Arbor – October 2024 CLO Update

>75% of Arbor's CLO loan book is delinquent and/or modified. Modified loans become delinquent again, as rate cuts make negligible impact on borrowers' (in)ability to repay Arbor.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 7

October 18, 2024 –Arbor's systematic can-kicking exercise continues to fail, as Arbor is forced to purchase bad loans from its CLOs and modified loans become delinquent once more. Federal rate cuts have not provided any respite for Arbor's almost exclusively distressed borrowers, as DSCR of underlying investments remains below 0.50x.

The CLO Surveillance – October 2024

Arbor's modifications have not improved their borrowers' ability to meet interest obligations. Arbor's effective interest income spread has also diminished, as interest on loans have now been modified to below the Secured Overnight Financing Rate (SOFR). Arbor is no longer picking up pennies in front of a freight train, it is dropping them.

October 2024 Update	ARCREN 2021-FL1	ARCREN 2021-FL3	ARCREN 2021-FL4	ARCREN 2022-FL1	ARCREN 2022-FL2	Total
Total # deals/properties	**34**	**49**	**90**	**67**	**41**	**281**
< 1 Month	**3**	2	11	7	1	**24**
30 Days	-	1	2	4	-	**7**
60 Days	-	**4**	-	**1**	-	**5**
90+ Days	1	-	-	1	-	**2**
Modifications total (#)	25	35	55	43	25	**183**
*Adjustment for double count**	*(1)*	*(6)*	*(10)*	*(5)*	*-*	***(22)***
Total delinquent & modified	**28**	**36**	**58**	**51**	**26**	**199**
Total deal balance	**469,667,312**	**1,045,587,439**	**1,921,926,170**	**1,875,020,750**	**945,524,999**	**6,257,726,670**
< 1 Month	**15,320,215**	71,070,000	153,584,851	146,529,785	27,300,000	**413,804,851**
30 Days	-	32,200,000	92,733,000	78,285,000	-	**203,218,000**
60 Days	-	**25,500,000**	-	**37,100,000**	-	**62,600,000**
90+ Days	10,514,731	-	-	6,759,965	-	**17,274,696**
Modified	339,147,097	802,334,440	1,317,213,754	1,448,444,000	638,656,530	**4,545,795,821**
*Adjustment for double count**	*(10,514,731)*	*(116,270,000)*	*(197,917,851)*	*(170,080,000)*	*-*	***(494,782,582)***
Total delinquent & modified	**354,467,312**	**814,834,440**	**1,365,613,754**	**1,547,038,750**	**665,956,530**	**4,747,910,786**
** Double count adjustment for loans both modified and delinquent. This adjustment was not conducted in previous reports.*						
Underlying Revenue	46,795,824	86,127,718	194,487,667	264,128,151	123,326,553	**714,865,914**
Underlying Expenses	(27,767,621)	(46,719,647)	(98,501,047)	(136,766,215)	(61,816,116)	**(371,570,648)**
Underlying NOI	19,028,203	39,408,071	95,986,620	127,361,936	61,510,437	**343,295,266**
Debt Service Amount	(34,033,257)	(66,012,144)	(203,015,204)	(290,023,609)	(98,258,621)	**(691,342,835)**
DSCR	**0.56**	**0.60**	**0.47**	**0.44**	**0.63**	**0.497**

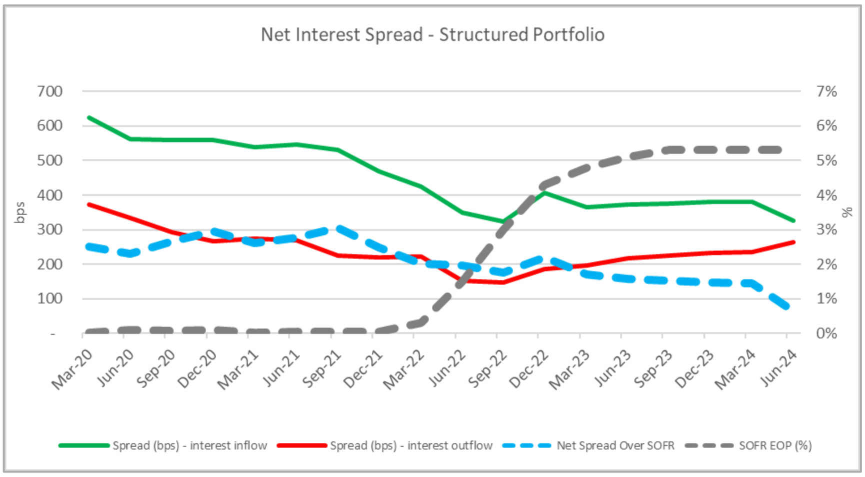
Figure 1 – Viceroy October 2024 CLO Analysis

- Arbor has modified $4.5b of loans (~183 loans), and holds a further $700m of delinquent loans, representing ~76% of its ~$6.5b CLO portfolio (~281 loans).
  - Modified loans against 22 properties are already delinquent again. This figure is down from 32 in August 2024, indicating that Arbor is modifying loans month-on-month in order to keep them current.
  - We note that Arbor continues to erroneously report modifications in its loan book, as several modified loans appear to no longer be modified, modification dates have been backdated, and several loans moved between CLOs show inconsistent data. For more details, see Annexure 1.
  - The DSCR of modified loans is ~0.45x[1].
  - A month-on-month review shows that modified loans have not been rehabilitated and will continue to fail.

[1] Adjusted for various loans against the same property.

- Arbor's rapidly diminishing Net Interest Spread will not improve with any realistic federal rate cuts. We note that Strat Spreads across Arbor's CLOs have fallen sharply, with Arbor effectively losing money by restructuring its loans. Interest income spreads are now scraping Arbor's cost of debt.

Effective Spread	# of Assets	Principal Balance	% of Balance
-0.35000000	1	34,000,000.00	3.60
-0.60000000	1	21,100,000.00	2.23
1.05000000	1	17,180,000.00	1.82
1.80000000	1	20,300,000.00	2.15
2.00000000	1	64,300,000.00	6.80
2.22290000	1	80,300,000.00	8.49
3.05000000	1	34,750,000.00	3.68
3.15000000	1	30,100,000.00	3.18
3.17950000	2	75,000,000.00	7.93
3.25000000	1	32,500,000.00	3.44
3.30000000	2	58,800,000.00	6.22
3.35000000	1	13,800,000.00	1.46
3.45000000	5	104,496,530.00	11.05
3.50000000	5	123,370,000.00	13.05
3.75000000	4	125,630,000.00	13.29
3.92576300	1	24,900,000.00	2.63
3.95000000	1	12,600,000.00	1.33
4.02923500	1	17,000,000.00	1.80
4.50000000	1	15,518,469.16	1.64
4.95000000	2	39,880,000.00	4.22
	34	945,524,999.16	100.00



Figures 2 & 3 –ARCLO 2022-FL2 Remit & Viceroy Analysis

- Arbor's Cash Interest Income Rate (ex-PIK) has already fallen below the cost of debt, as its modifications allow distressed lenders to roll over interest on interest-only loans.
- Originations remain at all-time lows. Meanwhile Arbor continues to pay dividends from the (few) principal repayments coming good from its loan book.
  - This is a wind-down. Arbor are paying out more than they are earning, and rapidly diminishing the value of cash-generative assets which already cannot support future dividends.
  - Paying out dividends from the few recovered principal from loans which managed to refinance elsewhere (i.e. new short opportunities) simultaneously diminishes the quality of Arbor's book, as the remaining book retains the worst of the worst. This is evident from rapidly declining performance metrics.
- Arbor has continued to incorrectly report financial data and liens against underlying collateral. We note that our investigations show further loans have been made against the same properties in Arbor's CLOs. Neither the extra lien nor the debt service amounts are listed by Arbor in the borrower's financial data. For more details, see Annexure 4.
- Arbor has provided favorable mezzanine financing to distressed clients to "rehabilitate" their loans.
  - These loans should be considered impaired, as they are non-recoverable.

Attached to this report are excerpts from our earlier work relevant to the analysis of Arbor's underlying loan performance and CLO data representation (or misrepresentation).

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

Annexure 1: 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 with management.

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".

ARCREN 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).

Annexure 2: 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		Sep-24	
	Count	Value	Count	Value	Count	Value
Maturity Date Extension	10	441,295,000	12	454,350,000	15	612,772,000
Amortization Change	0	-	0	-	0	-
Principal Write-Off	0	-	0	-	0	-
Temporary Rate Reduction	0	-	0	-	0	-
Capitalization on Interest	16	322,270,081	16	322,270,081	16	322,270,081
Capitalization on Taxes	0	-	0	-	0	-
Other	53	1,504,059,833	66	1,816,344,670	68	1,776,667,883
Combination	88	1,710,998,083	76	1,565,543,029	91	1,876,101,277
Forbearance	1	43,989,000	0	-	0	-

Figure 4 – 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
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 5 – 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.

Annexure 3: 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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
STATION PLACE
100 F STREET, NE
WASHINGTON, DC 20549-2465

Office of FOIA Services

August 8, 2024

Mr. Scott Jackson
[redacted]

Re: Freedom of Information Act (FOIA), 5 U.S.C. § 552
Request No. **24-03266-FOIA**

Dear Mr. Jackson:

This letter is in response to your request, dated and received in this office on July 3, 2024, for copies of any investigation(s) that directly pertain to the conduct, disclosures, and/or transactions of the registrant copies of the following records of any investigation(s) that directly pertain to the conduct, disclosures, and/or transactions of Arbor Realty Trust, Inc. since March 5, 2024. Specifically, you listed six types of records for which you were interested, as well as information regarding confidential treatment requests.

We are withholding records that may be responsive to your request under 5 U.S.C. § 552(b)(7)(A). This exemption protects from disclosure records compiled for law enforcement purposes, the release of which could reasonably be expected to interfere with enforcement activities. Since Exemption 7(A) protects the records from disclosure, we have not determined if other exemptions apply. Therefore, we reserve the right to assert other exemptions when Exemption 7(A) no longer applies. Please be advised that we have considered the foreseeable harm standard in preparing this response.

It is the general policy of the Commission to conduct its investigations on a non-public basis. Thus, subject to the provisions of FOIA, the Commission does not disclose the existence or non-existence of an investigation or information gathered unless made a matter of public record in proceedings brought before the Commission or in the courts. Accordingly, the assertion of this exemption should not be construed as an indication by the Commission or its staff that any violations of law have occurred with respect to any person, entity, or security.

Figure 6 – SEC FOIA Response

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

Annexure 4: Generations Atlanta

Generations last appeared in Arbor's CLO in May 2024, at which point it was disclosed that the outstanding principal for a $60.6m loan was collected.

Property	Generations
Last CLO data	May-24
Loan balance	60,600,000
Delinquency	30 - 59 days
Modifications	None
Most recent monthly NOI	244,710
Valuation	103,900,000
Valuation date	Jan-24
LTV	58%
Foreclosure date	03 September 2024

Figure 7 – Highland Ridge CLO data

Transaction ID	Group ID	Loan ID	**Name**	Unscheduled Principal Collections	Liquidation/Prepayment Date
ARCREN 2022-FL2	348453	39845	Generations	60600000	20240508

Figure 8 – Raw CLO data for ARCLO 2022-FL2

Arbor filed a notice of foreclosure for Generations Atlanta on August 28, 2024, two months after it had allegedly collected the principal on this property. The outstanding amount against the property was $104m, suggesting that Arbor issued a further $40m loan to Generations in addition to the $60.6m loan in the CLO.

> any trustee custodian or receiver pursuant to the Bankruptcy Code in the event that there shall be filed by or against Issuer any petition, action or proceeding under the Bankruptcy Code or under any other similar federal or state law nor or hereafter in effect; and (r) all proceeds (except for the Authority Insurance Proceeds) of each of the foregoing; WHEREAS, the Security Instrument secures, in part, that certain loan (the Loan) to Grantor made by Original Lender, as evidenced by that certain Promissory Note (the Note), dated December 21, 2021, payable by Grantor to Original Lender, in the original principal amount of One Hundred Four Million Four Hundred Thousand and No/100 Dollars ($104,400,000.00), as subsequently endorsed and assigned to Holder; and WHEREAS, defaults and Events of Default have occurred under

Figure 9 – Notice of Sale for Generations Atlanta dated August 28, 2024[2]

- It is apparent that Generations Atlanta did *not* repay its principal balance, but instead Arbor purchased this security from the CLO at par, and subsequently foreclosed on the property. This is a blatant mischaracterization.
- Arbor also did not inform CLO investors that it provided loans to Generations above and beyond what was listed in the CLO.
  - We note that the CLO is required to report financial data of the underlying investment properties.
  - Arbor did *not* disclose, to our knowledge, that there was another $40m lien against Generations, nor did they disclose in Generations' underlying financial data that interest was required to be paid against this $40m excess loan. This is fraud.
  - Investors, and especially CLO investors, must enquire as to whether any underlying assets supporting CLO loans have other security registrations listed against them. Clearly, this is not being accurately reported.
- The underlying Generations property was revalued from $128m to $104m in January 2024, meaning that Arbor's loan sits at ~100% LTV[3]. **We reiterate that Arbor's valuations are consistently shown to be inflated.**

The sale of Generations Atlanta is scheduled for September 3, 2024; but we note that these county foreclosure auctions have been consistently postponed by Arbor. We doubt Arbor will make a full recovery of its loan.

> THEREFORE, under and pursuant to the power of sale contained in the Security Instrument and according to the terms of the Security Instrument and the laws in such cases made and provided, Holder will expose all of the Property and Fee Property (less and except the Funds), for sale, at public sale to the highest bidder, for cash on that certain first Tuesday in September, 2024, being September 3, 2024, during the legal hours for sale, before the courthouse door in Fulton County, Georgia. The Property and Fee Property will be sold subject to the following: 1. All outstanding taxes and assessments, and any additional taxes which result from a reassessment of the Real Property; 2.

Figure 10 – Notice of Sale for Generations Atlanta dated August 28, 2024

[2] South Fulton Neighbor notice dated August 28, 2024

[3] January 2024 is also the period during which Generations fell into delinquency.

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.