Arbor – The MF Recap

Arbor refuses to address fraudulent undisclosed related party transactions, almost 50% of Arbor's CLO is now delinquent and/or modified and their commercial relationships are under investigation by agency lenders.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 4

June 20, 2024 – This report will round up Q2 2024. Accordingly, we have prepared a high-level summary of our work to date this year for ease of reference. We also have a list of simple questions for Arbor's management considering their fraudulent, insulting, and idiotic assertions.

The CLO Surveillance – June 2024

In stark contrast to management's assertions: Arbor's loan book is severely distressed as a direct result of the financial ruin of their underlying investments. Arbor has adopted a pervasive strategy of "kicking the can" to put off mass-impairments.

June 2024 Update	ARCLO 2021-FL1	ARCLO 2021-FL2	ARCLO 2021-FL3	ARCLO 2021-FL4	ARCLO 2022-FL1	ARCLO 2022-FL2	Total
Total deal balance	**499,314,712**	**680,706,324**	**1,201,239,999**	**1,804,989,818**	**1,755,838,966**	**1,050,299,999**	**6,992,389,819**
< 1 Month	28,420,215	17,900,000	109,345,000	161,443,000	71,079,785	34,000,000	**422,188,000**
30 Days	-	-	32,200,000	14,900,000	57,805,000	21,100,000	**126,005,000**
60 Days	-	-	-	-	32,500,000	-	**32,500,000**
90+ Days	10,802,131	-	12,412,600	34,500,000	6,759,965	22,575,000	**87,049,696**
Modified	236,350,036	300,785,718	369,515,000	534,563,535	557,828,000	548,376,530	**2,547,418,819**
*Adjustment for double count**	*(10,514,731)*	-	*(70,475,000)*	*(123,810,000)*	*(37,100,000)*	*(55,100,000)*	***(296,999,731)***
Total delinquent & modified	**265,057,651**	**318,685,718**	**452,997,600**	**621,596,535**	**688,872,750**	**570,951,530**	**2,918,161,784**

** Double count adjustment for loans both modified and delinquent. This adjustment was not conducted in previous reports.*

Figure 1 – Viceroy CLO Analysis

- Arbor has modified $2.5b of loans (~111 properties) in the last 6 months, representing over a third of its $7b CLO portfolio (~333 properties).
  - Loans against 22 properties are already delinquent again.
  - The DSCR of modified loans is ~0.41x[1].
  - The LTV of modified loans is 79%, with an implied cap-rate valuation of 3.9%.
  - A month-on-month review shows loans are being modified multiple times in successive months.
  - Arbor has provided extremely favorable mezzanine financing to distressed clients to "rehabilitate" their loans.
  - These loans should be considered impaired, as they are non-recoverable.
- $667m in loans (~47 properties) in the CLO portfolios are delinquent.
  - The DSCR of the CLO portfolio is ~0.6x and falling every quarter.
  - The LTV of the CLO portfolio is ~77%, however Arbor appears to have revalued various properties in the last 2 months to subjectively alter this figure.
  - Substantially all of the underlying CLO investments are inherently unprofitable and functionally bankrupt.

Arbor can window-dress these loans in the short term, however it will never recover the value of these loans in time to meet obligations to its own creditors. **Note that Arbor holds the equity tranche of the CLOs which have no recovery value.**

[1] Both DSCR and LTV are adjusted for various loans against the same property.

The Nature of Modifications

Syndicators have explicitly confirmed that Arbor has kicked the can of delinquent loans at their own expense.

- Arbor has extended mezzanine financing to delinquent, foreclosed customers, such as the **Elevate Commercial Investment Group**, the owner of **The Selena** apartments. Elevate was ~1 year overdue on its bridge loan interest.
- Arbor modified the interest of Elevate's $32m floating rate The Selena bridge loan to 6%. Elevate confirms that they did not purchase a rate-cap. This represents a discount of over 300bps to Arbor's book average
- **Elevate** created a new CRE Debt investment vehicle to provide "fresh capital" to The Selena in the form of a "rescue loan" carrying interest at 18%. This rescue loan has a 2nd ranking lien on the Selena.
  - This "rescue loan" is presumably intended to meet Arbor's interest expenses on the 6% loan in the short term.
- Arbor has rolled over $1.9m of outstanding interest and a further $4.4m mezzanine loan into a 3rd ranking lien.

Last Dollar %	Capital Stack Going Forward		Viceroy Notes:
57%	Arbor A Loan	$32,000,000	Fixed at 6.0% rate. Secured by first deed of trust on the Property
64%	Rescue Loan	$3,865,000	18% rate per year. Second ranking security.
76%	Arbor B Loan	$6,277,340	"Interest fully accrued until sale". Third ranking security.
100%	Existing Equity	$13,511,995	
	Total	**$55,654,335**	

Figure 2 – Extract from "The Selena" forecast provided by Elevate & Viceroy notes

Modified loans appear non-recoverable. Arbor has simply kicked the can and created a *worse* financial position for the defrauded LPs of The Selena, who will no doubt be capital-called to continue funding this functionally bankrupt project.

The Fraud

Arbor makes substantial equity investments in off-balance sheet entities controlled by undisclosed associates to refinance its own purchase of distressed portfolios.

- Arbor has financed 99% of the "non-controlling interest" equity of an off-balance sheet entity, AWC Real Estate Opportunity Partners I LP, run by a former VP of Arbor, whose investment in the entity was also financed by Arbor. Arbor and share an office.
- The off-balance sheet entity, AWC, acquires foreclosed Arbor properties at an apparent premium.
- **The purchase of the foreclosed properties is financed by an Arbor bridge loan**, supplementary to the off-balance sheet entity's deposit, also financed by Arbor. **Arbor does not disclose related party transactions of this nature** (the related party being itself).
- **Arbor ludicrously suggests that these transactions are a Q2 2024 event and did not need to be reported to date. This is pure idiocy:**
  - These undisclosed related party structures were established and funded in 2023
  - Arbor will not/ would not have recognize losses on these foreclosures by financing the sale of foreclosed properties to off-balance sheet entities because it bought them from itself at par, not at a discount. **The intention was to kick the can at Arbor's own expense.**
  - It beggars belief that this undisclosed, off-balance sheet structure was not established by Arbor for the sole purpose of bailing out bad loans.
- These transactions allow Arbor to feign arm's-length transactions with off-balance sheet entities without disclosing conflicts of interest. Arbor retains 100% of the risk involved in these transactions.
- **Arbor has fraudulently overstated the value of its loan book through undisclosed, off-balance sheet, related party transactions.**

The Counterparty Investigations

Viceroy understands from whistleblowers that:

- **Arbor is under scrutiny relating to Freddie Mac's ban on brokerage Meridian Capital.** Arbor have underwritten Meridian originated loans.
- Freddie Mac's restricted vendor status on appraiser BBG **relates to many loans originated or underwritten by Arbor**, especially in relation to managing director Jon DiPietra which Freddie has refused to deal with.
- **Fannie Mae is running a parallel investigation into BBG-appraised loans**, also implicating DiPietra, **substantially all of which were originated or underwritten by Arbor**.

Arbor's CEO Ivan Kaufman has refused to comment on Arbor's exposure to Meridian despite explicit questions from analysts and investors.

We understand that combined value of Arbor's loans potentially subject to Fannie Mae repurchase demands, make-whole payments, or other loss-sharing agreements is ~$1.5b.

The Results

Viceroy rejects the assertion that Arbor's financials have not yet seen the impact of distress:

- This report will also provide a review of Arbor's Q1 2024 10-Q, and statements made by management in their earnings call.
- Arbor's borrowers are almost exclusively distressed. The underlying DSCR of Arbor's CLOs is now significantly below 0.6x and represents a majority of Arbor's book.
- Viceroy have obtained Capital Call letters from syndicates, confirming that Arbor is accepting modifications with significant PIK accruals.
- PIK accruals appear to contribute to an otherwise large and unknown working capital account titled "other assets", which is a $400m black hole.
- An analysis of Arbor's net debt spread vs SOFR shows Arbor's earnings quality and asset efficiency have deteriorated sharply since mid-2022.

We have attempted to clarify numerous poignant questions directly with Arbor management. Given every opportunity to clarify every issue raised in this report: management instead issued a press release advising investors to expect "Negative Press".

> Arbor Realty Trust Points to its Public Disclosures and Strong Performance in Light of Continued Negative Press from Short Interest
>
> UNIONDALE, N.Y., May 08, 2024 (GLOBE NEWSWIRE) -- Arbor Realty Trust, Inc. (NYSE: ABR), on Friday, May 3, 2024, released its first-quarter earnings press release and filed its first-quarter Form 10-Q. As you may be aware, Arbor has been, and continues to be the subject of certain "reports" by short sellers, who frequently make statements that reflect their opinions based on certain select data. In light of the current environment and the continued elevated short interest in our company, we anticipate more of these short seller "reports" in the near future, which may also be featured in the press. In an effort to minimize any confusion in the marketplace or with our investors, and instead of responding to each article that cites these "reports," we want to reiterate that we stand by Arbor's detailed filings, audited financial statements and the comments made on our earnings call. Rather than relying on short seller "reports," or press articles, we encourage everyone to carefully review our comprehensive public statements and disclosures. Our materials detail Arbor's continued success in managing through a very challenging environment and demonstrates our ability to consistently outperform our peers. Please refer to the Investor Materials page of the Investor Relations section of our corporate website for charts on our performance.

Rewind. Play.

We reiterate our belief that Arbor is a donut. $0.00.

Our original report, published on November 16, 2023, together with subsequent notes, can be found here:

https://viceroyresearch.org/arbor-realty-research/

Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Arbor Realty Trust, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

About Viceroy

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The authors may continue transacting directly and/or indirectly in the securities of issuers covered on this report for an indefinite period and may be long, short, or neutral at any time hereafter regardless of their initial recommendation.

1. June 2024 CLO Surveillance

Arbor's CLO loans have predictably continued to deteriorate in June 2024.

- Over 40% of Arbor's book is delinquent and/or modified in 2024.
- Loans against 22 properties modified in 2024 are already delinquent again.

June 2024 Update	ARCLO 2021-FL1	ARCLO 2021-FL2	ARCLO 2021-FL3	ARCLO 2021-FL4	ARCLO 2022-FL1	ARCLO 2022-FL2	Total
Total # deals/properties	**37**	**31**	**61**	**93**	**66**	**45**	**333**
< 1 Month	5	1	8	6	6	2	**28**
30 Days	-	-	1	1	2	1	**5**
60 Days	-	-	-	-	1	-	**1**
90+ Days	2	-	1	8	1	1	**13**
Modifications total 2024 (#)	17	13	19	27	15	20	**111**
*Adjustment for double count**	*(1)*	-	*(7)*	*(10)*	*(1)*	*(3)*	***(22)***
Total delinquent & modified	**23**	**14**	**22**	**32**	**24**	**21**	**136**
Total deal balance	**499,314,712**	**680,706,324**	**1,201,239,999**	**1,804,989,818**	**1,755,838,966**	**1,050,299,999**	**6,992,389,819**
< 1 Month	28,420,215	17,900,000	109,345,000	161,443,000	71,079,785	34,000,000	**422,188,000**
30 Days	-	-	32,200,000	14,900,000	57,805,000	21,100,000	**126,005,000**
60 Days	-	-	-	-	32,500,000	-	**32,500,000**
90+ Days	10,802,131	-	12,412,600	34,500,000	6,759,965	22,575,000	**87,049,696**
Modified	236,350,036	300,785,718	369,515,000	534,563,535	557,828,000	548,376,530	**2,547,418,819**
*Adjustment for double count**	*(10,514,731)*	-	*(70,475,000)*	*(123,810,000)*	*(37,100,000)*	*(55,100,000)*	***(296,999,731)***
Total delinquent & modified	**265,057,651**	**318,685,718**	**452,997,600**	**621,596,535**	**688,872,750**	**570,951,530**	**2,918,161,784**

Figure 3 – Viceroy CLO analysis

The reported DSCR of Arbor's CLOs is between 0.56x and 0.63x, worsening every quarter (next trustee reported DSCR in July 2024).

Weighted avg NOI DSCR	ARCLO 2021-FL1	ARCLO 2021-FL2	ARCLO 2021-FL3	ARCLO 2021-FL4	ARCLO 2022-FL1	ARCLO 2022-FL2
Apr-2021	1.18x					
Jul-2021	1.54x	1.44x				
Oct-2021	1.30x	1.68x	1.47x			
Jan-2022	1.39x	1.55x	1.62x	1.39x	1.39x	
Apr-2022	1.33x	1.46x	1.53x	1.35x	1.34x	1.30x
Jul-2022	1.22x	1.42x	1.45x	1.22x	1.14x	1.10x
Oct-2022	1.01x	1.12x	1.35x	0.93x	0.88x	0.93x
Jan-2023	0.82x	0.76x	1.09x	0.72x	0.64x	0.76x
Apr-2023	0.91x	0.72x	0.90x	0.79x	0.82x	0.84x
Jul-2023	0.75x	0.67x	0.78x	0.68x	0.76x	0.78x
Oct-2023	0.66x	0.59x	0.64x	0.57x	0.62x	0.64x
Jan-2024	0.61x	0.61x	0.59x	0.61x	0.56x	0.60x
Apr-2024	**0.63x**	**0.59x**	**0.56x**	**0.57x**	**0.56x**	**0.61x**
q/q change	*3%*	*-3%*	*-4%*	*-6%*	*-1%*	*1%*

Figure 4 – Viceroy CLO analysis

The DSCR of modified loans is 0.41x. This analysis adjusts for a limited number of loans against multiple properties.

June 2024 Modified Loan Analysis	
Modified Loan NOI	127,377,716
Modified Loan Debt Service Amount	308,523,687
Modified Loan DSCR	**0.41**

Figure 5 – Viceroy CLO analysis

Viceroy note that modified loans appear to have received further modifications For instance: a comparison between May and June 2024 modifications show various “capitalization of interest” and “temporary rate reduction” modifications are now “Combination” modifications. **Loans are being modified in successive or near-successive months.**

Arbor Modification Analysis	May-24		Jun-24	
Modification Types	Count	Value	Count	Value
1: Maturity Date Extension	4	148,825,000	8	221,600,000
2: Amortization Change	0	-	0	-
3: Principal Write-Off	0	-	0	-
5: Temporary Rate Reduction	2	53,375,000	0	-
6: Capitalization on Interest	8	293,990,000	4	137,494,731
7: Capitalization on Taxes	0	-	0	-
8: Other	19	450,441,787	37	741,430,802
9: Combination	39	1,005,867,841	62	1,402,904,286
10: Forbearance	1	43,989,000	1	43,989,000

Figure 6 – Viceroy CLO analysis

As discussed in Section 2 below: Arbor has provided extremely favorable mezzanine financing to distressed clients to “rehabilitate” their loans.

The Provision

Despite the verifiable shit-show that is Arbor’s loan book: aggregate provision for impairments is a meager $50m across a ~$12b multifamily portfolio. This is less than 1%.

Loans Considered Impaired	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	q/q increase
MF Loans Impaired	-	-	36,377	90,070	272,493	352,223	*29%*
Carrying Value	-	-	36,202	87,995	260,291	338,772	*30%*
Allowance for Loss	-	-	5,000	17,750	37,750	50,500	*34%*

Figure 7 – Viceroy Analysis

In what we believe is an inevitable wave of defaults across Arbor’s books, we believe that Arbor will inevitably rely on recovery from collateral. There is no conceivable way that Arbor realizes the underlying value of the collateral in the event of mass default of almost exclusively loss-making clients at a discount to the 10-year rate.

These loans should be considered impaired, as they are non-recoverable.

Arbor can window-dress these loans in the short term, however it will never recover the value of these loans in time to meet obligations to its own creditors. **Note that Arbor holds the equity tranche of the CLOs which have no recovery value.**

We are not aware of a single street analyst tracking live Arbor’s live CLO data, which is a luxury rarely afforded in stock analysis. This is a disservice to their clients and has led to spoon-feeding of non-data from management.

2. The Nature of Modifications

In its Q1 2024 earnings call, Arbor CEO Ivan Kaufman claimed that "Fresh capital [is] brought to the table in every one of these deals". Naturally, Viceroy got to work diving into the terms of these modifications and the nature of these "fresh capital" injections. Obviously: they are pure garbage.

> With this philosophy in mind, we had a tremendous amount of success in the first quarter, working through a substantial amount of our delinquencies and modifying these loans by getting borrowers to bring a significant amount of fresh equity to the table and recapitalizing their deals. As a result, in the first quarter, we successfully modified 40 loans total of $1.9 billion, with fresh capital being brought to the table in every one of these deals. This includes cash to purchase the interest rate caps, fund interest rate and renovation reserves, bring any past due loans current and paid down balances where appropriate. In fact, borrowers injected approximately $45 million of new capital into these deals, with $1.65 billion of these loans purchasing new interest rate caps.

Figure 8 – Ivan Kaufman – Arbor Q1 2024 Conference Call

Viceroy reached out to syndicates with modified loans – both in and out of Arbor's CLOs – to request investment packs and details of investment opportunities available. The IR team of heavily distressed Elevate Commercial Investment Group immediately divulged the favorable terms in which Arbor recapitalized their loan(s).

Syndicators have explicitly confirmed that ***Arbor has kicked the can of delinquent loans at their own expense.***

Arbor has extended mezzanine financing to delinquent customers.

Last Dollar %	Capital Stack Going Forward		Viceroy Notes:
57%	Arbor A Loan	$32,000,000	Fixed at 6.0% rate. Secured by first deed of trust on the Property
64%	Rescue Loan	$3,865,000	18% rate per year. Second ranking security.
76%	Arbor B Loan	$6,277,340	"Interest fully accrued until sale". Third ranking security.
100%	Existing Equity	$13,511,995	
	Total	**$55,654,335**	

Figure 9 – Extract from "The Selena" forecast provided by Elevate & Viceroy notes

The Recrapitalization

In January 2024, The Real Deal reported that Elevate had defaulted on a $38m loan tied to the Selena[2].

Texas syndicator Elevate drives another Arbor foreclosure filing

Dallas-based firm defaulted on $38M tied to Houston apartments

Figure 10 – Texas syndicator Elevate drives another Arbor foreclosure filing

Prior to this, in July 2023, Elevate established a Real Estate Debt Fund.

> 1.1 Name. The name of the Company is MFCI Fund I LLC. The principal executive office of the Company is 10860 Switzer Ave, #114, Dallas, TX 75238, unless changed by the Managing Member, in its sole and absolute discretion, with written notice given to the Member(s) of such change.

> WHEREAS, the Company was formed as a limited liability company under the Delaware Limited Liability Company Act, as amended (the "Act"), by the filing of the articles of organization with the Delaware Secretary of State on July 28, 2023, 2023 (the "Certificate");

Figures 11 & 12 – Extracts from MFCI Fund Execution Docs

[2] https://therealdeal.com/texas/houston/2024/01/25/texas-syndicator-elevate-drives-another-arbor-foreclosure/

We presumed the purpose of this fund was a ponzi-esque scheme whereby the MFCI Debt Fund syndicate would buy out Arbor's bridge loan, as opposed to constantly capital calling investors of their existing equity-syndicate to meet working capital requirements. We were half right:

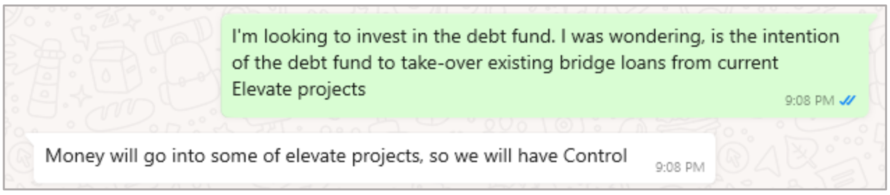

Figure 13 – Viceroy discussion with Elevate's IR team

Mina Roufail, an Elevate PR representative, then elaborated on what "money will go into some of Elevate's projects so we will have control" meant:

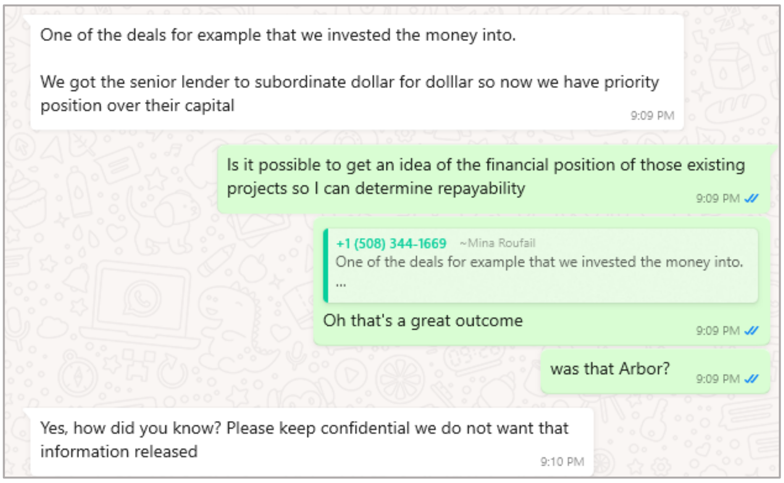

Figure 14 – Viceroy discussion with Elevate's IR team

Elevate's debt fund invested money into the Selena and "got [Arbor] to subordinate dollar for dollar so [Elevate] now have a priority position over their capital". Elevate's IR subsequently sent Viceroy The Selena's forecast model, which shows the capital stack as follows:

Last Dollar %	Capital Stack Going Forward		Viceroy Notes:
57%	Arbor A Loan	$32,000,000	Fixed at 6.0% rate. Secured by first deed of trust on the Property
64%	Rescue Loan	$3,865,000	18% rate per year. Second ranking security.
76%	Arbor B Loan	$6,277,340	"Interest fully accrued until sale". Third ranking security.
100%	Existing Equity	$13,511,995	
	Total	**$55,654,335**	
			Viceroy Notes:
	Arbor Principal	$36,377,340	"A Note" plus mezz financing (?)
	Past Due Amount	$1,900,000	
	Total Due to Arbor	**$38,277,340**	
	Arbor - A Note	$32,000,000	
	Arbor - B Note	$6,277,340	$1.9m "Past Due Amount", plus balance of "Principal beyond "A Note".
	Total Due to Arbor	**$38,277,340**	

Figure 15 – Extract from "The Selena" forecast provided by Elevate & Viceroy notes

The recapitalization was constructed as follows:

- The Selena property defaulted on a $38.3m loan due to Arbor, including $1.9m of outstanding interest.
- Arbor recapitalized this loan in 2 tranches:
  - Arbor A-Loan – $32m first-ranking note secured by deed of trust on Property. Fixed at 6% rate without rate cap. This is a ~300bps discount Arbor's book.

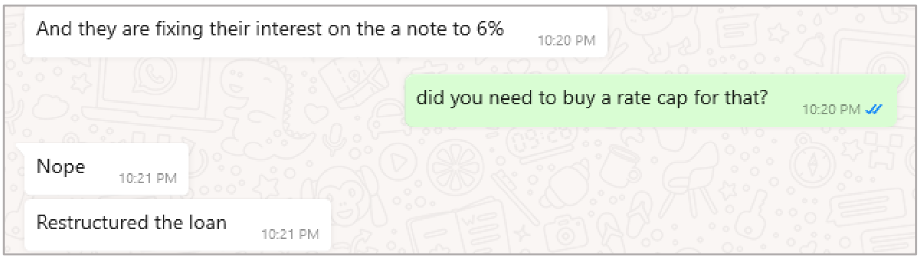

Figure 16 – Viceroy discussion with Elevate's IR team

  - Arbor B-Loan – $6.3m third-ranking note. This note appears to consolidate $1.9m in overdue interest and $4.4m in mezz financing. Interest accruing until sale.
- The Elevate Real Estate Debt Fund invested $3.9m in The Selena in the form of second-ranking "rescue loan" incurring 18% interest.
  - This working capital "rescue loan" appears to be covering the Arbor A Loan interest expenses, which far exceed the property's NOI.

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*Arbor has **subordinated** $1.9m in overdue interest and $4.4m in mezzanine financing against The Selena in favor of an 18% "rescue loan" originated by Elevate's GPs.*

The Recoverability

Viceroy does not believe the Arbor A Note is recoverable, let alone the second-ranking "rescue loan" and the third-ranking Arbor B Note. We calculate The Selena's blue-sky LTV at 148%.

LTV Analysis - Viceroy Research	
Arbor A loan	$32,000,000
Rescue loan	$3,865,000
Arbor B loan	$6,277,340
Total debt	**$42,142,340**
Most recent value (Arbor CLO)	$40,980,000
LTV (valuation)	103%
Revenue (Dec 2023)	$3,743,590
Opex (Dec 2023)	$3,208,698
NOI	**$534,891**
Impied cap rate	**1.31%**
Occupancy (Dec 2023)	78.48%
Blue-sky revenue	$4,770,119
Opex (Dec 2023)	$3,208,698
Blue-sky NOI	**$1,561,421**
Blue-sky cap-rate	5.50%
Viceroy blue-sky valuation	$28,389,475
Viceroy blue-sky LTV	**148%**

Figure 17 – Viceroy Analysis of The Selena LTV

As of most recent available figures from December 2023, The Selena reported:

- $534k Net Operating Income (NOI)
- 78% Occupancy Rate
- $40.98m valuation
- 1.3% implied cap rate
- 0.16x DSCR

These are garbage numbers even by the standard of Arbor's CLO. Viceroy's blue-sky analysis generously (unrealistically) assumes:

- A 100% occupancy rate and corresponding increase in revenue.
- Fixed operating expenses.
- NOI uplift of ~200%.
- A cap rate of 5.5%, representing best-in-class assets in the current market.

Even with these generous assumptions, Arbor would not break even on its $32m loan when The Selena inevitably collapses.

Even if Arbor does fully recover its "A Loan", its "B Note" is subordinated to an 18% interest rate "rescue loan" from the Elevate GP's new syndicate and is not recoverable.

The Capital Call Letters

Other parties have sent Viceroy documents outlining the terms offered by Arbor to other distressed borrowers who require loan modifications.

One syndicate project requested a further $11.7m from its LPs (we understand that they did not meet this figure).

> considered represented a viable solution for [redacted] Accordingly, after weeks of negotiations with our lender, a favorable compromise was achieved, which will grant us the time we need to increase the property's value while ensuring sufficient cash flow for operations. In that respect, the property will require a capital infusion from investors to preserve the investment and ensure operations remain unaffected for the next 36 months. The required funding amounts to **$11,700,000** to be raised from all investors.

Figure 18 – Extract – GP request for additional capital contribution

The GP claims that Arbor have agreed to waive all debt covenant testing and agreed to a ***PIK accrual 1.75% of the debt service payments to the next capital event***.

> lender, further demonstrating the upwards potential of the asset. To remain in good standing under our loan agreement, we will be purchasing a new rate cap with a 1.50% strike rate. This will fix our interest rate on the loan at 5.45% (3.95 + 1.50). In exchange, the lender has agreed to accrue 1.75% of the debt service payments to the next capital event (sale, refinancing etc.), in addition to waiving all debt covenant testing and loan extension fees, thus providing us with a three-year extension until December 2026.

Figure 19 – Extract – GP request for additional capital contribution

This suggests that despite purchasing a 2% rate cap, the project would *still be cashflow negative*, only becoming positive when ABR allows the PIK accrual of interest to the "next capital event".

Working with our lender for the best possible solution. Purchasing a one-year interest rate cap with a 1.50% strike brings our interest rate to 5.45%. With the lender agreeing to accrue 1.75%, our actual debt service payments will amount to 3.70% fixed. This will have a large impact on the property's operations, allowing it to cash flow positively during Q2 of 2024.

Figure 20 – Extract – GP request for additional capital contribution

We point out the following:

- Modified investors appear to have been effectively loan sharked into loan modifications.
- Modifications, even with expensive, extreme rate caps, will not bring projects into operational break-even DSCRs of >1.
- There remains little cash available to rehabilitate the properties which serve as collateral to Arbor's loans and are valued at 3.8% cap rates.
- A compounding accrual of interest will further encumber LPs, who are already driving non-performing projects.

This process of drawing out failures is exactly the definition of kicking the can. At some stage, someone must bite the bullet:

Ivan Kaufman
Founder, Chairman & Chief Executive Officer, Arbor Realty Trust, Inc.

A

I mean, generally not, generally by the time we foreclose the thing has been pre-baked and pre-done in those sense. You really get to see assets that haven't had the right management. And that's why it's so important to us when an asset isn't performing to not just kick the can down the road because your asset will deteriorate, but to really accelerate either a change in management or a change in ownership.

Figure 21 – Arbor Q4 2023 Conference Call Extract

3. The Fraud

In December 2023, Arbor committed to a $24m investment in AWC Real Estate Opportunity Partners I LP.

AWC Real Estate Opportunity Partners I LP ("AWC"). In the fourth quarter of 2023, we committed to a $24.0 million investment (of which $13.0 million was funded at December 31, 2023) for an initial 99% noncontrolling interest in a fund whose objective is to make investments in sustainable affordable housing structures, with the intention to bring in additional partners. In addition, we entered into an agreement with the general partner to provide a loan, up to a maximum of $0.9 million, to fund a portion of their equity contributions. In the fourth quarter of 2023, this fund purchased our equity interest in North Vermont Avenue (described below) at a discount for $1.3 million, which was recorded as a reduction to our investment in AWC. The remaining capital contribution was used to fund additional qualified purchases.

Figure 22 – Arbor 2023 Annual Report extract

Arbor controls 99% of the "initial" "non-controlling" interest and funded the GP's contribution via a loan up to $0.9m. The GP of this project is Arbor's former Vice President of Originations, Austin Walker:

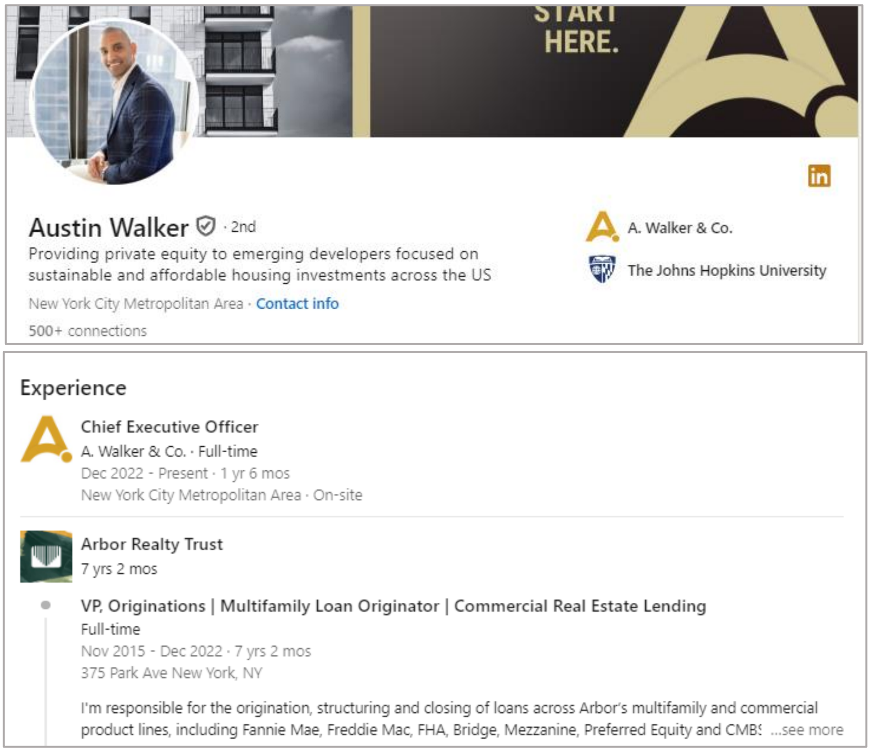


Figure 23 – Austin Walker LinkedIn extract[3]

A. Walker & Co. (**AWC**) announced their launch with Arbor in October 2023, citing the $24m institutional investment from Arbor and a transaction pipeline even at the early stage of $64m, despite Arbor being the only investor.

A. Walker & Co. →
Oct 05, 2023, 10:00 ET

The vehicle will target equity investments into primarily small- and middle-market multifamily and affordable housing transactions via joint ventures with emerging operators nationally.

NEW YORK, Oct. 5, 2023 /PRNewswire/ -- A. Walker & Co., a minority-owned and operated, institutionally-backed investment manager, is proud to announce the launch of its inaugural vehicle, A. Walker & Co. Real Estate Opportunity Partners I, LP ("REOP I"). The vehicle launched with a $24 million capital commitment from an institutional investor. As of today, REOP I has deployed $2.282 million into two transactions located in Los Angeles, CA and New Port Richey, FL. REOP I has a pipeline of approximately $64 million in transactions under active review for potential investment; they consist of 14 properties totaling 2,381 units and a total capitalization of $937 million.

Figure 24 – Austin Walker LinkedIn extract[4]

[3] https://www.linkedin.com/in/austinwalker16/
[4] https://www.prnewswire.com/news-releases/a-walker--co-launches-new-joint-venture-equity-investment-vehicle-301948294.html

AWC shares an office with Arbor's New York main office.

2. Principal Place of Business and Contact Information

Name of Issuer			
AWC Real Estate Opportunity Partners I LP			
Street Address 1		Street Address 2	
375 PARK AVENUE, SUITE 3000			
City	State/Province/Country	ZIP/Postal Code	Phone No. of Issue
NEW YORK	NEW YORK	10152	646-963-6366

3. Related Persons

Last Name	First Name	Middle Name
A. Walker & Co GP, LLC	General Partner	
Street Address 1	Street Address 2	
375 Park Avenue, Suite 3000		
City	State/Province/Country	ZIP/Postal Code
New York	NEW YORK	10152

General: 800.Arbor.10 | Financing: 833.5

ARBOR

New York

375 Park Avenue, Suite 3000
New York, NY 10152
800.ARBOR.10

Figures 25 & 26 – AWC Company Extact & Arbor Realty website extract

AWC, through a Delaware shell company, bought a Houston Multifamily Portfolio, **Westchase Houston**, with a further $95.25m "loan" from Arbor Realty.

DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING

THIS **DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING** (this "**Deed of Trust**") is made as of April 2, 2024 by **WESTCHASE HOUSTON PROPERTY OWNER LLC**, a Delaware limited liability company ("**Vista Grantor**"), **SA GRAND PROPERTY OWNER LLC**, a Delaware limited liability company ("**Grand Grantor**"), **SA ESTATES PROPERTY OWNER LLC**, a Delaware limited liability company ("**Estates Grantor**"), and **SA PRESERVE PROPERTY OWNER LLC**, a Delaware limited liability company ("**Preserve Grantor**"; and together with Vista Grantor, Grand Grantor, and Estates Grantor, collectively, jointly and severally, and individually, as the context may require, "**Grantor**"), each having an address at c/o The Grados Law Firm PLLC, 5 Castle Road, Irvington, New York 10533, to **ROBERT D. ROYSE, ESQ.**, a natural person (together with his successors hereunder, collectively "**Trustee**"), having an address 2001 Bryan Street, Ste. 4000, Dallas, Texas 75201, for the benefit of **ARBOR REALTY SR, INC.**, a Maryland corporation (together with its successors and assigns, collectively, "**Beneficiary**"), having an address at 333 Earle Ovington Boulevard, Suite 900, Uniondale, New York 11553.

WHEREAS, Grantor and Beneficiary are entering into that certain Loan Agreement, dated as of even date herewith (as amended, supplemented or modified from time to time, the "**Loan Agreement**"), pursuant to which Beneficiary will make a loan (the "**Loan**") to Grantor in the maximum principal amount of $95,250,000.00. The Loan also will be evidenced by that certain Promissory Note, dated as of even date herewith, made by Grantor to the order of Beneficiary in the original principal amount of $95,250,000.00 (as amended, consolidated, supplemented or modified from time to time, the "**Note**"), together with interest as therein provided and having a maturity date of April 1, 2027, subject to extension as set forth in Section 2.06 of the Loan Agreement; and

GRANTOR: WESTCHASE HOUSTON PROPERTY OWNER LLC,
a Delaware limited liability company

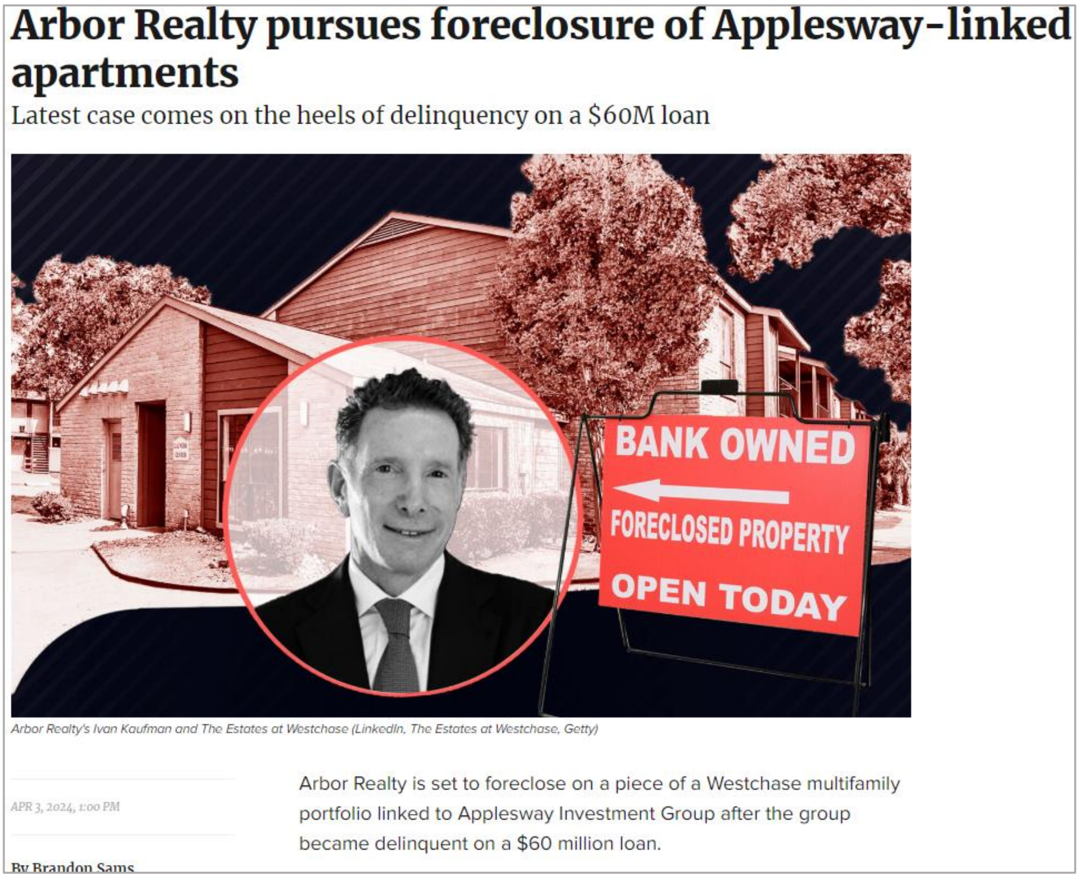
By: Westchase Holdings LLC,
a Delaware limited liability company,
its Managing Member

By: AWC Westchase LLC,
a Delaware limited liability company
its Managing Member

By: ______________________
Name: Austin Walker
Title: Authorized Signatory

Figure 27 – Westchase Deed Extract

Arbor foreclosed on the Westchase portfolio, representing one of the largest failures in Jay Gajavelli's Applesway Group.



Arbor Realty pursues foreclosure of Applesway-linked apartments

Latest case comes on the heels of delinquency on a $60M loan

Arbor Realty's Ivan Kaufman and The Estates at Westchase (LinkedIn, The Estates at Westchase, Getty)

APR 3, 2024, 1:00 PM

By Brandon Sams

Arbor Realty is set to foreclose on a piece of a Westchase multifamily portfolio linked to Applesway Investment Group after the group became delinquent on a $60 million loan.

Figure 28 – Arbor Realty pursues foreclosure of Applesway-linked apartments[5]

This is FRAUD

- Arbor financed 99% of the "non-controlling interest" equity of an off-balance sheet entity run by a former VP of Arbor.
- The off-balance sheet entity acquires foreclosed Arbor properties at an apparent premium.
- **The purchase of the foreclosed properties is financed by an Arbor bridge loan**, supplementary to the off-balance sheet entity's deposit, also financed by Arbor. **Arbor does not disclose related party transactions of this nature** (the related party being itself).
- By financing the sale of foreclosed properties, financed by Arbor, to off-balance sheet entities: **Arbor does not recognize losses on these foreclosures**.
- These transactions allow Arbor to feign arm's-length transactions with off-balance sheet entities without disclosing conflicts of interest.
- **Arbor has fraudulently overstated the value of its loan book through undisclosed, off-balance sheet, related party transactions.**
- Approximately half of Arbor's Q1 2024 loan originations were to itself, to buy foreclosed properties.

Viceroy found this example entirely by chance. There is no way to scan for this well-thought-out, intentional fraud. Now we know where to look, we believe we will find more.

[5] https://therealdeal.com/texas/houston/2024/04/03/arbor-realty-to-foreclose-on-more-applesway-apartments-in-houston/

4. The Counterparty Investigations

Viceroy's unanswered inquiries to Arbor and the sell-side about its commercial ties to BBG & Meridian have been answered thanks to vetted whistleblowers and confirmed by multiple industry sources.

The Appraiser Ban

On May 24, 2024 The Real Deal reported **that Freddie Mac will no longer accept new loans involving appraisal firm BBG as it conducts an internal investigation into mortgage fraud,** particularly **implicating New York managing director Jon DiPietra.**

Freddie Mac places appraiser BBG under review

Agency is rejecting appraisals or valuations involving Jon DiPietra, amid agency's widening investigation into mortgage fraud

Freddie Mac has temporarily stopped accepting new loans with valuations or appraisals from one of the biggest appraisal firms amid the agency's widening investigation into mortgage fraud.

Freddie has put Dallas-based BBG under an internal review this week.

The agency also said it will not deal with any appraisals or valuations in which Jon DiPietra, a managing director of BBG's New York office, was involved in any capacity. DiPietra is on Freddie's "restricted vendor" list, which is essentially Freddie's blacklist.

Figure 29 – Freddie Mac places appraiser BBG under review[6]

Viceroy's sources disclosed that Fannie Mae is running a parallel investigation into the conduct of BBG, with particular focus on Jon DiPietra. **Substantially all of these loans were underwritten and/or originated by Arbor.**

We understand that **the combined value of Arbor's loans under investigation in relation to BBG is ~$800m,** and surprisingly, do not count New York in their main geographical make-up.

We note that **defrauding either Freddie and Fannie have severe consequences for the originators, underwriters and/or appraisers, however the loss-sharing contingency form Fannie is much more severe. Arbor falls within the latter category.**

In the last few quarters, Arbor has moved away from Fannie loans and into Freddie loans, breaking away from a longstanding historical trend. **We understand Fannie has significantly increased diligence on deals involving BBG and/or Arbor**, and that Arbor's quality control review process is no longer taken for granted.

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Agency Business		
Origination Volumes by Investor:		
Fannie Mae	$ 458,429	$ 795,021
Freddie Mac	370,102	101,332
Private Label	15,410	41,107
SFR - Fixed Rate	2,318	5,461
FHA	—	148,940
Total	$ 846,259	$ 1,091,861
Total Loan Commitment Volume	$ 934,243	$ 1,500,110

Figure 30 – Arbor Q1 2024 10-Q

These reviews may result in loan repurchase demands, make-whole payment demands, or other alternative remedies which are not subject to relief[7].

[6] The Real Deal - Freddie Mac places appraiser BBG under review
[7] Fannie Mae Selling Guide

The Meridian Relationship

In November 2023, The Real Deal reported that Meridian Capital was banned from working on Freddie deals as Freddie investigated fraudulent loans.

COMMERCIAL NEW YORK

Meridian Capital under investigation by Freddie Mac

Ralph Herzka's brokerage suspended from working on Freddie deals

Tzadik's allegations come to light as Fannie Mae's brother organization, Freddie Mac, halted its dealings with Meridian Capital Group stemming from an investigation into the brokerage. The news sent shockwaves throughout the industry, as Meridian is one of the country's largest commercial mortgage brokerages and Freddie Mac is a huge source of loans for the multifamily industry.

Meridian had a close financing relationship with Arbor Realty along with Capital One and Greystone, according to Commercial Mortgage Alert.

Figure 31 – Meridian Capital under investigation by Freddie Mac[8]

Meridian's claws presumably extend to the vast depths of agency lenders, however it is widely known and reported that Meridian has a close financing relationship with Arbor Realty. Asked whether Arbor could reveal their exposure to Meridian deals at Freddie, Ivan Kaufman (typically) refused to answer the question.

Crispin Love Q
Analyst, Piper Sandler & Co.

Okay. And then just one last question from me kind of later in the year, there was a bunch of articles about potential fraud and the broker Meridian. Can you size any exposure that you have there to Meridian and any ramifications you would expect from that?

Ivan Kaufman A
Founder, Chairman & Chief Executive Officer, Arbor Realty Trust, Inc.

Yeah. We really can't speak to that. And clearly, what we can speak to is that, the industry is changing and that the protocol interaction for agency lending is being modified dramatically. Brokers were very involved with borrowers, creating source documents and then forwarding it to lenders that obviously resulted in a problem and the agencies are now changing how source documents and the broker roles and disclosures. Quite frankly, we never fully understood, on an agency product why people would go to a broker, pay a fee to get to us when they come directly to us and get the same results. So we think that there's going to be a real benefit in our franchise for borrowers to come directly to us rather than for a broker. And we think that our business is going – the agency business should be a very big beneficiary of that change.

Figure 32 – Arbor 2023 Q4 earnings call

We understand that Arbor is exposed to both Fannie and Freddie investigations relating to Meridian.

A positive ongoing relationship with Fannie and Freddie is key for Arbor's "two bites at the apple" strategy, and we believe that these will provide yet another headwind to Arbor's value-destructive wind-down. Potentially unable to offload its loans to agency lenders, Arbor will be forced to deal with the fallout of its loose lending practices.

[8] The Real Deal - Meridian Capital under investigation by Freddie Mac

5. Management's Claims & Analysis of Q1 2024 Financials

Arbor's borrowers are almost exclusively distressed due to Arbor's growth

Arbor's interest income has growth ~6x since 2018 due to:

- An 8x growth[9] of Arbor's structured book, during 2020 to mid-2022 0% rate environments.
- A ~2x growth in effective interest rates on loans issued due to 530bps swing of underlying SOFR from mid-2022.

Arbor Realty Trust - Analysis	2018	2019	2020	2021	2022	2023	Q1 2024
Interest Income - Structural Business	227	290	306	427	904	1,279	1,232
Structured book	3,255	4,114	5,250	8,244	14,964	14,441	13,543
** Annualized Q1 2024*							

Figure 33 – Viceroy Analysis

While a 530bps increase in SOFR provided an excellent boost to Arbor's almost exclusively floating-rate bridge loan book, it concurrently made almost every single loan in Arbor's book unaffordable to the borrowers. The underlying DSCR of Arbor's CLOs is now significantly below 0.6x and represents a majority of Arbor's book.

Weighted avg NOI DSCR	ARCLO 2021-FL1	ARCLO 2021-FL2	ARCLO 2021-FL3	ARCLO 2021-FL4	ARCLO 2022-FL1	ARCLO 2022-FL2
Apr-2021	1.18x					
Jul-2021	1.54x	1.44x				
Oct-2021	1.30x	1.68x	1.47x			
Jan-2022	1.39x	1.55x	1.62x	1.39x	1.39x	
Apr-2022	1.33x	1.46x	1.53x	1.35x	1.34x	1.30x
Jul-2022	1.22x	1.42x	1.45x	1.22x	1.14x	1.10x
Oct-2022	1.01x	1.12x	1.35x	0.93x	0.88x	0.93x
Jan-2023	0.82x	0.76x	1.09x	0.72x	0.64x	0.76x
Apr-2023	0.91x	0.72x	0.90x	0.79x	0.82x	0.84x
Jul-2023	0.75x	0.67x	0.78x	0.68x	0.76x	0.78x
Oct-2023	0.66x	0.59x	0.64x	0.57x	0.62x	0.64x
Jan-2024	0.61x	0.61x	0.59x	0.61x	0.56x	0.60x
Apr-2024	**0.63x**	**0.59x**	**0.56x**	**0.57x**	**0.56x**	**0.61x**
q/q change	*3%*	*-3%*	*-4%*	*-6%*	*-1%*	*1%*

Figure 34 – Viceroy Analysis

The result of Arbor's almost-exclusively unprofitable underlying projects is that borrowers are falling into delinquencies and require uncommercial (to Arbor and/or borrower) loan modifications en-masse.

June 2024 Update	ARCLO 2021-FL1	ARCLO 2021-FL2	ARCLO 2021-FL3	ARCLO 2021-FL4	ARCLO 2022-FL1	ARCLO 2022-FL2	Total
Total deal balance	**499,314,712**	**680,706,324**	**1,201,239,999**	**1,804,989,818**	**1,755,838,966**	**1,050,299,999**	**6,992,389,819**
< 1 Month	28,420,215	17,900,000	109,345,000	161,443,000	71,079,785	34,000,000	**422,188,000**
30 Days	-	-	32,200,000	14,900,000	57,805,000	21,100,000	**126,005,000**
60 Days	-	-	-	-	32,500,000	-	**32,500,000**
90+ Days	10,802,131	-	12,412,600	34,500,000	6,759,965	22,575,000	**87,049,696**
Modified	236,350,036	300,785,718	369,515,000	534,563,535	557,828,000	548,376,530	**2,547,418,819**
*Adjustment for double count**	*(10,514,731)*	-	*(70,475,000)*	*(123,810,000)*	*(37,100,000)*	*(55,100,000)*	***(296,999,731)***
Total delinquent & modified	**265,057,651**	**318,685,718**	**452,997,600**	**621,596,535**	**688,872,750**	**570,951,530**	**2,918,161,784**
** Double count adjustment for loans both modified and delinquent. This adjustment was not conducted in previous reports.*							

Figure 35 – Viceroy Analysis

[9] At its peak in Q3 2022

Distressed Equity Injections & the Mezz / Pref business

Arbor boldly claims that it required its (effectively bankrupt, functionally insolvent) borrowers to put up equity against "every single one" of Arbor's $1.9b of loan modifications in Q1 2024, an amount equal to $45m.

> due loans current and paid down balances where appropriate. In fact, borrowers injected approximately $45 million of new capital into these deals, with $1.65 billion of these loans purchasing new interest rate caps.

Figure 36 – Arbor Q1 2024 Conference Call Extract

In Section 2 we have already thoroughly debunked the myth that these borrowers have excess capital. Instead, substantial portions of this equity investment appear to be mezzanine/preferred equity financing from Arbor.

Note that historically insignificant mezzanine/preferred equity originations boomed as rates skyrocketed and borrowers became distressed.

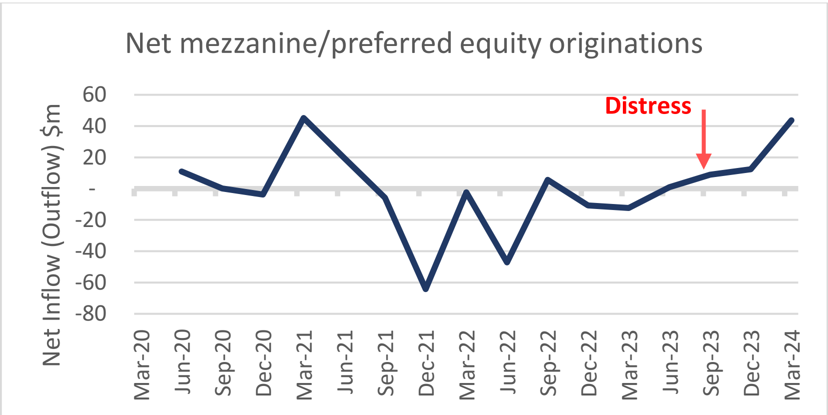


Figure 37 – Net mezzanine/preferred equity originations

Viceroy never bought the story that Arbor's mezzanine/preferred equity finance division originated $45m of new business in Q1 2024: the exact same amount of equity Arbor claims distressed tenants put forward to modify their loans.

	Three Months Ended March 31,	
	2024	2023
Origination Data:		
Structured Business		
Bridge:		
Multifamily	$ 39,235	$ 186,100
SFR	171,490	76,089
	210,725	262,189
Mezzanine / Preferred Equity	45,129	5,845
Total New Loan Originations	$ 255,854	$ 268,034

Figure 38 – Arbor Q1 2024 10-Q

On May 7, 2024, Viceroy reached out to Arbor CFO Paul Elenio to clarify and answer our questions:

> We intend to publish an article on Arbor to this effect. We request your answer to the following questions:
>
> Mr Kaufman claims that $45m of new capital was injected into Arbor, into "every single one" of the $1.9b in modified deals.
>
> 1. How much capital did Arbor inject into the same deals?
> 2. Viceroy have obtained financial statements for various modified entities which indicate they can neither afford nor have they injected any equity into these deals. How can this coexist with Mr Kaufmann's statement?
> 3. Is there any reason why borrowers would have advised Viceroy that they were advanced pref/mezz financing by Arbor in order to "rehabilitate" existing loans?
> 4. Has Arbor issued Mezz/Pref financing to existing borrowers? If yes: were any of these borrowers delinquent >0 days?
> 5. How do these equity injections into projects reflect on borrowers' accounts?

Figure 39 – Viceroy email to Paul Elenio – 7 May 2024

These are not trick questions, nor are they vague. We note the following:

- **Viceroy has access to financial data of every single entity in the Arbor CLO**, and has made endeavors, where possible, to obtain more complete accounts.
  - **The average DSCR of these borrowers is <0.6x**, and there are less than a handful of borrowers breaking even. How have these distressed borrowers fronted $45m of fresh equity into these projects?
- Arbor has claimed that it has required its borrowers to purchase rate caps with equity infusions against $1.65b of modified loans.
  - We have priced rate caps of 2% (which we do not think would even bring these projects into breakeven DSCR), at over 300bps over one year via Chatham.
  - Why did Arbor not insist that this equity was used to pay down loans?
  - We note that Arbor modified The Selena’s loan to a fixed rate of 6% without any rate caps, effectively at its own expense.
- **Viceroy has been monitoring reserve balances of every loan in Arbor’s CLO**.
  - We note that **the reserve accounts of modified loans at mid-June 2024 amounted to $79m, down from $102m at the start of the year**.

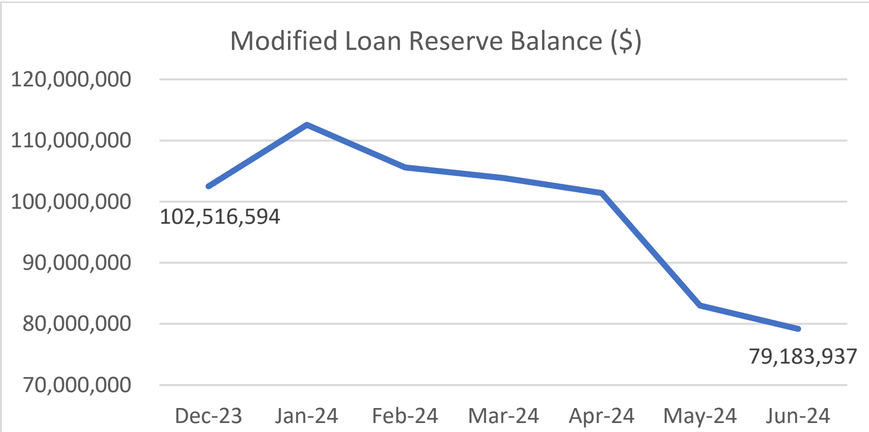


Figure 40 – Viceroy Analysis

Neither Arbor nor their management team responded to our questions.

The day after our email to Paul Elenio, Arbor published a press release to get ahead of their own negative press, claiming that we make opinions based on certain select data (which is true, and it is much more data than Arbor provides to investors).

Arbor Realty Trust Points to its Public Disclosures and Strong Performance in Light of Continued Negative Press from Short Interest

UNIONDALE, N.Y., May 08, 2024 (GLOBE NEWSWIRE) -- Arbor Realty Trust, Inc. (NYSE: ABR), on Friday, May 3, 2024, released its first-quarter earnings press release and filed its first-quarter Form 10-Q. As you may be aware, Arbor has been, and continues to be the subject of certain “reports” by short sellers, who frequently make statements that reflect their opinions based on certain select data. In light of the current environment and the continued elevated short interest in our company, we anticipate more of these short seller “reports” in the near future, which may also be featured in the press. In an effort to minimize any confusion in the marketplace or with our investors, and instead of responding to each article that cites these “reports,” we want to reiterate that we stand by Arbor’s detailed filings, audited financial statements and the comments made on our earnings call. Rather than relying on short seller “reports,” or press articles, we encourage everyone to carefully review our comprehensive public statements and disclosures. Our materials detail Arbor's continued success in managing through a very challenging environment and demonstrates our ability to consistently outperform our peers. Please refer to the Investor Materials page of the Investor Relations section of our corporate website for charts on our performance.

Figure 41 – Arbor Press Release, May 8, 2024

Arbor then bizarrely stated that it should not be a target of skepticism or criticism because they have succeeded in a “very challenging environment” and “consistently outperform peers”. These are red flags (obviously).

Other Assets

Arbor's ballooning "Other Assets" is another mystery box line item which has almost doubled in the past year.

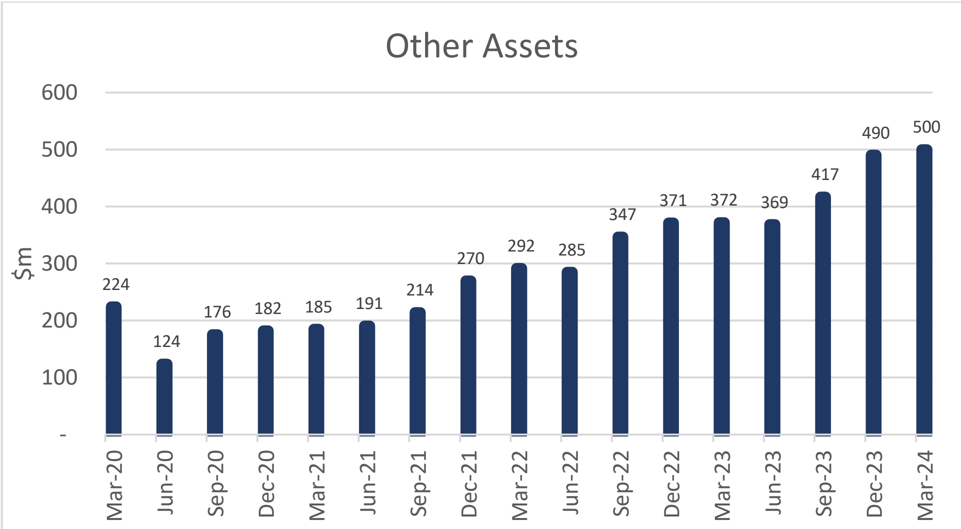


Figure 42 – Viceroy Analysis

Many have questioned management regarding the contents of this working capital account, and many have failed to provide a response beyond: "there's a lot of things netted in there". This is management-speak for "I don't want to tell you".

Jade Rahmani

Okay. Turning to cash flow performance. I understand that when we look at the cash flow statement, there's timing of loan originations for Fannie and Freddie and then the loan sales, which take place 30 to 60 days after that. So adjusting for that, were there any items that drove negative working capital? There is a category called other assets and liabilities, that working capital account. I think in the quarter was negative $200 million, which doesn't usually occur. I wanted to see if you could provide any color on that.

Paul Elenio

Yes. I have to look at what items you're talking about, a lot of things get netted into the cash flow. I'll take a look at the details, Jade, and I can call you after because there's a lot of things netted in there. But the cash flows were, I think, pretty stable compared to last quarter, but I'll get back to you on that item.

Jade Rahmani

Okay. But just overall, your feeling about cash flow performance is that it remains strong and steady. Is that how you would characterize it?

Figure 43 – Arbor Q1 2024 Conference Call Extract

We know the following:

- Other assets comprise at least $131m of PIK accruals. Arbor do not disclose which projects these relate to.

At March 31, 2024 and December 31, 2023, accrued interest receivable related to our loans totaling $131.0 million and $124.2 million, respectively, was excluded from the estimate of credit losses and is included in other assets on the consolidated balance sheets.

Figure 44 – Arbor Q1 2024 10-Q extract

- These PIK assets are accruing at ~$6m a quarter or annualized at $24m a year. Given the nature of the terms Arbor has extended to its borrowers: the quantum of loans supporting these PIK accruals could be enormous. Investors should immediately seek guidance on how many loans Arbor has moved into PIK.
- As for the remainder of this apparently working capital account: we know very little, and therefore sent a list of questions to management to demystify this account. You know the rest.

Arbor records an ever-increasing "other assets" line item, which consists of ~$120m due from related parties.

6. Can you explain dramatic fluctuations in amounts due from related parties.
7. What assets make up the remaining ~$400m of other assets?
8. Is there any reason why borrowers would indicate to Viceroy that these amounts likely include PIK (payment in-kind), including accrued interest?

Figure 45 – Viceroy email to Paul Elenio – 7 May 2024

P&L Impact

Let us end the uneducated delusion that Arbor's financials have not yet seen the impact of distress. Arbor's earnings quality, effective interest income, and its interest coverage metrics have suffered drastically since mid 2022.

To put it plainly: Arbor is highly levered. It borrows money to lend money. It receives interest income against dollars let and pays interest expenses on the dollars borrowed.

Arbor has granted concessions to its floating-rate borrowers resulting in interest income spread against SOFR in Q1 2024 falling 33% against 2020-2021 glory-days.

This would not be a problem if Arbor did not have floating rate debt, but it does. Conversely: Arbor's interest spread to SOFR has sharply ***increased***.

Viceroy Analysis Arbor Realty Trust	2020 Q1	Q2	Q3	Q4	2021 Q1	Q2	Q3	Q4
SOFR EOP (%)	***0.01%***	***0.10%***	***0.08%***	***0.09%***	***0.01%***	***0.05%***	***0.05%***	***0.05%***
Interest Income - Structural Business	314	297	302	311	333	386	459	530
Structured book	5,022	5,187	5,331	5,457	6,176	6,992	8,574	11,174
Effective Interest	**6.25%**	**5.73%**	**5.66%**	**5.69%**	**5.39%**	**5.52%**	**5.35%**	**4.75%**
Spread (bps) - interest inflow	**624**	**563**	**558**	**560**	**538**	**547**	**530**	**470**
Interest Expense	200	165	152	160	169	186	222	272
Interest bearing liabilities	5,357	4,818	5,036	5,825	6,103	6,748	9,618	12,057
Effective Interest	**3.73%**	**3.43%**	**3.01%**	**2.75%**	**2.76%**	**2.75%**	**2.31%**	**2.25%**
Spread (bps) - interest outflow	**372**	**333**	**293**	**266**	**275**	**270**	**226**	**220**

...

Viceroy Analysis Arbor Realty Trust	2022 Q1	Q2	Q3	Q4	2023 Q1	Q2	Q3	Q4	2024 Q1
SOFR EOP (%)	***0.30%***	***1.50%***	***3.00%***	***4.30%***	***4.80%***	***5.10%***	***5.30%***	***5.30%***	***5.30%***
Interest Income - Structural Business	625	768	998	1,223	1,270	1,288	1,291	1,269	1,232
Structured book	13,781	15,405	16,011	14,638	15,017	14,577	14,249	13,934	13,543
Effective Interest	**4.54%**	**4.99%**	**6.23%**	**8.36%**	**8.45%**	**8.84%**	**9.06%**	**9.10%**	**9.09%**
Spread (bps) - interest inflow	**424**	**349**	**323**	**406**	**365**	**374**	**376**	**380**	**379**
Interest Expense	330	428	642	830	877	909	917	910	871
Interest bearing liabilities	13,089	14,206	14,378	13,501	12,994	12,504	12,155	11,934	11,368
Effective Interest	**2.52%**	**3.01%**	**4.46%**	**6.15%**	**6.75%**	**7.27%**	**7.54%**	**7.62%**	**7.66%**
Spread (bps) - interest outflow	**222**	**151**	**146**	**185**	**195**	**217**	**224**	**232**	**236**

Figures 46 & 47 – Viceroy Analysis[10]*

This suggests that:

- Arbor has made significant concessions to its tenants in a rising rate environment. We know Arbor's tenants have ***not*** become more creditworthy, thus these spread concessions appear to be relief.
- Arbor's cost of debt has increased, suggesting its own creditors see Arbor as less creditworthy.

[10] Structured book represents period-averages.

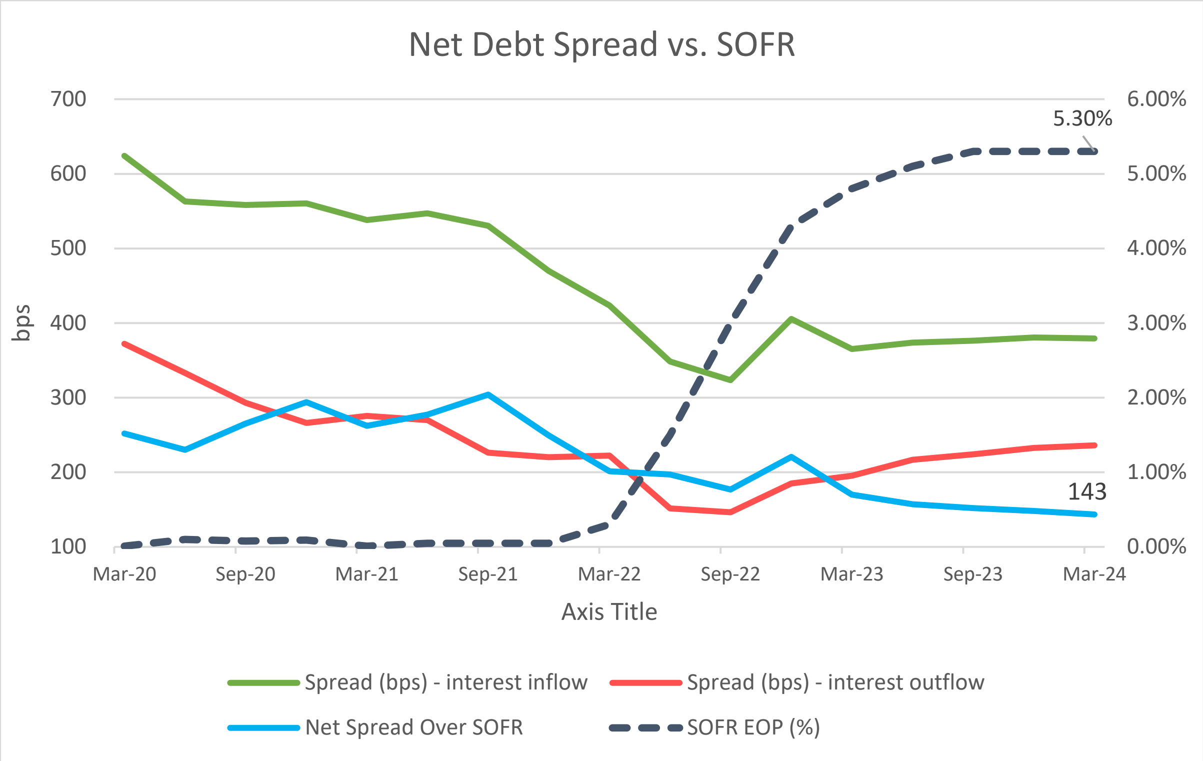


Figure 48 – Viceroy Analysis

Arbor's earnings quality has significantly deteriorated over the last year.

Balance Sheet Impact

Arbor new business originations per quarter have fallen over 95% from peaks in December 2021.

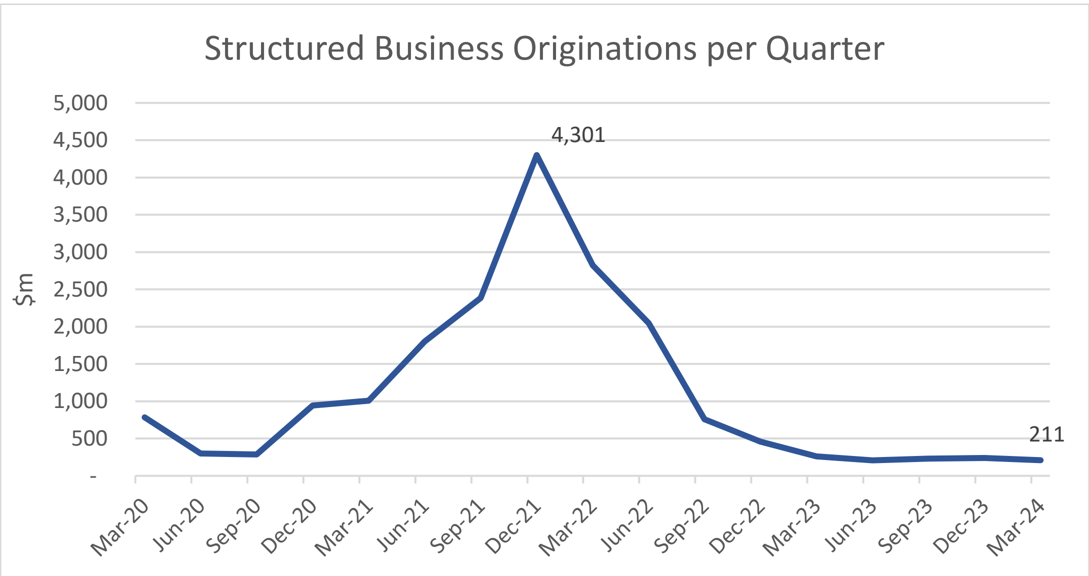


Figure 49 – Viceroy Analysis

Naturally, we would expect a significant number of loans issued 12-36 months ago to fall due in 2024, as they are medium term bridge loans. This does not appear to be the case. Net cash inflows from loan expiries and payouts are insignificant against net outflows Arbor has experienced in 12-36 months prior.

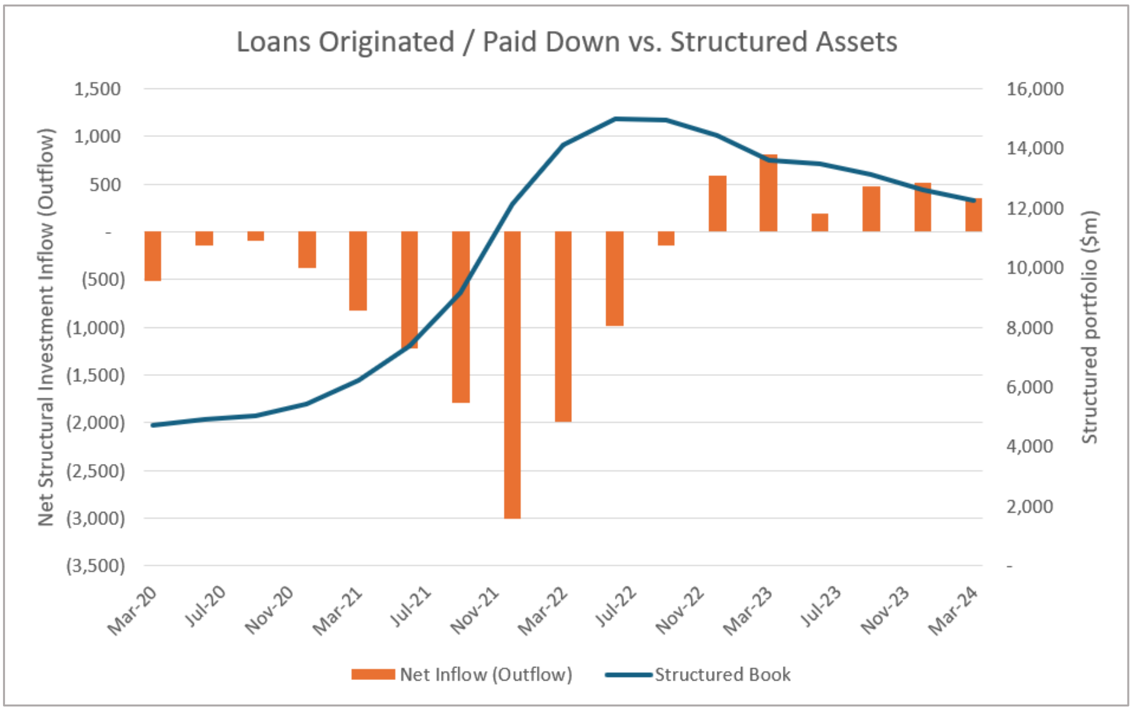


Figure 50 – Viceroy Analysis

Arbor's is rapidly shrinking its loan book as dividends being paid out are substantially funded by a wind-down of a floating-rate bridge financing loan book whose underlying borrowers and projects are underwater. We have shown this time and time again.

Arbor trades above book value, which is not recoverable.

Arbor is valued by analysts on short-term cash flows which cannot be realized.

Despite this, Arbor's aggregate provision for impairments is a meager $50m across a ~$12b multifamily portfolio. This is less than 1%.

Loans Considered Impaired	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	q/q increase
MF Loans Impaired	-	-	36,377	90,070	272,493	352,223	*29%*
Carrying Value	-	-	36,202	87,995	260,291	338,772	*30%*
Allowance for Loss	-	-	5,000	17,750	37,750	50,500	*34%*

Figure 51 – Viceroy Analysis

In what we believe is an inevitable wave of defaults across Arbor's books, we believe that Arbor will inevitably rely on recovery from collateral. We note the following:

- The current 10-year Treasury Bond Rate is ~4.3%, down from 4.6% when we began our investigations.
- The 2-year Treasury Bond rate is ~4.7%
- The 1-year Treasury Bond rate is ~5.1%
- The implied weighted cap rate of underlying CLO properties is ~3.9%.
- Arbor's loan book is inherently short-term.

There is no conceivable way that Arbor realizes the underlying value of the collateral in the event of mass default of almost exclusively loss-making clients at a discount to the 10-year rate.

6. Conclusion

While we have continued to dig up Arbor's skeletons, management have intentionally made disclosures more opaque in order to conceal Arbor's disastrous financial position from investors. Viceroy believes Arbor is a fraud.

Viceroy believe Arbor is a donut, $0.00.

Viceroy have escalated our concerns with both JMP Capital and Arbor's auditors, EY. These letters, together with all of Viceroy's reports on Arbor, can be found in the below link.

https://viceroyresearch.org/arbor-realty-research/

Viceroy have made further FOIA enquiries into Arbor's status with Fannie Mae, Freddie Mac, the SEC, and the DOJ.

As always, more to come.