

Walker & Dunlop, Inc.  
Form DEF 14A  
April 26, 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

**WALKER & DUNLOP, INC.**

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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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**WALKER & DUNLOP, INC.**

7501 Wisconsin Avenue, Suite 1200E  
Bethesda, Maryland 20814

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held on June 5, 2013  
10:00 a.m. Eastern Daylight Time**

Dear Stockholder:

You are cordially invited to attend our 2013 annual meeting of stockholders to be held on Wednesday, June 5, 2013, at 10:00 a.m., Eastern Daylight Time, at

Hilton Garden Inn  
7301 Waverly Street  
Bethesda, Maryland 20814

for the following purposes:

1. To elect ten directors from the nominees named in this proxy statement to serve one-year terms expiring at the 2014 annual meeting of stockholders;
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013; and
3. To transact such other business as may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

Only stockholders of record at the close of business on April 5, 2013 will be entitled to notice of and to vote at the meeting.

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE URGED TO COMPLETE, DATE AND SIGN THE ACCOMPANYING PROXY CARD AND RETURN IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED. IF YOU ATTEND THE MEETING, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON, IF YOU DESIRE, AS DISCUSSED IN THIS PROXY STATEMENT.**

By Order of the Board of Directors

Name: Richard M. Lucas  
Title: *Executive Vice President,  
General Counsel and Secretary*

Bethesda, Maryland  
April 26, 2013

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**WALKER & DUNLOP, INC.**

7501 Wisconsin Avenue, Suite 1200E  
Bethesda, Maryland 20814

**PROXY STATEMENT**

**QUESTIONS AND ANSWERS**

**Why am I receiving this proxy statement?**

You are receiving this proxy statement and the accompanying proxy card because you own shares of common stock of Walker & Dunlop, Inc. This proxy statement contains information related to the solicitation of proxies for use at our 2013 annual meeting of stockholders, to be held at 10:00 a.m., Eastern Daylight Time, on Wednesday, June 5, 2013 at Hilton Garden Inn, 7301 Waverly Street, Bethesda, Maryland for the purposes stated in the accompanying Notice of Annual Meeting of Stockholders. This solicitation is made by Walker & Dunlop, Inc. on behalf of our Board of Directors. Unless otherwise stated, as used in this proxy statement, the terms "we," "our," "us" and the "Company" refer to Walker & Dunlop, Inc. This proxy statement, the enclosed proxy card and our 2012 annual report to stockholders are first being mailed to stockholders beginning on or about April 30, 2013.

**What information is presented in this proxy statement?**

The information contained in this proxy statement relates to the proposals to be voted on at the annual meeting of stockholders, the voting process, our Board of Directors and Board committees, the compensation of our directors and our executive officers for the fiscal year ended December 31, 2012, and other required information.

**Who is entitled to vote at the annual meeting?**

Only holders of record of our common stock at the close of business on April 5, 2013, the record date for the annual meeting of stockholders, are entitled to receive notice of the annual meeting and to vote at the annual meeting. Our common stock constitutes the only class of securities entitled to vote at the meeting.

When you vote by signing and returning the proxy card, you appoint Richard M. Lucas and William M. Walker as your representatives to vote your common stock at the annual meeting. Messrs. Lucas and Walker, or either of them, will vote your common stock as you instruct on your proxy card. Accordingly, your common stock will be voted whether or not you attend the annual meeting. Even if you plan to attend the annual meeting, we encourage you to vote by signing and returning your proxy card in advance.

**Who can attend the annual meeting?**

If you are a holder of our common stock at the close of business on April 5, 2013, the record date for the annual meeting, or a duly appointed proxy, you are authorized to attend the annual meeting. You will need to present proof of stock ownership and valid picture identification, such as a driver's license or passport, before being admitted. If your common stock is held beneficially in the name of a bank, broker or other holder of record (i.e., street name), you must present proof of your ownership by presenting a bank or brokerage account statement reflecting your ownership as of the record date.

Cameras, recording equipment and other electronic devices will not be permitted at the annual meeting. For directions to the annual meeting of stockholders, contact Investor Relations at (301) 634-2143.

**What are the voting rights of stockholders?**

Each share of common stock outstanding on the record date entitles its holder to cast one vote on each matter to be voted on.

**How do I vote?**

If you hold your shares of common stock directly (i.e., not in a bank or brokerage account), you may vote by completing and returning the accompanying proxy card or by attending the meeting and voting in person. You also may vote your shares over the internet or by telephone by following the instructions on the proxy card.

If your shares of common stock are held in street name, you should follow the voting instructions provided to you by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in most cases, submit voting instructions by the internet or by telephone to your broker or nominee. If you provide specific instructions, your broker or nominee should vote your shares of common stock as directed. Additionally, if you want to vote in person and hold your shares in street name, you will need a "legal proxy" from your broker to vote at the annual meeting. Contact your broker or nominee for specific information on how to obtain a legal proxy in order to attend and vote your shares at the meeting.

**How are proxy card votes counted?**

If the accompanying proxy card is properly signed and returned to us, and not revoked, the persons designated as proxy holders will vote the shares of common stock represented by that proxy as directed by you. If you return your signed proxy card but fail to indicate your voting preferences, the persons designated as proxy holders will vote the shares of common stock represented by that proxy as recommended by the Board. The Board recommends a vote **"FOR"** the election of all nominees for our Board of Directors named in this proxy statement and **"FOR"** the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2013 fiscal year.

In the election of directors, you may either vote **"FOR ALL"** the nominees or to **"WITHHOLD"** your vote with respect to all, one or more of the nominees. Regarding the ratification of our independent registered public accounting firm, you may vote **"FOR," "AGAINST"** or **"ABSTAIN."** If you withhold your vote with respect to any director nominee or abstain from voting on the ratification of our independent registered public accounting firm, your shares of common stock will be counted as present, including for purposes of establishing a quorum. Abstentions and broker non-votes will not count as votes cast with respect to a proposal.

**Will my shares of common stock be voted if I do not provide my proxy and I do not attend the annual meeting?**

If you do not provide a proxy or vote your shares of common stock held in your name, your shares will not be voted. If you hold your shares in street name, your broker may be able to vote your shares for routine matters even if you do not provide the broker with voting instructions. The ratification of KPMG LLP as our independent registered public accounting firm for fiscal year 2013 is considered a routine matter. Your broker may not vote your shares for non-routine matters if you do not provide the broker with voting instructions.

**May I change my vote after I return my proxy card?**

Yes. You may change or revoke a previously granted proxy at any time before it is exercised by either (i) submitting a later-dated proxy, in person at the annual meeting or by mail, or (ii) delivering instructions to our Secretary at our principal executive offices located at 7501 Wisconsin Avenue,

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Suite 1200E, Bethesda, Maryland 20814. Please note that attendance at the meeting will not, in itself, constitute revocation of a previously granted proxy.

If your shares of common stock are held in street name, then you may submit new voting instructions by contacting your broker or nominee. You may also vote in person at the annual meeting if you obtain a legal proxy from your broker as described above.

### **What will constitute a quorum at the annual meeting?**

The presence at the annual meeting, in person or by proxy, of the holders of a majority of the common stock outstanding on April 5, 2013 will constitute a quorum, permitting the stockholders to conduct business at the annual meeting. We will include abstentions and broker non-votes in the calculation of the number of shares considered to be present at the annual meeting, including for purposes of determining the presence of a quorum at the meeting. A broker non-vote occurs when a nominee holding shares for a beneficial owner has not received instructions from the beneficial owner and does not have discretionary authority to vote the shares.

As of April 5, 2013, there were 34,994,208 shares of common stock outstanding and entitled to vote at the annual meeting.

### **How many votes are needed to approve each of the proposals?**

Directors are elected by a plurality of the votes cast. Therefore, the ten nominees for election to the Board who receive the most votes will be elected. Ratification of our independent registered public accounting firm will require the affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote thereon.

### **Will any other matters be voted on?**

As of the date of this proxy statement, we do not know of any other matters that will be presented for consideration at the annual meeting other than those matters discussed in this proxy statement. If any other matters properly come before the annual meeting and call for a stockholder vote, valid proxies will be voted by the holders of the proxies in accordance with the recommendation of the Board or, if no recommendation is given, in their own discretion.

### **Who is soliciting my proxy?**

This solicitation of proxies is made by and on behalf of our Board of Directors. We will pay the costs of soliciting proxies, which will consist primarily of the cost of printing, postage and handling. In addition to soliciting proxies by mail, our officers, directors and other employees, without additional compensation, may solicit proxies personally or by other appropriate means. It is anticipated that banks, brokers, fiduciaries, custodians and nominees will forward proxy soliciting materials to their principals, and that we will reimburse these persons' out-of-pocket expenses.

### **Is there a list of stockholders entitled to vote at the annual meeting?**

The names of stockholders of record 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 4:30 p.m., at our principal executive offices at 7501 Wisconsin Avenue, Suite 1200E, Bethesda, Maryland 20814, by contacting the Secretary.

**You should rely only on the information provided in this proxy statement. We have not authorized anyone to provide you with different information. You should assume that the information in this proxy statement is accurate only as of the date of this proxy statement or, where information relates to another date set forth in this proxy statement, then as of that date.**



**BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

**Proposal 1: Election of Directors for a One-Year Term Expiring at the 2014 Annual Meeting of Stockholders**

Our Board of Directors, or the Board, is currently comprised of ten directors, each with terms expiring at the 2013 annual meeting. Our Nominating and Corporate Governance Committee has recommended to our Board the nominees set forth below, all of whom are currently serving as directors of the Company, for re-election to serve as directors for one-year terms until the 2014 annual meeting and until their successors are duly elected and qualified. Following the Nominating and Corporate Governance Committee's recommendation, our Board has nominated those persons set forth below.

Based on its review of the relationships between the director nominees and the Company, and as discussed in greater detail below, the Board has affirmatively determined that if these nominees are elected, the following seven directors are "independent" directors under the rules of the New York Stock Exchange, or NYSE: Alan J. Bowers, Andrew C. Florance, Mitchell M. Gaynor, Cynthia A. Hallenbeck, Michael D. Malone, John Rice, and Dana L. Schmaltz.

The Board knows of no reason why any nominee would be unable to serve as a director. If any nominee is unavailable for election or service, the Board may designate a substitute nominee and the persons designated as proxy holders on the proxy card will vote for the substitute nominee recommended by the Board, or the Board may, as permitted by our bylaws, decrease the size of our Board.

*Vote Required*

The affirmative vote of a plurality of all the votes at the annual meeting is necessary for the election of a director. Accordingly, the ten individuals with the highest number of affirmative votes will be elected as directors. Cumulative voting in the election of directors is not permitted. For purposes of the election of directors, shares that are withheld and other shares not voted (whether by broker non-vote or otherwise) will not be counted as votes cast with respect to a proposal, and will have no effect on the result of the vote.

*Our Recommendation*

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES SET FORTH BELOW.**

**Nominees for Election for a One-Year Term Expiring at the 2014 Annual Meeting of Stockholders**

The following table sets forth the name and age of each nominee for director, indicating all positions and offices with us currently held by the director.

Name	Age	Title
William M. Walker	46	Chairman of the Board of Directors, President and Chief Executive Officer Executive Vice President, Chief Operating Officer and
Howard W. Smith, III	54	Director
Alan J. Bowers	58	Director
Andrew C. Florance	49	Director
Mitchell M. Gaynor	54	Director
Cynthia A. Hallenbeck	56	Director
Michael D. Malone	59	Director
John Rice	46	Director
Dana L. Schmaltz	46	Director
Edmund F. Taylor	53	Director

Set forth below are descriptions of the backgrounds and principal occupations of each of our directors, and the period during which he or she has served as a director.

**William M. Walker** is our Chairman, President and Chief Executive Officer. Mr. Walker has been a member of our Board since July 2010 and a board member of Walker & Dunlop, LLC or its predecessors since February 2000. In September 2003, Mr. Walker became the executive vice president and chief operating officer of Walker & Dunlop and has served as the president of Walker & Dunlop since January 2005 and as the chief executive officer since January 2007. Prior to joining Walker & Dunlop, Mr. Walker was on the management team at TeleTech, a global business process outsourcing company, from 1998 to 2003. At TeleTech, he held several senior management positions, including president of the company's European and Latin American divisions. Prior to TeleTech, Mr. Walker was a consultant at Newbridge Latin America where he was responsible for private equity transactions in the aviation, water, and apparel industries. Prior to Newbridge Latin America, Mr. Walker was the general manager of ALTA, a regional airline based in Argentina, from August 1995 to October 1996. Mr. Walker also is a member of the board of directors of Sustainable Technologies Fund, a Swedish clean-tech venture capital firm. He is a member of the Young Presidents Organization, the Mortgage Bankers Association and the Urban Land Institute. Mr. Walker served as chairman of the board of directors of the District of Columbia Water and Sewer Authority from 2008 until 2012. He also served on the board of directors of Transcom Worldwide S.A., a publically traded European outsourcing company, from 2004 to 2006 and served as its chairman of the board from 2006 to January 2012. Mr. Walker received his Bachelor of Arts in Government from St. Lawrence University and his Masters in Business Administration from Harvard University.

Mr. Walker brings to our Board more than 20 years of leadership experience. Mr. Walker possesses in-depth knowledge of our industry, offers valuable insight into our business and provides the leadership, general management and vision that help us compete successfully.

**Howard W. Smith, III** is our Executive Vice President, Chief Operating Officer and one of our directors. Mr. Smith has been a member of our Board since July 2010. Mr. Smith joined Walker & Dunlop in November 1980 and has been a member of the management team since 1988. Mr. Smith has served as the executive vice president, chief operating officer and a board member of Walker & Dunlop, LLC or its predecessors since 2004. As Executive Vice President and Chief Operating Officer, Mr. Smith is responsible for our Multifamily, FHA Finance, Healthcare Finance, Capital Markets, Marketing and Information Technology groups. Mr. Smith is a member of the board of directors of the National Multi Housing Council and Episcopal High School in Alexandria, Virginia. He is also an advisory council member of the Fannie Mae DUS Peer Group, a group he chaired from 2007 to 2008.

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and again from 2009 to 2010. Mr. Smith received his Bachelor of Arts in Economics from Washington & Lee University.

Mr. Smith brings to our Board more than 30 years of experience in the commercial real estate finance industry. He has extensive knowledge of our operations, having spent his entire career at Walker & Dunlop. In his capacity as chief operating officer, Mr. Smith also provides our Board with management's perspective on our business operations and conditions, which is crucial to our Board's performance of its oversight function.

**Alan J. Bowers** is one of our directors and serves on the Nominating and Corporate Governance Committee (Chairman) and the Audit Committee, and is our lead independent director. Mr. Bowers has been a member of our Board since December 2010. Mr. Bowers currently serves on the board and as audit committee chairman of American Achievement Corp., a privately held manufacturer and distributor of graduation products. Mr. Bowers is also a board member of Quadel Consulting Corp., a privately held government contract manager and consulting firm. Prior to Mr. Bowers' retirement in 2005, Mr. Bowers was the president and chief executive officer and a board member of Cape Success, LLC, a private equity-backed staffing service and information technology solutions business, from 2001 to 2004. Mr. Bowers was also the president and chief executive officer and a board member of MarketSource Corporation, a marketing and sales support service firm, from 2000 to 2001, and of MBL Life Assurance Corporation, a life insurance firm, from 1995 to 1999. Mr. Bowers previously served on the boards and as audit committee chairman of Refrigerated Holdings, Inc., a temperature controlled logistics firm (from January 2009 to April 2013); Roadlink Inc., a trucking and logistics firm (from February 2010 to April 2013); and Fastfrate Holdings, Inc., a Canadian trucking and logistics firm (from July 2008 to June 2011), each a privately held company. Mr. Bowers has been a certified public accountant since 1978 and served as staff auditor, audit partner and managing partner, serving a diverse client base during his tenure at Coopers & Lybrand, L.L.P. from 1978 to 1995 and a staff accountant with Laventhol & Horwath, CPAs from 1976 to 1978. Mr. Bowers received his Bachelor of Science in Accounting from Montclair State University and his Masters in Business Administration from St. John's University.

Mr. Bowers brings to our Board over 30 years of experience in accounting and executive management, including experience on the audit committees of private companies and a Securities & Exchange Commission ("SEC") registrant. Mr. Bowers' accounting expertise and diverse corporate management experience are assets to our Board.

**Andrew C. Florance** is one of our directors. Mr. Florance has been a member of our Board since November 2012. Mr. Florance has been the president and chief executive officer of CoStar Group, Inc. ("CoStar") since he founded CoStar in 1987. He also serves on the board of directors of CoStar. CoStar is a publicly traded leading provider of commercial real estate information and analytic services, which conducts expansive, ongoing research to produce and maintain the largest and most comprehensive database of commercial real estate information. Mr. Florance is the recipient of numerous awards recognizing his accomplishments as an entrepreneur and corporate leader, including: Cornell Real Estate Review's Real Estate Industry Executive of the Year for 2009; Transwestern's 2007 Public Company Trendsetter of the Year for revolutionizing the way the commercial real estate industry gathers, analyzes and uses information on commercial property and markets; and Ernst & Young's Entrepreneur of the Year award in 2000 for his pioneering work in real estate information services. He serves on the board of directors of ARES, an association of real estate thought leaders, and as a trustee of the National Building Museum and the Shakespeare Theatre Company in Washington, D.C. He also serves on the governing board for Beauvoir, the National Cathedral Elementary School. Mr. Florance received a B.A. in economics from Princeton University.

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Mr. Florance brings to our Board significant knowledge and understanding of the commercial real estate and information services industries and extensive leadership experience. Mr. Florance's knowledge and experience are assets to our Board.

**Mitchell M. Gaynor** is one of our directors and serves on the Audit Committee. Mr. Gaynor has been a member of our Board since July 2010. Mr. Gaynor served as a board member of Walker & Dunlop, LLC or its predecessors from 1995 to December 2010. Mr. Gaynor also served in various other capacities with Walker & Dunlop since he joined the company in 1987, including as vice president and chief financial officer from 1992 to 1994, senior vice president and chief financial officer from 1994 to 2002, and as interim chief financial officer both from 2005 to 2006 and in 2008. Mr. Gaynor has also been a private consultant since 2005. Prior to joining Walker & Dunlop, Mr. Gaynor worked as a product manager for Applied Expert Systems, a financial services software firm, as an analyst for the Saddlebrook Corporation, a bank software company, and as a consultant for ICF, Incorporated, a national consulting firm. Mr. Gaynor received his Bachelor of Science from the Massachusetts Institute of Technology and his Masters in Business Administration from Harvard University.

Mr. Gaynor brings to our Board more than 20 years of industry experience, as well as over 15 years of experience as a Walker & Dunlop board member. Mr. Gaynor's in-depth knowledge of our history and his demonstrated financial expertise are assets to our Board.

**Cynthia A. Hallenbeck** is one of our directors and serves on the Audit Committee (Chairman) and Compensation Committee. Ms. Hallenbeck has been a member of our Board since December 2010. Ms. Hallenbeck serves as the chief executive officer of Alceryn, Inc., a private consulting firm that she founded in 2010, where her most significant engagement was as the acting chief financial and administrative officer of the Council for Economic Education. Ms. Hallenbeck served as the vice president of finance and operations of the Arcus Foundation from January 2012 to October 2012. Prior to founding Alceryn, Inc., Ms. Hallenbeck worked at Citigroup, Inc. from 2002 to 2008, where she served in a number of divisions in various capacities, including as chief financial officer of Citigroup's corporate treasury department from 2002 to 2005, an internal consultant for Citigroup's office of the chief administrative officer from 2006 to 2007 and chief operating officer of global legal support from 2007 to 2008. Prior to her service with Citigroup, Ms. Hallenbeck spent over 14 years at Merrill Lynch & Co., Inc. in a variety of finance, treasury and accounting roles including treasurer of its global futures business and chief financial officer of its securities financing group. Ms. Hallenbeck also worked with GTE Corporation (currently Verizon Communications, Inc.), a telecommunications company, from 1985 to 1987, where she served as a manager in its financial strategies division, and also with Manufacturers Hanover Trust, a banking institution, from 1979 to 1983, where she served as assistant vice president and a thrift industry specialist. Ms. Hallenbeck was a member of the board of the non-profit Global HIV Vaccine Enterprise and served as its treasurer, from January 2009 to September 2012. The Global HIV Vaccine Enterprise is a unique global alliance of independent organizations working together to accelerate the development of a safe and effective HIV vaccine, funded primarily by the Gates Foundation and National Institutes of Health. Ms. Hallenbeck is also a member of the non-profit Junior League of the City of New York, where she most recently served as chairperson of its audit committee from 2004 to 2008. Ms. Hallenbeck received her Bachelor of Arts in Economics from Smith College and her Masters in Business Administration from Harvard University.

Ms. Hallenbeck brings to our Board over 30 years of experience in financial management and accounting, including extensive management experience on the executive management teams of numerous private and public companies and service on the audit committees of several organizations. Ms. Hallenbeck's accounting expertise and management experience are assets to our Board.

**Michael D. Malone** is one of our directors. Mr. Malone has been a member of our Board since November 2012. In February 2012, Mr. Malone was appointed to the board of directors of Nationstar Mortgage Holdings Inc. ("Nationstar"), a publicly-traded non-bank residential mortgage servicer and an

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affiliate of Fortress Investment Group LLC ("Fortress"), a global alternative investment and asset management firm. Mr. Malone is the chairman of Nationstar's nominating and corporate governance committee and is a member of its audit and compensation committees. From February 2008 to February 2012, Mr. Malone served as the managing director of Fortress, where he was in charge of the Charlotte, NC office and responsible for the business of the capital formation group in the southeast and southwest regions of the United States. Mr. Malone also currently serves as a member of the board of directors of Morgans Hotel Group Co., a publicly-traded company that operates, owns, acquires, develops and redevelops boutique hotels, where he has served as a director since January 2008 and is a member of its audit committee and co-chairman of its compensation committee. Mr. Malone retired from Bank of America in November 2007, after nearly 24 years of service as a senior executive banker and managing director. Over those years, Mr. Malone worked in and ran a number of investment banking businesses for the bank and its subsidiary, Banc of America Securities, including real estate, gaming, lodging, leisure, and the financial sponsors businesses. Mr. Malone received his Bachelor of Science in General Studies from the University of Kentucky.

Mr. Malone's extensive experience and expertise in the financial and real estate industries enable him to provide valuable insight into our commercial real estate lending business operations and our strategic direction.

Pursuant to the terms of the Purchase Agreement (the "Purchase Agreement") dated as of June 7, 2012, among us, Walker & Dunlop, LLC, CWCcapital LLC ("CWCcapital") and CW Financial Services LLC ("CWFS"), by which we acquired CWCcapital, CWFS is entitled to designate up to two nominees for each election as directors to our Board through our annual meeting to be held in 2014. The Purchase Agreement specifies that at our annual meeting of stockholders to be held during the 2013 and 2014 calendar years, or at any special meeting of our stockholders held prior to our 2014 annual meeting of stockholders at which our directors are to be elected, or at any taking of action by written consent of our stockholders prior to our 2014 annual meeting of stockholders with respect to which our directors are to be elected, CWFS shall have the right (but not the obligation) to designate two nominees for election to our Board (such nominees, the "CWFS Nominees") at such director election. At or prior to any such director election: (i) our Nominating and Corporate Governance Committee must recommend to our Board the nomination of the CWFS Nominees for election to our Board, and (ii) our Board must recommend to our stockholders the election of the CWFS Nominees to our Board.

At any time that CWFS and its affiliates cease to collectively own, directly or indirectly, at least 20% of our common stock outstanding as of September 4, 2012, CWFS forfeits the right to nominate and appoint one CWFS Nominee, effective as of our then next annual meeting of stockholders at which directors are elected. At any time that CWFS and its affiliates cease to collectively own, directly or indirectly, at least 10% of our common stock outstanding as of September 4, 2012, CWFS forfeits the right to nominate and appoint one CWFS Designee, effective as of our then next annual meeting of stockholders at which directors are elected.

Additionally, concurrently with the execution and delivery of the Purchase Agreement on June 7, 2012, we, Walker & Dunlop, LLC, Column Guaranteed LLC ("Column"), our then largest stockholder, and CWFS entered into a voting agreement with Column (the "Column Voting Agreement"). Under the Column Voting Agreement, Column has agreed to vote all of its shares of our common stock it holds in favor of electing CWFS Nominees to our Board at our June 5, 2013 annual meeting.

CWFS has designated Mr. Malone as its only CWFS Nominee for election at our June 5, 2013 annual meeting.

**John Rice** is one of our directors and serves on the Compensation Committee (Chairman) and the Nominating and Corporate Governance Committee, and served as our lead independent director from September 2010 to June 2012. Mr. Rice has been a member of our Board since July 2010 and served as

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a board member of Walker & Dunlop, LLC from January 2010 to December 2010. Mr. Rice serves as chief executive officer of Management Leadership for Tomorrow, a national non-profit organization that he founded in 2001. Management Leadership for Tomorrow equips under-represented minorities with the skills, coaching and relationships that unlock their potential as senior business and community leaders. Prior to Management Leadership for Tomorrow, Mr. Rice was an executive with the National Basketball Association from 1996 to 2000, where he served as managing director of NBA Japan and as director of marketing for Latin America. Before joining the National Basketball Association, Mr. Rice spent four years with the Walt Disney Company in new business development and marketing, and two years with AT&T. Mr. Rice is also a senior advisor and co-founder of CareerCore, a technology company that provides outsourced career services and mentoring solutions for colleges and corporations. He is a trustee of the Yale Corporation, serves on the board of visitors of Duke University's Sanford School of Public Policy, and on President Obama's Advisory Board for Historically Black Colleges and Universities. He also serves on the boards of several non-profits including the American Management Association. Mr. Rice received his Bachelor of Arts from Yale University and his Masters in Business Administration from Harvard University.

Mr. Rice's success with his various entrepreneurial ventures, as well as his many years of marketing and talent development experience, provide our Board with valuable business and marketing insights. Additionally, Mr. Rice's leadership in the non-profit sector is consistent with our commitment to community service.

**Dana L. Schmaltz** is one of our directors and serves on the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Schmaltz has been a member of our Board since December 2010. Mr. Schmaltz is currently a partner at Yellow Wood Partners, LLC, a private equity firm he founded, which is focused on the consumer products industry. Mr. Schmaltz was the co-founder, director and chief financial officer of Blacksmith Brands, Inc., a privately owned consumer products company that was created in September 2009. As the co-founder and a senior manager of Blacksmith Brands, Mr. Schmaltz was responsible for overseeing the operations of the business with his partner, the chief executive officer, as well as for developing future acquisition opportunities for the company. Prior to founding Blacksmith Brands, Mr. Schmaltz was a managing partner of West Hill Partners, LLC, a Boston-based private equity firm from 2007 to 2009. Prior to that, Mr. Schmaltz was the president of J.W. Childs Associates, LP, a private equity fund, where he focused on investments in the consumer/specialty retail sector. Mr. Schmaltz was a general partner at J.W. Childs from 1997 to 2007. He has also been a director of numerous corporations including Mattress Firm, Inc. from January to June 2007, Fitness Quest, Inc. from 2004 to 2007, Esselte, AB from 2002 to 2007 and NutraSweet from 2000 to 2007. Mr. Schmaltz began his career in the private equity industry at the NTC Group in 1991 and has held various positions at Kidder, Peabody, Inc. and Drexel Burnham Lambert. Mr. Schmaltz received his Bachelor of Arts in History from Dartmouth College and his Masters in Business Administration from Harvard University.

Mr. Schmaltz brings to our Board over 20 years of experience in private equity investments, executive management and financial advisory services. Mr. Schmaltz's investment and management experiences are assets to our Board.

**Edmund F. Taylor** serves as one of our directors. Mr. Taylor has been a member of our Board since July 2010 and served as a board member of Walker & Dunlop, LLC from January 2009 to December 2010. Mr. Taylor is currently a managing director at Credit Suisse Securities (USA) LLC, where he is responsible for the Americas legal entity strategy and the global equities legal entity strategy. Mr. Taylor is a director of Credit Suisse (USA), Inc. and a member of the global equities operating committee. Prior to assuming his current role, he managed all the global legacy businesses, including commercial real estate, in the fixed income department of the bank's investment banking division, where he was a member of the fixed income department's operating committee. Prior to assuming that role at Credit Suisse, he was chief operating officer of the global securities business in its

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investment banking division. Before joining Credit Suisse in 1996, Mr. Taylor spent three years in the commercial real estate group at Daiwa Securities America, an investment banking company, where he was a senior trader and deal manager. Prior to that, he spent six years in a variety of roles in Drexel Burnham Lambert's residential mortgage-backed securities business. Mr. Taylor also spent two years at Goldman Sachs, where he developed financial models for its commodities business. Mr. Taylor is a member of the Real Estate Roundtable, the Sam Zell Real Estate Institute at the Wharton Graduate School of Business, the American Finance Association and the American Economics Association. Mr. Taylor received his Bachelor of Arts in Economics from Hamilton College and his Masters in Business Administration from the Stern School of Business at New York University.

Mr. Taylor's in depth knowledge of the real estate industry, his experience with mortgage-backed securities, his senior management experience, and his business affiliations throughout the real estate and investment banking communities provide strong leadership and support to the rest of our Board, particularly on capital markets matters.

### Corporate Governance Information

We are committed to maintaining the highest standards of business conduct and corporate governance, which we believe are essential to running our business efficiently, serving our stockholders well and maintaining our integrity in the marketplace. Accordingly, our Board has adopted and maintains the following corporate governance guidelines, codes and charters:

Corporate Governance Guidelines;

Code of Business Conduct and Ethics;

Code of Ethics for Principal Executive Officer and Senior Financial Officers;

Charter of the Audit Committee of the Board of Directors;

Charter of the Compensation Committee of the Board of Directors; and

Charter of the Nominating and Corporate Governance Committee of the Board of Directors.

From time to time, we may revise the above-mentioned corporate governance guidelines, codes and charters in response to changing regulatory requirements, evolving best practices and the concerns of our stockholders and other constituents. Please visit our website at [www.walkerdunlop.com](http://www.walkerdunlop.com) to view or obtain a copy of the current version of any of these documents. We will provide any of the above-mentioned documents, free of charge, to any stockholder who sends a written request to:

Walker & Dunlop, Inc.  
Attn: Investor Relations  
7501 Wisconsin Avenue, Suite 1200E  
Bethesda, Maryland 20814

### *Director Independence*

Our bylaws and Corporate Governance Guidelines require us to have a majority of our Board consisting of directors who are independent under the NYSE rules. NYSE listing standards require NYSE-listed companies to have a majority of independent board members and a nominating/corporate governance committee, compensation committee and audit committee, each comprised solely of independent directors. Under the NYSE listing standards, no director of a company qualifies as "independent" unless the board of directors of the company affirmatively determines that the director has no material relationship with the company (either directly or as a partner, shareholder or officer of

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an organization that has a relationship with such company). In addition, the NYSE listing standards contain the following further restrictions upon a listed company's director independence:

a director who is an employee, or whose immediate family member is an executive officer, of the listed company is not independent until three years after the end of such employment relationship;

a director who has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent;

a director who is, or whose immediate family member is, a current partner of a firm that is the company's internal or external auditor is not independent; a director who is a current employee of such a firm is not independent; a director who has an immediate family member who is a current employee of such a firm and personally works on the company's audit is not independent; and a director who was, or whose immediate family member was, within the last three years a partner or employee of such a firm and personally worked on the company's audit within that time is not independent;

a director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the listed company's present executive officers at the same time serve or served on the other company's compensation committee is not independent until three years after the end of such service or the employment relationship; and

a director who is an executive officer or an employee, or whose immediate family member is an executive officer, of another company that has made payments to, or received payments from, the listed company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues, is not independent.

To adequately assess and ensure that (i) at least a majority of our directors qualify as independent and (ii) each of the Board committees is comprised of solely independent directors, the Board undertakes an annual review of the independence of all directors. In accordance with the independence criteria established by the Board from time to time, our Board considers all facts and circumstances in order to make an affirmative determination as to whether any director has a direct or indirect material relationship to the Company. In assessing the materiality of a director's relationship with the Company, the Board considers the issues from the director's standpoint and from the perspective of the persons or organization with which the director has an affiliation. The Board reviews commercial, industrial, banking, consulting, legal, accounting, charitable, personal and familial relationships.

Our Board has evaluated the status of each director and has affirmatively determined, after considering the relevant facts and circumstances and the independence standards set forth above, that each of Alan J. Bowers, Andrew C. Florance, Mitchell M. Gaynor, Cynthia A. Hallenbeck, Michael D. Malone, John Rice and Dana L. Schmaltz is independent, as defined in the NYSE rules, and that none of these directors has a material relationship with us.

### *Board Leadership Structure*

Mr. Walker serves as the Company's Chairman, President and Chief Executive Officer. The Board has determined that combining the Chairman and Chief Executive Officer positions is the appropriate leadership structure for the Company, and believes that combining the Chairman and Chief Executive Officer roles fosters clear accountability, effective decision-making and alignment on corporate strategy.



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Nevertheless, the Board understands that the structure of the Board must encourage the free and open dialogue of competing views and provide for strong checks and balances. Specifically, an effective governance structure must balance the powers of the Chief Executive Officer and the independent directors and ensure that the independent directors are fully informed, able to discuss and debate the issues that they deem important, and able to provide effective oversight of management.

The Board is committed to maintaining a "lead independent director," or "Lead Director," as a matter of good corporate governance. The Lead Director is an independent director consistent with criteria established by the NYSE, and will be selected on an annual basis by a majority of the independent directors then serving on the Board. The role of the Lead Director is to serve as liaison between (i) the Board and management, including the Chief Executive Officer, (ii) independent directors and (iii) interested third parties and the Board. The Lead Director serves as the focal point of communication to the Board regarding management plans and initiatives, and ensures that the role between board oversight and management operations is respected. The Lead Director, who also is currently the Chairman of the Nominating and Corporate Governance Committee, plays a central role in developing, managing and overseeing our annual Board self-assessment process. The Lead Director also provides the medium for informal dialogue with and between independent directors, allowing for free and open communication within that group. In addition, the Lead Director serves as the communication conduit for third parties who wish to communicate with the Board. The Company's current Lead Director is Mr. Bowers.

The Board intends to carefully consider its Board leadership structure from time to time based on what the Board believes is best for the Company and its stockholders.

### *Executive Sessions of Non-Management and Independent Directors*

Pursuant to our Corporate Governance Guidelines and the NYSE rules, in order to promote open discussion among independent directors, our Board devotes a portion of each regularly scheduled Board meeting to executive sessions without management, and a portion of at least one of the regularly scheduled Board meetings each year to a session of only independent directors. See " Director Independence" for a list of our independent directors.

### *Communications with the Board*

Stockholders and other interested parties may communicate with the Board by contacting the Lead Director (i) by sending any correspondence they may have in writing to the "Lead Director" c/o the Chief Financial Officer of Walker & Dunlop, Inc., at 7501 Wisconsin Avenue, Suite 1200E, Bethesda, Maryland 20814, who will then directly forward such correspondence to the Lead Director, or (ii) by e-mailing correspondence directly to the Lead Director at leaddirector@walkerdunlop.com. The Lead Director will decide what action should be taken with respect to the communication, including whether such communication should be reported to the Board.

### *Board Meetings and Director Attendance*

Pursuant to our Corporate Governance Guidelines, (i) we are required to have at least four regularly scheduled Board meetings in each calendar year and additional unscheduled Board meetings may be called upon appropriate notice at any time to address specific needs of the Company; and (ii) directors are expected to attend, in person or by telephone or video conference, all Board meetings and meetings of committees on which they serve. Our Board held 13 Board meetings in 2012. Each of our directors attended at least 75% of the total regularly scheduled and special meetings of the Board and the committees on which he or she served. Additionally, pursuant to our Corporate Governance Guidelines, the directors are encouraged, but not required, to attend our annual meetings of

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stockholders. Six of the eight directors who were elected to the Board at the 2012 annual meeting of stockholders were in attendance at the meeting.

### *Criteria for Board Membership*

The Board has adopted a policy to be used for considering potential director candidates to further the Nominating and Corporate Governance Committee's goal of ensuring that our Board consists of a diversified group of qualified individuals that function effectively as a group. The policy provides that qualifications and credentials for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing composition of the Board. However, at a minimum, candidates for director must possess:

high integrity;

an ability to exercise sound judgment;

an ability to make independent analytical inquiries;

a willingness and ability to devote adequate time and resources to diligently perform Board duties; and

a reputation, both personal and professional, consistent with the image and reputation of the Company.

In addition to the aforementioned minimum qualifications, the Nominating and Corporate Governance Committee also believes that there are other qualities and skills that, while not a prerequisite for nomination, should be taken into account when considering whether to recommend a particular person. These factors include:

diversity, age, background, skills and experience;

personal qualities and characteristics, accomplishments, and reputation in the business community;

knowledge and contacts in the communities in which the Company conducts business and in the Company's industry or other industries relevant to the Company's business;

ability and willingness to devote sufficient time to serve on the Board and committees of the Board;

knowledge and expertise in various areas deemed appropriate by the Board;

fit of the individual's skills, experience, and personality with those of other directors in maintaining an effective, collegial, and responsive Board;

whether the person's nomination and election would enable the Board to have a member that qualifies as an "audit committee financial expert" as such term is defined by the SEC; and

whether the person would qualify as an "independent" director under the NYSE's listing standards and our Corporate Governance Guidelines.

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Neither the Nominating and Corporate Governance Committee nor the Board has adopted a formal policy with respect to diversity of its directors. However, in connection with its overall director candidate review, the Nominating and Corporate Governance Committee does consider diversity of experience in areas that are relevant to the Company's activities. Directors must be willing and able to devote sufficient time to carrying out their duties effectively. The Nominating and Corporate Governance Committee takes into account the other demands on the time of a candidate, including, for example, occupation and memberships on other boards.

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The Nominating and Corporate Governance Committee will seek to identify director candidates based on input provided by a number of sources, including (i) Nominating and Corporate Governance Committee members, (ii) our stockholders and (iii) others as it deems appropriate. The Nominating and Corporate Governance Committee also has the authority to consult with or retain advisors or search firms to assist in identifying qualified director candidates; however, we do not currently employ a search firm, or pay a fee to any other third party, to locate qualified director candidates.

As part of the identification process, the Nominating and Corporate Governance Committee considers the number of expected director vacancies and whether existing directors have indicated a willingness to continue to serve as directors if re-nominated. Once a director candidate has been identified, the Nominating and Corporate Governance Committee will then evaluate this candidate in light of his or her qualifications and credentials, and any additional factors that it deems necessary or appropriate. Existing directors who are being considered for re-nomination will be re-evaluated as part of the Nominating and Corporate Governance Committee's process of recommending director candidates. The Nominating and Corporate Governance Committee will consider all persons recommended by stockholders in the same manner as all other director candidates, provided that such recommendations are submitted in accordance with the procedures set forth in our bylaws and summarized below.

After completing the identification and evaluation process described above, the Nominating and Corporate Governance Committee will recommend to the Board the nomination of a number of candidates equal to the number of director vacancies that will exist at the annual meeting of stockholders. The Board will then select the Board's director nominees for stockholders to consider and vote upon at the stockholders' meeting.

With respect to any CWFS Nominee, the Nominating and Corporate Governance Committee and Board adhere to the terms of our agreement with CWFS regarding such nomination process, as described earlier.

### *Stockholder Recommendations of Director Nominees*

For nominations for election to the Board to be properly brought before an annual meeting by a stockholder, the stockholder must comply with the advance notice provisions and other requirements of Article II, Section 12 of our bylaws. These notice provisions require that nominations for directors must be received by the Secretary at our principal executive offices (the "Stockholder Notice") not later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of the proxy statement for the preceding year's annual meeting nor earlier than the 150th day prior to the first anniversary of the date of the proxy statement for the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, such Stockholder Notice to be timely must be so delivered not earlier than the 150th day prior to such annual meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. The Stockholder Notice must set forth:

as to each person whom the stockholder proposes to nominate for election or reelection as a director, (A) a description of all agreements, arrangements or understandings between such stockholder and such potential nominee (and any other person or persons), pursuant to which the nomination is made, and (B) all other information relating to such potential nominee that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; and

as to the stockholder giving such Stockholder Notice, (A) the name and address of such stockholder, as they appear on the Company's books; (B) the class or series and number of shares of stock of the Company which are, directly or indirectly, owned beneficially and of record by such stockholder, including through general or limited partnerships, as of the date of the Stockholder Notice, and a representation that such stockholder will notify the Company in writing of such information as of the record date for the meeting; (C) a description of any agreement, arrangement or understanding (including, without limitation, any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into by such stockholder as of the date of the Stockholder Notice, the effect or intent of which is to mitigate loss to, manage the risk or benefit of share price changes for, or increase or decrease the voting power of such stockholder or any affiliates, and a representation that such stockholder will notify the Company in writing of any such agreement, arrangement or understanding in effect as of the record date for the meeting; (D) a representation that such stockholder intends to appear at the meeting in person or by proxy to make the nomination or propose the other business specified in such Stockholder Notice, as the case may be; and (E) a representation as to whether such stockholder intends, or is intended to be part of a group (within the meaning ascribed to such term under Section 13(d)(3) of the Exchange Act) that intends, (i) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding shares of stock required to elect the proposed director nominee or to approve or adopt the other business proposal, and/or (ii) otherwise to solicit proxies from stockholders in support of such nominee or other business proposal.

For purposes of the bulleted paragraphs above, references to "stockholder" include any beneficial owners on whose behalf the director nomination is made. See also "Other Matters - Stockholder Proposals and Nominations for the 2014 Annual Meeting."

*Code of Ethics for Principal Executive Officer and Senior Financial Officers; Code of Business Conduct*

We have adopted the Code of Ethics for Principal Executive Officer and Senior Financial Officers, which is applicable to our Chief Executive Officer, Chief Financial Officer and all other senior financial officers. This code is intended to:

deter wrongdoing;

encourage honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the SEC and in other public communications made by the Company;

ensure compliance with applicable governmental laws, rules and regulations;

support the prompt internal reporting of violations of the Code of Ethics for Principal Executive Officer and Senior Financial Officers to the appropriate persons identified in the Code of Ethics for Principal Executive Officer and Senior Financial Officers; and

create accountability for adherence to the Code of Ethics for Principal Executive Officer and Senior Financial Officers.

We have also adopted the Code of Business Conduct and Ethics, which is applicable to all of our directors, officers and employees. This code covers areas of professional conduct, including honest and candid conduct, conflicts of interest, disclosure, compliance with all applicable laws, rules and

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regulations, corporate opportunities, confidentiality, fair dealing and the protection and proper use of Company assets.

We have posted both our Code of Ethics for Principal Executive Officer and Senior Financial Officers and Code of Business Conduct and Ethics to our website and intend to promptly post any waiver or amendment of our Code of Ethics for Principal Executive Officer and Senior Financial Officers to our website.

In addition to the Code of Ethics for Principal Executive Officer and Senior Financial Officers and Code of Business Conduct and Ethics, our Audit Committee has in place a whistleblower reporting procedure that enables it to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters. The procedures in place permit our employees to confidentially and anonymously submit their concerns regarding questionable accounting or auditing matters directly to the Audit Committee. Upon receiving a concern or complaint pursuant to these procedures, the individual designated by our Chief Executive Officer as our compliance officer (currently, our Executive Vice President, General Counsel & Secretary, Mr. Richard M. Lucas), or Audit Committee Chairman, will:

determine whether the complaint or concern is an accounting complaint and, when possible, acknowledge receipt of the complaint or concern to the reporting person;

review the complaint in a manner determined by and with the oversight of the Audit Committee and with input from the compliance officer or such other persons, including any third party investigative parties, as the Audit Committee determines to be appropriate;

appoint one or more internal and/or external investigators to promptly and fully investigate such Accounting Complaints under the supervision of the compliance officer and, as may be appropriate, the Audit Committee;

provide the reporting person, to the extent possible and appropriate, the name and contact information for the investigator(s) assigned to the accounting complaint;

maintain confidentiality to the fullest extent possible, consistent with the need to conduct an adequate review;

coordinate with other Board committees and government authorities, as appropriate, to the extent that an accounting complaint relates to an ongoing government audit, inspection or investigation;

obtain advice and assistance from and retain, at the Company's expense, investigators, internal or outside legal counsel and other advisors, as may be appropriate; and

take prompt and appropriate corrective or remedial action when and as warranted in the judgment of the Audit Committee.

### *Risk Oversight*

One of the important roles of our Board is to oversee various risks that we may face from time to time. While the full Board has primary responsibility for risk oversight, it utilizes its committees, as appropriate, to monitor and address the risks that may be within the scope of a particular committee's expertise or charter. For example, the Audit Committee oversees our financial statements, compliance with legal and regulatory requirements and the performance of our internal audit function. Additionally, in 2012 the Audit Committee oversaw management's development of an enterprise risk assessment of the Company. The enterprise risk assessment will be implemented under the oversight of the full Board, which will use the Board committees as appropriate to monitor and address risks identified by the assessment. The Board believes that the composition of its committees, and the

distribution of the particular expertise of each committee's members, makes this an appropriate structure to more effectively monitor the risks that relate to the committees' respective oversight authorities.

An important feature of the Board's risk oversight function is to receive updates from its committees and management, as appropriate. For example, each year our senior management will work with the head of our internal audit function, who reports directly to the Audit Committee, to develop an audit plan designed to address key corporate governance controls and financial reporting and internal control risks. This plan will subsequently be reviewed by the Audit Committee, and our internal auditors will report the audit results to the Audit Committee on a quarterly basis, or more frequently as needed. The internal auditors also meet regularly with the Audit Committee in executive session. In addition, our General Counsel meets regularly in executive session with the Audit Committee and the Nominating and Corporate Governance Committee and provides them with regular updates regarding material litigation and legal and regulatory compliance matters.

The Compensation Committee is responsible for overseeing compensation risk, including evaluating and assessing risks arising from our compensation policies and practices for all employees and ensuring executive compensation is aligned with performance. The Compensation Committee is charged with monitoring our equity-based compensation plans, including employee benefit plans. The Nominating and Corporate Governance Committee oversees risk related to our overall governance, including Board and committee composition, Board size and structure, director independence and ethical and business conduct.

The full Board is kept informed of each committee's risk oversight and related activities through standard reports to the Board by each committee chairman, frequent non-member attendance at committee meetings and committee meeting minutes and resolutions which are made available to all directors. Strategic, operational and competitive risks are presented and discussed at the Board's regular quarterly meetings. In addition to getting direct information from its committees, the Board receives updates directly from members of management. As needed between Board meetings, Mr. Walker, our Chairman, President and Chief Executive Officer, provides reports to the Board on the critical issues we face and the recent developments in our business units, including identified risks. Additionally, Mr. Smith, due to his management position, is able to frequently communicate with other members of our management and update the Board regularly on the important aspects of the Company's day-to-day operations.

#### **Board Committees**

The Board has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. All members of the committees described below are "independent" under NYSE rules as discussed under "Board of Directors and Corporate Governance Corporate Governance Information Director Independence." In addition, the members of the Audit and Compensation Committees satisfy the additional independence criteria applicable to members of such committees under SEC and NYSE rules.

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The table below provides membership information for each of the Board committees as of April 15, 2013 and the number of meetings held by each committee in 2012:

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Alan J. Bowers	X		X*
Mitchell M. Gaynor	X		
Cynthia A. Hallenbeck	X *	X	
John Rice		X*	X
Dana L. Schmaltz		X	X
<b>2012 Meetings</b>	10	10	7

\*  
Committee Chairman

Audit Committee Financial Expert

*Audit Committee*

Our Audit Committee consists of Alan J. Bowers, Mitchell M. Gaynor and Cynthia A. Hallenbeck, three of our independent directors, with Ms. Hallenbeck serving as the Audit Committee's Chairman. Each member of the Audit Committee qualifies as an "audit committee financial expert" as that term is defined by the applicable SEC regulations and NYSE corporate governance listing standards. Our Board has also determined that each of the Audit Committee members is "financially literate" as that term is defined by the NYSE corporate governance listing standards. We have adopted an Audit Committee charter that details the principal functions of the Audit Committee, including oversight related to:

our accounting and financial reporting processes;

the integrity of our consolidated financial statements and financial reporting process;

our systems of disclosure controls and procedures and internal control over financial reporting;

our compliance with financial, legal and regulatory requirements;

the evaluation of the qualifications, independence and performance of our independent registered public accounting firm;

the performance of our internal audit function;

our policies and procedures with respect to risk assessment and risk management, including key risks to which we are subject and the steps we have taken to monitor and control exposure to such risks, which is overseen in consultation with our management; and

review and approval of any related party transactions.

The Audit Committee is responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public



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accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. The Audit Committee also prepares the Audit Committee report required by SEC regulations to be included in our annual proxy statement.

Our Audit Committee charter and the corporate governance rules of the NYSE require that in the event a director simultaneously serves on the audit committee of more than three public companies,

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the Board must determine that such simultaneous service would not impair the ability of that member to effectively serve on our Audit Committee and disclose that determination. None of our Audit Committee members serves on the audit committees of more than three public companies (including our Audit Committee).

The Audit Committee met ten times in 2012.

### *Compensation Committee*

Our Compensation Committee consists of Cynthia A. Hallenbeck, John Rice and Dana L. Schmaltz, three of our independent directors, with Mr. Rice serving as the Compensation Committee's Chairman. We have adopted a Compensation Committee charter that details the principal functions of the Compensation Committee, including:

reviewing and approving on an annual basis the corporate goals and objectives relevant to our executive officers' compensation, evaluating our executive officers' performance in light of such goals and objectives and determining and approving the remuneration of our executive officers based on such evaluation;

reviewing and approving the compensation of our executive officers, subject to the terms and conditions of any pre-existing employment agreements;

reviewing and evaluating on an annual basis, the compensation for directors, including board committee retainers, meeting fees, equity based compensation and such other forms of compensation as the compensation committee may consider appropriate and recommend to the board, as appropriate, changes to such compensation;

reviewing our executive compensation policies and plans;

implementing and administering our incentive and equity-based compensation plans;

determining the number and terms of equity awards to be granted to our directors, executive officers and other employees pursuant to these plans;

assisting management in complying with our proxy statement and annual report disclosure requirements;

producing a report on executive compensation to be included in our annual proxy statement; and

reviewing the company's policies and procedures with respect to risk assessment and risk management for compensating all employees, including non-executive officers, and reporting its findings to the Board.

Pursuant to its charter, the Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee consisting of one or more members.

The Board has established a special one-member committee of the Board (the "Non-Executive Equity Award Committee"), currently comprised of Mr. Walker, our Chairman, President and Chief Executive Officer, and delegated to that committee limited authority to grant equity awards to non-executive officers and non-director employees pursuant to the 2010 Equity Incentive Plan, as amended (the "Equity Incentive Plan"). As of April 15, 2013, those grants may not exceed a total of 430,520 shares. The special one-member Non-Executive Equity Award Committee's authority does not in any way limit the Compensation Committee's authority to administer the Equity Incentive Plan.

Under its charter, the Compensation Committee has authority to retain compensation consultants, outside counsel and other advisors that the Compensation Committee deems appropriate, in its sole discretion, to assist it in discharging its duties. The Compensation Committee engaged Towers



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Watson & Co. in 2012 to act as its compensation consultant. Towers Watson reports directly to the Compensation Committee and the Compensation Committee has the sole authority to terminate the engagement. Towers Watson's primary roles for 2012 were to:

re-assess the peer group identified by our Compensation Committee in 2011 against which our 2012 performance and non-employee director and executive pay should be examined;

evaluate our non-employee director and executive compensation programs and provide recommendations regarding non-employee director compensation and executive compensation strategy and policies, including a review of philosophy, comparative review of peer total direct compensation (for example, base salary, short- and long-term incentives, and mix of pay, as applicable), and provide insight related to potential enhancements and/or modifications;

conduct a pay for performance assessment of our executive incentive programs and the overall alignment between executive pay and corporate performance for the period of 2009-2011;

evaluate and analyze our compensation policies and practices for our NEOs to determine whether they create risks that are reasonably likely to have a material adverse effect on us;

review the Compensation Discussion and Analysis section of our annual proxy statement; and

attend selected Compensation Committee meetings.

Towers Watson does not provide any other services to the Company. The Compensation Committee concluded that Towers Watson had no conflicts of interest during fiscal year 2012. In reaching this conclusion, the Compensation Committee considered all relevant factors, including the six independence factors relating to committee advisers that are specified in Rule 10C-1 of the Securities Exchange Act of 1934, as amended. These factors are:

The provision of other services to the company by an adviser's employer;

The amount of fees received from the company by an adviser's employer as a percentage of the total revenue of the adviser's employer;

The policies and procedures of an adviser's employer that are designed to prevent conflicts of interest;

Any business or personal relationship of an adviser with a member of the committee;

Any stock of the company owned by an adviser; and

Any business or personal relationship of an adviser or the adviser's employer with an executive officer of the company.

For further discussion of the role of the Compensation Committee in the executive compensation decision-making process, and for a description of the nature and scope of the Towers Watson's assignment, see the section titled "Compensation Discussion and Analysis."

Our Compensation Committee considers the recommendations of Mr. Walker, our Chairman, President and Chief Executive Officer, regarding any Company and individual performance targets, assessments of executive performance and compensation levels generally for our named executive officers. Mr. Walker presents a self-assessment of his own individual performance to the Compensation Committee and makes recommendations regarding his own compensation, but the Compensation Committee makes the final determination in an executive session without Mr. Walker and other members of management being present, as required by our Compensation Committee charter. Senior members of

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the human resources, legal, finance and accounting departments may also provide input to the Compensation Committee.

The Compensation Committee met ten times in 2012.

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### *Nominating and Corporate Governance Committee*

Our Nominating and Corporate Governance Committee consists of Alan J. Bowers, John Rice and Dana L. Schmaltz, three of our independent directors, with Mr. Bowers serving as the Nominating and Corporate Governance Committee's Chairman. We have adopted a nominating and corporate governance committee charter that details the principal functions of the Nominating and Corporate Governance Committee, including:

identifying and recommending to the Board qualified candidates for election as directors and recommending nominees for election as directors at the annual meeting of stockholders;

developing and recommending to the Board corporate governance guidelines and implementing and monitoring such guidelines;

overseeing the Board's compliance with financial, legal and regulatory requirements and its ethics program as set forth in the Company's Code of Business Conduct and Ethics and the Code of Ethics for Principal Executive Officer and Senior Financial Officers;

reviewing and making recommendations on matters involving the general operation of the Board, including board size and composition, and committee composition and structure;

recommending to the Board nominees for each Board committee; and

overseeing the annual evaluation process for the Board, management and the other committees of the Board, as required by applicable law, regulations and the NYSE corporate governance listing standards.

The Nominating and Corporate Governance Committee met seven times in 2012.

## AUDIT RELATED MATTERS

**Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm**

Our consolidated financial statements for the year ended December 31, 2012 have been audited by KPMG LLP, which served as our independent registered public accounting firm for the last fiscal year. The Audit Committee has appointed KPMG LLP to serve as our independent registered public accounting firm for the year ending December 31, 2013. We have been advised by KPMG LLP that representatives of KPMG LLP will be present at our 2013 annual meeting. These representatives will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

The Sarbanes-Oxley Act of 2002 requires the Audit Committee to be directly responsible for the appointment, compensation and oversight of the audit work of the independent registered public accounting firm. Nevertheless, our Board is submitting the appointment of KPMG LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the appointment of KPMG LLP, the Audit Committee may reconsider the appointment and may retain KPMG LLP or another accounting firm without resubmitting the matter to stockholders. Even if the stockholders ratify the appointment, the Audit Committee may select another firm if it determines such selection to be in our and our stockholders' best interest.

*Vote Required*

The ratification of the appointment of KPMG LLP requires the approval of a majority of the votes present at the meeting. Abstentions and broker non-votes will not count as votes cast with respect to the proposal.

*Our Recommendation*

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE PROPOSAL TO RATIFY THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2013.**

**Disclosure of KPMG LLP Fees for the Years Ended December 31, 2012 and December 31, 2011**

The following table shows the fees for professional services rendered by KPMG LLP for the audit of the Company's annual financial statements for the years ended December 31, 2012, and December 31, 2011, and fees billed for other services rendered by KPMG LLP during those periods:

	2012	2011
Audit Fees(1)	\$ 850,000	\$ 470,000
Audit Related Fees(2)	296,000	185,000
Tax Fees(3)	200,000	168,000
All Other Fees		
<b>Total</b>	<b>\$ 1,346,000</b>	<b>\$ 823,000</b>

(1) Audit Fees include fees for audits of our 2012 and 2011 consolidated financial statements.

(2) Audit Related Fees include fees for our statutory and regulatory compliance audits, subsidiary fund audits and our employee benefit plan audits.

(3) Tax Fees include fees for tax compliance and advisory services.





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All services provided by KPMG LLP to us since we became a public company have been pre-approved by the Audit Committee, either pursuant to the Audit Committee's Audit and Non-Audit Services Pre-Approval Policy or through a separate pre-approval by the Audit Committee, which concluded that the provision of such services by KPMG LLP was compatible with the maintenance of that firm's independence from us.

### Pre-Approval Policies and Procedures

The Audit Committee's policy is to review and pre-approve either pursuant to the Audit Committee's Audit and Non-Audit Services Pre-Approval Policy or through a separate pre-approval by the Audit Committee, any engagement of our independent registered public accounting firm to provide any audit or permissible non-audit service to the Company. Pursuant to the Audit and Non-Audit Services Pre-Approval Policy, which the Audit Committee will review and reassess annually, a list of specific services within certain categories of services, including audit and audit-related services, are specifically pre-approved for the upcoming or current fiscal year, subject to an aggregate maximum annual fee payable by us for each category of pre-approved services. Any service that is not included in the approved list of services must be separately pre-approved by the Audit Committee. Additionally, all audit and permissible non-audit services in excess of the pre-approved fee level, whether or not included on the pre-approved list of services, must be separately pre-approved by the Audit Committee. The Audit Committee has delegated authority to its Chairman to specifically pre-approve engagements for the performance of audit and permissible non-audit services, for which the estimated cost for each specified type of service shall not exceed \$100,000. The Chairman must report all pre-approval decisions to the Audit Committee at its next scheduled meeting and provide a description of the terms of the engagement, including:

the type of services covered by the engagement;

the dates the engagement is scheduled to commence and terminate;

the estimated fees payable by us pursuant to the engagement;

other material terms of the engagement; and

such other information as the Audit Committee may request.

### Report of the Audit Committee

The Audit Committee is currently comprised of Ms. Hallenbeck (Chairman), and Messrs. Bowers and Gaynor. The members of the Audit Committee are appointed by and serve at the discretion of the Board.

One of the Audit Committee's principal purposes is to assist the Board in overseeing the integrity of our financial statements. Our management team has the primary responsibility for our financial statements and the reporting process, including the system of internal control over financial reporting and disclosure controls and procedures. KPMG LLP, our independent registered public accounting firm, audits the annual financial statements prepared by management and expresses an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States, or GAAP. In carrying out its responsibilities, the Audit Committee has reviewed and has discussed our audited consolidated financial statements for the year ended December 31, 2012 with our management and representatives of KPMG LLP. Management represented to the Audit Committee that our financial statements for the past year were prepared in accordance with GAAP.

The Audit Committee also is responsible for assisting the Board in overseeing the qualification, independence and performance of our independent registered public accounting firm. The Audit Committee discussed with KPMG LLP the matters required to be discussed by Statement on Auditing

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Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board (the "PCAOB"). The Audit Committee has received both the written disclosures and the letter from KPMG LLP required by the applicable requirements of the PCAOB regarding KPMG LLP's communications with the audit committee concerning independence and has discussed with KPMG LLP the independence of KPMG LLP from us. The Audit Committee also has considered whether the provision of any non-audit services, and any fees charged for such non-audit services, by KPMG LLP are compatible with maintaining the independence of KPMG LLP from us.

Based on the reviews and discussions described above, the Audit Committee recommended to the Board that our audited consolidated financial statements for 2012 be included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Respectfully submitted,  
The Audit Committee of the Board of Directors  
Cynthia A. Hallenbeck (Chairman)  
Alan J. Bowers  
Mitchell M. Gaynor

**The Audit Committee report above does not constitute "soliciting material" and will not be deemed "filed" or incorporated by reference into any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate our SEC filings by reference, in whole or in part, notwithstanding anything to the contrary set forth in those filings.**

**EXECUTIVE OFFICERS**

The following table sets forth information concerning our executive officers as of April 15, 2013. Executive officers are elected by and serve at the discretion of our Board.

Name	Age	Title
William M. Walker	46	Chairman of the Board of Directors, President and Chief Executive Officer
Howard W. Smith, III	54	Executive Vice President, Chief Operating Officer and Director
Richard M. Lucas	47	Executive Vice President, General Counsel and Secretary
Stephen P. Theobald	51	Executive Vice President, Chief Financial Officer and Treasurer
Richard C. Warner	58	Executive Vice President and Chief Credit Officer

**Executive Officer Biographies**

Set forth below are descriptions of the backgrounds of each of our executive officers, other than Messrs. Walker and Smith, whose backgrounds and positions are described above (See "Board of Directors and Corporate Governance - Nominees for Election for a One-Year Term Expiring at the 2014 Annual Meeting of Stockholders").

**Richard M. Lucas** serves as our Executive Vice President, General Counsel and Secretary. Mr. Lucas was a member of our Board from July to October 2010, when he joined the Company as Executive Vice President and General Counsel, and has served as a member of the board of managers of Walker & Dunlop, LLC since January 2010. Mr. Lucas is responsible for our Legal, Human Resources and Office Services groups, provides administrative oversight of the internal audit function and, together with the other members of our senior management team, the overall strategic financial direction of our Company. Mr. Lucas joined Hilton Worldwide, Inc., a global hospitality company, in May 2008 as executive vice president, general counsel and corporate secretary and served as a member of Hilton's executive committee until he joined us in October 2010. Prior to joining Hilton, Mr. Lucas was a partner at the law firm of Arnold & Porter LLP in Washington, D.C., where he was in private practice for 18 years. At Arnold & Porter, his practice focused on real estate transactions and litigation, primarily in the hospitality and senior living areas. From 2005 to 2008, Mr. Lucas also served as an adjunct faculty member at The George Washington University Law School, where he taught a course on real estate transactions. Mr. Lucas is also a member of the board of directors of the non-profit JDRF Capitol Chapter. Mr. Lucas received his Bachelor of Science in Business Administration from Georgetown University's McDonough School of Business and his Juris Doctor from Yale Law School.

**Stephen P. Theobald** serves as our Executive Vice President, Chief Financial Officer and Treasurer. Mr. Theobald is responsible for our Financial Reporting, Budgeting and Accounting, Servicing and Investor Relations groups and, together with the other members of our senior management team, the overall strategic financial direction of our Company. Mr. Theobald also has served as a member of the board of managers of Walker & Dunlop, LLC since April 1, 2013. From December 2010 to March 2013, Mr. Theobald served as the executive vice president and chief financial officer of Hampton Roads Bankshares, Inc., a publicly-traded holding company for Bank of Hampton Roads, a Virginia state-chartered commercial bank. From April 2010 to November 2010, Mr. Theobald served as a financial consultant to Hampton Roads Bankshares, Inc. Mr. Theobald also held a number of senior financial positions at Capital One Financial Corporation from 1999 to 2010, most recently serving as chief financial officer, local banking, a position he held from 2005 to 2010. Mr. Theobald began his career at KPMG LLP in 1984, and he served as audit partner, financial services, from 1996 to 1999. From 1990 to 1992, he served as a professional accounting fellow in the Office of the Chief Accountant at the Comptroller of the Currency. Mr. Theobald received a B.S.B.A. in Accounting from the University of Notre Dame.

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**Richard C. Warner** serves as our Executive Vice President and Chief Credit Officer. Mr. Warner has served as a senior vice president and chief underwriter of Walker & Dunlop, LLC or its predecessors since September 2002. As Executive Vice President and Chief Credit Officer, Mr. Warner is responsible for our Asset Management, Underwriting and Closing and Delivery groups and, together with the other members of our senior management team, the overall strategic financial direction of our Company. Mr. Warner also has served as a member of the board of managers of Walker & Dunlop, LLC since December 2011. Prior to joining Walker & Dunlop, Mr. Warner held a number of leadership positions with Main America Capital and its successors, a company that originated commercial and multifamily loans nationwide. From 1994 to 1998, Mr. Warner was the president of Main America Capital; from 1998 to 2000, he was vice president of originations for RFC Commercial; and from 2000 to 2002, he was vice president and branch manager for GMAC Commercial Mortgage. In 1978, Mr. Warner started his career with Canada's Confederation Life Insurance Company, where he held a number of successive positions, ending as mortgage and real estate vice president in 1994. While with Confederation Life Insurance Company, Mr. Warner was a member of the Green Park Financial Board and Loan Committee from 1989 to 1994. Mr. Warner received his Bachelor of Arts in Urban Studies from McGill University.

## COMPENSATION DISCUSSION AND ANALYSIS

This section describes the compensation programs for our Chief Executive Officer and Chief Financial Officer in 2012 as well as our other three most highly compensated executive officers during 2012, all of whom we refer to collectively as our named executive officers or NEOs. Our NEOs for 2012 are:

Chairman, President and Chief Executive Officer (CEO), William M. Walker;

Executive Vice President and Chief Operating Officer (COO), Howard W. Smith, III;

Former Executive Vice President, Chief Financial Officer (CFO) and Treasurer, Deborah A. Wilson;

Executive Vice President and Chief Credit Officer, Richard C. Warner; and

Executive Vice President, General Counsel and Secretary, Richard M. Lucas.

### Executive Summary

#### *Overview of 2012 Performance and Pay for Performance*

One of the key elements of the Compensation Committee's executive compensation philosophy is that compensation should encourage and reward strong performance. In 2012, under the leadership of our NEOs, we achieved record growth in several of our key financial and operating metrics, including loan originations, revenue and adjusted net income, and achieved dramatic growth in other key metrics. These accomplishments were achieved through our continued organic growth in our core business and the highly successful acquisition of CWC Capital LLC, as shown below. These exceptional 2012 results would not have been achieved without the leadership and efforts of the NEOs, and these results had a direct impact on the compensation decisions and performance-based outcomes for 2012. Taking into account these and other accomplishments, the Compensation Committee awarded the NEOs (except Ms. Wilson, who resigned from the Company effective March 31, 2013) annual bonus compensation exceeding their respective bonus targets for 2012. The following is a list of our most notable performance achievements for 2012:

successful acquisition and integration of our former competitor, CWC Capital LLC, which added 180 employees, including 30 new loan originators and 14 new offices;

total revenues of \$256.8 million, up 69% over 2011;

adjusted income from operations(1) of \$79.7 million, up 41% over 2011;

adjusted operating margin(1) of 31%;

servicing portfolio as of December 31, 2012 of \$35.2 billion, up 110% over 2011;

significant stock price appreciation of 33% from January 1 to December 31, 2012;

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loan origination volume of \$7.1 billion, up 76% over 2011, the highest annual origination volume in our history, resulting in our climb to the number one Fannie Mae DUS® Lender by loan deliveries (up from second in 2011), the number five Freddie Mac Program Plus Lender by loan deliveries (up from being unranked in 2011), and ranked sixth as a FHA/Ginnie Mae Lender for 2012 by the Mortgage Bankers Association (up from 11<sup>th</sup> in 2011);

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(1)

These adjusted financial measures are not financial measures calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP"). A reconciliation of these non-GAAP measures to the corresponding GAAP measures are located on page 47 of our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 18, 2013.

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ranked by the Mortgage Bankers Association as the ninth largest commercial/multifamily primary and master mortgage loan servicer in the United States (up from 17<sup>th</sup> in 2011);

servicing fees of \$52.2 million, up 55% over 2011;

continued improvement in credit performance in the at risk servicing portfolio, as evidenced by a 34% decrease in provision for risk-sharing obligations at December 31, 2012 compared to December 31, 2011;

expanded the geographic footprint of our Capital Markets group by adding teams of loan originators in Florida and Wisconsin; and

maintenance of valued corporate culture throughout our acquisitions and organic growth, as evidenced by being named on the Great Place to Work® Institute's 2012 Best Small & Medium Workplaces List published in FORTUNE magazine.

### *Highlights of Our Compensation Program Practices*

Key design elements and corporate governance aspects of our executive compensation program are as follows:

#### **What We Do**

*We Pay for Performance* We tie our NEOs' annual incentive pay to performance metrics, including the following objective metrics: revenue, adjusted diluted earnings per share, adjusted operating margin, loan origination volume, warehouse interest income, credit loss provisions, and underwriting costs per loan. Base salary for each NEO represents less than 35% of the NEO's total target direct compensation opportunity (i.e., base salary, annual incentive and long-term incentive), with the remainder of compensation being variable or "at risk;"

*We Have Adopted Executive and Director Stock Ownership Guidelines* Our executive officers are expected to own shares in our common stock with a value equal to at least three to five times base salary depending on position. Our non-employee directors are expected to own shares in our common stock with a value equal to at least three times the value of the annual cash retainer paid to the directors. See description under " Compensation Policies Stock Ownership Guidelines for NEOs;"

*We Use an Independent Compensation Consulting Firm* The Committee utilizes an independent compensation consulting firm which provides no other services to the Company; and

*We Have Instituted a "Clawback" Policy* We have the right to recover any awards to participants under the Equity Incentive Plan in cases of a financial restatement as a result of their knowing or gross negligence or failure to prevent misconduct.

#### **What We Don't Do**

*No Hedging* All of our directors and employees, including our NEOs, are prohibited from hedging their economic interest in the Company's stock through short-sales, trading in puts and calls, or the use of other derivative instruments;

*No Pledging* All of our directors and employees, including our NEOs, are prohibited from pledging Company securities, including through margin accounts or to secure other loans;

*No Single-Trigger "Change in Control" Payments* We have employment agreements with NEOs that provide only a limited severance package, and no severance payments that are triggered solely upon a "change in control;"





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*No Perquisites* We currently do not provide any perquisites and do not intend to provide perquisites exceeding \$10,000 in the aggregate to our executives; and

*No Income Tax Gross-Ups* We currently do not provide excise tax or income tax gross-ups for personal benefits.

### **Compensation Philosophy**

The compensation elements, amounts and target levels for our NEOs as of December 31, 2012 were determined by the Compensation Committee based on our belief that compensation should:

align with stockholders' interests;

support our business strategies and objectives;

pay for performance;

be market competitive; and

encourage short-term and long-term retention.

We use a combination of measures and time horizons to foster and reward performance. The following chart summarizes the relevant 2012 performance measures and time frames used to assess our variable pay elements:

### **Role of Board and Management in Compensation Decisions**

CEO and other NEO pay is set by the Compensation Committee;

CEO, the Senior Vice President of Human Resources and senior members of the legal, finance and accounting departments provide support to the Compensation Committee. The Senior Vice President of Human Resources and the Secretary or Assistant Secretary attend all Compensation Committee meetings, but neither they, nor any other employee of the Company are present for executive sessions of the Compensation Committee;

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CEO provides performance assessments and compensation recommendations for each of the NEOs, including a self-assessment of his own performance, but is not present during deliberations concerning his compensation, which is done in executive session;

Compensation Committee frequently meets in executive session without members of management present; and

Compensation Committee regularly updates, and receives feedback from, the full Board regarding matters relating to compensation and our equity plans.

### **Role of Compensation Consultant**

The Compensation Committee has retained Towers Watson to provide the Compensation Committee with independent compensation data, analysis and advice. Towers Watson reports directly to the Compensation Committee, and the Compensation Committee has the sole authority to approve the terms of, and terminate, the engagement. Towers Watson's primary roles in 2012 were to:

re-assess the peer group identified by our Compensation Committee in 2011 against which our 2012 performance and non-employee director and executive pay should be examined;

evaluate our non-employee director and executive compensation programs and provide recommendations regarding compensation strategy and policies, including a review of philosophy, comparative review of peer compensation (for example, base salary, target short- and long-term incentives, and mix of pay, as applicable), and provide insight related to potential enhancements and/or modifications;

conduct a pay for performance assessment of our executive incentive programs and the overall alignment between executive pay and corporate performance for the period of 2009-2011;

evaluate and analyze our compensation policies and practices for our NEOs to determine whether they create risks that are reasonably likely to have a material adverse effect on us;

review the Compensation Discussion and Analysis section of our annual proxy statement; and

attend selected Compensation Committee meetings.

### **Setting Executive Compensation**

The Compensation Committee evaluates compensation levels for each NEO. In reviewing compensation for 2012, the Compensation Committee reviewed and considered total compensation for each NEO, including reviews of reports that provide the value of (1) historic and current elements of each NEO's compensation; and (2) stock held by the NEO at year end in the Company's Equity Incentive Plan.

#### *Use of Peer Group and Survey Data*

The Compensation Committee strives to set target opportunity compensation levels to be competitive with the market in which we compete for executive talent. We use compensation information from (1) a "Peer Group" of publicly traded companies in specific industries in which we compete for executive talent and (2) general industry companies with revenues comparable to ours through the pooled survey data. Towers Watson combines the data from the Peer Group with pooled survey data to create the market data reviewed by the Compensation Committee.

Currently, we do not have direct publicly traded U.S. peers. Therefore, the Peer Group was selected by the Compensation Committee with advice from Towers Watson, taking into consideration industry relevance, business operations, comparability of size in terms of revenue, market capitalization and number of employees, business competitors and input from management. The Peer Group was not

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chosen on the basis of executive compensation levels. The 2012 Peer Group comprises the following 13 companies, each of which was included in our 2011 Peer Group:

American Assets, Inc. American Capital, Ltd. CapitalSource, Inc. Centerline Holding Company Encore Capital Group, Inc. HFF, Inc. iStar Financial Inc.	Kennedy-Wilson Holdings, Inc. NewStar Financial, Inc. Ocwen Financial Corporation Pzena Investment Management, Inc. Redwood Trust, Inc. Walter Investment Management Corp.
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Following our acquisition of CWCapital, Towers Watson reassessed our Peer Group based on our projected financials as a combined company with CWCapital and recommended no changes to the Peer Group.

Our Compensation Committee also used commercially available survey data provided to it by Towers Watson to identify market-median and other market elements related to our 2012 compensation program. This survey data included the Towers Watson 2011/2012 Survey of Top Management Compensation, Towers Watson 2011 Financial Services Survey, Mercer 2011 Executive Compensation Database, and Christensen Advisors Commercial Real Estate Lending Compensation Survey. This survey data includes pooled compensation data from many companies and the findings are segregated by, for example, revenue level and number of employees. Consistent with prior practice, comparative market data is not used by the Compensation Committee to "benchmark" the amount of total compensation or any specific element of compensation for the NEOs. Instead, comparative market data has been and is expected to continue to be reviewed by the Compensation Committee as a general reference and guide to assist the Compensation Committee with its decisions related to executive compensation.

### 2012 Elements of Compensation

Our executive compensation program consists of the following elements, each of which satisfies one or more of our alignment, performance and retention objectives:

Compensation Element	Objectives	Key Features
Base Salary	Provides a stable annual income at a level consistent with individual contributions.	Adjustments are considered annually based on individual performance, level of pay relative to the market, internal pay equity, and retention issues.
Short-Term Cash Bonus, Including Annual Cash Incentive	Rewards the achievement of critical annual financial and operational performance goals.  Aligns NEO's interests with those of our stockholders by promoting improved financial results, as well as rewarding, among other things, total stockholder return performance.	Provides for "Threshold," "Target" and "Maximum" performance levels with award potentials of 75%, 100% and 150% of the NEO's base salary, respectively.  Annual performance goals are predetermined and include a combination of Company performance measures and individual performance measures.
	Retains NEOs by providing competitive compensation opportunity.	

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Compensation Element	Objectives	Key Features
<p>Long-Term Equity Awards (Restricted Stock and Stock Options)</p>	<p>Aligns NEO's interests with long-term stockholder interests by linking a portion of each NEO's compensation to long-term stock performance.</p> <p>Provides opportunities for wealth creation and ownership, which promotes retention and enables us to attract and motivate our NEOs.</p> <p>Retains NEOs through multi-year vesting of equity grants and by providing market-competitive compensation.</p> <p>Promotes an executive decision-making process that maintains a balanced focus on both immediate measures of success and on the effective growth and development of the business at least three years into the future.</p>	<p>Targets 100% of base salary as an annual equity award.</p> <p>Utilizes different equity types, including restricted stock and stock options, to balance the multiple objectives.</p> <p>Long-term equity awards generally vest in increments over a three year period.</p>
<p>Retirement Savings Opportunities</p>	<p>Allows all eligible employees to save for retirement in a tax efficient manner.</p>	<p>Under the 401(k) plan, employees are eligible to defer a portion of their pay, and we, at our discretion, may make a matching contribution.</p> <p>Currently does not provide an option for our employees to invest in our stock through the 401(k) plan.</p> <p>Our 401(k) plan does not discriminate in scope, terms or operation in favor of officers and are available to all eligible employees.</p>
<p>Health and Welfare Benefits</p>	<p>Offers all eligible employees a competitive benefits package, which includes health and welfare benefits, such as medical, dental, disability insurance, and life insurance benefits.</p>	<p>The plans under which these benefits are offered do not discriminate in scope, terms or operation in favor of officers and are available to all eligible employees.</p>
<p>Perquisites and Other Benefits</p>	<p>We currently do not provide any perquisites and do not intend to provide perquisites exceeding \$10,000 in the aggregate to our NEOs because we believe that we can provide better incentives for desired performance with compensation in the forms described above.</p>	<p>N/A</p>

At their January 2013 meeting, the Board and the Compensation Committee approved a new compensatory plan, which will support our stock ownership goals for the NEOs and further aligns the interests of plan participants, including the NEOs, with our stockholders. The plan,

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which is effective in 2013, is called the Management Stock Purchase Plan (the "MSPP"). Each NEO is eligible to participate in the MSPP, along with a broader group of Company senior management. Under the MSPP, eligible employees may voluntarily elect to purchase stock units settled in the Company's common stock on a deferred basis with up to 75% of their annual incentive bonus. MSPP participants

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who purchase shares of the stock-settled common stock units will automatically receive a restricted stock unit award as a matching award. Subject to certain limits, the number of shares of the Company's common stock underlying the matching award will equal 50% of the deferred stock units that are purchased by the participants.

In addition, in March, 2013, the Compensation Committee approved a new performance-based long-term equity incentive award under the Equity Incentive Plan for the Company's NEOs and senior management. These new awards, denoted as performance share units, will vest in the form of shares of common stock if the performance goals (tied to aggregate revenue and average adjusted earnings per share) underlying the award are met over the course of a three year performance period. The Compensation Committee believes these performance share units will further enhance the Company's pay-for-performance strategy, further align the interests of the NEOs and senior management with stockholders, and provide a strong retention tool.

### **Mix of Total Direct Compensation**

The charts below show the relative amounts that we targeted for each element of total direct compensation for 2012, which is comprised of base salary, target annual incentives and target long-term equity awards (based on 2012 target levels). The target value of variable compensation is double that of the fixed pay component to weight an NEO's compensation towards performance.

### **Fixed vs. Variable Pay Opportunity of Total Pay For Our NEOs**

### **Short-Term Pay vs. Long-Term Pay Opportunity of Total Pay For Our NEOs**

### **Cash vs. Equity Pay Opportunity of Total Pay For Our NEOs**

**2012 Executive Officer Compensation***Base Salary*

Base salaries are set primarily by the NEOs' employment agreements. The Compensation Committee considers additional factors to determine whether to increase base salaries beyond the amounts required by the employment agreements. The Compensation Committee consults with the CEO with respect to the recommended base salaries for the other NEOs and takes into consideration market data provided by Towers Watson, as previously described under "Setting Executive Compensation Use of Peer Group and Survey Data." In setting individual base salaries, consideration is given to: (1) the performance of the Company; (2) the individual performance of each NEO, taking into account the recommendation of the CEO with respect to the performance and contribution of individuals and the individual performance measures under the annual cash incentive bonus program; (3) the NEO's scope of responsibility in relation to other NEOs and key members of senior management within the Company and internal pay equity; and (4) any retention issues. For 2012, the Committee determined the amounts set forth in Ms. Wilson's and Messrs. Walker, Smith and Warner's employment agreements were appropriate and no changes were warranted. The Compensation Committee approved an increase to Mr. Lucas' annual salary to \$300,000, effective January 1, 2012, to move his compensation more in-line with general counsels in the Peer Group and internal pay equity among NEOs who are executive vice presidents.

Base salary for each of our NEOs in 2012 was as follows:

Name	Base Salary (\$)
William M. Walker	500,000(1)
Howard W. Smith, III	400,000(1)
Deborah A. Wilson	300,000
Richard C. Warner	300,000(1)
Richard M. Lucas	300,000(1)

(1)

In March 2013, the Compensation Committee approved an increase to Mr. Walker's annual salary to \$750,000, Mr. Smith's annual salary to \$500,000 and Messrs. Warner's and Lucas' annual salaries to \$400,000, retroactive to January 1, 2013.

Base salaries affect other elements of total compensation, including annual incentives, long-term compensation, and retirement benefits. In setting base salaries for the NEOs, the Compensation Committee considers the impact on other elements of total direct compensation.

*Annual Cash Incentive Bonus*

In March 2012, the Compensation Committee established 2012 performance goals and related annual cash incentive bonuses for our NEOs. The following tables set forth for each NEO the weight assigned to each performance goal, the performance needed to achieve each performance goal, the actual performance achieved in 2012 as determined by the Compensation Committee and the corresponding payouts approved by the Committee.

The Compensation Committee chose the performance goals to focus the NEOs on the key operating metrics that the Board adopted as part of our 2012 budget. Individual metrics were assigned based on each NEO's ability to drive performance. For each NEO, achievement of applicable performance criteria at the threshold, target or maximum levels results in bonuses of up to 75%, 100% and 150%, respectively, of such officer's base salary, subject to the exercise of negative discretion by the Committee. The threshold, target and maximum levels are based on the NEO's employment agreement requirements, as well as his or her position and responsibilities, applicable market data, and our overall



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compensation philosophy, which emphasizes performance-based compensation. The percentage weight amounts attributable to each performance goal were interpolated, if possible, on a straight line basis if achievement of the performance goals fell between the specified goals for the threshold and target levels or between the target and maximum levels. Although Ms. Wilson's 2012 annual incentive opportunity was originally established based on the weights and goals described below, in connection with her resignation from the Company effective March 31, 2013 (as described below), she and the Company agreed that her 2012 bonus would be set at the target bonus opportunity set forth in her employment agreement in lieu of any incentive to which she would otherwise have been entitled under the annual incentive opportunity.

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William Walker  
Chairman, President and Chief Executive Officer

Goal	Weighting	Threshold	Target	Maximum	Performance Results	Actual Payout
Annual Cash Incentive		\$375,000	\$500,000	\$750,000		\$535,000 (Total)
Revenue	30%	\$152,350,000	\$168,590,000	\$178,798,000	\$256,770,000	\$225,000
Earnings Per Share(1)	30%	\$1.53	\$1.61	\$1.67	\$1.87	\$225,000
Operating Margin(1)	20%	29%	34%	35%	31%	\$85,000
Diversify Revenues (GSE revenues defined (for this metric) as aggregate Fannie Mae and Freddie Mac origination fees, MSR revenues and servicing fees; as a percentage of total revenues.)	20%	69.0% of total revenues derived from GSEs	67.3% of total revenues derived from GSEs	65.6% of total revenues derived from GSEs	73.9%	\$0

Howard Smith  
Executive Vice President and Chief Operating Officer

Goal	Weighting	Threshold	Target	Maximum	Performance Results	Actual Payout
Annual Cash Incentive		\$300,000	\$400,000	\$600,000		\$574,000 (Total)
Revenue	20%	\$152,350,000	\$168,590,000	\$178,798,000	\$256,770,000	\$120,000
Earnings per share(1)	30%	\$1.53	\$1.61	\$1.67	\$1.87	\$180,000
Operating margin(1)	10%	29%	34%	35%	31%	\$34,000
Completion of an acquisition of a capital markets business or grow capital markets group originations	20%	N/A or \$137,500,000	1 Acquisition or \$275,000,000	2 or more Acquisitions or \$343,750,000	3 Acquisitions	\$120,000
Growth in Originations	20%	\$4,025,917,000	\$4,677,975,000	\$5,177,975,000	\$7,102,185,000	\$120,000

Deborah Wilson  
Former Executive Vice President, Chief Financial Officer and Treasurer

Goal	Weighting	Threshold	Target	Maximum	Performance Results*	Actual Payout*
Annual Cash Incentive		\$225,000	\$300,000	\$450,000		\$300,000 (Total)
Revenue	20%	\$152,350,000	\$168,590,000	\$178,798,000	N/A	
Earnings Per Share(1)	30%	\$1.53	\$1.61	\$1.67	N/A	
Operating Margin(1)	10%	29%	34%	35%	N/A	
Completion of the servicing and closing components of the Salesforce/General Ledger integration project 12/31/2012.	20%		Committee Discretion		N/A	
Net warehouse interest income	20%	\$4,247,000	\$5,378,000	\$6,722,500	N/A	

\*

Although Ms. Wilson's 2012 annual incentive opportunity was originally established based on the weights and goals described in this table, in connection with her resignation from the Company effective March 31, 2013 (as described in "Compensation of Directors and Officers Employment and Separation Agreements Ms. Wilson," below), she and the Company agreed that her 2012 bonus would be set at the target bonus opportunity set forth in her employment agreement in lieu of any incentive to which she would otherwise have been entitled under the annual incentive opportunity.

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Richard Warner  
Executive Vice President and Chief Credit Officer

Goal	Weighting	Threshold	Target	Maximum	Performance Results	Actual Payout
Annual Cash Incentive		\$225,000	\$300,000	\$450,000		\$385,500 (Total)
Revenue	20%	\$152,350,000	\$168,590,000	\$178,798,000	\$256,770,000	\$90,000
Earnings Per Share(1)	30%	\$1.53	\$1.61	\$1.67	\$1.87	\$135,000
Operating Margin(1)	10%	29%	34%	35%	31%	\$25,500
Credit Loss Provisions (net of any provisions from an acquisition)	30%	\$6,600,000	\$6,000,000	\$4,724,000	\$3,140,000	\$135,000
Underwriting Cost per Loan	10%	\$18,315	\$17,443	\$16,571	\$20,000	\$0

Richard Lucas  
Executive Vice President, General Counsel and Secretary

Goal	Weighting	Threshold	Target	Maximum	Performance Results	Actual Payout
Annual Cash Incentive		\$225,000	\$300,000	\$450,000		\$340,500 (Total)
Revenue	20%	\$152,350,000	\$168,590,000	\$178,798,000	\$256,770,000	\$90,000
Earnings Per Share(1)	30%	\$1.53	\$1.61	\$1.67	\$1.87	\$135,000
Operating Margin(1)	10%	29%	34%	35%	31%	\$25,500
Diversify Revenues (GSE revenues defined (for this metric) as aggregate Fannie Mae and Freddie Mac origination fees, MSR revenues and servicing fees; as a percentage of total revenues.)	20%	69.0% of total revenues derived from GSEs	67.3% of total revenues derived from GSEs	65.6% of total revenues derived from GSEs	73.9%	\$0
Proactively manage Legal and Human Resources issues	20%		Committee Discretion		Maximum Achieved*	\$90,000

\*

The Committee determined that Mr. Lucas achieved the maximum performance goal through his efforts in successfully overseeing the legal and human resources projects relating to the CWCapital acquisition, including the negotiation and execution of the purchase agreement and related agreements and the on-boarding and integration of the CWCapital employees into the Company.

(1)

The achievement of the Earnings Per Share and Operating Margin targets was measured by the Compensation Committee using adjustments of \$0.56 and 43%, respectively, from our corresponding GAAP measures to exclude charges resulting from selected expenses relating to our acquisition of CWCapital. A reconciliation of these non-GAAP measures to the corresponding GAAP measures is located on page 47 of our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 18, 2013.

*Discretionary Bonus*

As noted above in " Executive Summary Overview of 2012 Performance and Pay for Performance," 2012 was a record year for the Company in many respects. As a result, in addition to the annual cash incentive bonus, the Compensation Committee determined to award discretionary bonuses to our NEOs (other than Ms. Wilson, as described in "Compensation of Directors and Officers Employment and Separation Agreements Ms. Wilson," below) to recognize these extraordinary achievements in 2012. The Compensation Committee believed that these discretionary bonuses were appropriate, even though not all of the performance goals set forth as part of the annual cash incentive program were achieved, because 2012 Company and individual NEO performance went

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beyond the stated goals of the annual cash incentive program in many respects. In particular, the Compensation Committee noted that the NEOs achieved the following in 2012:

each NEO provided excellent leadership and strategic direction for us during a transformative year in which we successfully advanced our mission to be the premier commercial real estate finance company in the United States. This was accomplished in large part through our acquisition of CWCapital. Each of our NEOs played a critical role in the acquisition, including:

conducting thorough due diligence on, and negotiating our acquisition of, CWCapital over a total of four months to ensure the deal was closed on sound business terms without losing valuable loan origination and other human resources talent. In particular, each NEO conducted due diligence on CWCapital with respect to his individual area of management expertise, and together the NEOs collectively negotiated the terms of the transaction relating to their management responsibilities, with Mr. Walker overseeing the entire negotiation and subsequent integration of CWCapital into the Company;

each NEO worked with external parties to obtain multiple third-party and governmental reviews of and consents to the acquisition, including from the Federal Trade Commission, HUD, Fannie Mae, Freddie Mac and our lenders;

each NEO developed an integration plan for his respective business area of responsibility and implemented the plan, which collectively transformed our corporate infrastructure, including our loan servicing, asset management, accounting, human resources, legal, information technology, marketing and office services functions to support 14 new offices and almost doubling the workforce to 420 employees; and

Each NEO collectively worked together to update our loan origination, underwriting, servicing, legal and asset management policies and procedures to reflect new standards applicable to the combined company, post-acquisition.

collectively, the NEOs helped foster and maintain the Company's valued corporate culture during a transformative year, as evidenced by our recognition on the Great Place to Work® Institute's 2012 Best Small & Medium Workplaces List published in FORTUNE magazine and our selection as one of the 50 Fastest Growing Companies in the Greater Washington Region for the second year in a row.

The discretionary bonus amounts were as follows:

Name	Discretionary Award (\$)
William M. Walker	665,000
Howard W. Smith, III	326,000
Richard C. Warner	214,500
Richard M. Lucas	359,500

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The following table sets forth the total cash bonuses, comprised of the annual cash incentive and the discretionary bonus, awarded to each of our NEOs for 2012 and 2011.

Name	Cash Bonus	
	2012 (\$)	2011 (\$)
William M. Walker	1,200,000	1,000,000
Howard W. Smith, III	900,000	650,000
Deborah A. Wilson	300,000	400,000
Richard C. Warner	600,000	400,000
Richard M. Lucas	700,000	300,000

### *Equity Awards*

The equity awards granted to our NEOs in 2012 consisted of restricted stock and stock options. Annualized target award levels for the NEOs for 2012 were 100% of base salary. The equity award for Messrs. Walker and Smith for 2012 was comprised of 20% restricted stock and 80% options (based on the fair value of each on the date of the grant), and 50% restricted stock and 50% options for Ms. Wilson and Messrs. Warner and Lucas (based on the fair value of each on the date of grant). The Committee placed a greater weighting on stock options than restricted stock for Messrs. Smith and Walker to maximize the corporate tax deductibility of their total compensation. Except for Ms. Wilson, whose stock options and restricted stock vested on March 31, 2013 in connection with her resignation, the stock options and restricted stock granted to the NEOs in 2012 vest ratably on each anniversary date of grant over a three-year period, conditioned upon continuing employment at the time of vesting. The Compensation Committee determined to use a three-year vesting period because it believes such duration promotes long-term alignment with stockholders and longer-term decision making that provides an effective balance to the shorter-term incentive measures used in setting cash incentive bonus awards.

*Restricted Stock Awards.* The Compensation Committee granted our NEOs a total of 48,275 shares of restricted stock. In addition to serving as a retention tool, restricted stock further aligns the interests of the NEOs with our stockholders through the promotion of significant share ownership. Each NEO's 2012 restricted stock award is detailed below.

*Stock Option Awards.* The Compensation Committee granted our NEOs a total of 202,074 stock options. The exercise price of stock options is the closing price of our common stock on the New York Stock Exchange on the date of grant. Stock option grants vest ratably over three years and expire ten years after grant. In addition to serving as a retention tool, stock options further align the interests of executives with our stockholders through long-term stock value creation. Each NEO's 2012 grant of stock options is detailed below.

Name	Number of Restricted Shares Granted(1)	Number of Options Granted(2)
William M. Walker	7,663	69,085
Howard W. Smith, III	6,130	55,268
Deborah A. Wilson	11,494	25,907
Richard C. Warner	11,494	25,907
Richard M. Lucas	11,494	25,907

- (1) The restricted shares vest in one-third increments on each of April 30, 2013, 2014 and 2015, based upon continued employment. In connection with Ms. Wilson's resignation,

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her 11,494 shares of restricted stock vested on March 31, 2013, the effective date of her resignation.

(2)

The stock options vest in one-third increments on each of April 30, 2013, 2014 and 2015, based upon continued employment. In connection with Ms. Wilson's resignation, her 25,907 stock options vested on March 31, 2013, the effective date of her resignation.

### *2010 Long-Term Incentive Plan*

Pursuant to the Company's 2010 Long-Term Incentive Plan, a bonus pool was established following completion of the 2010 fiscal year. Under the terms of the 2010 Long-Term Incentive Plan, Messrs. Walker, Smith and Warner will be paid the total amount set forth in the 2010 "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table. Because the Company achieved the Plan's performance goals for 2010, 2011 and 2012, 20% of the amount was paid to the NEOs in June 2011, 30% was paid in June 2012 and 50% will be paid in June 2013. The Compensation Committee considered these actual payouts in connection with evaluating the NEO's total compensation for 2012.

Mr. Lucas joined as our Executive Vice President and General Counsel in November 2010. Accordingly, Mr. Lucas did not participate in the 2010 Long-Term Incentive Plan.

### *Employment Agreements*

The compensation packages described above reflect, in part, the employment agreements that we entered into with each of our NEOs. The employment agreements with our NEOs also include severance provisions. In addition, on December 17, 2012 we entered into a separation agreement with Ms. Wilson. See "Compensation of Directors and Officers Employment and Separation Agreements" and "Compensation of Directors and Officers Potential Payments Upon Termination" for a description of the specific terms of these agreements.

## **Compensation Policies**

We do not currently have any formal policies regarding long-term versus currently-paid compensation, but feel that both elements are necessary for achieving our compensation objectives. Currently, paid compensation provides financial stability for each of our NEOs and immediate reward for superior company and individual performance, while long-term compensation rewards achievement of strategic long-term objectives and contributes towards overall stockholder value.

### *Prohibition on Hedging*

Our insider trading policy prohibits our directors and all employees, including our NEOs, from hedging their economic interest in the Company's stock through short-sales, trading in puts or calls, or the use of other derivative instruments.

### *Prohibition on Pledging*

Our insider trading policy also prohibits our non-employee directors and all employees, including our NEOs, from pledging Company securities to secure margin or other loans. This prohibition means our non-employee directors and employees may not hold our securities in margin accounts.

### *Stock Ownership Guidelines for NEOs*

Our Board has adopted stock ownership guidelines for our NEOs, which are intended to further align their interests with the interests of our stockholders. Under the guidelines, each NEO must hold

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an ownership stake in the Company that is significant in comparison to their base salary. The amount required to be retained varies depending on the NEO's position, as follows:

Chief Executive Officer and Chief Operating Officer: five times base salary; and

Chief Credit Officer, Chief Financial Officer and General Counsel: three times base salary.

Stock ownership for the purpose of these guidelines includes stock currently held by the NEO and restricted stock. Messrs. Walker, Lucas, Smith and Warner are required to achieve the ownership requirements by April 1, 2017, and Mr. Theobald is required to achieve the ownership requirements by April 1, 2018.

### *Tax Treatment of NEO Compensation*

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally limits the tax deductibility of compensation paid by a public company to its chief executive officer and certain other highly compensated executive officers (excluding the chief financial officer) to \$1 million in the year the compensation becomes taxable to the executive. There is an exception to the limit on deductibility for performance-based compensation that meets certain requirements. While we consider the impact of this and other tax rules when developing and implementing our executive compensation programs, we also believe that it is important to preserve flexibility in administering compensation programs in a manner designed to promote varying corporate goals. Accordingly, we have not adopted a policy that all compensation must qualify as deductible under Section 162(m) or any other tax rule.

### **"Say on Pay" Results**

At our 2011 annual meeting, we submitted to stockholders an advisory resolution to approve our executive compensation program (a "say on pay" vote). Our stockholders overwhelmingly supported our say on pay vote with approximately 99% of the votes cast in favor. At the same meeting, our stockholders approved holding such a say on pay vote every three years. Accordingly, we have determined to hold the next say on pay vote at our 2014 annual meeting. We carefully consider stockholder feedback on all matters, including our executive compensation. The Compensation Committee considered the results of the 2011 say on pay vote, and determined no specific changes to our executive compensation program were warranted.

### **Compensation Policies and Practices as they Relate to Risk Management**

Management reports regularly to the Compensation Committee on our executive and employee compensation and benefit programs. The Compensation Committee engaged Towers Watson to perform a compensation risk assessment for the NEOs for 2012, and to advise the Compensation Committee on the findings of the assessment. The Compensation Committee considered the findings of the assessment and determined that the NEO and employee compensation and benefit programs do not pose any material risks to us and therefore are not reasonably likely to have a material adverse effect on us. With respect to NEO compensation programs, the Compensation Committee found that they are well-balanced between fixed and variable compensation, cash and equity and short-term and long-term incentives, take into account both qualitative and quantitative performance factors, reflect an appropriate mix of compensative instruments, are well-aligned with stockholder interests and do not encourage the NEOs to take unnecessary or excessive risks. With the assistance of Towers Watson, the Compensation Committee continues to review all of the Company's executive compensation programs.

### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with our management. Based on such review and discussion, the committee

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recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, for filing with the Securities and Exchange Commission.

Respectfully submitted,  
The Compensation Committee of the Board of  
Directors  
John Rice (Chairman)  
Cynthia Hallenbeck  
Dana Schmaltz

**The Compensation Committee report above does not constitute "soliciting material" and will not be deemed "filed" or incorporated by reference into any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate our SEC filings by reference, in whole or in part, notwithstanding anything to the contrary set forth in those filings.**



## COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

## Executive Compensation

The following table sets forth the compensation paid to or earned by our NEOs in their capacities as executive officers of Walker & Dunlop, Inc. during 2012, 2011 and 2010:

Summary Compensation Table

Name	Year	Salary (\$)	Bonus (\$)	Stock	Option	Non-Equity	All Other	Total (\$)
				Awards	Awards	Incentive	Compensation	
				(\$)(1)	(\$)(1)	Plan	(\$)(4)	
William M. Walker <i>Chairman, President and Chief Executive Officer</i>	2012	500,000	665,000	100,002	400,002	535,000	4,500	2,204,504
	2011	500,000	750,000	248,622	276,800	250,000	4,500	2,029,922
	2010	405,303	405,303	495,500	N/A	430,000	4,500	1,740,606
Howard W. Smith, III <i>Executive Vice President and Chief Operating Officer</i>	2012	400,000	326,000	79,997	320,002	574,000	4,500	1,704,499
	2011	400,000	410,000	198,893	221,440	240,000	4,500	1,474,833
	2010	328,977	428,977	396,400	N/A	330,000	4,500	1,488,854
Deborah A. Wilson <i>Former Executive Vice President, Chief Financial Officer and Treasurer</i>	2012	300,000	300,000	149,997	150,002		4,500	904,499
	2011	300,000	190,000	149,176	166,080	210,000	4,500	1,019,756
	2010	252,652	301,714	330,340	N/A	125,000	4,500	1,014,206
Richard C. Warner <i>Executive Vice President and Chief Credit Officer</i>	2012	300,000	214,500	149,997	150,002	385,500	4,500	1,204,499
	2011	300,000	190,000	149,176	166,080	210,000	4,500	1,019,756
	2010	252,652	252,652	330,340	N/A	250,000	4,500	1,090,144
Richard M. Lucas <sup>(3)</sup> <i>Executive Vice President, General Counsel and Secretary</i>	2012	300,000	359,500	149,997	150,002	340,500	4,500	1,304,499
	2011	250,000	112,500	124,311	138,400	187,500	4,500	817,211
	2010	32,197	32,197	264,270	N/A	N/A	N/A	328,664

(1) Amounts shown in this column represent the grant date fair value of shares of restricted common stock and stock options. For a discussion of the assumptions made in the valuation reflected in this column, see note 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(2) Amounts shown in this column for 2012 and 2011 represent Annual Cash Incentive Bonus payments to each NEO. Amounts shown in this column for 2010 represent cash awards under the 2010 Long-Term Incentive Plan, 20% of which was paid in June 2011, 30% of which was paid in June 2012, and for Messrs. Walker, Smith and Warner, the remaining 50% of which will be paid on June 30, 2013. Because Ms. Wilson will not be an employee when the remaining payment under the 2010 Long-Term Incentive Plan is paid on June 30, 2013, she will not receive \$125,000 (or 50% of her total \$250,000 award) of her award under the Plan. See " Narrative Disclosures to Summary Compensation and Grants and Plan-Based Awards Tables."

(3) Mr. Lucas joined the Company as Executive Vice President and General Counsel in November 2010. Accordingly, Mr. Lucas did not participate in the 2010 Long-Term Incentive Plan or the Company's 401(k) plan in 2010.

(4)

Represents the Company's contribution to the executive's 401(k) plan.

## 2012 Grants of Plan-Based Awards

Name/Award Type	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock (#)(2)	All Other Option Awards: Number of Securities Underlying of Option Awards (#)(2)	Exercise or Base Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards(3)
		Threshold \$(1)	Target \$(1)	Maximum \$(1)				
William M. Walker								
Restricted Shares	4/30/2012				7,663		100,002	
Options	4/30/2012					69,085	400,002	
Cash Awards	3/30/2012	375,000	500,000	750,000				
Howard W. Smith, III								
Restricted Shares	4/30/2012				6,130		79,997	
Options	4/30/2012					55,268	320,002	
Cash Awards	3/30/2012	300,000	400,000	600,000				
Deborah A. Wilson								
Restricted Shares	4/30/2012				11,494		149,997	
Options	4/30/2012					25,907	150,002	
Cash Awards	3/30/2012	225,000	300,000	450,000				
Richard C. Warner								
Restricted Shares	4/30/2012				11,494		149,997	
Options	4/30/2012					25,907	150,002	
Cash Awards	3/30/2012	225,000	300,000	450,000				
Richard M. Lucas								
Restricted Shares	4/30/2012				11,494		149,997	
Options	4/30/2012					25,907	150,002	
Cash Awards	3/30/2012	225,000	300,000	450,000				

(1) See " Narrative Disclosures to Summary Compensation and Grants and Plan-Based Awards Tables."

(2) Grants of restricted share and option awards vest in one-third increments on each of April 30, 2013, 2014 and 2015, based upon continued employment. In connection with Ms. Wilson's resignation, her restricted stock and stock options vested on March 31, 2013, the effective date of her resignation.

(3) Amounts shown in this column represent the estimated grant date fair value of shares of restricted common stock and stock options. For a discussion of the assumptions made in the valuation reflected in this column, see note 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

## Narrative Disclosures to Summary Compensation and Grants of Plan-Based Awards Tables

Pursuant to the 2010 Long-Term Incentive Plan, since the Company's 2012 adjusted gross income exceeded \$40.4 million, Messrs. Smith, Walker and Warner will be paid in June 2013, 50% of the amount reflected in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table for 2010.

The terms of the "estimated future payouts under non-equity incentive plan awards" reflected in the Grants of Plan-Based Awards Table are described in the "Compensation Discussion and Analysis 2012 Executive Officer Compensation Annual Cash Incentive Bonus," above. The 2012 "threshold," "target," and "maximum" opportunities in the Table are 75%, 100%, and 150%, respectively, of the 2012 base salaries of the respective NEOs.



## Employment and Separation Agreements

### *NEOs other than Ms. Wilson*

On October 27, 2010, we entered into employment agreements with each of our NEOs, which were subsequently amended on December 14, 2012. Our employment agreements provide for the following:

For Mr. Walker, a base salary of \$500,000, a target bonus of \$500,000, with the actual bonus payment to be determined by the Compensation Committee, and eligibility for grants of equity.

For Mr. Smith, a base salary of \$400,000, a target bonus of \$400,000, with the actual bonus payment to be determined by the Compensation Committee, and eligibility for grants of equity.

For Mr. Warner, a base salary of \$300,000, a target bonus of \$300,000, with the actual bonus payment to be determined by the Compensation Committee, and eligibility for grants of equity.

For Mr. Lucas, a base salary of \$250,000, a target bonus of \$250,000, with the actual bonus payment to be determined by the Compensation Committee, and eligibility for grants of equity. The Compensation Committee increased Mr. Lucas' salary to \$300,000, effective January 1, 2012. As a result of the salary increase, Mr. Lucas' target bonus for 2012 was increased to \$300,000.

Each agreement has an initial term of three years, to be extended for an additional year on each anniversary date of the agreement, unless either party gives 60 days' prior notice that the term will not be extended.

Regardless of the reason for any termination of employment, each NEO is entitled to receive the following benefits upon termination: (a) payment of any unpaid portion of such executive's base salary through the effective date of termination, (b) reimbursement for any outstanding reasonable business expense, (c) continued insurance benefits to the extent required by law, (d) payment of any vested but unpaid rights as may be required independent of the employment agreement, and (e) except in the case of termination by the company for cause, any bonus or incentive compensation that had been accrued through the effective date of termination but not paid, provided, however, that in the event of a termination without cause, a resignation for good reason or retirement, a pro rata incentive compensation will be paid only to the extent performance goals for the year are achieved.

In addition to the benefits described above in subparagraphs (a) - (e), each NEO is entitled to receive a severance payment if we terminate his or her employment without cause or the executive resigns for good reason. The severance payment is equal to (i) continued payment by the company of the executive's base salary, as in effect as of the executive's last day of employment, for a period of 12 months, (ii) continued payment for life and health insurance coverage for 12 months, to the same extent the company paid for such coverage immediately prior to termination, (iii) two times the average annual bonus earned by the executive over the preceding two years (or if the executive has not been employed for two years, payments equal to two times the target bonus for the year of termination), and (iv) vesting as of the last day of employment in any unvested portion of any options and restricted stock previously issued to the executive. If the continued payment of health insurance coverage would result in violations of certain tax or other statutes or regulations, then we will instead pay the NEO a fully taxable cash payment each month equal to the insurance premiums plus an additional amount necessary to cover any additional taxes owed by the NEO (such additional amount, the "Indemnity Amount"). The foregoing benefits are conditioned upon the executive's execution of a general release of claims and compliance with the terms of the employment agreement.

If the NEO's employment terminates due to death or disability, in addition to the benefits described above in subparagraphs (a) - (e), the executive's estate is entitled to receive (i) vesting as of the last day of employment in any unvested portion of any options and restricted stock previously

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issued to the executive and (ii) payment of the pro rata share of any performance bonus to which such executive would have been entitled for the year of death.

If the NEO's employment terminates due to retirement, in addition to the benefits described above in subparagraphs (a) - (e), the executive is entitled to receive vesting as of the last day of employment in any unvested portion of any options and restricted stock previously issued to the executive.

Each employment agreement contains customary non-competition and non-solicitation covenants that apply during the term and for up to 12 months after the term of each executive's employment with us. Additionally, none of the employment agreements includes severance provisions that are tied to changes in control; further the agreements do not provide for any excise or other tax gross-up other than the potential for payment of the Indemnity Amount discussed above.

### *Ms. Wilson*

We were a party to an employment agreement with Ms. Wilson, that provided for a base salary of \$300,000, a target bonus of \$300,000 (with the actual bonus payment to be determined by the Compensation Committee), eligibility for grants of equity, and the same other general terms as the employment agreements with our other NEOs described above. On December 17, 2012, in connection with Ms. Wilson's resignation, we entered into a separation agreement with Ms. Wilson. The separation agreement provides that through March 31, 2013, the effective date of Ms. Wilson's resignation, she receive continued payment of her base salary, an agreed upon 2012 bonus of \$300,000 in lieu of any cash bonus she would otherwise have been entitled to based on performance, continued reimbursement for reasonable business expenses, continued benefits consistent with the Company's benefit programs and payment of any vested but unpaid rights under the previous employment agreement with the Company or any of the Company's other benefit plans.

In addition, the separation agreement provides that the terms of her employment agreement will continue to apply, except that effective as of December 17, 2012, Ms. Wilson's separation agreement governs exclusively the payment of severance, and the provisions of the employment agreement regarding separation from service and severance benefits are rendered null and void.

Pursuant to the separation agreement, upon signing a release of claims, she received the following termination payments: (a) continued payment by the Company of her base salary, as in effect on March 31, 2013, for a period of 12 months; (b) continued payment of life and health insurance coverage for 12 months; (c) a one-time severance payment of \$625,000; (d) payment for any accrued but unused paid-time off up to 80 hours; and (e) vesting as of March 31, 2013 in any unvested portion of any option and restricted stock previously granted to her by the Company. In addition, the Company amended Ms. Wilson's existing stock option agreements to provide that she may exercise the options through December 31, 2013.

## Outstanding Equity Awards at December 31, 2012

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable(1)	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Option Exercise Price (\$)	Option Expiration Date(2)	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested \$(4)
William M. Walker	13,333	26,667	12.52	3/24/2021	37,569	625,900
		69,085	13.05	4/30/2022		
Howard W. Smith, III	10,667	21,333	12.52	3/24/2021	30,055	500,708
		55,268	13.05	4/30/2022		
Deborah A. Wilson	8,000	16,000	12.52	3/24/2021	30,550	508,955
		25,907	13.05	4/30/2022		
Richard C. Warner	8,000	16,000	12.52	3/24/2021	30,550	508,955
		25,907	13.05	4/30/2022		
Richard M. Lucas	6,667	13,333	12.52	3/24/2021	27,003	449,870
		25,907	13.05	4/30/2022		

- (1) These options were granted pursuant to our Equity Incentive Plan, on March 24, 2011 and on April 30, 2012, to Ms. Wilson and Messrs. Walker, Smith, Warner and Lucas and such options began vesting ratably on each anniversary date of grant over a three-year period, conditioned upon continued employment. In connection with Ms. Wilson's resignation and her execution of a release of claims, her restricted stock and stock options vested on March 31, 2013, the effective date of her resignation.
- (2) Ms. Wilson's option agreements were amended in connection with her termination from the Company to provide that her options expire on December 31, 2013.
- (3) Includes restricted stock that was granted pursuant to our Equity Incentive Plan on December 20, 2010, March 24, 2011, and April 30, 2012 to Ms. Wilson and Messrs. Walker, Smith, Warner and Lucas and began vesting ratably on each anniversary date of grant over a three-year period, conditioned upon continued employment. In connection with Ms. Wilson's resignation and her execution of a release of claims, her restricted stock and stock options vested on March 31, 2013, the effective date of her resignation.
- (4) Based on the closing stock price of our common stock on December 31, 2012 of \$16.66 per share.

**2012 Option Exercises and Stock Vested**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
William M. Walker			23,286	357,042
Howard W. Smith, III			18,629	285,638
Deborah A. Wilson			15,084	232,522
Richard C. Warner			15,084	232,522
Richard M. Lucas			12,199	187,665

**Potential Payments Upon Termination**

The compensation payable to our NEOs upon voluntary termination for good reason, involuntary termination without cause and termination in the event of permanent disability, death or retirement of the executive is described above under " Employment and Separation Agreements."

The table below summarizes the potential cash payments and estimated equivalent cash value of benefits that will be generally owed to our NEOs under the terms of their employment agreements described above upon termination of those agreements under various scenarios as of December 31, 2012. Amounts shown do not include (a) payment of any unpaid portion of such executive's base salary through the effective date of termination, (b) reimbursement for any outstanding reasonable business expense, (c) continued insurance benefits to the extent required by law, (d) payment of any vested but unpaid rights as may be required independent of the employment agreement, and (e) any bonus or incentive compensation that had been accrued through the effective date of termination but not paid. In addition, the benefits outlined below for Ms. Wilson are purely hypothetical as her employment



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terminated on March 31, 2013. The benefits that have been, and may be received by Ms. Wilson are described above under " Employment and Separation Agreements Ms. Wilson."

Executive Officer	Benefit	Non-renewal by Company (\$)(1)	Without Cause/ For Good Reason (\$)(2)	Death (\$)	Disability (\$)(3)	Retirement (\$)(4)
William M. Walker	Cash	2,700,000(5)	2,700,000(5)	N/A	N/A	N/A
	Continued Life and Health	10,142(6)	10,142(6)	N/A	N/A	N/A
	Equity Acceleration	985,698(7)	985,698(7)	985,698(7)	985,698(7)	985,698(7)
	<b>Total</b>	<b>3,695,840</b>	<b>3,695,840</b>	<b>985,698</b>	<b>985,698</b>	<b>985,698</b>
Howard W. Smith, III	Cash	1,950,000(5)	1,950,000(5)	N/A	N/A	N/A
	Continued Life and Health	11,414(6)	11,414(6)	N/A	N/A	N/A
	Equity Acceleration	788,544(7)	788,544(7)	788,544(7)	788,544(7)	788,544(7)
	<b>Total</b>	<b>2,749,958</b>	<b>2,749,958</b>	<b>788,544</b>	<b>788,544</b>	<b>788,544</b>
Deborah A. Wilson	Cash	1,000,000(5)	1,000,000(5)	N/A	N/A	N/A
	Continued Life and Health	9,474(6)	9,474(6)	N/A	N/A	N/A
	Equity Acceleration	668,719(7)	668,719(7)	668,719(7)	668,719(7)	668,719(7)
	<b>Total</b>	<b>1,678,193</b>	<b>1,678,193</b>	<b>668,719</b>	<b>668,719</b>	<b>668,719</b>
Richard C. Warner	Cash	1,300,000(5)	1,300,000(5)	N/A	N/A	N/A
	Continued Life and Health	11,414(6)	11,414(6)	N/A	N/A	N/A
	Equity Acceleration	668,719(7)	668,719(7)	668,719(7)	668,719(7)	668,719(7)
	<b>Total</b>	<b>1,980,133</b>	<b>1,980,133</b>	<b>668,719</b>	<b>668,719</b>	<b>668,719</b>
Richard M. Lucas	Cash	1,300,000(5)	1,300,000(5)	N/A	N/A	N/A
	Continued Life and Health	10,142(6)	10,142(6)	N/A	N/A	N/A
	Equity Acceleration	598,597(7)	598,597(7)	598,597(7)	598,597(7)	598,597(7)
	<b>Total</b>	<b>1,908,739</b>	<b>1,908,739</b>	<b>598,597</b>	<b>598,597</b>	<b>598,597</b>

(1) This column describes the payments and benefits that become payable if the company elects not to renew the employment agreement.

(2) The term "cause" means any of the following, subject to any applicable cure provisions: (i) the conviction of the executive of, or the entry of a plea of guilty or nolo contendere by the executive to, any felony; (ii) fraud, misappropriation or embezzlement by the executive; (iii) the executive's willful failure or gross negligence in the performance of his assigned duties for the company; (iv) the executive's breach of any of his fiduciary duties to the company; (v) a material violation of a material company policy; or (vi) the material breach by the executive of any material term of the employment agreement.

The term "good reason" means any of the following, subject to any applicable cure provisions, without the executive's consent: (i) the assignment to the executive of substantial duties or responsibilities inconsistent with the executive's position at the company, or any other action by the company which results in a substantial diminution of the executive's duties or responsibilities; (ii) a requirement that the executive work principally from a location that is 20 miles further from the executive's residence than the company's address on the effective date of the executive's employment agreement; (iii) a 10% or greater reduction in the executive's aggregate base salary and other compensation (including the target bonus amount and retirement plan, welfare plans and fringe benefits) taken as a whole,

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excluding any reductions caused by the failure to achieve performance targets; or (iv) any material breach by the company of the employment agreement.

(3)

The term "disability" means such physical or mental impairment as would render the executive unable to perform each of the essential duties of the executive's position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than 12 months.

(4)

The term "retirement" means the point at which the executive has reached the age of 65 and has decided to exit the workforce completely. For purposes of the amounts disclosed in this table, we have assumed that each NEO has reached the retirement age of 65, regardless of their actual age.

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- (5) Cash amounts represent the sum of the following: (i) the executive's 2012 base salary at December 31, 2012, to be paid for period of 12 months in approximately equal installments on the company's regularly scheduled payroll dates, subject to payroll deductions and withholdings, and (ii) two times the average annual bonus earned by the executive for 2011 and 2012, assuming all performance targets have been met for 2012, half of such amount to be paid within 60 days of the end of the fiscal year of termination and the remaining half to be paid at the end of the 12-month non-compete period.
- (6) Represents the value of life and health benefits paid by the company for 12 months.
- (7) The amounts represent the value of accelerated restricted stock and options granted to the executives. The acceleration value of the restricted stock was calculated using the closing price of \$16.66 per share on December 31, 2012. The acceleration value of the options was calculated using the closing price of \$16.66 per share on December 31, 2012 and the option exercise prices of \$12.52 and \$16.45 per share, the grant date exercise prices for all options included above.

### Director Compensation

The following table sets forth 2012 compensation for each director who was a member of our Board in 2012.

#### 2012 Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Total (\$)
Alan J. Bowers	65,000	44,989	109,989
Cynthia A. Hallenbeck	65,000	44,989	109,989
John Rice	60,000	44,989	104,989
Mitchell M. Gaynor	55,000	44,989	99,989
Dana L. Schmaltz	55,000	44,989	99,989
Edmund F. Taylor(2)	90,000	N/A	90,000
Andrew C. Florance	26,250	26,239	52,489
Michael D. Malone	26,250	26,239	52,489
William M. Walker	N/A	N/A	N/A
Howard W. Smith, III	N/A	N/A	N/A

- (1) Amounts shown in this column represent the grant date fair value of restricted common stock multiplied by the number of shares granted to each Board member.
- (2) Any director compensation payable to Mr. Taylor is paid to Credit Suisse Securities (USA) LLC, or an affiliate thereof, for so long as he remains an employee thereof. As described in this section below, \$45,000 of the \$90,000 reported as fees paid in cash to Mr. Taylor was awarded to him in lieu of the annual restricted stock award granted to the other non-employee directors, and will be paid to Credit Suisse Securities (USA) LLC on June 13, 2013, if Mr. Taylor is an employee of Credit Suisse on such date.

2012 Compensation for our non-employee directors consisted of the following:

an annual base cash retainer of \$45,000;

an annual award of \$45,000 of shares of restricted stock under our Equity Incentive Plan granted on the date of the annual meeting of stockholders, which vests on the one-year anniversary of the date of grant, subject to the director's continued service on our Board.

In addition, our compensation program for non-employee directors provided for the following additional annual cash retainers:

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Audit Committee: Chairman \$15,000; Member \$10,000;

Compensation Committee: Chairman \$10,000; Member \$5,000; and

Nominating and Corporate Governance Committee: Chairman \$10,000; Member \$5,000.

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Effective from and after the election of directors at our June 5, 2013 meeting, the Board, in consultation with the Compensation Committee's compensation consultant based on a study of peers and market trends, made the following changes to the compensation program for non-employee directors:

an annual base cash retainer of \$60,000;

an annual award of \$60,000 of shares of restricted stock under our Equity Incentive Plan granted on the date of the annual meeting of stockholders, which vests on the one-year anniversary of the date of grant, subject to the director's continued service on our Board;

the Lead Director will receive an annual cash retainer of \$20,000; and

the Chairman of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee will receive annual cash retainers of \$20,000, \$15,000 and \$15,000, respectively.

Our Board has approved a change to Mr. Taylor's compensation for his current term on our Board such that in lieu of receiving an annual award of \$45,000 of restricted stock, Mr. Taylor received an annual award of \$45,000 in cash that will be paid on what would have been the one-year anniversary of the grant date for an equity award, subject to his continued service on our Board. Similarly, in the event that Mr. Taylor is re-elected to our Board at our June 5, 2013 annual meeting, in lieu of receiving the \$60,000 restricted stock award paid to the other directors elected at the meeting, he will receive an award of \$60,000 in cash that will be paid on June 5, 2014, subject to his continued service on our Board. Any director compensation payable to Mr. Taylor is paid to Credit Suisse Securities (USA) LLC, or an affiliate thereof, for so long as he remains an employee thereof. Additionally, in the event that any of our directors elected or appointed to our Board are nominated by Fortress or Column pursuant to their contractual rights under the Purchase Agreement and the Column Voting Agreement, respectively, and are employees of Fortress or Column, such directors will receive the annual \$60,000 cash award described in this paragraph in lieu of the restricted stock award paid to our other non-employee directors.

We also reimburse each of our directors, except Mr. Taylor, for their travel expenses incurred in connection with their attendance at Board and committee meetings. Mr. Taylor's travel expenses are paid for by Credit Suisse Securities (USA) LLC.

### *Stock Ownership Guidelines for our Non-Employee Directors*

Our Board has adopted stock ownership guidelines for our non-employee directors. Under those guidelines, our non-employee directors, except for Mr. Taylor (whose director compensation is paid to Credit Suisse Securities (USA) LLC), are required to own stock equal to three times the annual base cash retainer. Stock ownership for the purpose of these guidelines includes stock and restricted stock, but does not include shares underlying vested or unvested stock options. Non-employee directors, except for Mr. Taylor, are required to achieve the ownership threshold by the later of April 1, 2017 or the five year anniversary of the director joining our Board. The Board determined not to subject Mr. Taylor to the stock ownership guidelines because any director compensation payable to Mr. Taylor is paid to Credit Suisse Securities (USA) LLC, or an affiliate thereof, for as long as he remains an employee thereof.

### **Equity Compensation Plan Information**

The table below sets forth information as of the end of our 2012 fiscal year for (i) all equity compensation plans approved by our stockholders, and (ii) all equity compensation plans not approved by our stockholders. See note 13 to our consolidated financial statements included in our Annual

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Report on Form 10-K for the year ended December 31, 2012 for a description of our Equity Incentive Plan.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (#)(2)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (\$)(3)	Number of Securities Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)(#)
Equity compensation plans approved by security holders(1)	1,551,314	4.16	3,570,842
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>1,551,314</b>	<b>N/A</b>	<b>3,570,842</b>

- 
- (1) The Equity Incentive Plan was approved by our stockholders on November 29, 2010, and the stockholders approved an amendment on August 30, 2012.
- (2) Represents restricted stock and shares to be issued upon exercise of options.
- (3) The weighted average exercise price of outstanding options, warrants and rights includes 1,048,346 shares of restricted stock granted to employees with a weighted average exercise price of zero, and 502,968 options with a weighted average exercise price of \$12.82.

### Compensation Committee Interlocks and Insider Participation

Our Compensation Committee currently consists of Cynthia Hallenbeck, John Rice (Chairman) and Dana Schmaltz. None of our current committee members is or was an officer or employee, or former officer or employee, of ours. No interlocking relationship exists or existed between members of the Compensation Committee or the Board, and the board of directors or compensation or similar committees of any other company.

### VOTING SECURITIES OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of April 15, 2013, certain information regarding the beneficial ownership of our common stock by:

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

each named executive officer;

each of our directors; and

all of our executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC, and generally means that a person has beneficial ownership of a security if he or she possesses sole or shared voting or investment power of that security, and includes for each executive officer and director options that are currently exercisable or exercisable within 60 days of April 15, 2013. Each director, officer or 5% or more stockholder, as the case may be, furnished us with information with respect to beneficial ownership. Except as otherwise indicated, we believe that the beneficial owners of common stock listed below, based on the information each of them has given to us, have sole investment and voting power with respect to their shares, except where community property laws may apply. We have based our calculations of the percentage of beneficial ownership on 34,980,032 shares of common stock outstanding as of April 15, 2013.

Unless otherwise noted below, the address of the persons and entities listed on the table is c/o Walker & Dunlop, Inc., 7501 Wisconsin Avenue, Suite 1200E, Bethesda, Maryland 20814.

Beneficial Owner	Shares of Common Stock Beneficially Owned	% of Shares of Common Stock Beneficially Owned
<b>5% Stockholders:</b>		
Fortress Investment Group LLC(1)	14,969,682	42.8
Credit Suisse AG(2)	3,322,427	9.5
<b>Directors and Named Executive Officers:</b>		
William M. Walker(3)	1,828,773	5.2
Howard W. Smith, III(4)	1,168,563	3.3
Deborah A. Wilson(5)	161,173	*
Richard C. Warner(6)	152,261	*
Richard M. Lucas(7)	121,153	*
Stephen P. Theobald(8)	49,706	*
Dana L. Schmaltz(9)	15,963	*
Alan J. Bowers(9)	13,263	*
Mitchell M. Gaynor(9)	12,263	*
Cynthia A. Hallenbeck(9)	10,763	*
John Rice(9)	10,263	*
Andrew C. Florance(10)	1,643	*
Michael D. Malone(10)	1,643	*
Edmund F. Taylor(11)	0	*
Executive Officers and Directors as a group (14 persons)	3,547,430	10.1

\*

Less than 1%.

(1)

Based solely on the on the information provided in the Schedule 13D/A filed jointly on December 31, 2012 by the Fortress Reporting Persons listed below, and other information





concerning an intra-affiliate transfer provided to us by Fortress: (i) Galaxy Acquisition LLC, (ii) Galaxy CF Holdings LLC, (iii) Galaxy PEF Holdings LLC, (iv) Fortress Credit Opportunities Fund (A) LP, (v) Fortress Credit Opportunities Fund II (A) LP, (vi) Fortress Credit Opportunities Fund II (E) LP, (vii) FCO MA II LP, (viii) FCO MA LSS LP, (ix) Galaxy CF UST Investment Holdings LLC, (x) Fortress Credit Opportunities Fund (B) LP, (xi) Fortress Credit Opportunities Fund (C) L.P., (xii) Fortress Credit Opportunities Fund II (B) LP, (xiii) Fortress Credit Opportunities Fund II (C) L.P., (xiv) Fortress Credit Opportunities Fund II (D) L.P., (xv) FTS SIP L.P., (xvi) FCO Fund GP LLC, (xvii) FCO Fund II GP LLC, (xviii) FCO MA GP LLC, (xix) FCO MA II GP LLC, (xx) FCO MA LSS GP LLC, (xxi) Fortress Credit Opportunities Advisors LLC, (xxii) Fortress Credit Opportunities MA Advisors LLC, (xxiii) Fortress Credit Opportunities MA II Advisors LLC, (xxiv) FCO MA LSS Advisors LLC, (xxv) FCOF UB Investments LLC, (xxvi) FCOF II UB Investments LLC, (xxvii) Fortress Investment Fund V (Fund A) L.P., (xxviii) Fortress Investment Fund V (Fund D) L.P., (xxix) Fortress Investment Fund V (Fund E) L.P., (xxx) Galaxy Acquisition Blocker B LLC, (xxxi) Galaxy Acquisition Blocker CFG LLC, (xxxii) Fortress Investment Fund V (Fund B) L.P., (xxxiii) Fortress Investment Fund V (Fund C) L.P., (xxxiv) Fortress Investment Fund V (Fund F) L.P., (xxxv) Fortress Investment Fund V (Fund G) L.P., (xxxvi) Fortress Fund V GP L.P., (xxxvii) Fortress Fund V GP (BCF) L.P., (xxxviii) FIG LLC, (xxxix) Hybrid GP Holdings LLC, (xl) Fortress Fund V GP Holdings Ltd., (xli) Fortress Fund V GP (BCF) Holdings Ltd., (xlii) Principal Holdings I LP, (xliii) FIG Asset Co. LLC, (xliv) Fortress Operating Entity I LP, (xlv) FIG Corp. and (xlvi) Fortress Investment Group LLC (collectively, the "Fortress Reporting Persons"). Fortress informed us on April 9, 2013 that effective April 8, 2013, 776,483 shares of our common stock held in the name of FCO MA II LP were transferred to FCO MA II UB Securities LLC, its affiliate. Each of Galaxy Acquisition LLC, Galaxy CF Holdings LLC, Galaxy PEF Holdings LLC, Galaxy CF UST Investment Holdings LLC, Galaxy Acquisition Blocker B LLC and Galaxy Acquisition Blocker CFG LLC (collectively, the "Disclaiming Fortress Persons") disclaim any beneficial ownership of the shares of the Company's common stock. Each Fortress Reporting Person (other than the Disclaiming Fortress Persons) has shared voting power and shared dispositive power over 11,647,255 shares of the Company's common stock. In addition, pursuant to the Column Voting Agreement, each Fortress Reporting Person (other than the Disclaiming Fortress Persons) may be deemed to have shared voting power and beneficial ownership of the 3,322,427 shares of common stock held by Credit Suisse AG. See footnote (2) below. The principal business and office address of each Fortress Reporting Person in the United States is 1345 Avenue of the Americas, 46th Floor, New York, New York, 10105.

(2)

Based solely on the information provided in the Schedule 13D/A filed on April 10, 2013 by Credit Suisse AG. Credit Suisse AG's subsidiaries, to the extent that they constitute the Investment Banking Division and the Alternative Investments business and U.S. private client services business within the Private Banking and Wealth Management Division (the "CS Reporting Person"), have beneficial ownership of, and shared voting and dispositive power over, 3,322,427 shares of common stock directly owned by Column Guaranteed LLC, an indirect, wholly owned subsidiary of Credit Suisse AG. In addition, pursuant to the Column Voting Agreement, the CS Reporting Person may be deemed to have beneficial ownership of the 11,647,255 shares of common stock held by the Fortress Reporting Persons (the "Fortress Shares"). See footnote (1) above. The CS Reporting Person disclaims beneficial ownership of any of the shares of common stock beneficially owned by the Fortress Reporting Persons, including the Fortress Shares. The address of

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the principal business and office of Credit Suisse AG is Uetlibergstrasse 231 P.O. Box 900 CH-8070, Zurich, Switzerland. The address of the principal business and office of the CS Reporting Person in the United States is Eleven Madison Avenue, New York, New York 10010.

- (3) Includes 39,269 shares of restricted stock, which represent the unvested portions of restricted stock grants. All restricted stock grants were made to vest ratably on each anniversary of the applicable grant date over a three-year period. The reported number also includes 26,667 shares underlying currently exercisable stock options and 23,028 shares underlying options exercisable within the next 60 days.
- (4) Includes 30,306 shares of restricted stock, which represent the unvested portions of restricted stock grants. All restricted stock grants were made to vest ratably on each anniversary of the applicable grant date over a three-year period. The reported number also includes 21,333 shares underlying currently exercisable stock options and 18,423 shares underlying options exercisable within the next 60 days.
- (5) The reported number includes 49,907 shares underlying currently exercisable stock options.
- (6) Includes 37,671 shares of restricted stock, which represent the unvested portions of restricted stock grants and 31,722 shares of restricted stock granted to Mr. Warner's spouse. All restricted stock grants were made to vest ratably on each anniversary of the applicable grant date over a three-year period. The reported number also includes 16,000 shares underlying currently exercisable stock options and 8,636 shares underlying options exercisable within the next 60 days.
- (7) Includes 34,786 shares of restricted stock, which represent the unvested portions of restricted stock grants. All restricted stock grants were made to vest ratably on each anniversary of the applicable grant date over a three-year period. The reported number also includes 13,334 shares underlying currently exercisable stock options and 8,636 shares underlying options exercisable within the next 60 days.
- (8) Includes 49,706 shares of restricted stock, which represent the unvested portions of restricted stock grants. All restricted stock grants were made to vest ratably on each anniversary of the applicable grant date over a three-year period. Mr. Theobald has no shares underlying currently exercisable stock options or shares underlying options exercisable within the next 60 days.
- (9) Includes 3,746 shares of restricted stock, which represent the unvested portions of restricted stock grants. All restricted stock grants were made to vest on the one-year anniversary date of the grant.
- (10) The entire amount of these shares is unvested restricted stock, which will vest on the one-year anniversary date of the grant.
- (11) Edmund F. Taylor owns no shares of restricted stock.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who own more than ten percent of a registered class of our equity securities, or Reporting Persons, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC and the NYSE. The Reporting Persons are required by SEC regulations to furnish us with copies of all Forms 3, 4 and 5 they file with the SEC. Based on the review of filings made with the SEC and representations made by the Reporting Persons, we believe that each Reporting Person complied with all Section 16(a) filing requirements applicable to them during the fiscal year ended December 31, 2012.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Related Party Transaction Policies

Our Board has adopted a written policy regarding the approval of any "related person transaction," which is any transaction or series of transactions in which we or any of our subsidiaries is (or are to be) a participant, the amount involved exceeds \$100,000, and a "related person" (as defined under SEC rules) has a direct or indirect material interest; provided, however, that approval is not required for competitive bidding and similar transactions that are not deemed to be related party transactions under Item 404(a) of Regulation S-K of the Exchange Act. Under the policy, a related person would need to promptly disclose to our compliance officer any related person transaction and all material facts about the transaction. Our compliance officer would then assess and promptly communicate that information to the Audit Committee of our Board. Based on its consideration of all of the relevant facts and circumstances, the Audit Committee will either approve or reject the transaction or refer the transaction to the full Board or other appropriate Board committee, in its discretion. If we become aware of an existing related person transaction that has not been pre-approved under this policy, the transaction will be referred to the Audit Committee which will evaluate all options available, including ratification, revision or termination of such transaction, and will either approve or reject the transaction or refer the transaction to the full Board or other appropriate Board committee, in its discretion. Our policy provides that any director who may be interested in a related person transaction should recuse himself or herself from any consideration of such related person transaction.

### 2010 Registration Rights Agreement

In December 2010, in connection with our initial public offering, we completed formation transactions through which Walker & Dunlop, LLC became our wholly owned subsidiary. In connection with such formation transactions, we entered into a registration rights agreement with regard to shares of our common stock issued to former direct and indirect equity holders of Walker & Dunlop, LLC, which we refer to collectively as the 2010 registrable shares. Among the parties to such registration rights agreement, which we refer to as the 2010 registration rights agreement, were Column and certain of our executive officers and directors, which, together with their permitted assignees and transferees, we refer to collectively as holders of 2010 registrable shares.

Pursuant to the 2010 registration rights agreement, we granted to holders of 2010 registrable shares demand registration rights, subject to certain limitations, to have such shares registered for resale on a registration statement that must remain effective for the shorter of: (a) two (2) years from its date of effectiveness, (b) the period ending on the date on which all of the 2010 registrable shares covered by such registration are eligible for sale without registration pursuant to Rule 144 or any successor provision under the Securities Act, without volume limitations or other restrictions on transfer thereunder and (c) the date on which the parties to the 2010 registration rights agreement complete the sale of all of the 2010 registrable shares. We also granted to holders of 2010 registrable shares holding a number of 2010 registrable shares equal to at least ten percent (10%) of the total number of shares of our common stock issued in the formative transactions described above demand registration rights, subject to certain limitations, pursuant to which such holder will be entitled to effect the sale of such 2010 registrable shares through an underwritten public offering.

In addition to demand registration rights, we also granted to holders of 2010 registrable shares tag-along (or "piggy-back") rights, subject to certain limitations, pursuant to which such holders have the right to have such shares registered if we propose to file a registration statement with respect to an underwritten offering of shares for our own account.

Notwithstanding the foregoing, in the event of certain corporate events affecting us for certain periods, we are permitted under the 2010 registration rights agreement, subject to certain limitations, to

postpone the filing of a registration statement and from time to time to require holders of 2010 registrable shares not to sell under a registration statement or to suspend the effectiveness of such registration statement. We will bear all of the costs and expenses incident to our registration obligations under the 2010 registration rights agreement, including, among other things, fees and disbursements of one counsel retained by the selling holders of 2010 registrable shares. We have also agreed, subject to certain limitations, to indemnify holders of 2010 registrable shares against specified liabilities, including certain potential liabilities arising under the Securities Act.

#### **Amendment of 2010 Registration Rights Agreement**

In connection with our acquisition of CWCapital and the 2012 registration rights agreement described below, the Company, CWFS and certain of the signatories to the 2010 registration rights agreement, which we refer to collectively as the current holders, entered into a letter agreement pursuant to which CWFS and the current holders agreed, among other things: (i) to *pro rata* cutbacks with respect to their respective piggy-back registration rights under the 2012 registration rights agreement and the 2010 registration rights agreement, respectively, if requested by a managing underwriter in order to reduce the amount of shares to be included in offerings for our own account or offerings of 2012 registrable shares or 2010 registrable shares, as applicable, (ii) that whichever of them requests an underwritten offering of 2012 registrable shares or 2010 registrable shares, as applicable, will also have the right to select the managing underwriters for such offering, (iii) to reduce the threshold at which Column has the right to request registration of 2010 registrable shares for sale through an underwritten public offering to five percent (5%) of the shares of our common stock outstanding as of the closing date of the acquisition of CWCapital described below and (iv) for the Company to include the 2010 registrable shares of the current holders in the registration statement to be filed in connection with the 2012 registration rights agreement.

#### **2012 Registration Rights Agreement**

In September 2012, in connection with our acquisition of CWCapital, we entered into a registration rights agreement, which we refer to as the 2012 registration rights agreement, with CWFS, the former owner of CWCapital, with regard to shares of our common stock issued to CWFS, which we refer to collectively as the 2012 registrable shares.

Pursuant to the 2012 registration rights agreement, we agreed to register for resale all of the 2012 registrable shares held by CWFS, which, together with its permitted transferees or assigns, we refer to collectively as holders of 2012 registrable shares, on a shelf registration statement filed with the SEC no later than 30 days after the closing date of the acquisition of CWCapital. We also granted to holders of 2012 registrable shares piggy-back rights, subject to certain limitations, pursuant to which such holders have the right to have such shares registered if we propose to file a registration statement with respect to an underwritten offering of shares for our own account or for the account of one or more other stockholders of the Company. In either case, we agreed to use our reasonable best efforts to maintain the effectiveness of the relevant registration statement until the earlier of (i) the date on which all 2012 registrable shares covered by such registration statement are eligible for sale without registration pursuant to Rule 144 or any successor provision under the Securities Act, without volume limitations or other restrictions on transfer thereunder and (ii) the date on which holders of 2012 registrable shares consummate the sale of all 2012 registrable shares registered under such registration statement.

We also granted to holders of 2012 registrable shares holding a number of 2012 registrable shares equal to at least five percent (5%) of the shares of our common stock outstanding as of the closing date of the acquisition of CWCapital demand registration rights, subject to certain limitations, pursuant to which such holder will be entitled to effect the sale of such 2012 registrable shares through an underwritten public offering.

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Notwithstanding the foregoing, in the event of certain corporate events affecting us for certain periods, we are permitted under the 2012 registration rights agreement, subject to certain limitations, to postpone the filing of a registration statement and from time to time to require holders not to sell under a registration statement or to suspend the effectiveness thereof. We will bear all of the costs and expenses incident to our registration obligations under the 2012 registration rights agreement, including, among other things, fees and disbursements of one counsel retained by the selling holders of 2012 registrable shares. We have also agreed, subject to certain limitations, to indemnify holders of 2012 registrable shares against specified liabilities, including certain potential liabilities arising under the Securities Act.

### **Stockholders Agreement**

In 2010, we entered into a stockholders agreement with Column, William Walker, our Chairman, President and Chief Executive Officer, and Mallory Walker, the father of William Walker and our former Chairman. Pursuant to this agreement, we agreed to nominate one Column designee, who was Edmund Taylor, for election as director at our 2011 annual meeting of stockholders, and William Walker and Mallory Walker agreed to vote the shares of common stock owned by them for the Column designee at the 2011 annual meeting of stockholders and at any special meeting of stockholders at which directors are to be elected that occurs prior to May 14, 2012, which is six months after the expiration of Column's lock-up agreement entered into in connection with our initial public offering.

### **Column Voting Agreement**

Under the terms of the Column Voting Agreement, to the extent that Column beneficially owns at least ten percent of our then outstanding common stock, at our annual meeting of stockholders to be held during 2013 and 2014 or at any special meeting of our stockholders held prior to our 2014 annual meeting of stockholders at which our directors are to be elected, or at any taking of action by written consent of our stockholders prior to our 2014 annual meeting of stockholders at which our directors are to be elected, the following arrangements will apply:

Column has the right to designate one nominee for election to the Board (such nominee, the "Column Nominee") at such director election;

at each such director election, (i) our Nominating and Corporate Governance Committee must recommend to the Board the nomination of the Column Nominee for election to the Board, and (ii) the Board must recommend to our stockholders the election of the Column Nominee to the Board; and

(i) CWFS and its affiliates will vote all of their shares of common stock then held in favor of electing the Column Nominee to the Board, and (ii) Column will vote all of its shares of our common stock then held in favor of electing CWFS' or its affiliates' nominees to the Board.

As of April 15, 2013, Column owns 9.5% of our common stock. Accordingly, it has no right to designate a nominee for election to our Board at the June 5, 2013 annual meeting.

### **CWFS' Designation and Election of Directors**

Pursuant to the terms of the Purchase Agreement by which we acquired CWC Capital, CWFS, an affiliate of Fortress, is entitled to designate up to two nominees for each election as directors to our Board through our annual meeting to be held in 2014. The Purchase Agreement specifies that at our annual meeting of stockholders to be held during the 2013 and 2014 calendar years, or at any special meeting of our stockholders held prior to our 2014 annual meeting of stockholders at which our directors are to be elected, or at any taking of action by written consent of our stockholders prior to our 2014 annual meeting of stockholders with respect to which our directors are to be elected, CWFS

shall have the right (but not the obligation) to designate two nominees for election to our Board at such director elections. At or prior to any such director election: (i) our Nominating and Corporate Governance Committee must recommend to our Board the nomination of the CWFS Nominees for election to our Board, and (ii) our Board must recommend to our stockholders the election of the CWFS Nominees to our Board.

At any time that CWFS and its affiliates cease to collectively own, directly or indirectly, at least 20% of our common stock outstanding as of the September 4, 2012, CWFS forfeits the right to nominate and appoint one CWFS Nominee, effective as of our then next annual meeting of stockholders at which directors are elected. At any time that CWFS and its affiliates cease to collectively own, directly or indirectly, at least 10% of the our common stock outstanding as of September 4, 2012, CWFS forfeits the right to nominate and appoint one CWFS Nominee, effective as of our then next annual meeting of stockholders at which directors are elected. CWFS has designated Mr. Malone as its only nominee for election to our Board at our 2013 annual meeting.

#### **Transition Services Agreement**

In connection with our acquisition of CWCapital on September 4, 2012, our subsidiaries, Walker & Dunlop, LLC and Walker & Dunlop Capital, LLC (formerly CWCapital), entered into a Transition Services Agreement with CWFS. Under the Transition Services Agreement, Walker & Dunlop Capital agreed to pay CWFS \$1.0 million per month for three months for support services in connection with our integration of the former CWCapital employees into the Company. Walker & Dunlop Capital paid an aggregate amount of \$3.0 million in fees in 2012 to CWFS in connection with the Transition Services Agreement.

#### **Co-Broker Fees**

From time to time, Credit Suisse refers HUD related financing opportunities to us, for which it receives fees. For the year ended December 31, 2012, Credit Suisse earned fees of \$0.9 million for the referral of HUD transactions to us (co-broker fees), all of which are attributable to a fee agreement Column entered into with Credit Suisse in 2009. Following our acquisition of certain assets of Column, we assumed this fee agreement. On February 9, 2012, we entered into an amendment to the agreement regarding the allocation of origination fees and trade premiums generated by certain transactions, amending the terms of the allocation of origination fees and trade premiums between Credit Suisse and us and providing for other terms and conditions with respect to future loan origination opportunities. The amendment resulted in a \$2.5 million reduction in the amount we owed to Credit Suisse at December 31, 2011, which was recognized as other revenues in the year ended December 31, 2012.

#### **Column Indemnification Agreements**

On February 17, 2010, Capital Funding Group, Inc. ("Capital Funding") filed a lawsuit in the state Circuit Court of Montgomery County, Maryland against Walker & Dunlop, LLC, our wholly owned subsidiary, for alleged breach of contract, unjust enrichment and unfair competition arising out of an alleged agreement that Capital Funding had with Column to refinance a large portfolio of senior healthcare facilities located throughout the United States (the "Golden Living Facilities"). Capital Funding alleges that a contract existed between it and Column (and its affiliates) whereby Capital Funding allegedly had the right to perform the HUD refinancing for the Golden Living Facilities and according to which Capital Funding provided certain alleged proprietary information to Column and its affiliates relating to the refinancing of the Golden Living Facilities on a confidential basis. Capital Funding further alleges that Walker & Dunlop, LLC, as the alleged successor by merger to Column, is bound by Column's alleged agreement with Capital Funding, and breached the agreement by taking for itself the opportunity to perform the HUD refinancing for the Golden Living Facilities.

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Capital Funding further claims that Column and its affiliates and Walker & Dunlop, LLC breached the contract, were unjustly enriched, and committed unfair competition by using Capital Funding's alleged proprietary information for certain allegedly unauthorized purposes. Capital Funding also asserts a separate unfair competition claim against Walker & Dunlop, LLC in which it alleges that Walker & Dunlop, LLC is improperly "taking credit" on its website for certain work actually performed by Capital Funding. Capital Funding seeks damages in excess of \$30 million on each of the three claims asserted against all defendants, and an unspecified amount of damages on the separate claim for unfair competition against Walker & Dunlop, LLC. Capital Funding also seeks injunctive relief in connection with its unjust enrichment and unfair competition claims.

Pursuant to an agreement, dated January 30, 2009 (the "Column Transaction Agreement"), among Column, Walker & Dunlop, LLC, W&D, Inc. and Green Park Financial Limited Partnership, Column generally agreed to indemnify Walker & Dunlop, LLC against liability arising from Column's conduct prior to Column's transfer of the assets to Walker & Dunlop, LLC. However, pursuant to the Column Transaction Agreement, Column's indemnification obligation arises only after Column receives a claim notice following the resolution of the litigation that specifies the amount of Walker & Dunlop, LLC's claim.

To provide for greater certainty regarding Column's indemnification obligations before the resolution of this litigation and to cap our total loss exposure, we secured a further agreement from Column in November 2010 confirming that it will indemnify us for any liabilities that arise as a result of this litigation. As part of this further indemnification agreement, in the event Column is required to pay us for any liabilities under the Capital Funding litigation that it otherwise would not have been obligated to pay under the Column Transaction Agreement, we will indemnify Column for an amount up to \$3.0 million. Also as part of this further indemnification agreement, William Walker, our Chairman, President and Chief Executive Officer, and Mallory Walker, former Chairman and current stockholder, in their individual capacities, agreed that if Column is required to indemnify us under this agreement and otherwise would not have been obligated to pay such amounts under the Column Transaction Agreement, Messrs. William Walker and Mallory Walker will pay any such amounts in excess of \$3.0 million but equal to or less than \$6.0 million. As a result of this agreement, we will have no liability or other obligation for any damage amounts in excess of \$3.0 million arising out of this litigation. Although Column has assumed defense of the case for all defendants, and is paying applicable counsel fees, as a result of the indemnification claim procedures described above, we could be required to bear the significant costs of the litigation and any adverse judgment unless and until we are able to prevail on our indemnification claim. We believe that we will fully prevail on our indemnification claims against Column, and that we ultimately will incur no material loss as a result of this litigation, although there can be no assurance that this will be the case.

On July 19, 2011, the Circuit Court for Montgomery County, Maryland issued an order granting the defendants' motion to dismiss the case, without prejudice. After the initial case was dismissed without prejudice, Capital Funding filed an amended complaint. In November 2011, the Circuit Court of Montgomery County rejected the defendant's motion to dismiss the amended complaint. Fact discovery in the case has concluded, and a trial is scheduled to begin on July 8, 2013. Defendants have filed a motion for summary judgment, which will be considered by the Court prior to commencement of the trial.

As a result of the indemnification listed above, our loss exposure is limited to \$3.0 million. See "Legal Proceedings" of our Annual Report on Form 10-K for additional information.

### **Servicing Fees**

Walker & Dunlop, LLC is the loan subservicer for 109 loans serviced by CWC Capital Asset Management LLC ("CWCAM"), an affiliate of Fortress, pursuant to a subservicing servicing agreement

between Walker & Dunlop, LLC and CWCAM. In 2012 we received an aggregate of \$603,871 in servicing fees under this agreement. These servicing fees include amounts received by CWCcapital in 2012 prior to our acquisition of it on September 4, 2012.

Walker & Dunlop, LLC is the servicer of a portfolio of 1,148 Fannie Mae secondary risk loans. In connection with that portfolio of loans, Walker & Dunlop, LLC is party to a sub-special servicing agreement with CWCAM pursuant to which we will pay CWCAM fees for performing special servicing services for mortgage loans in the portfolio. CWCAM currently performs special servicing services for nine loans under the special servicing agreement, and in 2012 we paid CWCAM an aggregate of \$61,000 in fees for such services. These servicing fees include amounts paid by CWCcapital in 2012 prior to the acquisition on September 4, 2012.

Walker & Dunlop, LLC is a servicer of a commercial real estate mortgage loan made to Parkmerced Investors Properties, LLC, a special purpose entity, which is an affiliate of Fortress, and we receive servicing fees in connection with our role as servicer. In 2012, we received \$137,000 in servicing fees for the loan. These servicing fees include amounts received by CWCcapital in 2012 prior to the acquisition on September 4, 2012.

Walker & Dunlop, LLC is a servicer of two commercial real estate loans owned by Fortress Credit Opportunities LLP, an affiliate of Fortress, and we receive servicing fees in connection with our role as servicer. In 2012, we received \$20,856 in servicing fees for the loans. These servicing fees include amounts received by CWCcapital in 2012 prior to the acquisition on September 4, 2012.

Walker & Dunlop, LLC is a servicer of a commercial real estate loan owned by DBD OTLP LLC, an affiliate of Fortress, and we receive servicing fees in connection with our role as servicer. In 2012, we received \$3,353 in servicing fees for the loan. These servicing fees include amounts received by CWCcapital in 2012 prior to the acquisition on September 4, 2012.

#### **Commercial Real Estate Funds**

W&D Balanced Real Estate Fund I GP, LLC, our wholly owned subsidiary, is the general partner of W&D Balanced Real Estate Fund I LP (the "Balanced Fund"), a commercial real estate fund that has invested approximately \$50 million in commercial real estate securities and loans, such as first mortgages, B-notes, mezzanine debt and equity securities and has no further commitments to invest. It is only responsible for managing the investments. All of the limited partnership interests in the Balanced Fund are held by third-party pension funds. Pursuant to the Balanced Fund's partnership agreement, only the limited partners share in regular distributions; our subsidiary, as the general partner, is only entitled to an incentive fee if returns exceed certain pre-established thresholds. To date, the general partner has never received an incentive fee. In 2012, our wholly owned subsidiary, Walker & Dunlop, LLC, contracted with Walker & Dunlop Fund Management, LLC (the "Advisor"), a then registered investment advisor, of which Mr. Walker, our Chairman, President and Chief Executive Officer, is the sole member, for it to provide investment advisory services to the Balanced Fund pursuant to an investment advisory agreement. On March 21, 2013, the Adviser assigned this contract to Walker & Dunlop Investment Advisory Services, LLC, our wholly owned subsidiary. Until the date of such assignment, Walker & Dunlop, LLC provided consulting, overhead and other corporate services to the Advisor pursuant to a corporate services agreement for a fee. In 2012, the amount of such fees were approximately \$0.6 million.

We also provide investment, consulting and related services to Walker & Dunlop Multifamily Equity I, LLC (the "Multifamily Advisor"), in which members of the Walker family, including Mr. Walker, our Chairman, President and Chief Executive Officer, and Mr. Smith, our Executive Vice President and Chief Operating Officer, hold 37.5% and 2.5% of the membership interests, respectively. The Multifamily Advisor holds a 1% managing member interest in, and serves as the investment advisor pursuant to an investment advisory agreement to, Walker & Dunlop Apartment Fund I, LLC



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(the "Apartment Fund"), a commercial real estate fund that has invested approximately \$45 million in multifamily real estate properties and mezzanine loans and has no further commitments to invest. An institutional investor owns a 99% non-managing member interest in the Apartment Fund. Pursuant to the Apartment Fund's operating agreement, distribution of net cash flow is first distributed to the institutional investor based on an investment yield, then to the Multifamily Advisor, and the balance of the net cash flow of the Apartment Fund is then distributed 99% to the institutional investor and 1% to the Multifamily Advisor. In exchange for the provision of investment, consulting and related services pursuant to a corporate services agreement between the Multifamily Advisor and Walker & Dunlop, LLC, Walker & Dunlop, LLC provides corporate services to the Multifamily Advisor in connection with Multifamily Advisor's asset management responsibilities to the Apartment Fund for a fee. In 2012, the amount of such fees were approximately \$0.2 million.

**OTHER MATTERS**

**Availability of Proxy Statement and Annual Report on Form 10-K**

In addition to this proxy statement, we have provided without charge, to each person from whom a proxy is solicited, a copy of our annual report to stockholders for the fiscal year ended December 31, 2012, including our consolidated financial statements. You should not regard this annual report as proxy soliciting material or as a communication by means of which any solicitation is to be made.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders To Be Held on Wednesday, June 5, 2013:**

The proxy statement and the 2012 Annual Report to Stockholders are available at: [www.edocumentview.com/wd](http://www.edocumentview.com/wd)

Additionally, upon written request, we will provide you without charge, a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 that we filed with the SEC. You should make your request in writing to:

Walker & Dunlop, Inc.  
Attention: Investor Relations  
7501 Wisconsin Avenue, Suite 1200E  
Bethesda, Maryland 20814

**Other Matters to Come Before the 2013 Annual Meeting**

No other matters are to be presented for action at the annual meeting other than as set forth in this proxy statement. If other matters properly come before the meeting, however, the persons named in the accompanying proxy will vote all proxies solicited by this proxy statement as recommended by the Board, or, if no recommendation is given, in their own discretion.

**Stockholder Proposals and Nominations for the 2014 Annual Meeting**

Any stockholder proposal pursuant to Rule 14a-8 of the rules promulgated under the Exchange Act to be considered for inclusion in our proxy materials for the next annual meeting of stockholders must be received at our principal executive offices no later than December 27, 2013.

Any stockholder who wishes to propose a nominee to the Board or propose any other business to be considered by the stockholders (other than a stockholder proposal included in our proxy materials pursuant to Rule 14a-8 of the rules promulgated under the Exchange Act) must comply with the advance notice provisions and other requirements of Article II, Section 12 of our bylaws, which are on file with the SEC and may be obtained from the Secretary of the Company upon request. These notice provisions require that nominations for directors must be received by the Secretary at our principal executive offices not later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of the proxy statement for the preceding year's annual meeting nor earlier than the 150th day prior to the first anniversary of the date of the proxy statement for the preceding year's annual meeting. However, in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, such notice to be timely must be so delivered not earlier than the 150th day prior to such annual meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made.

\* \* \* \*

By Order of the Board of Directors

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Name: Richard M. Lucas  
Title: *Executive Vice President,  
General Counsel and Secretary*

Bethesda, Maryland  
April 26, 2013













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