Arbor - 2024 10-K Financial Shenanigans

Misreported provisions fabricated PIK, impaired loans to company officers, and non-disclosure of fraud. Arbor's 2024 earnings release and 10-K are littered with inaccuracies, creative accounting, and red flags.

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March 4, 2025 – Arbor's 10-K is littered with creative accounting and outright incorrect data as its window-dressing campaign continues. This report will highlight the most egregious examples of Arbor's fabrication of financial data, and contrast this with real performance data from its CLOs.

Provisions, Foreclosures, & REO Assets

Arbor's loss provisions do not reconcile with widely reported and acknowledged operational headwinds.

- It is preposterous that Arbor's net provision expense for credit losses is ***down*** 33% year-on-year despite the following facts:
  - The **underlying DSCR of Arbor's CLOs is ~0.6x.**
  - **Substantially all of Arbor' CLO assets have been modified in 2024** because borrowers are distressed.
  - Structured **MF bridge loans are not eligible for transition into Agency programs** and will continue to operate at unsustainable losses for the foreseeable future.
  - "Special Mention" risk loans as a percentage of Arbor's total book are up 50% year-on-year.
  - Doubtful loans as percentage of total MF structured loans are up 14x year-on-year.

	Year Ended December 31, 2024							
	Multifamily	Land	Retail	Commercial	Single-Family Rental	Office	Other	Total
Allowance for credit losses:								
Beginning balance	$ 110,847	$ 78,058	$ 3,293	$ 1,700	$ 1,624	$ 142	$ —	$ 195,664
Provision for credit losses (net of recoveries)	49,501	72	—	—	5,900	39	—	55,512
Charge-offs (1)	(12,209)	—	—	—	—	—	—	(12,209)
Ending balance	$ 148,139	$ 78,130	$ 3,293	$ 1,700	$ 7,524	$ 181	$ —	$ 238,967
	Year Ended December 31, 2023							
Allowance for credit losses:								
Beginning balance	$ 37,961	$ 78,068	$ 5,819	$ 1,700	$ 780	$ 8,162	$ 69	$ 132,559
Provision for credit losses (net of recoveries)	72,886	(10)	(2,526)	—	844	(2,320)	(69)	68,805
Charge-offs	—	—	—	—	—	(5,700)	—	(5,700)
Ending balance	$ 110,847	$ 78,058	$ 3,293	$ 1,700	$ 1,624	$ 142	$ —	$ 195,664

Figure 1 – Arbor 2024 10-K

- **We believe there is a total of $45m-$55m of undisclosed, unrecoverable paper gains on foreclosures booked against REO assets.**
  - Arbor added ~$100m of REO in 2024 in MF, all of which were from loan foreclosures.
  - Arbor's average CLO loan book (and issuing standards) dictates that underlying investments sit at approximately 77-80% LTV. We note that these valuations represent an implied 4.2% cap rate, a value that is not realizable (and as such, gains have not been realized).
  - Accordingly, we believe Arbor has recognized $25m-$30m of gains on foreclosures and reversal of provisions against the "fair value" of collateral in 2024, which cannot be realized.
  - We believe there is a further $20m-$25m of gains on foreclosures in 2023, valued at ~$80m, also boosting Arbor's P&L.
- Arbor has already encumbered REO assets with mortgages, meaning any realization of these assets (at presumably deflated prices) would not lead to significant new cash flows.
  - Arbor has not been able to mortgage REO assets beyond ~42% LTV. This suggests to us that mortgage lenders do not share Arbor's enthusiastic valuation on these properties.
- Arbor (predictably) operates its formerly distressed REO assets at an NOI loss and has done for over 3 years.

Misreporting of Modifications, Delinquencies & PIK

- Arbor claims in its 2024 earnings release that:
  - It only modified 15 loans in Q4 2024 with UPB of $466m.
  - It had nine loans with a UPB of $167m that were <60 days delinquent.
  - It had 26 loans with a UPB of $589m that were >60 days delinquent.

These claims are completely false.

December 2024 Update	ARCREN 2021-FL1	ARCREN 2021-FL3	ARCREN 2021-FL4	ARCREN 2022-FL1	ARCREN 2022-FL2	Total
Total deal balance	**455,762,962**	**945,344,925**	**1,873,181,786**	**1,732,835,750**	**931,774,999**	**5,938,900,422**
< 1 Month	22,600,000	40,900,000	-	171,400,000	86,400,000	**321,300,000**
30 Days	15,320,215	-	186,917,851	64,209,785	-	**266,447,851**
60 Days	-	-	-	31,240,000	-	**31,240,000**
90+ Days	10,514,731	57,700,000	44,000,000	83,464,965	-	**195,679,696**
Modified	332,892,747	781,181,926	1,370,470,754	1,523,049,000	708,636,530	**4,716,230,957**
*Adjustment for double count**	*(33,114,731)*	*(86,100,000)*	*(197,917,851)*	*(278,370,000)*	*(27,600,000)*	***(623,102,582)***
Total delinquent & modified	**348,212,962**	**793,681,926**	**1,403,470,754**	**1,594,993,750**	**767,436,530**	**4,907,795,922**

Figure 2 – Viceroy Analysis – December 2024 CLO Data

- A review of Arbor's CLO data shows these figures are massively understated:
  - In Q4 2024 Arbor modified at least 68 loans, with a UBP of >$2.1b, according to their own CLO reporting figures. Many of these have since been modified again in Q1 2025.
  - In December 2024, Arbor had almost $600m of loans <60 days overdue in its CLO book alone ($321m less than 30 days). In January 2025this figure was ~$800m ($570 less than 30 days). This is consistent with September figures.
  - In December 2024, Arbor had almost $250m of loans >60 days overdue in its CLO book alone. In January 2025, this figure was ~$450m.
- Arbor CFO Paul Elenio told investors and analysts on earnings calls that only ~$15m of PIK interest accrued during Q3 and Q4 2024.

This is a logical impossibility.
Viceroy calculated PIK at ~$45m in Q4 2024.

- 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 Q3 and Q4 2024 Fed rate cut.

PIK Calculation	Dec-24	Sep-24	Jun-24	May-24
Weighted average pay rate (bridge loans) EOP	6.90%	7.25%	7.79%	8.07%
Bridge Loans UBP	11,304,956	11,565,538	11,873,208	12,249,862
Viceroy Adjusted WA Pay Rate	7.25%	7.75%		
Structured business, interest earning yield	8.86%	9.04%	8.99%	9.44%
Delta	1.61%	1.29%	1.20%	1.37%
Annualized PIK	182,010	149,195	142,478	167,823
Estimated PIK Quarterly	**45,502**	**37,299**	**35,620**	**41,956**

Figure 3 – Viceroy Analysis

Blackline Review & (Missing) Fraud Disclosures

- Previously, every loan and investment required approval from Chief Credit Officer Andrew Guziewicz, CEO Ivan Kaufman, and EVP of Structured Finance Fred Weber. The updated process expands the group involved in approvals and no longer mentions Kaufman.
  - This implies that company officers were approving loans to themselves in the form of various related party deals.
- In 2023, Arbor disclosed that it foreclosed on a $217m MF portfolio, which it repackaged and sold back to the same owner for a profit of $22m.
  - Almost 2 years later: we learn that Arbor has made enormous interest rate concessions to the borrower and that the interest-only loan capitalizes $11m in interest a year (4.5%).

> In April 2023, we exercised our right to foreclose on a group of properties in Houston, Texas, that are the underlying collateral for 4 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 totaling $239.4 million with a fixed pay rate increasing over time from 3.00% to 5.00%, while deferring up to a weighted average rate of SOFR plus 3.47%. 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. At December 31, 2024 and 2023, we have deferred interest totaling $22.2 million and $10.3 million accrued, respectively, related to these new loans, which is included in other assets.

Figure 4 – Arbor 2024 10-K

- Arbor has not acknowledged that AWC was a related party when it fully funded the entity for them to purchase the foreclosed Westchase asset out of foreclosure. This is a farce.

> **May 9, 2024 –** Viceroy Research today bestows the F-word upon Arbor and its management team: "fraud". Viceroy's investigations have discovered an elaborate and intentional con, where Arbor has financed purchases of assets from its own foreclosures, with Arbor loans, via off-balance sheet entities run by former Arbor associates, and entirely financed with Arbor equity capital.
>
> - Arbor has financed 99% of the "non-controlling interest" equity of an off-balance sheet entity run by a former VP of Arbor, whose investment in the entity was also financed by Arbor. They share an office.
> - 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).
> - **Arbor does not recognize losses on these foreclosures** by financing the sale of foreclosed properties to off-balance sheet entities.
> - 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.**
> - Approximately half of Arbor's Q1 2024 loan originations were to these off-balance sheet entities, to buy foreclosed properties.
>
> ***This is FRAUD***

Figure 5 – Viceroy Analysis – The 'F" Word[1]

- Arbor confirmed that it funded $41.7m in additional unsecured lines of credit but did not disclose to whom. We believe this line of credit is to existing borrowers, yet it is not presented alongside other structured mezzanine loan assets.

> Other assets increased $78.2 million, primarily due to additional fundings of unsecured line of credit loans totaling $41.7 million and an increase in deferred interest on modified loans.

Figure 6 – Arbor 2024 10-K

[1] https://viceroyresearch.org/wp-content/uploads/2024/05/Q1-2024-Update-The-F-Word.pdf

Maturing Credit Facilities Replaced with Expensive Alternatives

- Arbor has increased existing repo line capacity and opened new repo facilities despite being in a loan runoff, and not fully utilizing its existing repurchase facilities.
  - Facilities have caps have increased by net ~$1.8b y/y, despite a ~$1.5b loan runoff (including held-for-sale). We also note that "**New facilities**" specifically allow the **financing of Non-Performing Loans**.
  - If Arbor intends to move NPLs from their CLO book to their repo facilities, investors should expect spreads to diminish rapidly.
- The reinvestment period for all of Arbor's CLOs has now lapsed, ending with CLO 18 in October 2024.
  - A blackline analysis of credit lines from Arbor's CLO 18 suggests that these credit lines can no longer be used to provide Arbor liquidity.

> CLO 18. In 2022, we completed CLO 18, issuing eight tranches of CLO notes through two ~~wholly-owned~~ wholly owned subsidiaries totaling $1.86 billion. Of the total CLO notes issued, $1.65 billion were investment grade notes issued to third party investors and $210.1 million were below investment grade notes retained by us. As of the CLO closing date, the notes were secured by a portfolio of loan obligations with a face value of $1.70 billion, consisting primarily of bridge loans that were contributed from our existing loan portfolio, and cash. The financing ~~has~~ had an approximate two-and-a-half-year replacement period that ~~allows~~ allowed the principal proceeds and sale proceeds (if any) of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the indenture. Thereafter, the outstanding debt balance ~~will be~~ is being reduced as loans are repaid. Initially, the proceeds of the issuance of the securities also included $347.3 million for the purpose of acquiring additional loan obligations for a period of up to 180 days from the CLO closing date, which we subsequently utilized, resulting in the issuer owning loan obligations with a face value of $2.05 billion, representing leverage of 81%. We retained a residual interest in the

Figure 7 – Arbor 2024 10-K Blackline Review - FactSet

- Arbor Series F preferred stock dividends are due to increase from 6.25% to SOFR + 5.4%.
  - This will increase preference dividend costs by ~$7m at current rates.

> ***Preferred Stock.*** The Series D, Series E and Series F preferred stock are not redeemable by us prior to June 2, 2026, August 11, 2026 and October 12, 2026, respectively. Holders of the Series F preferred stock are entitled to receive cumulative dividends at a fixed rate equal to 6.25% from the date of issuance through October 29, 2026 and at a floating rate equal to a benchmark rate (which is expected to be the three-month term SOFR) plus a spread of 5.442% per annum beginning October 30, 2026; provided that in no event should the rate be lower than 6.125%.

Figure 8 – Arbor 2024 10-K

Delinquent Management Loans

- A **$22 million loan**, issued in 2018 to CEO Ivan Kaufman and other executives, was originally set to mature in **June 2021,** has now been **impaired**, raising concerns about its repayment.

> In 2018, we originated a $21.7 million bridge loan on a multifamily property owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns 75% in the borrowing entity. The loan has an interest rate of SOFR plus 4.75% with a SOFR floor of 0.25%, and was scheduled to mature in November 2024, which was extended to February 2025. In the fourth quarter of 2024, we recorded a $5.5 million specific reserve on this loan. Interest income recorded from this bridge loan was $2.2 million, $2.2 million and $1.4 million for 2024, 2023 and 2022, respectively. In February

Figure 9 – Arbor 2024 10-K

Summary Findings

Management has no regard for transparency, only window dressing of financial accounts.

Annexed to this report are our CLO findings from February 2025, which show a rapidly deteriorating book and CLO spread.

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*We reiterate our belief that **Arbor is a donut.***

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1. Provisions, Foreclosures & REO Assets – Creative Accounting

Arbor's multifamily loss provisions do not reconcile with real life. We note the following **facts** in 2024:

- The **underlying DSCR of Arbor's CLOs is ~0.6x**.
  - Arbor's borrowers are almost exclusively making heavy losses on their multifamily investments.
- **Substantially all of Arbor' CLO assets have been modified** in 2024 because borrowers are distressed.
  - Modified loans continue to fall delinquent despite extraordinary concessions made by Arbor.
- Structured MF bridge loans are not eligible for transition into Agency programs.
  - Arbor appears to have transitioned more of its CLO structured loans into foreclosures than Agency programs in 2024.
- "Special Mention" risk loans as a percentage of Arbor's total book is up 50% year-on-year.
  - These now comprise over 60% of Arbor's total structured loan book book.
- **Doubtful loans as percentage of total MF structured loans is up 14x year-on-year**.
- The entire MF industry has faced an **enormous wave of delinquencies and foreclosures**.
- Arbor management have **cut guidance for 2025**.

It is preposterous that **Arbor's net provision expense for credit losses is *down* 33% year-on-year**.

We believe Arbor may be netting off "Provisions For Credit Losses (net)" and "Other Income (net)" with fraudulent and/or unjustifiable paper gains which have resulted from foreclosures.

	Year Ended December 31, 2024							
	Multifamily	Land	Retail	Commercial	Single-Family Rental	Office	Other	Total
Allowance for credit losses:								
Beginning balance	$ 110,847	$ 78,058	$ 3,293	$ 1,700	$ 1,624	$ 142	$ —	$ 195,664
Provision for credit losses (net of recoveries)	49,501	72	—	—	5,900	39	—	55,512
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Ending balance	$ 148,139	$ 78,130	$ 3,293	$ 1,700	$ 7,524	$ 181	$ —	$ 238,967

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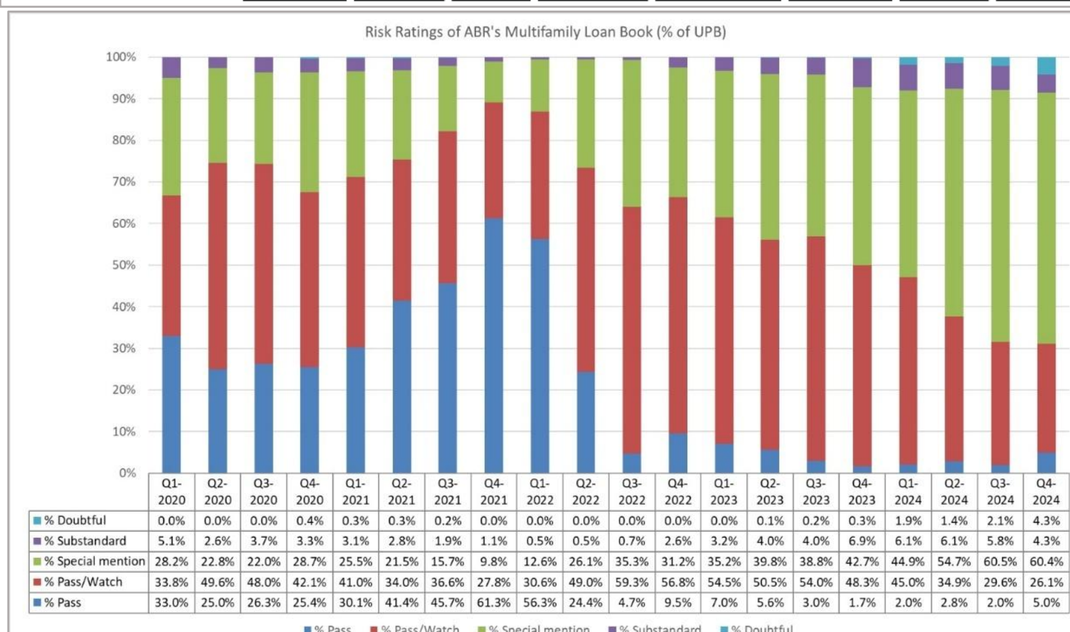
Provision for credit losses (net of recoveries)	72,886	(10)	(2,526)	—	844	(2,320)	(69)	68,805
Charge-offs	—	—	—	—	—	(5,700)	—	(5,700)
Ending balance	$ 110,847	$ 78,058	$ 3,293	$ 1,700	$ 1,624	$ 142	$ —	$ 195,664



	Q1-2020	Q2-2020	Q3-2020	Q4-2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024
% Doubtful	0.0%	0.0%	0.0%	0.4%	0.3%	0.3%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.3%	1.9%	1.4%	2.1%	4.3%
% Substandard	5.1%	2.6%	3.7%	3.3%	3.1%	2.8%	1.9%	1.1%	0.5%	0.5%	0.7%	2.6%	3.2%	4.0%	4.0%	6.9%	6.1%	6.1%	5.8%	4.3%
% Special mention	28.2%	22.8%	22.0%	28.7%	25.5%	21.5%	15.7%	9.8%	12.6%	26.1%	35.3%	31.2%	35.2%	39.8%	38.8%	42.7%	44.9%	54.7%	60.5%	60.4%
% Pass/Watch	33.8%	49.6%	48.0%	42.1%	41.0%	34.0%	36.6%	27.8%	30.6%	49.0%	59.3%	56.8%	54.5%	50.5%	54.0%	48.3%	45.0%	34.9%	29.6%	26.1%
% Pass	33.0%	25.0%	26.3%	25.4%	30.1%	41.4%	45.7%	61.3%	56.3%	24.4%	4.7%	9.5%	7.0%	5.6%	3.0%	1.7%	2.0%	2.8%	2.0%	5.0%

Figures 10 & 11 – Arbor 10-K & Viceroy Analysis

Estimating Gains on Foreclosures

Arbor CFO, Paul Elenio, confirmed that Arbor recognized gains on foreclosures in Arbor's 10-Q3 2024 earnings call.

Richard Shane Q
Analyst, JPMorgan Securities LLC

Okay, great. And actually, Paul, you're going to regret keeping talking because I will ask one last question that occurred to me. Please remind me your policy on REO. Do you when you – and we noticed this differs company to company, do you realize any loss when you take property REO?

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

So it depends on what the value is. So the way REO works in the accounting world is you take back an asset. At the time you take back the asset, you have to do an appraisal and you have to allocate the value between land and building. And if you're carrying the loan at X and the appraisal comes in at Y, then you either have a gain or loss for accounting on your REO. But for us, that gain or loss is not a realized loss until you dispose of the REO asset or gain.

Figure 12 – Arbor 10-Q3 2024 earnings call

Arbor added ~$100m of REO in 2024 in MF, all of which were resultant from loan foreclosures.

	December 31, 2024				December 31, 2023			
	Multifamily	Office	Land	Total	Multifamily	Office	Land	Total
Land	$ 29,171	$ 13,599	$ 7,947	$ 50,717	$ 3,148	$ 12,028	$ 7,947	$ 23,123
Building and intangible assets	99,812	35,561	—	135,373	26,953	42,781	—	69,734
Less: Impairment loss	—	(2,500)	—	(2,500)	—	—	—	—
Less: Accumulated depreciation and amortization	(4,497)	(2,550)	—	(7,047)	(2,168)	(3,698)	—	(5,866)
Real estate owned, net	$ 124,486	$ 44,110	$ 7,947	$ 176,543	$ 27,933	$ 51,111	$ 7,947	$ 86,991

Figure 13 – Arbor 2024 10-K

- Arbor's average CLO loan book (and issuing standards) dictates that underlying investments sit at approximately 77-80% LTV.
  - We note that these valuations represent an implied 4.2% cap rate, a value that is not realizable (and as such, have not been realized).

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%**

Figure 14 – Viceroy Analysis

- It is likely that Arbor has previously recognized impairment provisions for these foreclosures.
  - We estimate this figure to be $5m-$10m based on foreclosure disclosures made on "Loan Resolutions".

Accordingly, we believe Arbor have recognized $25m-$30m of gains on foreclosures and reversal of provisions against the "fair value" of collateral in 2024, which cannot be realized.

We believe there is a further $20m-$25m of gains on foreclosures in 2023, valued at ~$80m, also boosting Arbor's balance sheet.

We believe there is a total of $45m-$55m of gains on foreclosures booked against REO assets.

Accounting for Gains on Foreclosures in the P&L

There does not appear to be any gross P&L line items that can hold $25m of REO gains. We believe these undisclosed paper gains on foreclosures have been netted off against larger write-offs and provisions, artificially and arbitrarily boosting Arbor's P&L.

Arbor's net provision expenses in 2024 were a mere $49m, down from $72m in 2023, which was an objectively less shitty year. A foreclosure would result in the reversal of provision attached to distressed assets in the event that the underlying collateral valuation (which is garbage) is higher than the UPB.

We believe Arbor reversed ~$10m in provisions by foreclosing on properties in 2024.
In any case: provisions remain inexplicably low

The remaining gains booked on foreclosures in 2024, which we believe to be approximately $15m, is presumably netted off against either:

- "Other Income, Net", which comprise of write-offs for increasingly unprofitable loan resolutions, various unrelated fees (incl. broker fees), and asset management expenses.
  - In this instance, Arbor has also inflated its distributable earnings with $15m of non-cash paper gains which cannot be feasibly realized. Arbitrary collateral valuation is disconnected from reality.
- "Provision For Credit Losses, Net", which comprise of provision for losses netter against charge-offs for realized losses. This would take place as a fraudulent negative liability against the provisions book.
  - This is the only outcome we believe feasibly explains why provisions are so low.

Other income (loss), net — Other income (loss), net represents loan structuring, modification and defeasance, as well as broker fees and miscellaneous asset management fees associated with our loan and investment portfolio. We recognize these forms of income when the fees are fixed or determinable, are evidenced by an arrangement, collection is reasonably assured and the services under the arrangement have been provided.

During 2024, we recorded a $55.5 million provision for credit losses, net of recoveries, on our structured portfolio. The additional provision for credit losses was primarily attributable to specifically impaired multifamily loans and the impact from the macroeconomic outlook of the commercial real estate market. Our estimate of allowance for credit losses on our structured portfolio, including related unfunded loan commitments, was based on a reasonable and supportable forecast period that reflects recent observable data, including price indices for commercial real estate, unemployment rates, and interest rates.

Figures 15 & 16 – Arbor 10-K

Arbor has booked ~$15m unrealizable gains on foreclosures in 2024.

Mortgages on REO

Arbor has already encumbered REO assets with mortgages, meaning any realization of these assets (at presumably deflated prices) would not lead to new significant cash flows.

At December 31, 2024 and 2023, we had mortgage notes payable totaling $74.9 million and $44.3 million, respectively, which are collateralized by our REO assets.

Figure 17 – Arbor 2024 10-K

We note that Arbor have not been able to mortgage REO assets beyond ~42% LTV. This suggests to us that mortgage lenders do not share Arbor's enthusiastic valuation on these properties.

Performance of REO Assets

Arbor (predictably) operates its formerly distressed REO assets at an NOI loss, and has done for over 3 years.

REO Performance	2024	2023
Property Operating Income	7,226	5,708
Property Operating Expenses	(7,394)	(5,897)
NOI on REO	**(168)**	**(189)**

Property operating income — Property operating income represents income associated with the operations of commercial real estate properties classified as real estate owned. We recognize revenue for these activities when the fees are fixed or determinable, or are evidenced by an arrangement, collection is reasonably assured and the services under the arrangement have been provided.

Figure 18 – Arbor 2024 10-K

We reiterate that these properties are not in transition. Top and bottom line growth appear to be related to more foreclosures.

REO assets' operating income alone (i.e. top line) would represent a 3.9% yield ***before expenses***.

Bad start to Q1

Arbor took $101.6m of foreclosures to date in Q1 2025. This is on top of $414m of 90+ day delinquent loans in Arbor CLOs in mid-February (up almost 100% over 30 days – see **Annexure** for more information).

Subsequent Event. In January and February 2025, we foreclosed on and took back three multifamily properties collateralizing bridge loans with a total UPB of $101.6 million.

Arbor's cash position has shrunk a further $70m to February 19, 2025, despite an accelerating run off of its portfolio.

As of February 19, 2025, we had approximately $435 million in cash and liquidity. In addition to our ability to extend our credit and repurchase facilities and raise funds from equity and debt offerings, we also have a $33.47 billion agency servicing portfolio at December 31, 2024, which is mostly prepayment protected and generates approximately $126.5 million per year in recurring gross cash flow.

2. Misreporting of Modifications, Delinquencies & PIK

Arbor claims in its 2024 earnings release that:

- It only modified 15 loans in Q4 2024 with UPB of $466m.
- It had nine loans with a UPB of $167m that were <60 days delinquent.
- It had 26 loans with a UPB of $589m that were >60 days delinquent.

These claims are completely false.

In addition, at December 31, 2024, the Company had nine loans with a total UPB of $167.4 million (before related loan loss reserves of $5.0 million) that were less than 60 days past due, compared to ten loans with a total UPB of $319.2 million at September 30, 2024. Interest income on these loans is only being recorded to the extent cash is received.

During the fourth quarter of 2024, the Company modified fifteen loans with a total UPB of $466.6 million, the vast majority of which had borrowers investing additional capital to recapitalize their deals. Seven of these loans with a total UPB of $206.3 million contained interest rates based on pricing over SOFR ranging from 3.25% to 4.75% and were modified to provide temporary rate relief through a pay and accrual feature. At December 31, 2024, these modified loans had a weighted average pay rate of 5.51% and a weighted average accrual rate of 2.32%. In addition, of the total modified loans for the fourth quarter, $123.5 million were less than 60 days past due and $15.0 million were non-performing at September 30, 2024, and are now current in accordance with their modified terms.

Loans are classified as non-performing once the contractual payments exceed 60 days past due. Income from non-performing loans is generally recognized on a cash basis when it is received. Full income recognition will resume when the loan becomes contractually current, and performance has recommenced. At December 31, 2024, twenty-six loans with an aggregate net carrying value of $598.9 million, net of related loan loss reserves of $23.8 million, were classified as non-performing and, at December 31, 2023, sixteen loans with a total net carrying value of $235.6 million, net of related loan loss reserves of $27.1 million, were classified as non-performing.

Figures 19, 20 & 21 – Arbor 2024 Earnings Release & 10-K

The reality: in Q4 2024 Arbor modified at least 68 loans, with a UBP of >$2.1b, according to their own CLO reporting figures. Many of these have since been modified again in Q1 2025.

In December 2024, Arbor had almost $600m of loans <60 days overdue in its CLO book alone ($321m less than 30 days). In January 2025this figure was ~$800m ($570 less than 30 days). This is consistent with September figures.

In December 2024, Arbor had almost $250m of loans >60 days overdue in its CLO book alone. In January 2025, this figure was ~$450m.

It is unfathomable that substantially all of Arbor's >60 day delinquent loans are concentrated in its CLO book, especially considering that Arbor has consistently bought delinquent loans from its CLOs and into its own portfolio.

December 2024 Update	ARCREN 2021-FL1	ARCREN 2021-FL3	ARCREN 2021-FL4	ARCREN 2022-FL1	ARCREN 2022-FL2	Total
Total deal balance	**455,762,962**	**945,344,925**	**1,873,181,786**	**1,732,835,750**	**931,774,999**	**5,938,900,422**
< 1 Month	22,600,000	40,900,000	-	171,400,000	86,400,000	**321,300,000**
30 Days	15,320,215	-	186,917,851	64,209,785	-	**266,447,851**
60 Days	-	-	-	31,240,000	-	**31,240,000**
90+ Days	10,514,731	57,700,000	44,000,000	83,464,965	-	**195,679,696**
Modified	332,892,747	781,181,926	1,370,470,754	1,523,049,000	708,636,530	**4,716,230,957**
*Adjustment for double count**	*(33,114,731)*	*(86,100,000)*	*(197,917,851)*	*(278,370,000)*	*(27,600,000)*	***(623,102,582)***
Total delinquent & modified	**348,212,962**	**793,681,926**	**1,403,470,754**	**1,594,993,750**	**767,436,530**	**4,907,795,922**

January 2025 Update	ARCREN 2021-FL1	ARCREN 2021-FL3	ARCREN 2021-FL4	ARCREN 2022-FL1	ARCREN 2022-FL2	Total
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.*

Figure 22 & 23 – Viceroy Analysis

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 ~$45m in Q4 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

Figure 24 – 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 Q3 and Q4 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 Calculation	Dec-24	Sep-24	Jun-24	May-24
Weighted average pay rate (bridge loans) EOP	6.90%	7.25%	7.79%	8.07%
Bridge Loans UBP	11,304,956	11,565,538	11,873,208	12,249,862
Viceroy Adjusted WA Pay Rate	7.25%	7.75%		
Structured business, interest earning yield	8.86%	9.04%	8.99%	9.44%
Delta	1.61%	1.29%	1.20%	1.37%
Annualized PIK	182,010	149,195	142,478	167,823
Estimated PIK Quarterly	**45,502**	**37,299**	**35,620**	**41,956**

Figure 25 – Viceroy Analysis

Management must clarify the correct PIK rate, and the PIK accrued. Investors should also question whether accrued PIK is impairment tested.

These calculations are more consistent with the oversized CLO modifications we have observed.

Recapitalization

To recapitalize their deals Arbor claims that borrowers are required to "invest additional capital" to modify their loans but most of the ways borrowers are doing this does not qualify as investing additional capital.

As part of the modifications of each of these loans, we expect borrowers to invest additional capital to recapitalize their projects, which the vast majority have funded in the form of either, or a combination of: (1) reallocation of and/or additional deposits into interest, renovation and/or general reserves; (2) the purchase of a new rate cap; (3) a principal paydown of the loan; and (4) bringing any delinquent loans current by paying past due interest owed.

Figure 26 – Arbor 2024 10-K

- Purchasing a rate cap infuses no capital into the underlying loan and is uneconomic at interest cycle highs.
- Paying down the principal is fulfilling an existing obligation, not a new investment.
- Bringing a delinquent loan current simply complying with the terms of the original loan: the sum of capital invested remains the same.

Of the four ways Arbor lists, only increasing reserves can be reasonably viewed as contributing additional capital and even this is debatable given the quasi-mandatory nature of these "recapitalizations". To this point, we note that CLO reserves are at their lowest point since we commenced surveilling Arbor's CLO data.

3. Blackline Review & (Missing) Fraud Disclosures

C&IC committee

Arbor has changed its credit approval process. The company now has a Credit and Investment Committee, led by Chief Credit Officer Andrew Guziewicz. Previously, every loan and investment required approval from Guziewicz, CEO Ivan Kaufman, and EVP of Structured Finance Fred Weber. The updated process expands the group involved in approvals and no longer mentions Kaufman.

> ***Credit & Investment Committee Approval Process.*** We apply an established credit and investment approval process to all proposed loans and other investments for our Structured Business. All proposed loans and investments are submitted to and presented to our credit & investment committee ("C&IC") overseen by our chief credit officer and comprised of participants from originations, screening, underwriting, treasury, securitization, servicing, asset management and legal. The C&IC convenes weekly, or as needed, to review and approve transactions. Prior to presentation to the C&IC, the underwriter on each proposed loan or investment submits a written credit memo for distribution to all C&IC participants. The credit memo includes all material information concerning the prospective sponsor, the property, the proposed business plan, and all loan or investment related risks and mitigants. At the C&IC meeting, the underwriter presents the transaction and answers any questions posed by C&IC members. All transactions require the unanimous approval of the respective approvers, including the chief credit officer. Minutes of each loan or other investment presented at C&IC are recorded by the committee secretary and subsequently ratified by the chief credit officer.

Figure 27 – Arbor 2024 10-K

We believe this change is a direct response to ongoing SEC and DOJ investigations and lawsuits. Arbor's previous approval structure posed significant governance risks as Kaufman stood to benefit directly from loan approvals which did not meet the best interest of other shareholders.

Refinancing Foreclosures to Same Borrowers

In 2023, Arbor disclosed that it had foreclosed on a $217m MF portfolio, which it then subsequently repackaged and sold back to the same owner for a profit of $22m.

> In April 2023, we exercised our right to foreclose on a group of properties in Houston, Texas, that are the underlying collateral for 4 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 totaling $239.4 million with a fixed pay rate increasing over time from 3.00% to 5.00%, while deferring up to a weighted average rate of SOFR plus 3.47%. 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. At December 31, 2024 and 2023, we have deferred interest totaling $22.2 million and $10.3 million accrued, respectively, related to these new loans, which is included in other assets.

Figure 28 – Arbor 2024 10-K

Almost 2 years later: we now learn that Arbor has made enormous concessions to the borrower with regards to interest rates, and that the interest-only loan capitalizes $11m in interest a year (4.5%).

Arbor still does not disclose the value of the new loan it issued to the same buyer to buy a property they had already foreclosed on and not pay interest this time. Management is not committed to transparency.

At a deeper level: investors must ask how much of 2024's originations were related to the repurchase of existing and distressed assets and foreclosures.

> Cash flows provided by investing activities totaled $1.15 billion during 2024. Loan and investment activity (originations and payoffs/paydowns) comprise the majority of our investing activities. Loan payoffs and paydowns from our Structured Business totaling $2.78 billion, net of originations of $1.60 billion, resulted in net cash inflows of $1.18 billion.

Figure 29 – Arbor 2024 10-K

Mezzanine Financing for Delinquent Customers

Arbor confirmed that it funded $41.7m in additional unsecured lines of credit.

> Other assets increased $78.2 million, primarily due to additional fundings of unsecured line of credit loans totaling $41.7 million and an increase in deferred interest on modified loans.

Viceroy has already reported extensively on the fact that Arbor provides Mezzanine financing for delinquent customers. It is perplexing, in this instance, that a $41m line of credit is held within "Other Assets", and long alongside other mezzanine finance assets in its structured book.

AWC Fraud Disclosures (or Lack Thereof)

Arbor has not acknowledged that AWC was a related party when it fully funded the entity for them to purchase the foreclosed Westchase asset out of foreclosure. This is a farce.

We reiterate the following.

> **May 9, 2024 –** Viceroy Research today bestows the F-word upon Arbor and its management team: "fraud". Viceroy's investigations have discovered an elaborate and intentional con, where Arbor has financed purchases of assets from its own foreclosures, with Arbor loans, via off-balance sheet entities run by former Arbor associates, and entirely financed with Arbor equity capital.
>
> - Arbor has financed 99% of the "non-controlling interest" equity of an off-balance sheet entity run by a former VP of Arbor, whose investment in the entity was also financed by Arbor. They share an office.
> - 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).
> - **Arbor does not recognize losses on these foreclosures** by financing the sale of foreclosed properties to off-balance sheet entities.
> - 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.**
> - Approximately half of Arbor's Q1 2024 loan originations were to these off-balance sheet entities, to buy foreclosed properties.
>
> ***This is FRAUD***

Figure 30 – Viceroy Analysis – The 'F" Word[2]

After being called out for fraud, Arbor appeared to retract part of its investment in AWC in favor of a third party, who purchased 51% of AWC, and Arbor was returned part of its investment as a return of capital. AWC continued to purchase distressed Arbor assets. Investors and regulators should ask who this third party capital partner is.

> ***AWC Real Estate Opportunity Partners I LP ("AWC").*** In the fourth quarter of 2023, we committed to a $24.0 million investment, of which $11.7 million was initially funded, 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 1% general partnership interest, of which $0.3 million was funded at December 31, 2024. In the second quarter of 2024, in accordance with the fund's objectives, AWC brought in an additional capital partner who committed to a $25.0 million investment ($16.3 million was funded at December 31, 2024) in exchange for a 51% non-controlling limited partnership interest and 17.5% of the general partner's interest in the fund. This new equity partner diluted our limited partnership interest in the fund to a 49% non-controlling limited partnership interest. Additionally, AWC invested $9.4 million for a 44% interest in a newly formed entity, which purchased a group of properties in Houston, Texas, that were the collateral for a $100.3 million bridge loan that we foreclosed on simultaneously with the sale. We sold the Houston properties for $101.3 million, which was primarily financed with a new $95.3 million bridge loan we provided at SOFR plus 3%. See Note 3 for details. In the fourth quarter of 2023, this fund also purchased our equity interest in North Vermont Avenue at a discount for $1.3 million, which was recorded as a reduction to our investment in AWC. The remaining $14.3 million of capital invested in the fund was used to purchase four additional qualified investments and to pay for legal and administrative expenses primarily related to the formation of the fund. We provided a $13.0 million Fannie Mae DUS loan and a $13.2 million bridge loan to the owners of the real estate on two of these investments. During 2024, we made contributions of $13.6 million, received distributions of $11.2 million, which were classified as returns of capital, and recorded a loss of $0.5 million related to this investment. Interest income recorded from the $95.3 million and $13.2 million bridge loans was $5.4 million for the year ended December 31, 2024.

Figure 31 – Arbor 2024 10-K

Given that AWC and Arbor literally share an office, is fully funded by Arbor and a mysterious "3rd Party", and is run by a former Arbor VP: it beggars belief that Arbor does not exert significant control over AWC.

AWC and its garbage investments should be fully consolidated, and Arbor continues to misrepresent this transaction as "arms-length".

[2] https://viceroyresearch.org/wp-content/uploads/2024/05/Q1-2024-Update-The-F-Word.pdf

Contradictory and incorrect statements

Arbor's risk factors reads like a list of excuses for their investments' ongoing collapse. Several of these statements are contradictory and not reflective of Arbor's financial situation.

The company claims that it is suffering from "disruption in the capital markets" due to inflation and high interest rates while major US indices are at or near all-time highs.

> **Item 1A. Risk Factors**
>
> The commercial real estate markets have experienced a prolonged dislocation due to inflation and high interest rates, which has resulted in decreased real estate values, increased delinquencies and defaults, and a disruption in the capital markets. This environment has had a material adverse effect on our business, results of operations, financial condition, and liquidity. If this

Figure 32 – Arbor 2024 10-K

- Arbor claims that a high interest rate environment is positive as its loan portfolio is floating-rate and their borrowings are fixed-rate. This is demonstrably false: Arbor's net interest spread has been falling rapidly during high-rate periods.

> Historically, the high interest rate environment has positively impacted our net interest income since our structured loan portfolio exceeds our corresponding debt balances and the vast majority of our loan portfolio is floating rate based on SOFR. Additionally, since a greater portion of our debt consists of fixed-rate instruments (such as convertible and senior unsecured notes), as compared to our structured loan portfolio, the increase in interest income from high interest rates tends to outpace the rise in interest expense on our debt. Furthermore, our earnings on escrows and cash balances also benefit from an elevated rate environment. However, the prolonged period of elevated interest rates has led to an increase in loan delinquencies, a decrease in loan originations and lower cash and escrow balances, which is having, and may continue to have, a negative impact on our net interest income. Additionally, the prolonged high interest rate

Figure 33 – Arbor 2024 10-K

- Arbor claims that its more expensive fixed rate notes become more affordable as rates increase. However, variable rate facilities have needed to be refinanced throughout 2024 at significantly higher risk premiums (SOFR spreads). Arbor's cheapest significant debt is its variable rate CLOs, whose reinvestment periods have lapsed.
  - This is neatly demonstrated by Arbor's refinancing of its 4.75% and 5.75% fixed notes with a 9.00% rate

> • Raised $100.0 million from the issuance of our 9.00% senior notes and repaid our 4.75% and 5.75% senior notes totaling $200.0 million;

Figure 34 – Arbor 2024 10-K

- Arbor invoked the perennial bad luck charm of dishonest companies searching for excuses for their declining performance: blaming the short sellers. While no extensive studies have been done into this phenomenon, in Arbor's case investors would be better served by looking at the company's deteriorating book, poor lending standards, constant loan modifications, opaque disclosure and thinning spreads.

> ***The price of our common stock may be volatile.***
>
> The trading price of our common stock may be highly volatile and could be subject to a number of factors beyond our control, including: (1) the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies; (2) our financial performance; (3) coordinated buying and selling activity by market participants, including market manipulation and short-seller reports; (4) publication of information in the media, including online blog and social media about our Company by third parties; and (5) general market conditions.

Figure 35 – Arbor 2024 10-K

- Arbor has changed its wording referring to "troubled debt restructuring" as modifications.
- 3rd parties no longer used to value intangibles?
- The company also blamed market manipulation by unnamed actors, ironic considering they are currently facing several investor lawsuits alleging they hid the state of their book to inflate their share price.

5. Maturing Credit Facilities Replaced with Expensive Alternatives

Repo Line Extension

Arbor has increased existing repo line capacity and opened new repo facilities despite being in a loan runoff, and not fully utilizing its existing repurchase facilities. Facilities have caps have increased by net ~$1.8b y/y, despite a ~$1.5b loan runoff (including held-for-sale). We also note that "**New facilities**" specifically allow the **financing of Non-Performing Loans**. If Arbor intends to move NPLs from their CLO book to their repo facilities, investors should expect spreads to diminish rapidly. Regardless of the condition of the loans, the new facilities are more expensive on average than existing repo facilities, and ~100bps more expensive than existing CLO facilities.

Previous	Change	Current
We have a $1.00 billion repurchase facility used to finance bridge loans that matures in August 2025, with a one-year extension option. The facility bears interest ranging from SOFR plus 2.25% to 2.50%, with a weighted average spread that must be at least 2.40%.	Spread lower range +25bps	We have a $1.00 billion repurchase facility used to finance bridge loans that matures in August 2025, with a one-year extension option. The facility bears interest at SOFR plus 2.50%.
We have a $500.0 million repurchase facility to finance SFR loans that has an interest rate ranging from SOFR plus 2.76% to 3.26%. The commitment amount under this facility expires six months after the lender provides written notice. We then have an additional six months to repurchase the underlying loans.	+$500m Spread lower range -25bps	We have a $1.00 billion repurchase facility to finance SFR loans that has an interest rate ranging from SOFR plus 2.50% to 3.26%. The commitment amount under this facility expires six months after the lender provides written notice. We then have an additional six months to repurchase the underlying loans.
We have a $500.0 million repurchase facility to finance SFR loans that has an interest rate ranging from SOFR plus 2.46% to 3.11%, with a 0.25% SOFR floor, and matures in October 2024.	+$150m	We have a $650.0 million repurchase facility to finance SFR loans that has an interest rate ranging from SOFR plus 2.46% to 3.11%, with a 0.25% SOFR floor, and matures in October 2025.
We have a $450.0 million repurchase facility to finance bridge loans that matures in March 2024, with two one-year extension options. The interest rate under the facility is determined on a loan-by-loan basis and includes a floor of SOFR plus 2.00%.	-$100m	We have a $350.0 million repurchase facility to finance bridge loans that matures in March 2025, with a one-year extension option. The interest rate under the facility is determined on a loan-by-loan basis and includes a floor of SOFR plus 2.00%.
We have a $250.0 million repurchase facility to finance bridge loans that bears interest at a rate ranging from SOFR plus 2.00% to 2.40% depending on the duration of time the loan is being financed. The facility matures in October 2025, with a one-year extension option.	Spread higher range +25bps	We have a $250.0 million repurchase facility to finance bridge loans that bears interest ranging from SOFR plus 2.00% to 2.65% depending on the duration of time the loan is being financed. The facility matures in October 2025, with a one-year extension option.
We have a $200.0 million repurchase facility to finance bridge and construction loans that matures in January 2025. This facility has interest rates ranging from SOFR plus 1.75% to 3.50% depending on the type of loan financed, with a SOFR floor determined on a loan-by-loan basis.	+$400m	We have a $200.0 million repurchase facility to finance bridge and construction loans that has interest rates ranging from SOFR plus 1.75% to 3.50% depending on the type of loan financed, with a SOFR floor determined on a loan-by-loan basis. In January 2025, this facility was increased to $400.0 million and the maturity was extended from January 2025 to January 2027, with a one-year extension option.
We have a $200.0 million repurchase facility to finance SFR loans that matures in March 2025, with a one-year extension option. This facility has an interest rate of SOFR plus 2.55%.	N/A	We have a $200.0 million repurchase facility to finance SFR loans that matures in March 2027, with a one-year extension option. This facility has an interest rate of SOFR plus 2.55%.
We have a $225.0 million credit facility to finance SFR loans that bears interest at a rate of SOFR plus 2.55%, with an all-in floor rate range of 3.00% to 4.10%, depending on our deposit balance. The facility matures in October 2025.	-$75m +45bps	We have a $150.0 million credit facility to finance SFR loans that matures in October 2025. This facility bears interest at SOFR plus 3.00%, with an all-in floor of 5.50%.

Closed facilities

-$250m

We have a $250.0 million credit facility to finance bridge loans that matures in July 2024 and bears interest at a rate ranging from SOFR plus 2.61% to 3.31% depending on the type of loan financed. This facility includes a $25.0 million sublimit to finance healthcare related loans.

-$200m

We have a $200.0 million repurchase facility to finance bridge loans that matures in April 2024, with a six-month extension option, and bears interest at a rate ranging from SOFR plus 1.50% to 1.86%.

New facilities

+$750m

We have a $750.0 million repurchase facility of which $500.0 million may be used to finance performing loans and $250.0 million may be used to finance non-performing loans that matures in December 2026, with the ability to extend the maturity in one-year increments, subject to lender approval. The $500.0 million portion of the facility has an interest rate of SOFR plus 1.75%, with a SOFR floor of 0.15% and will increase to SOFR plus 2.25%, with a 0.15% SOFR floor in March 2026. The $250.0 million portion of the facility has an interest rate of SOFR plus 3.25%, with a SOFR floor of 2.50%.

+$400m

We have a $400.0 million credit facility to finance performing and non-performing loans that bears interest at SOFR plus 3.25%, with a SOFR floor of 1.00%. The facility matures in March 2027.

$250m

We have a $250.0 million repurchase facility to finance multifamily construction loans that matures in September 2027, with the ability to extend the maturity in one-year increments, subject to lender approval. The facility has an interest rate of SOFR plus 3.25%, with a SOFR floor of 2.00%.

Figure 36 – Viceroy Analysis

CLO Closing of Reinvestment Period

The reinvestment period for all of Arbor's CLOs has now lapsed, ending with CLO 18 in October 2024.

> ***Our results of operations and cash flows could be adversely affected if the reinvestment period of our CLOs expire without available capacity in existing CLOs, or the issuance of new CLOs.***
>
> CLO reinvestment periods provide us with the flexibility to manage our structured loan portfolio effectively as we are able to replace loans that have matured or paid off with newly originated loans and existing loans in our portfolio. If our CLO reinvestment periods end without availability in other existing CLOs, or the establishment of new CLOs, we may face liquidity constraints, reduced investment opportunities, higher borrowing costs, and limited cash available for distribution to our stockholders.

Figure 37 – Arbor 2024 10-K

A blackline analysis of credit lines from Arbor's CLO 18 is below, evidencing that these credit lines can no longer be used to provide Arbor liquidity.

> CLO 18. In 2022, we completed CLO 18, issuing eight tranches of CLO notes through two ~~wholly-owned~~ wholly owned subsidiaries totaling $1.86 billion. Of the total CLO notes issued, $1.65 billion were investment grade notes issued to third party investors and $210.1 million were below investment grade notes retained by us. As of the CLO closing date, the notes were secured by a portfolio of loan obligations with a face value of $1.70 billion, consisting primarily of bridge loans that were contributed from our existing loan portfolio, and cash. The financing ~~has~~ had an approximate two-and-a-half-year replacement period that ~~allows~~ allowed the principal proceeds and sale proceeds (if any) of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the indenture. Thereafter, the outstanding debt balance ~~will be~~ is being reduced as loans are repaid. Initially, the proceeds of the issuance of the securities also included $347.3 million for the purpose of acquiring additional loan obligations for a period of up to 180 days from the CLO closing date, which we subsequently utilized, resulting in the issuer owning loan obligations with a face value of $2.05 billion, representing leverage of 81%. We retained a residual interest in the

Figure 38 – Arbor 2024 10-K Blackline Review - FactSet

This represents a serious risk for Arbor's equity stake in the CLOs. As a refresher:

1. Maturing or prepaid loans cannot be used to buy new loans – cash must be used to pay down debt.
2. Credit quality can no longer be actively managed.
3. The CLO cannot replace underperforming loans which are the majority of the content of the CLO.
4. Concentration risk increases dramatically as healthy loans are paid.

These problems are exacerbated by Arbor's falling originations and CLO quality problems even prior to the end of the replenishment period. Modified loans represent ~82% of Arbor's ~$6b CLO portfolio, and delinquent loans ~17% . 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.

Closing CLO 15

In June 2024, Arbor closed CLO 15 (ACREN 2021-FL2) and refinanced deals with "credit and repurchase facilities". CLO 15 would have a current weighted average rate of ~5.8%. Meanwhile, structured repo facilities carry weighted average note rates of 6.85% (none of which are as cheap as CLO 15).

> ***CLO 15.*** In June 2024, we unwound CLO 15, redeeming the remaining outstanding notes totaling $674.4 million, which were paid primarily from the refinancing of the remaining assets within our other CLO vehicles and credit and repurchase facilities.

Figure 39 – Arbor 2024 10-K

The premise that Arbor's earnings performance will increase because of rising rates is incorrect as its fixed and variable-rate credit rates adjust to their risky portfolio.

Increase in Preference Dividends

Arbor Series F preferred stock dividends are due to increase from 6.25% to SOFR + 5.4%.

Preferred Stock. The Series D, Series E and Series F preferred stock are not redeemable by us prior to June 2, 2026, August 11, 2026 and October 12, 2026, respectively. Holders of the Series F preferred stock are entitled to receive cumulative dividends at a fixed rate equal to 6.25% from the date of issuance through October 29, 2026 and at a floating rate equal to a benchmark rate (which is expected to be the three-month term SOFR) plus a spread of 5.442% per annum beginning October 30, 2026; provided that in no event should the rate be lower than 6.125%.

Figure 40 – Arbor 2024 10-K

This will increase preference dividend costs by ~$7m at current rates.

Series F Preferred	
Value	**194,675.00**
6.25% Dividend	**12,167**
SOFR	4.25%
Spread	5.44%
New Dividend Rate	9.69%
chbp	**18,868**
Delta	**(6,701)**

Figure 41 – Viceroy Analysis

6. Delinquent Management Loans

A $22m loan made to members of Arbor's management team (including CEO Ivan Kaufman) in 2018 has been impaired. This loan is described as being for a property investment, not construction project. A loss reserve was recorded against this loan in Q4 2024

In 2018, we originated a $21.7 million bridge loan on a multifamily property owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns 75% in the borrowing entity. The loan has an interest rate of SOFR plus 4.75% with a SOFR floor of 0.25%, and was scheduled to mature in November 2024, which was extended to February 2025. In the fourth quarter of 2024, we recorded a $5.5 million specific reserve on this loan. Interest income recorded from this bridge loan was $2.2 million, $2.2 million and $1.4 million for 2024, 2023 and 2022, respectively. In February

2025, we modified this loan to extend the maturity two years in exchange for $3.0 million of additional collateral and a $2.5 million paydown to be made in February 2026.

Figures 42 & 43 – Arbor 2024 10-K

In Q1 2025, subsequent to year end, the loan was modified again, in exchange for additional collateral (in some unspecified form) and a $2.5m payment to be made in Feb 2026.

The loan has had numerous repayment extensions dating back to August 2021. The gravy train continues for Arbor management. We note that Ivan Kaufman and other officers, as part of the 2018, 2021 and 2024 [XXX] Committee, would have had to approve their own loan.

In June 2018, we originated a $21.7 million bridge loan on a multifamily property owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns 75% in the borrowing entity. The loan has an interest rate of LIBOR plus 4.75% with a LIBOR floor of 1.25% and matures in June 2021. Interest income recorded from this loan totaled $0.6 million for 2018.

Figure 44 – Arbor 2018 10-K

Annexure 1 - February 2025 CLO & Spread Review

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 45 – 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%[3].
  - 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 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.

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

- "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[4], 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 46 – 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 47 – January 2025 CLO Data – Viceroy Analysis

[4] 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 have fallen 15% since November 2024, when we began tracking this figure. February 2025 represents 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 48 – Arbor Reserve Analysis

Vast portions of Arbor's loss-making portfolio have zero reserves balances as of February 2025. More than half of Arbor's book has less than 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 CLOs is zero. The underlying equity value of these investments is also zero. These are not transition loans.

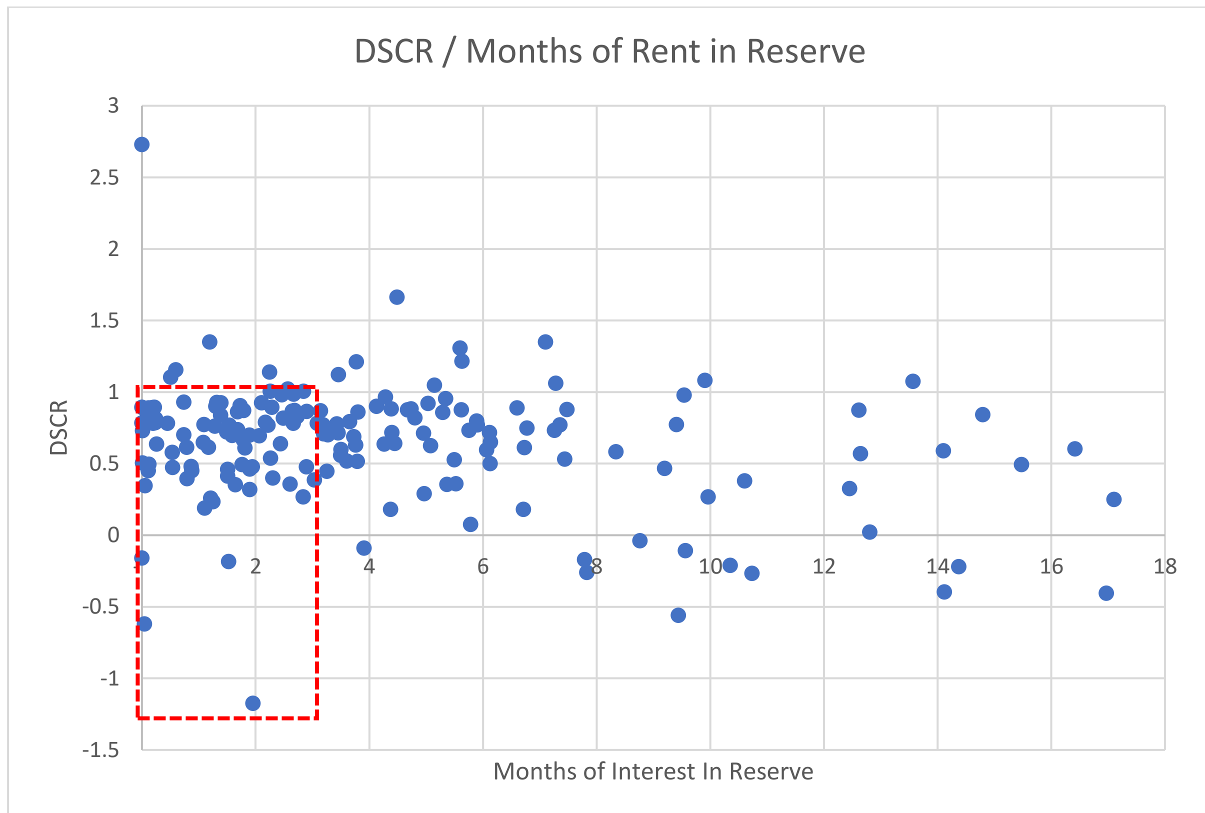


Figure 49 – Arbor Reserve Analysis

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 50 – 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.

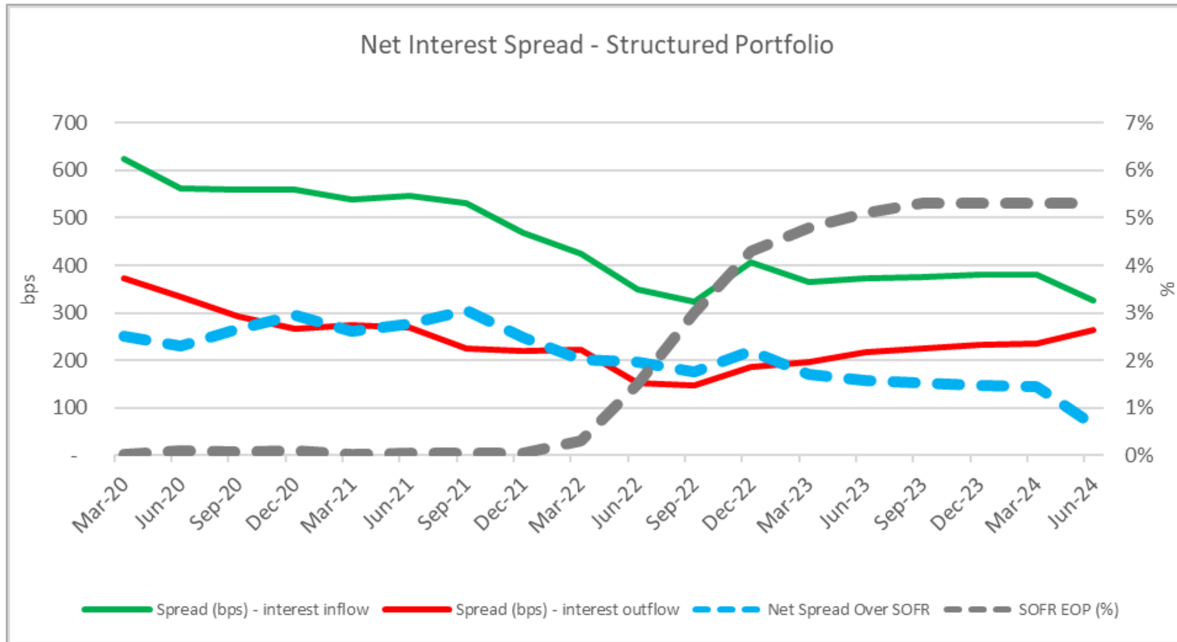


Figure 51 – Viceroy Spread Analysis

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	September 30, 2024 Debt Carrying Value (1)	Collateral Carrying Value	Wtd. Avg. Note Rate
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 52 & 53 – 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 54 – 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.

New Business

CEO Ivan Kaufman 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 55 – 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 56 & 57 – 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[5].

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.

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[5] 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[6].

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 58 – SEC FOIA Response

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

[6] 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

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