by the Company's Bylaws, will consider director candidates recommended by stockholders. In considering candidates submitted by stockholders, the Nominating and Corporate Governance Committee will take into consideration the needs of the Board of Directors and the qualifications of the candidate and may

take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held.

The Company's Bylaws provide certain procedures that a stockholder must follow to nominate persons for election to the Board of Directors. Nominations for director at an annual stockholder meeting must be submitted in writing to the Company's Secretary at Anthracite Capital, Inc., 40 East 52nd Street, New York, NY 10022. The Secretary must receive the notice of a stockholder's intention to introduce a nomination or proposed item of business at an annual stockholders meeting:

not later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; or

in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Company.

The Bylaws also provide that the stockholder nomination notice must contain all information relating to such nominee that is required to be disclosed in solicitations of proxies for elections of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serve as director if elected).

As to the stockholder giving notice and the beneficial owner, if any, on whose behalf the proposal is being made, the notice must include:

the name and record address of the stockholder, as they appear on the Company's books, and of such beneficial owner; and

the number of shares of each class of stock of the Company which are owned beneficially and of record by such stockholder and such beneficial owner.

In considering the qualifications for serving as a director of the Company, the Nominating and Corporate Governance Committee examines a candidate's experience, knowledge, skills, expertise, diversity, ability to make independent analytical inquiries, understanding of the Company's business environment and willingness to devote adequate time and effort to the responsibilities of the Board of Directors.

The Nominating and Corporate Governance Committee identifies potential nominees by asking current directors and executive officers to notify the Committee if they become aware of suitable candidates. The Nominating and Corporate Governance Committee also may, from time to time, engage firms that specialize in identifying director candidates. As described above, the Committee will also consider candidates recommended by stockholders.

Once a person has been identified by the Nominating and Corporate Governance Committee as a potential candidate, the Committee may collect and review publicly available information regarding the person to assess whether the person should be

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considered further. If the Nominating and Corporate Governance Committee determines that the candidate warrants further consideration, the Chairman or another member of the Committee will contact the person. Generally, if the person expresses a willingness to be considered and to serve on the Board of Directors, the Nominating and Corporate Governance Committee requests information from the

candidate and reviews the person's accomplishments and qualifications. The Committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder; however, as stated above, the Board of Directors may take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held.

Compensation Committee

The Compensation Committee, presently composed of Messrs. Keil and Levy and Ms. Lucas, administers the Company's 1998 Stock Option Plan and 2006 Stock Award and Incentive Plan (and will administer the 2008 Manager Equity Plan, if approved), reviews all aspects of the Amended and Restated Investment Advisory Agreement, dated as of March 31, 2008, between the Company and the Manager (the Management Agreement) and makes recommendations on such matters to the full Board of Directors. During 2007, the Company did not pay any cash compensation to its executive officers, and there was no grant by the Company of stock, stock options, stock appreciation rights or other similar equity-based compensation to the Company's executive officers. The Compensation Committee met once during the fiscal year ended December 31, 2007, to approve the compensation provided by the Company to the independent directors who serve on the Board of Directors and to determine their recommendation regarding renewal of the Management Agreement between the Company and the Manager. As discussed under Certain Relationships and Related Transactions, the Company pays a base management fee and incentive compensation, among other things, to the Manager pursuant to the Management Agreement.

Number of Meetings of the Board of Directors and Attendance in 2007

During the fiscal year ended December 31, 2007, the Board of Directors met on five occasions. In 2007, each director, who served through the end of the fiscal year, attended 75% or more of the meetings of the Board of Directors and of the committees of the Board of Directors on which such director served with the exception of Mr. Levy (67% attendance). The Company expects each director serving on its Board of Directors to regularly attend meetings of the Board of Directors and committees on which such director serves, and to review, prior to meetings, material distributed in advance for such meetings. A director who is unable to attend a meeting is expected to notify the Chairman of the Board of Directors or the chairman of the appropriate committee in advance of such meeting. The Company's policy regarding director attendance at the Annual Meetings of Stockholders is to encourage directors to attend such meetings. Four of seven directors attended the Company's 2007 annual meeting of stockholders.

Communications with Directors

The Board of Directors has established a process to receive communications from stockholders and other interested parties. Stockholders and other interested parties may contact any member (or all members) of the Board of Directors (including, without limitation, the director that presides over the executive's