

**CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS OF
ARBOR REALTY TRUST, INC.**

**ADOPTED BY THE BOARD OF DIRECTORS OF
ARBOR REALTY TRUST, INC. ON MARCH 18, 2004
AND AMENDED AS OF JUNE 23, 2004**

I. PURPOSE OF THE COMMITTEE

The purposes of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Arbor Realty Trust, Inc. (the "Company") shall be to oversee the Company's compensation and employee benefit plans and practices, including its executive compensation plans and its incentive-compensation and equity-based plans, to produce an annual report on executive compensation for inclusion in the Company's proxy statement or annual report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC"), in accordance with all applicable rules and regulations and to oversee the annual review of the management agreement, dated as of July 1, 2003, as the same may be amended from time to time (the "Management Agreement") by and among the Company, Arbor Realty Limited Partnership and Arbor Commercial Mortgage, LLC, as manager (the "Manager").

II. COMPOSITION OF THE COMMITTEE

The Committee shall be comprised of three or more directors as appointed by the Board from time to time among the members of the Board. Each member of the Committee shall be qualified to serve on the Committee pursuant to the requirements of the New York Stock Exchange ("NYSE") and any additional requirements that the Board deems appropriate. Members of the Committee shall also qualify as "non-employee directors" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall satisfy any other necessary standards of independence under the U.S. federal securities and tax laws. Any vacancy on the Committee shall be filled by a vote of the majority of the directors present at a meeting of the Board at which a quorum is present. No member of the Committee shall be removed except by a vote of the majority of the directors present at a meeting of the Board at which a quorum is present.

III. MEETINGS AND PROCEDURES OF THE COMMITTEE

The Committee shall fix its own rules of procedure, which shall be consistent with the Company's charter and Bylaws and this charter. The Board shall designate one member of the Committee as its Chairperson. The Committee shall meet as provided by its rules and as frequently as the Chairperson of the Committee, in consultation with the other members of the Committee, deems necessary or desirable. The Chairperson of the

Committee or at least two of the members of the Committee may call a special meeting of the Committee. A majority of the members of the Committee present in person, or by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, shall constitute a quorum.

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; *provided, however*, that no subcommittee shall consist of fewer than two members; and *provided further* that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests. The Chief Executive Officer of the Company may be present during Committee deliberations regarding all matters, except that the Chief Executive Officer may not be present during the Committee's determination and approval of the compensation of the Chief Executive Officer of the Company.

Following each of its meetings, the Committee shall deliver a report, which may be oral, on the meeting to the Board, including a description of all actions taken by the Committee at the meeting. The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

The Committee may take any action required or permitted to be taken at any meeting of the Committee without a meeting, if a consent in writing to such action is signed by each member of the Committee and such written consent is filed with the minutes of proceedings of the Committee.

IV. COMMITTEE RESPONSIBILITIES

A. Executive Compensation

The Committee shall have the following responsibilities with respect to the Company's executive compensation plans:

- (a) To review at least annually the goals and objectives of the Company's executive compensation plans and amend, or recommend that the Board amend, these goals and objectives if the Committee deems it appropriate.
- (b) To review at least annually the Company's executive compensation plans in light of the Company's goals and objectives with respect to such plans and, if the Committee deems it appropriate, adopt, or recommend to the

Board the adoption of, new, or the amendment of existing, executive compensation plans.

- (c) To evaluate annually the performance of the Chief Executive Officer in light of the goals and objectives of the Company's executive compensation plans and either as a Committee, or together with the other independent directors of the Board (as directed by the Board), determine and approve the Chief Executive Officer's compensation level based on this evaluation. In determining the long-term incentive component of the Chief Executive Officer's compensation, the Committee shall consider all relevant factors, including the Company's performance and relative stockholder return, the value of similar awards to chief executive officers of comparable companies and the awards given to the Chief Executive Officer of the Company in past years. The Committee may discuss the Chief Executive Officer's compensation with the Board if it chooses to do so.
- (d) To evaluate annually the performance of the other executive officers of the Company in light of the goals and objectives of the Company's executive compensation plans and make recommendations to the Board with respect to the compensation of such other executive officers. To the extent that long-term incentive compensation is a component of such executive officer's compensation, the Committee shall consider all relevant factors in determining the appropriate level of such compensation, including at least the factors applicable with respect to the Chief Executive Officer.
- (e) To evaluate annually the appropriate level of compensation for Board and Committee service by non-employee members of the Board.
- (f) To review and approve any severance or termination arrangements to be made with any executive officer of the Company.
- (g) To perform such duties and responsibilities as may be assigned to the Board or the Committee under the terms of any executive compensation plan.
- (h) To review perquisites or other personal benefits to the Company's executive officers and recommend any changes to the Board.
- (i) To produce an annual report on executive compensation for inclusion in the Company's proxy statement or annual report on Form 10-K filed with the SEC, in accordance with all applicable rules and regulations.

B. Incentive-Compensation and Equity-Based Plans

The Committee shall have the following responsibilities with respect to the Company's incentive-compensation and equity-based plans:

- (a) To review at least annually the goals and objectives of the Company's incentive-compensation and equity-based plans and amend, or recommend that the Board amend, these goals and objectives if the Committee deems it appropriate.
- (b) To review at least annually the Company's incentive-compensation plans and equity-based plans in light of the goals and objectives of these plans and recommend that the Board amend these plans if the Committee deems it appropriate.
- (c) To review all equity-compensation plans to be submitted for stockholder approval under the NYSE listing standards and to review and, in the Committee's sole discretion, approve all equity-compensation plans that are exempt from such stockholder approval.
- (d) To perform such duties and responsibilities as may be assigned to the Board or the Committee under the terms of any incentive-compensation or equity-based plan.

C. Other Compensation and Employee Benefit Plans

The Committee shall have the following responsibilities with respect to the Company's other compensation and employee benefit plans:

- (a) To review at least annually the goals and objectives of the Company's general compensation plans and other employee benefit plans and amend, or recommend that the Board amend, these goals and objectives if the Committee deems it appropriate.
- (b) To review at least annually the Company's general compensation plans and other employee benefit plans in light of the goals and objectives of these plans and recommend that the Board amend these plans if the Committee deems it appropriate.
- (c) To perform such duties and responsibilities as may be assigned to the Board or the Committee under the terms of its general compensation plans and other employee benefit plans.

D. Management Agreement Review

The Committee shall have the following responsibilities with respect to the Management Agreement:

To evaluate annually the performance of the Manager in light of the goals and objectives of the Company and the terms of the Management Agreement, taking

into account such factors as the Committee shall consider relevant, and report to the Board the Committee's views regarding the performance by the Manager.

V. EVALUATION OF THE COMMITTEE

The Committee shall, on an annual basis, evaluate its performance under this charter. In conducting this review, the Committee shall evaluate whether this charter appropriately addresses the matters that are or should be within its scope and shall recommend such changes as it deems necessary or appropriate. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The Committee shall deliver to the Board a report, which may be oral, setting forth the results of its evaluation, including any recommended amendments to this charter and any recommended changes to the Company's or the Board's policies or procedures.

VI. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and may retain, at the Company's expense, such independent counsel or other advisers as it deems necessary. The Committee shall have the sole authority to retain or terminate a compensation consultant to assist the Committee in carrying out its responsibilities, including sole authority to approve the consultant's fees and other retention terms, such fees to be borne by the Company.

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While the members of the Committee have the duties and responsibilities set forth in this charter, nothing contained in this charter is intended to create, or should be construed as creating, any responsibility or liability of the members of the Committee, except to the extent otherwise provided under the applicable laws of the United States and Maryland that shall continue to set the legal standard for the conduct of the members of the Committee.

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