



Arbor – August 2024 CLO Update

Over two-thirds of Arbor’s CLO loan book is delinquent and/or modified. DSCR sinks 300bps.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 6

August 20, 2024 –This surveillance report of Arbor’s CLO for the month of August shows that quality continues to deteriorate. As Arbor continues to effectively wind down this book it will get more toxic: the book is being kept current almost entirely through modifications. For the first time ever, more of Arbor’s loans are modified than unmodified.

According to Bloomberg, Arbor is under investigation by the DOJ and FBI. It has been reported the Arbor may be under investigation by the SEC according to a post by X user @Price_to_Value.

The CLO Surveillance – August 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.

August 2024 Update	ARCREN 2021-FL1	ARCREN 2021-FL3	ARCREN 2021-FL4	ARCREN 2022-FL1	ARCREN 2022-FL2	Total
Total # properties	36	52	101	67	42	298
< 1 Month	3	8	12	4	1	28
30 Days	3	4	1	7	2	17
60 Days	-	-	-	-	-	-
90+ Days	1	-	8	1	-	10
Modifications total (#)	22	32	52	40	24	170
Adjustment for double count*	(2)	(10)	(12)	(6)	(2)	(32)
Total delinquent & modified	27	34	61	46	25	193
# of Delinquent properties <30 Days	3	8	12	4	1	28
# of Delinquent properties >30 Days	4	4	9	8	2	27
# of Delinquent properties Total	7	12	21	12	3	55
Total deal balance	499,027,312	1,098,352,439	2,040,137,668	1,834,572,920	963,024,999	6,435,115,339
< 1 Month	44,350,000	194,970,000	267,581,350	111,000,000	20,300,000	638,201,350
30 Days	15,320,215	62,875,000	48,733,000	95,024,785	34,000,000	255,953,000
60 Days	-	-	-	-	-	-
90+ Days	10,514,731	-	34,500,000	6,759,965	-	51,774,696
Modified	276,644,386	814,820,000	989,934,035	1,271,082,046	670,131,530	4,022,611,997
Adjustment for double count*	(41,764,731)	(129,045,000)	(237,543,000)	(98,500,000)	(34,000,000)	(540,852,731)
Total delinquent & modified	305,064,601	943,620,000	1,103,205,385	1,385,366,796	690,431,530	4,427,688,312
<i>* Double count adjustment for loans both modified and delinquent. This adjustment was not conducted in previous reports.</i>						
Underlying Revenue	81,358,811	168,665,727	194,437,163	210,735,580	85,748,547	740,945,828
Underlying Expenses	(43,436,489)	(86,039,811)	(98,554,341)	(111,152,089)	(42,868,075)	(382,050,804)
Underlying NOI	37,922,322	82,625,916	95,882,823	99,583,491	42,880,472	358,895,023
Debt Service Amount	(62,951,233)	(135,463,103)	(202,962,414)	(263,287,739)	(69,792,681)	(734,457,169)
DSCR	0.60	0.61	0.47	0.38	0.61	0.489

Figure 1 – Viceroy August 2024 CLO Analysis

- Arbor has modified \$4.0b of loans (~170 properties), representing ~68% of its ~\$6.4b CLO portfolio (~298 properties).
 - Modified loans against 32 properties are already delinquent again.
 - The DSCR of modified loans is ~0.42x¹.
 - A month-on-month review shows loans are being modified multiple times in successive months.
 - A month-on-month review shows that modified loans have not been rehabilitated and will continue to fail.
 - As previously reported Arbor’s modifications are being incorrectly reported. This has not been fixed.
- Arbor has provided favorable mezzanine financing to distressed clients to “rehabilitate” their loans.
 - These loans should be considered impaired, as they are non-recoverable.

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



- \$945m of loans (~55 properties) in the CLO portfolios are delinquent.
 - The DSCR of the CLO portfolio is ~0.499x, **down 300bps from last quarter**.
 - Substantially all of the underlying CLO investments are inherently unprofitable and functionally bankrupt.

Modification Errors

We note that Arbor has, intentionally or not, erroneously reported modification data in their CLO:

- Previously modified loans now appear to have modifications reversed. This is not possible.
- Arbor appears to have backdated modifications to 2023, which would therefore not appear on Viceroy's monthly surveillance reports which have (until now) only tracked loans modified in 2024.
- Loans from ARCLO 2021-FL2, which has been wound down, have been absorbed into other CLOs (ARCLO 2021-FL1 & ARCLO 2021-FL4). These loans are marked as having been modified at various times over the last 12 months, but were never reported as modified in ARCLO 2021-FL2.

Viceroy has not received a satisfactory answer as to why these discrepancies exist. We believe it is prudent that analysts pursue these discrepancies on tomorrow's conference call.

2021-FL1 – Group ID 318992 – Loan ID 43500

In June 2024's CREF report, this loan was marked as being modified on April 1, 2024 (20240401). The modification code is "8", being "Other".

In July 2024's CREF report, this same loan is now marked as being last-modified on 22 February 2023 (20230222). The modification code is "9", being a combination, and presumably proceeding "8".

ARCLEN 2021-FL4 ID 316977 – Loan ID 316977– Group

In June 2024's CREF report, this loan was marked as being last-modified on April 3, 2024 (20240403). The modification code is "8", being "Other".

In July 2024's CREF report, this same loan is now marked as being last-modified on April 25, 2023 (20230425). The modification code is "6", being "Capitalization on Interest".

2021-FL4 – Group ID 344376 – Loan ID 344376

In June 2024's CREF report, this loan was marked as being last-modified on April 1, 2024 (20240403). The modification code is "9", being "Combination".

In July 2024's CREF report, this same loan is now marked as never having modified.

2021-FL4 – Group ID 349796 – Loan ID 349796

In June 2024's CREF report, this loan was marked as being last-modified on January 30, 2024 (20240403). The modification code is "AOR", presumably to be confirmed.

In July 2024's CREF report, this same loan is now marked as never having modified.

2021-FL4 – Group ID 360028

This loan appears in 2021-FL4, having previously been a portfolio loan of wound-down 2021-FL2.

In June 2024's CREF report, this loan was marked as having never been modified.

In July 2024's CREF report, this same loan, now in 2021-FL4, is said to have been modified on May 23, 2024 (20240523).



Nature of Modifications

Viceroy have adjusted for as many erroneously reported loans as is feasible, however we note that if modified loans are being misreported, the data cannot be relied upon

Not only are recently modified loans falling delinquent once more: Arbor have taken to modifying loans in successive months to preserve the illusion of credit performance.

Modification Summary	Jul-24		Aug-24	
	Count	Value	Count	Value
Maturity Date Extension	10	441,295,000	12	454,350,000
Amortization Change	0	-	0	-
Principal Write-Off	0	-	0	-
Temporary Rate Reduction	0	-	0	-
Capitalization on Interest	16	322,270,081	16	322,270,081
Capitalization on Taxes	0	-	0	-
Other	53	1,504,059,833	66	1,816,344,670
Combination	88	1,710,998,083	76	1,565,543,029
Forbearance	1	43,989,000	0	-

Figure 2 – Modification Data

- There has been an enormous upswing in PIK, or “Capitalization on Interest”, modifications. These PIK uncollected revenue amounts appear in “Other Assets”, and do not appear to be impairment tested.
- We have verified with various distressed syndicates, including Elevate’s “The Selena”, that **Arbor provides mezzanine financing to existing delinquent customers in order to meet rent**. These loans are non-recoverable, amount to **revenue round-tripping**, and have not been impaired.
 - 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 18% rate per year. Second ranking security. "Interest fully accrued until sale". Third ranking security.
64%	Rescue Loan	\$3,865,000	
76%	Arbor B Loan	\$6,277,340	
100%	Existing Equity	\$13,511,995	
	Total	\$55,654,335	

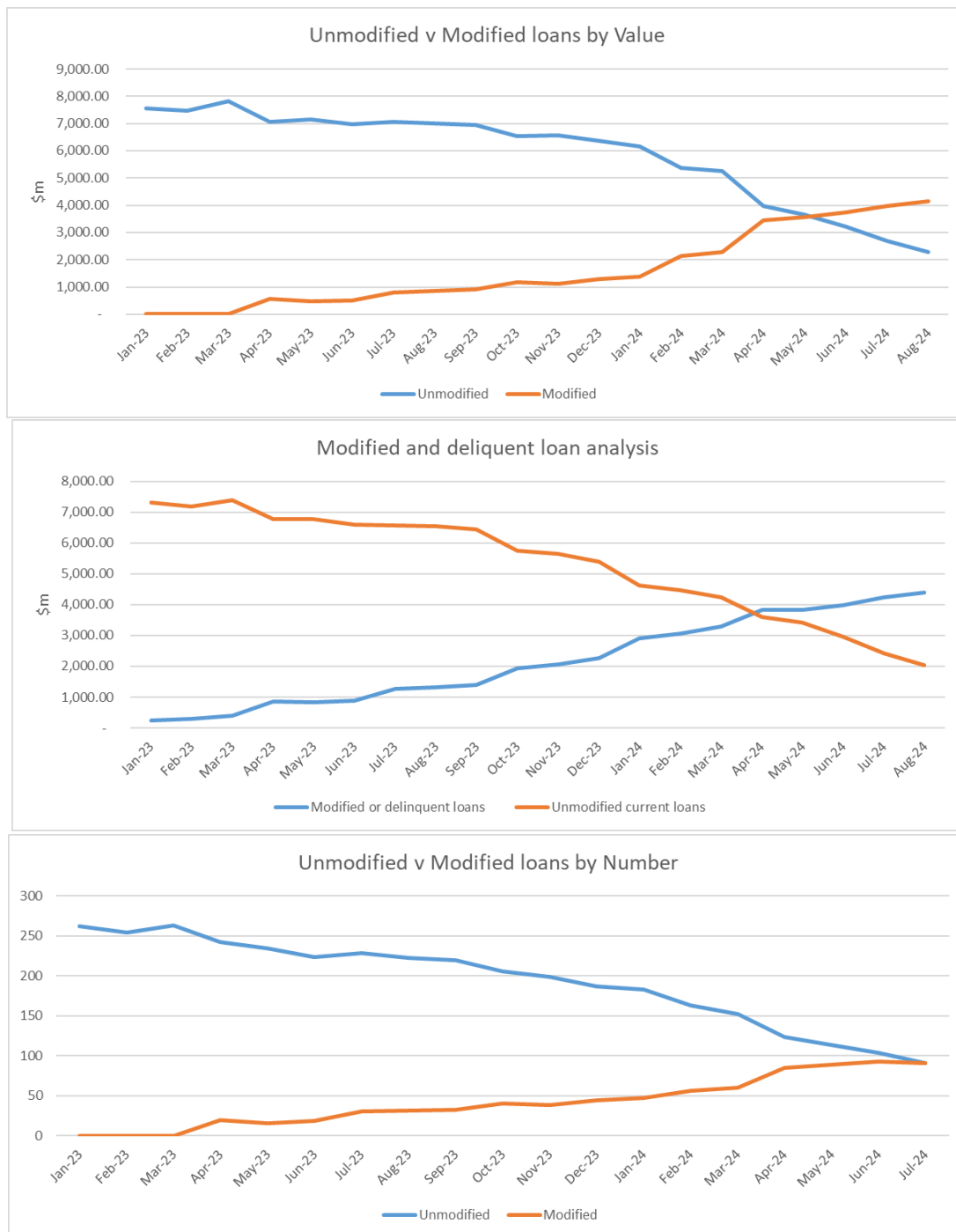
Figure 3 – Extract from “The Selena” forecast provided by Elevate & Viceroy notes

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.



Visualizing modifications

To better understand the size of modified loans, its worth visualizing them over time:



Figures 4, 5 & 6 – Modification Data

- Larger loans are more likely to require modification than smaller loans.
- The trend of modifying loans to keep them current shows no signs of slowing down.
- Because modifications are incorrectly reported, these charts under-represent the number and value of modified loans².
- There is a ~2-month lag between Figure 4 and Figure 5 supporting our belief that Arbor is systematically modifying delinquent loans to keep them current.

² <https://viceroyresearch.org/2024/07/25/arbor-realty-july-2024-surveillance-report/>



Arbor Investigations

In addition to the previously reported investigations by the Department of Justice and the Federal Bureau of Investigation it is now highly likely that the company is also under investigation by the SEC. X user @Price_to_Value's FOIA request to the SEC was denied, with the SEC citing interference with ongoing enforcement actions as justification

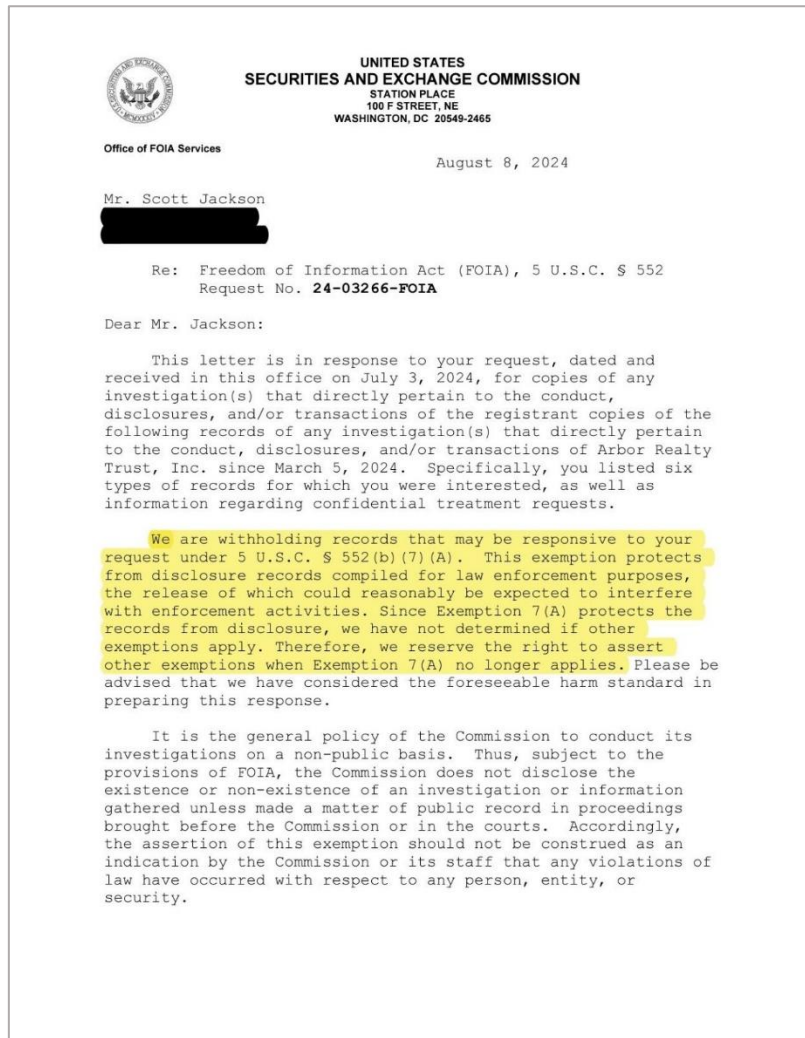


Figure 7 – SEC FOIA Response

Viceroy notes that the reported inquiries are in line with our reporting into Arbor's fabricated loan book 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

Viceroy Research are an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

Important Disclaimer – Please read before continuing

This report has been prepared for educational purposes only and expresses our opinions. This report and any statements made in connection with it are the authors' opinions, which have been based upon publicly available facts, field research, information, and analysis through our due diligence process, and are not statements of fact. All expressions of opinion are subject to change without notice, and we do not undertake to update or supplement any reports or any of the information, analysis and opinion contained in them. We believe that the publication of our opinions about public companies that we research is in the public interest. We are entitled to our opinions and to the right to express such opinions in a public forum. You can access any information or evidence cited in this report or that we relied on to write this report from information in the public domain.

To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. We have a good-faith belief in everything we write; however, all such information is presented "as is," without warranty of any kind – whether express or implied.

In no event will we be liable for any direct or indirect trading losses caused by any information available on this report. Think critically about our opinions and do your own research and analysis before making any investment decisions. We are not registered as an investment advisor in any jurisdiction. By downloading, reading or otherwise using this report, you agree to do your own research and due diligence before making any investment decision with respect to securities discussed herein, and by doing so, you represent to us that you have sufficient investment sophistication to critically assess the information, analysis and opinions in this report. You should seek the advice of a security professional regarding your stock transactions.

This document or any information herein should not be interpreted as an offer, a solicitation of an offer, invitation, marketing of services or products, advertisement, inducement, or representation of any kind, nor as investment advice or a recommendation to buy or sell any investment products or to make any type of investment, or as an opinion on the merits or otherwise of any particular investment or investment strategy.

Any examples or interpretations of investments and investment strategies or trade ideas are intended for illustrative and educational purposes only and are not indicative of the historical or future performance or the chances of success of any particular investment and/or strategy. As of the publication date of this report, you should assume that the authors have a direct or indirect interest/position in all stocks (and/or options, swaps, and other derivative securities related to the stock) and bonds covered herein, and therefore stand to realize monetary gains in the event that the price of either declines.

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.