Arbor - Earnings Preview & CLO Update

90+day delinquencies almost double month-on-month. Net interest spreads tank in light of massive modifications.

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February 21, 2025 – Despite their best efforts of window dressing (and there was a lot of effort), Arbor's CLO delinquencies are up 33% month-on-month in January 2025 to $1.1b. Substantially all delinquencies have already been modified, many as recently as Q4 2024.

February 2025 Update	ARCREN 2021-FL1	ARCREN 2021-FL3	ARCREN 2021-FL4	ARCREN 2022-FL1	ARCREN 2022-FL2	Total
Total # deals/properties	**32**	**47**	**82**	**60**	**40**	**261**
< 1 Month	**3**	**3**	**-**	**6**	**3**	**15**
30 Days	**-**	**-**	**3**	**3**	**-**	**6**
60 Days	**-**	**-**	**1**	**-**	**-**	**1**
90+ Days	**1**	**-**	**9**	**5**	**4**	**19**
Modifications total (#)	25	36	56	47	30	**194**
*Adjustment for double count**	*(1)*	*(3)*	*(12)*	*(8)*	*(4)*	***(28)***
Total delinquent & modified	**28**	**36**	**57**	**53**	**33**	**207**
# of Delinquent Loans< 30 Days	3	3	-	6	3	**15**
# of Delinquent Loans> 30 Days	1	-	13	8	4	**26**
# of Delinquent LoansTotal	4	3	13	14	7	**41**
Total deal balance	**436,322,962**	**944,816,925**	**1,799,222,094**	**1,695,745,904**	**931,774,999**	**5,807,882,883**
< 1 Month	15,320,215	99,470,000	-	69,479,785	71,400,000	**255,670,000**
30 Days	-	-	132,268,000	135,342,000	-	**267,610,000**
60 Days	-	-	48,733,000	-	-	**48,733,000**
90+ Days	10,514,731	-	149,184,851	175,899,965	78,650,000	**414,249,547**
Modified	353,386,747	806,353,926	1,379,414,062	1,486,633,154	730,036,530	**4,755,824,418**
*Adjustment for double count**	*(10,514,731)*	*(99,470,000)*	*(319,005,851)*	*(338,582,000)*	*(78,650,000)*	***(846,222,582)***
Total delinquent & modified	**368,706,962**	**806,353,926**	**1,390,594,062**	**1,528,772,904**	**801,436,530**	**4,895,864,383**

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

Figures 1 – February 2025 CLO Data – Viceroy Analysis

- Arbor has modified $4.7b of loans **and holds $1.0b of delinquent loans**.
  - Modified loans represent ~82% of Arbor's ~$6b CLO portfolio, and delinquent loans ~17%[1].
  - Substantially all **delinquent loans have already been modified, many as recently as Q4 2024**.
  - **Delinquent loans are not being cured and are falling further into delinquency**.
  - $414m of loans are delinquent over 90 days.
- Arbor tries to cure the true value of its delinquencies by modifying loans month-on-month.
  - **Arbor has modified >$1b of loans in the last 2 months.**
  - **Substantially all these loans had already been modified, many in Q4 2024**.

This is fraud. There is no underlying operational improvement secured against these loans, no opportunity to transition these loans into agency or any other feasible lending product, and (obviously) no buyer for these loans at their marked price. These loans are in transition to foreclosures, and nothing else.

Arbor modified loans month-on-month in order to falsely preserve the value of its book.

The evidence of this lies within underlying operational data and the enormous concessions Arbor has taken in its interest spreads. Arbor can no longer afford to pay its dividend. Analysts have begun to realize that Arbor

[1] A number of modified loans are also delinquent (again).

must take unfavorable valuations and cut its dividend to survive. Underlying investments showed no operational improvement. These properties are not "in transition", they are stabilized.

- "Debt Service Amounts" due by borrowers have fallen (annualized) $15m over this month on a comparable book size. This is in line with concessions Arbor is making to borrowers through rate-cut modifications.
  - Per our previous analysis, Arbor *must* answer as to how much mezzanine financing it and other third parties have provided to existing borrowers, as debt service amounts *do not* match amounts due to Arbor.
- The DSCR of modified loans now fully captures **75bps** of rate cuts and still only sits slightly above ~0.6x[2], and down month-on-month.
- Implied underlying cap rates sit at 4.2%. Any realistic revaluation of underlying collateral values will completely wipe out Arbor's equity stake of its CLO.

February 2025 Update	ARCREN 2021-FL1	ARCREN 2021-FL3	ARCREN 2021-FL4	ARCREN 2022-FL1	ARCREN 2022-FL2	Mixed	Total
Underlying Revenue	42,013,246	86,140,254	147,590,303	127,312,374	75,476,954	184,007,278	**662,540,408**
Underlying Expenses	(26,342,221)	(47,925,047)	(75,891,783)	(63,750,743)	(36,980,875)	(98,274,289)	**(349,164,958)**
Underlying NOI	15,671,025	38,215,207	71,698,520	63,561,632	38,496,078	85,732,988	**313,375,450**
Debt Service Amount	(24,690,050)	(55,934,866)	(112,179,342)	(100,344,437)	(57,918,745)	(147,118,451)	**(498,185,891)**
DSCR	**0.63**	**0.68**	**0.64**	**0.63**	**0.66**	**0.58**	**0.629**
Debt Outstanding	350,228,457	605,160,615	1,299,923,441	1,189,511,965	646,380,000	1,716,678,406	**5,807,882,883**
Underlying Collateral Valuation	439,420,000	748,540,000	1,716,355,000	1,332,620,000	852,670,000	2,295,360,000	**7,384,965,000**
Implied Cap Rate	3.57%	5.11%	4.18%	4.77%	4.51%	3.74%	**4.24%**
LTV	80%	81%	76%	89%	76%	75%	**79%**

Figures 2 – February 2025 CLO Data – Viceroy Analysis

For comparative reference, here is the complete January 2025 data.

January 2025 Update	ARCREN 2021-FL1	ARCREN 2021-FL3	ARCREN 2021-FL4	ARCREN 2022-FL1	ARCREN 2022-FL2	Total
Total # deals/properties	**33**	**47**	**86**	**63**	**40**	**269**
< 1 Month	**5**	3	5	11	2	**26**
30 Days	-	-	2	1	**2**	**5**
60 Days	**-**	**-**	**7**	**1**	-	**8**
90+ Days	1	**4**	1	6	-	**12**
Modifications total (#)	25	36	56	47	30	**194**
*Adjustment for double count**	*(3)*	*(7)*	*(10)*	*(11)*	-	***(31)***
Total delinquent & modified	**28**	**36**	**61**	**55**	**34**	**214**
Total deal balance	**455,762,962**	**945,344,925**	**1,817,622,094**	**1,695,745,904**	**931,774,999**	**5,846,250,883**
< 1 Month	**28,420,215**	99,470,000	147,668,000	243,941,785	51,050,000	**570,550,000**
30 Days	-	-	21,210,000	12,030,000	**27,600,000**	**60,840,000**
60 Days	-	**-**	**132,707,851**	**28,000,000**	-	**160,707,851**
90+ Days	10,514,731	**25,500,000**	44,000,000	212,999,965	-	**293,014,696**
Modified	353,386,747	793,681,926	1,379,064,062	1,530,264,154	708,636,530	**4,765,033,418**
*Adjustment for double count**	*(23,614,731)*	*(124,970,000)*	*(226,272,851)*	*(430,332,000)*	-	***(805,189,582)***
Total delinquent & modified	**368,706,962**	**793,681,926**	**1,498,377,062**	**1,596,903,904**	**787,286,530**	**5,044,956,383**

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

January 2025 Update	ARCREN 2021-FL1	ARCREN 2021-FL3	ARCREN 2021-FL4	ARCREN 2022-FL1	ARCREN 2022-FL2	Mixed	Total
Underlying Revenue	44,224,221	76,521,698	149,643,674	134,741,374	76,590,033	194,650,997	**676,371,997**
Underlying Expenses	(26,703,088)	(40,469,549)	(76,718,803)	(69,069,485)	(36,887,864)	(102,622,680)	**(352,471,469)**
Underlying NOI	17,521,134	36,052,149	72,924,871	65,671,890	39,702,168	92,028,317	**323,900,528**
Debt Service Amount	(26,565,823)	(51,725,234)	(116,325,706)	(107,644,934)	(59,764,032)	(151,753,549)	**(513,779,278)**
DSCR	**0.66**	**0.70**	**0.63**	**0.61**	**0.66**	**0.61**	**0.630**
Debt Outstanding	369,668,457	605,688,615	1,318,323,441	1,254,611,965	646,380,000	1,651,578,406	**5,846,250,883**
Underlying Collateral Valuation	468,420,000	752,015,000	1,731,555,000	1,396,395,000	868,220,000	2,359,660,000	**7,576,265,000**
Implied Cap Rate	3.74%	4.79%	4.21%	4.70%	4.57%	3.90%	**4.28%**
LTV	79%	81%	76%	90%	74%	70%	**77%**

Figures 3 – January 2025 CLO Data – Viceroy Analysis

[2] Adjusted for various loans against the same property. We note that Arbor have serially misreported borrower financials in this regard, we dive into this below.

Reserve Analysis

CLO borrower reserves are down 15% since November 2024, when we began tracking this figure. February has represented the largest drawdown of reserves to date.

Reserve	Balance
November	139,256,306
December	132,843,100
January	128,517,634
February	119,248,611

Figure 4 – Arbor Reserve Analysis

Vast portions of Arbor's loss-making portfolio have zero reserves balances as of this month. More than half of Arbor's book has <3 months of scheduled interest in reserves. Arbor must continue to make enormous concessions to these tenants in the following months or accept foreclosures.

We reiterate our belief that Arbor's equity stake in the CLO is worth zero. The underlying equity value of these investments is also zero. These are not transition loans.

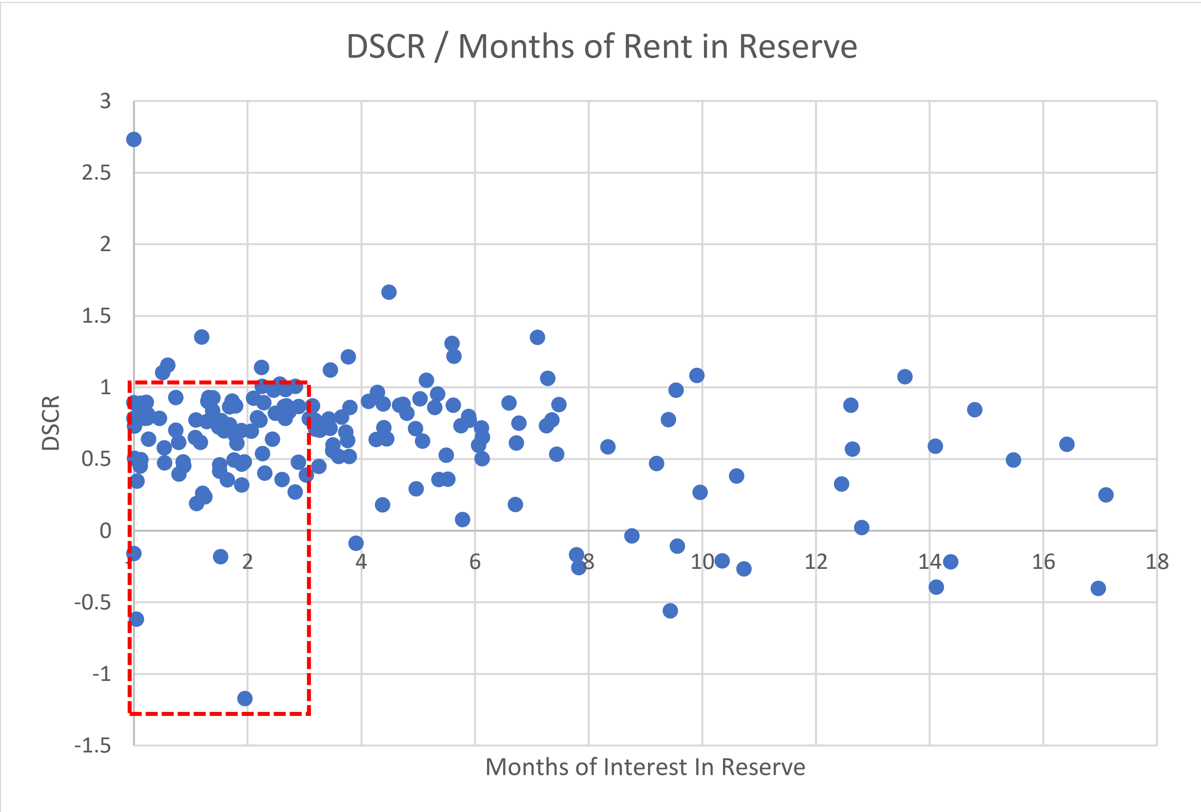


Figure 5 – Arbor Reserve Analysis

Note that reserves are *not* sidelined for payment of interest, but to rehabilitate these properties as part of their transition to agency. These properties are not in transition. There has been no noticeable improvement in the underlying revenues, NOI, or DSCR.

Spread Analysis

Modifying loans to distressed tenants is always at a direct cost to the lender. Arbor has made enormous concessions to its (almost exclusively distressed) lenders to keep them current.

The portfolios are teetering on the edge of a negative spread with over 95% of borrowers operating at a loss. The portfolio has an LTV ratio of ~80% (approximately a 4.2% cap rate), with Arbor holding the equity stake.

We observe in February that Arbor has made enormous further concessions to uncreditworthy borrowers, as **net interest spreads continue to dramatically fall across the entire portfolio.**

Arbor has faced net interest spread reductions of up to 55% across its CLO portfolios.

Dramatic falls in interest income spreads stem from Arbor's need to kick the can on its distressed loans through rate-cutting modifications. There simply is not enough room to cut spreads further, and rate cutting has **NOT** improved underlying DSCR of borrowers.

2022 FL1	Feb-25	Jan-25	Nov-24	Oct-24	Apr-24	Dec-23
Weighted average spread	3.04	2.98	3.00	3.06	3.24	3.60
Current debt spread	1.88	1.88	1.88	1.74	1.74	1.74
Delta - Net Interest Spread	1.16	1.10	1.12	1.32	1.50	1.86
Downturn since Dec 2023	-37.7%	-41.0%	-39.5%			
2021 FL3	**Jan-25**	**Jan-25**	**Nov-24**	**Oct-24**	**Apr-24**	**Dec-23**
Weighted average spread	2.92	3.02	2.98	3.05	3.45	3.61
Current debt spread	1.37	1.37	1.37	1.32	1.32	1.32
Delta	1.55	1.65	1.61	1.73	2.13	2.29
Downturn since Dec 2023	-32.2%	-28.1%	-29.7%			
2021 FL1	**Feb-25**	**Jan-25**	**Nov-24**	**Oct-24**	**Apr-24**	**Dec-23**
Weighted average spread	2.70	2.79	2.78	2.76	3.07	3.60
Current debt spread	1.56	1.56	1.56	1.54	1.54	1.54
Delta	1.14	1.23	1.22	1.22	1.53	2.06
Downturn since Dec 2023	-44.9%	-40.1%	-40.7%			
2022 FL2	**Feb-25**	**Jan-25**	**Nov-24**	**Oct-24**	**Apr-24**	**Dec-23**
Weighted average spread	3.09	3.09	3.06	3.03	3.25	3.62
Current debt spread	2.47	2.47	2.47	2.29	2.29	2.29
Delta	0.62	0.62	0.59	0.74	0.96	1.33
Downturn since Dec 2023	-53.2%	-53.2%	-55.6%			
2021 FL4	**Feb-25**	**Jan-25**	**Nov-24**			
Weighted average spread	3.49	N/A	3.51	3.47	3.56	3.77
Current debt spread	1.63	N/A	1.63	1.62	1.62	1.62
Delta	1.86	N/A	1.88	1.85	1.94	2.15
Downturn since Dec 2023	-13.7%	N/A	-12.5%			

Figure 6 – Viceroy Spread Analysis – Note, 2021 FL4 remits were corrupted in January 2025

Viceroy's investigations also show that many delinquent borrowers appear to have been given flexible payment terms which change month-on-month, without new modifications or delinquencies being recorded.

We have detailed this in our November report, which can be found in the link below:

https://viceroyresearch.org/2024/12/16/arbor-pik-ing-holes-in-clo-data/

In anticipation of Arbor's earnings this morning, we believe that this illustration of Arbor's net interest spread, last updated for Q2 2024, will continue to decline.

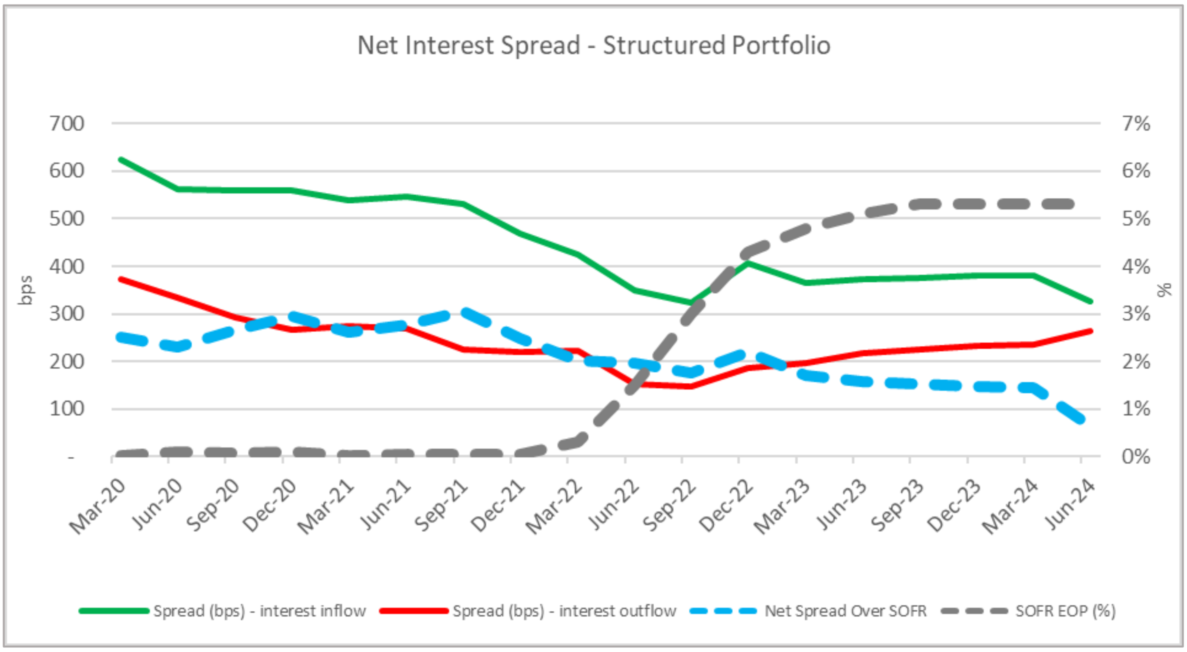


Figure 7 – Viceroy Spread Analysis

We note that this chart *includes capitalized interest payments on Arbor's interest-only bridge loans.*

As at Q3 2024, the weighted average pay rate (cash rate) for Arbor's bridge loans was already 40bps *below* Arbor's average weighted note rate for its structural business, and 180bps below its interest earning yield (more below).

	September 30, 2024	Percent of Total	Loan Count	Wtd. Avg. Pay Rate (1)	Wtd. Avg. Remaining Months to Maturity (2)	Wtd. Avg. First Dollar LTV Ratio (3)	Wtd. Avg. Last Dollar LTV Ratio (4)
Bridge loans (5)	$ 11,169,284	97 %	702	7.26 %	10.5	0 %	80 %

	Current Maturity	Extended Maturity	Note Rate Type	Debt Carrying Value (1)	Collateral Carrying Value	Wtd. Avg. Note Rate
				September 30, 2024		
Structured Business						
$1.9B joint repurchase facility (2)(3)	Jul. 2025	Jul. 2026	V	$ 692,187	$ 1,131,634	7.36 %
$1B repurchase facility (2)	Aug. 2025	N/A	V	164,403	262,020	7.43 %
$1B repurchase facility	(6)	N/A	V	749,244	1,011,816	7.51 %
$649M repurchase facility (2)(4)	Oct. 2025	N/A	V	490,019	667,585	7.44 %
$400M credit facility	Mar. 2027	N/A	V	131,818	198,666	8.21 %
$350M repurchase facility	Mar. 2025	Mar. 2026	V	134,009	203,135	7.05 %
$250M credit facility (2)	Mar. 2026	(7)	V	140,842	271,985	8.21 %
$250M repurchase facility	Sept. 2027	(7)	V	—	—	—
$250M repurchase facility	Jan. 2025	N/A	V	—	—	—
$250M credit facility	Oct. 2025	Oct. 2026	V	—	—	—
$200M repurchase facility	Mar. 2025	N/A	V	110,095	154,402	7.50 %
$200M repurchase facility	Jan. 2025	N/A	V	62,253	92,634	6.89 %
$150M repurchase facility	Oct. 2025	N/A	V	82,801	110,694	7.95 %
$143M loan specific credit facilities	Nov. 2024 to Sept. 2025	Sept. 2026 to Aug. 2027	V	143,117	193,964	7.39 %
$100M credit facility	Oct. 2024 (8)	N/A	V	—	—	—
$50M credit facility	(9)	N/A	V	—	—	—
$40M credit facility	Apr. 2026	Apr. 2027	V	15,550	24,610	7.30 %
$35M working capital facility	Apr. 2025	N/A	V	—	—	—
Repurchase facility - securities (2)(5)	N/A	N/A	V	21,962	—	6.64 %
Structured Business total				$ 2,938,300	$ 4,323,145	7.49 %

Figures 8 & 9 – Arbor Q3 2024 10-Q

Arbor Cannot Afford Its Dividend

Arbor simply does not generate enough cash flow to continue paying its dividends.

- Non-cash PIK revenues from exclusively distressed tenants are not deducted from distributable earnings
- Provisions, which will eventually be realized, are added back into distributable earnings at the expense of future periods.
- Stock-based compensation is dilutive to shareholders and fleeting. Given Arbor's self-interested and self-dealing management team these will revert to cash distributions as Arbor's stock fails to perform.

Distributable Earnings Analysis	Q3 2024
Net income attributable to common stockholders	**58,175**
Adjustments:	
Net income attributable to noncontrolling interest	5,028
Income from mortgage servicing rights	(13,195)
Deferred tax benefit	(2,026)
Amortization and write-offs of MSRs	18,792
Depreciation and amortization	2,564
Provision for credit losses, net	17,077
(Gain) loss on derivative instruments, net	(1,217)
Stock-based compensation	2,977
Arbor reported distributable earnings	**88,175**
Viceroy adjustments:	
Less: Provisions for credit losses	(17,077)
Less: Stock based compensation	(2,977)
Add: PIK income	(37,299)
Viceroy adjusted distributable earnings	**30,822**
Diluted weighted average shares outstanding	205,347,309
Viceroy adjusted distributable earnings per share	0.15
Dividend declared per share	0.43
Dividend shortfall	**(57,477)**

Figure 10 – Viceroy Analysis

Arbor's heavily inflated asset book has shrunk almost $4b since its peak in Q3 2022. As the book continues to shrink, the quality of assets left on Arbor's book will continue to deteriorate, and its ability to generate income will continue to shrink. **This is a wind down.**

There is no growth opportunity to fund multifamily real estate because the entire industry is underwater. This is reflected in Arbor's shrinking book, the inability of its short-term borrowers to move on to agency loans or refinance their investments, and the stagnant multifamily property market.

With SOFR expected to float above 4% until at least 2027, and Arbor already being levered to the hilt, Arbor must resort to taking unfavorable deals and cutting its dividend to meet its obligations to noteholders.

Investors should enquire as to why various non-cash items are included in distributable income.

Incorrect PIK

The loans of Arbor's heavily distressed borrowers have been modified to reflect a capitalized PIK portion of revenues. These PIK revenues are indicators of borrower distress and should directly influence distributable cash flows.

Arbor CFO Paul Elenio told investors and analysts on their Q3 2024 earnings call that only $15m of PIK interest accrued during the quarter. This is a lie, because it is a logical impossibility. **Viceroy calculated PIK at between $35m and $37m in Q3 2024.**

Paul Elenio
Executive Vice President & Chief Financial Officer, Arbor Realty Trust, Inc.

Sure. Good question, Rick, and you're right. We are including the PIK interest on the mods in distributable earnings because there's a high probability of collecting it and its timing. To answer your questions for the third quarter, there was $15 million of PIK interest in our numbers, but I want to break that number out for you to give you a little context. So of the $15 million that was PIK interest for the quarter, $3 million was related to a group of assets we modified in a prior year that we have substantial guarantees from the equity behind that we feel very, very strong we're going to collect. on top of that, another couple of million dollars of that was mezz and PE, which part of our mezz and PE product, whenever we're doing mezz and PE, and we're doing it behind agency, that always has a PIK feature to it that's just normal cost you're going to pay and you have accrual. The rest of it, which is about $10 million, was related to mods that happened in the first and second and third quarter of this year, with $4 million coming from our third quarter mods and $2 million coming from our second quarter mods and $4 million coming from our first quarter mods. That's the breakout of the numbers for the third quarter, if that's helpful to you.

Figure 11 – Arbor Q3 2024 Earnings Call Transcript

We can calculate the PIK revenue per quarter by calculating the difference between Arbor's Weighted Average Pay Rate and its Structured Business' Weighted Average Yield, with adjustments for the September 2024 Fed rate cut.

The difference of 1.29% applied to the unpaid bridge loan balance results in an annualized PIK of $149m or $37m for Q3 2024

PIK Analysis	Sep-24	Jun-24	Mar-24	2023
Weighted average pay rate (bridge loans)	7.25%	7.79%	8.07%	8.42%
Bridge Loans UBP	11,565,538	11,873,208	12,249,862	12,615,006
Viceroy Adjusted WA Pay Rate*	7.75%			
Structured business, interest earning yield	9.04%	8.99%	9.44%	9.18%
Delta	1.29%	1.20%	1.37%	0.76%
Annualized PIK	149,195	142,478	167,823	**95,874**
Estimated PIK per quarter	**37,299**	**35,620**	**41,956**	

*Note - SOFR EOP change, will not (and has not) impacted net spread.

Figure 12 – Viceroy Analysis

Management must correct the correct PIK rate, and the PIK accrued.

Investors should also question whether accrued PIK is impairment tested.

New Business

CEO Ivan Kaufman has claimed that Arbor will close $300-400m in new bridge financing in Q4 2024 despite MF investments being inherently unprofitable at ~10% borrow rates. There is no incremental new business.

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

So, I think what we're looking at to some degree is a lot of the loans with construction loans, which again this year while was in lease-up, we kind of like that business and that's where we're putting a lot of our attention. And in the math, in the works for me before when spreads were 400 basis point over a 450 basis point and SOFR was a 5.25% and people have to buy caps and their costs were enormous. Spreads, so we just did a bunch of loans at 2.75% over and SOFR was lower and cap cost was substantially lower. So I think we closed about $80 million and we have another couple hundred in the pipeline. So I would say that I like to see about $300 million to $400 million closed on the bridge lending side between now and year-end and then ramp up that pipeline. We're also going to continue to do deals around new construction lending. So you have to look at it in its totality. In addition, we are putting a lot of money out on the pref and mezz and that's been a 14% business and that's been a very attractive business. So we have a lot of flexibility here in terms of where we want to put our capital. But with the securitization market returning and with rates on the short end going down, we think that will be more vital.

Figure 13 – Arbor Q3 2024 Earnings Call Transcript

Instead Arbor's ***gross*** new loans this year have been almost exclusively loans to existing, bankrupt borrowers, who use them to buy themselves out of bankruptcy, or to new buyers of the same property at a discount on the loan amount.

In April 2023, we exercised our right to foreclose on a group of properties in Houston, Texas, that are the underlying collateral for four bridge loans with a total UPB of $217.4 million. We simultaneously sold these properties to a significant equity investor in the original bridge loans and provided new bridge loan financing as part of the sale. We did not record a loss on the original bridge loans and recovered all the outstanding interest owed to us as part of this restructuring.

In July 2024, we exercised our right to foreclose on a property in Waco, Texas, that was the underlying collateral for a non-performing bridge loan with a UPB of $12.7 million, an interest rate of SOFR plus 3.75%, with a SOFR floor of 0.10%, and a net carrying value of $11.3 million, which was net of a $1.5 million loan loss reserve. At foreclosure, we recorded a $1.0 million loan loss recovery and charged-off the remaining loan loss reserve. Additionally, we simultaneously sold the property for $12.3 million to a new borrower and provided a new $12.3 million bridge loan with an interest rate of SOFR, with a SOFR floor of 5.25%, which was deemed to be a significant financing component of the transaction. As a result, we recorded a loss and corresponding liability of $1.0 million as an

Figures 14 & 15 – Arbor Q3 2024 10-Q

As a result, Arbor's portfolio has contracted each quarter since June 2022, reflecting that multifamily flipping with Arbor bridge loans is not viable. With floating-rate loans, over 95% of Arbor's borrowers are bleed cash.

Financing borrowers who cannot service an existing loan with another loan at the same rate lacks economic substance and merely conceals the severe impairment of Arbor's portfolio. Arbor has failed to impair these loans based on the absurd technicality that these borrowers are not delinquent, even though they were insolvent.

An exception to this rule is when Arbor floated a foreclosed property by financing and undisclosed related party with a ~$100m loan. This party, AWC, was run by a former Arbor executive, and its address was listed as Arbor's headquarters[3].

Investors should enquire as to the nature of Arbor's "new business", and the risks associated to lending their already bankrupt debtors more money to re-purchase the same asset.

[3] https://viceroyresearch.org/2024/05/09/arbor-realty-trust-fraud/

Summary of other findings

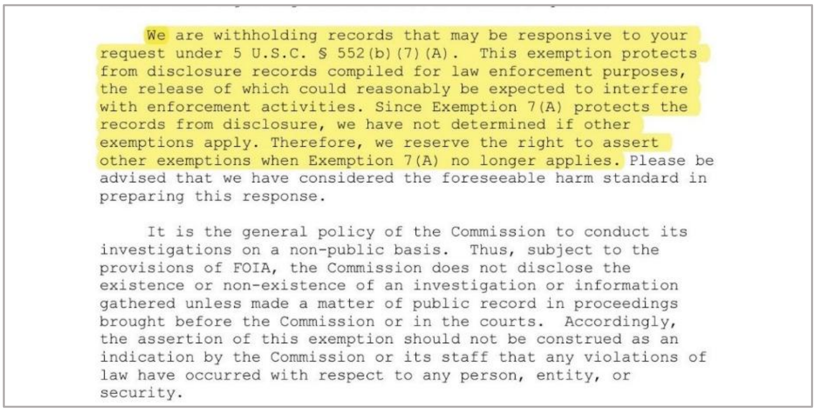
- Viceroy's granular analysis of individual CLO loan data over 12 months shows:
  - Vast sections of financial data including delinquencies and modifications have been manipulated, adulterated, and/or erroneously under-reported.
  - Almost every underlying sponsor's debt servicing costs are substantially higher than the scheduled interest due to Arbor, and this figure has been growing at an alarming rate. Substantially all of Arbor borrowers have obtained third party mezzanine financing to pay unaffordable Arbor interest.
  - Arbor appears to modify spreads for distressed borrowers (a large portion of Arbor's book), month-on-month, to create a quasi cash-sweep program where borrowers simply pay what they can. Arbor does not record delinquencies or modifications on these loans.
- Arbor's CFO incorrectly claims that only $15m of PIK accrued in Q3 2024. This is a logical impossibly against reported cash pay-rate and weighted average yield.
  - Viceroy's calculations suggest between $35m and $37m PIK accrued in Q3 2024, reflecting the severe liquidity constraints faced by sponsors.
  - Non-cash PIK from distressed borrowers is not adjusted for in Arbor's distributable income. Arbor must borrow or sell assets to fund dividends, and trades at a premium to tangible book value.
- Arbor deceives investors by falsely claiming a robust sales pipeline while its loan book has been shrinking. New originations appear to be substantially the refinancing of existing loans, sometimes to the same borrowers.

We have detailed this in our November report, which can be found in the link below:

https://viceroyresearch.org/2024/12/16/arbor-pik-ing-holes-in-clo-data/

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[4].



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 16 – SEC FOIA Response

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

[4] https://x.com/viceroyresearch/status/1823006132824395835

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.

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