# Arbor - Q2 2025 Financial Shenanigans

Realized losses on foreclosed REO sales, a new management bail-out slush fund, and a masterclass of creative accounting.

**PLEASE READ IMPORTANT DISCLAIMER – PAGE 15**

**August 6, 2025** – Arbor's 10-Q marks the first time Arbor appears to be forced to sell foreclosed assets at *significant* discounts to UPB and outstanding loan balances. Even Arbor's comically inflated distributable income output is not sufficient to cover its dividend this quarter.

## Real Estate Owned (REO) & Foreclosures

Arbor's Real Estate Owned (**REO**) has more than doubled in the first half of 2025 to $365m, net of a further $84m of REO assets *sold*. All of Arbor's REO assets are a result of foreclosure on NPLs.

| | June 30, 2025 (Unaudited) | December 31, 2024 |
|---|---|---|
| **Assets:** | | |
| Cash and cash equivalents | $ 255,742 | $ 503,803 |
| Restricted cash | 90,944 | 156,376 |
| Loans and investments, net (allowance for credit losses of $243,278 and $238,967) | 11,333,023 | 11,033,997 |
| Loans held-for-sale, net | 361,447 | 435,759 |
| Capitalized mortgage servicing rights, net | 348,326 | 368,678 |
| Securities held-to-maturity, net (allowance for credit losses of $13,659 and $10,846) | 156,920 | 157,154 |
| Investments in equity affiliates | 71,796 | 76,312 |
| Real estate owned, net | 365,186 | 176,543 |
| Due from related party | 16,773 | 12,792 |
| Goodwill and other intangible assets | 87,336 | 88,119 |
| Other assets | 475,546 | 481,448 |
| Total assets | $ 13,563,039 | $ 13,490,981 |

During the three and six months ended June 30, 2025, we sold one and three, respectively, multifamily REO assets for $7.0 million and $84.0 million, respectively, and repaid the mortgage notes outstanding of $49.1 million. During the three and six months ended June 30, 2025, we recognized a loss of $0.1

*Figures 1 & 2 – Arbor Q2 2025 10-Q*

- Arbor has secured mortgages of only $185m against $365m of REO assets (50% LTV). This suggests that backers are not as "optimistic" about the underlying value of Arbor's assets.
  - Arbor's CLOs show that the average cap rate of assets underlying Arbor loans is a comical ~4.3%.

At June 30, 2025 and December 31, 2024, we had mortgage notes payable totaling $184.6 million and $74.9 million, respectively, which are collateralized by our REO assets. Interest rates on the mortgage notes range from PRIME plus 1.35% to SOFR plus 3.25%, with maturities spanning from September 2025 to June 2027.

- Arbor has always operated its REO assets at significant losses, reflecting the poor quality of the underlying collateral across its loan portfolio.

| | Three Months Ended June 30, 2025 | Three Months Ended June 30, 2024 | Six Months Ended June 30, 2025 | Six Months Ended June 30, 2024 |
|---|---|---|---|---|
| Interest income | $ 240,303 | $ 297,188 | $ 480,997 | $ 618,480 |
| Interest expense | 171,578 | 209,227 | 336,829 | 426,903 |
| Net interest income | 68,725 | 87,961 | 144,168 | 191,577 |
| **Other revenue:** | | | | |
| Gain on sales, including fee-based services, net | 13,658 | 17,448 | 26,439 | 34,114 |
| Mortgage servicing rights | 10,930 | 14,534 | 19,061 | 24,733 |
| Servicing revenue, net | 27,437 | 29,910 | 53,040 | 61,436 |
| Property operating income | 5,452 | 1,444 | 9,839 | 3,014 |
| Gain (loss) on derivative instruments, net | 219 | (275) | 3,619 | (5,533) |
| Other income, net | 3,989 | 2,081 | 8,407 | 4,414 |
| Total other revenue | 61,685 | 65,142 | 120,405 | 122,178 |
| **Other expenses:** | | | | |
| Employee compensation and benefits | 41,181 | 42,836 | 87,217 | 90,529 |
| Selling and administrative | 14,859 | 12,823 | 31,171 | 26,756 |
| Property operating expenses | 6,802 | 1,584 | 10,276 | 3,262 |
| Depreciation and amortization | 5,848 | 2,423 | 9,592 | 4,994 |
| Provision for loss sharing (net of recoveries) | 4,215 | 4,333 | 6,002 | 4,607 |
| Provision for credit losses (net of recoveries) | 19,004 | 29,564 | 28,079 | 48,682 |
| Total other expenses | 91,909 | 93,563 | 172,337 | 178,830 |

| July 2025 Update | ARCREN 2021-FL3 | ARCREN 2021-FL4 | ARCREN 2022-FL1 | Mixed | Total |
|---|---|---|---|---|---|
| Underlying Revenue | 88,479,455 | 163,735,997 | 138,614,058 | 104,491,396 | **495,320,905** |
| Underlying Expenses | (47,087,204) | (79,395,371) | (72,977,696) | (51,835,257) | **(251,295,527)** |
| Underlying NOI | 41,392,251 | 84,340,626 | 65,636,362 | 52,656,139 | **244,025,378** |
| Debt Service Amount | (53,079,574) | (124,459,010) | (198,328,644) | (308,583,815) | **(684,451,044)** |
| **DSCR** | **0.78** | **0.68** | **0.33** | **0.17** | **0.357** |
| Debt Outstanding | 589,360,456 | 1,306,580,754 | 1,207,529,542 | 940,346,072 | **4,043,816,825** |
| Tranches moved to REPO | | | | | **283,474,095** |
| Underlying Collateral Valuation | 749,515,000 | 1,856,375,000 | 1,853,270,000 | 1,244,600,000 | **5,703,760,000** |
| Implied Cap Rate** | | | | | **4.28%** |
| LTV** | | | | | **76%** |

**Refer to total - portions of debt no longer represented from terminated CLOs

*Figures 3 & 4 – Arbor Q2 2025 10-Q & Viceroy Analysis*

- Arbor has "Resolved" various NPLs by selling them (at a loss) to new buyers with new Arbor loans. These "resolutions" show that the underlying asset value against Arbor's loans is pure fantasy.
  - Three properties in San Antonio with an UPB of $77m were foreclosed on and sold for $65m. If we assume that these loans were issued at an ~80% LTV to the underlying asset value, this sale represents a 33% discount on the purchase price. Arbor financed the new purchase with a 100% LTV loan.

In June 2025, we exercised our right to foreclose on three properties in San Antonio, Texas that were the underlying collateral for a bridge loan with a UPB of $77.7 million, an interest rate of 5.25% with a SOFR floor of 0.50%, and a net carrying value of $66.6 million, which includes loan loss reserves of $3.5 million. At foreclosure, we recorded an additional loss of $5.9 million to the provision for credit losses on the consolidated statements of income and charged-off the $9.4 million loan loss reserve. We simultaneously sold the properties for $65.0 million to a new borrower and provided a $65.0 million bridge loan with an interest rate of SOFR plus 2.00% for years one and two, and SOFR plus 3.00% for year three, subject to SOFR floors of 4.25%, 5.25% and 6.25% in years one, two and three, respectively. The new loan was deemed to be a significant financing component of the transaction and, as a result, we recorded a loss and corresponding liability of $0.8 million as an adjustment to the purchase price, which will be accreted into interest income over the life of the loan.

*Figure 5 – Arbor 2025 Q2 10-Q*

  - Two properties in Austin with an UPB of $21.2m were foreclosed on and sold for $20.7m. If we assume that these loans were issued at an ~80% LTV to the underlying asset value, this sale represents a 22% discount on the purchase price. Arbor financed the new purchase with a 93% LTV loan.

In April 2025, we exercised our right to foreclose on two properties in Austin, Texas that were the underlying collateral for a non-performing bridge loan with a UPB of $21.2 million, an interest rate of SOFR plus 4.00% with a SOFR floor of 0.25%, and a net carrying value of $21.7 million. At foreclosure, we recorded an additional loss of $1.0 million to the provision for credit losses on the consolidated statements of income. We sold the properties in June 2025 for $20.7 million to a new borrower and provided a $19.2 million bridge loan with an interest rate of SOFR plus 2.00% in year one and SOFR plus 3.00% in year two. The new loan was deemed to be a significant financing component of the transaction and, as a result, we recorded a loss and corresponding liability of $0.1 million as an adjustment to the purchase price, which will be accreted into interest income over the life of the loan.

*Figure 6 – Arbor 2025 Q2 10-Q*

  - Two properties in Orange Park with an UPB of $17.0m were foreclosed on and sold for $15.4m. If we assume that these loans were issued at an ~80% LTV to the underlying asset value, this sale represents a 28% discount on the purchase price. Arbor financed the new purchase with a 93% LTV loan with a miniscule SOFR + 1.50% rate.

In April 2025, we exercised our right to foreclose on two properties in Orange Park, Florida that were the underlying collateral for a non-performing bridge loan with a UPB of $17.0 million, an interest rate of SOFR plus 4.38% with a SOFR floor of 2.46% and a net carrying value of $15.7 million. At foreclosure, we recorded an additional loss of $0.3 million to the provision for credit losses on the consolidated statements of income. We sold the properties in June 2025 for $15.4 million to a new borrower and provided a $14.8 million bridge loan with an interest rate of SOFR plus 1.50%. The new loan was deemed to be a significant financing component of the transaction and, as a result, we recorded a loss and corresponding liability of $0.6 million as an adjustment to the purchase price, which will be accreted into interest income over the life of the loan.

*Figure 7 – Arbor 2025 Q2 10-Q*

If these are the properties Arbor is able to sell, presumably the strongest in the REO portfolio, the quality of the assets backing its delinquent and modified loans should be a serious concern.

## Provisions, Modifications, and Delinquencies

Arbor's reported provisions are flat over the last 6 months, and risk ratings have improved, despite reported CLO delinquency rates being at an all-time high, DSCR being at an all-time-low, and Arbor realizing losses that exceed its provisions.

We note the following from Arbor's July CLO review.

- Arbor's underlying CLO Debt Service Coverage Ratio (DSCR) has deteriorated to approximately 0.50x, down sharply from 0.60x at year-end 2024.
  - This includes Viceroy's corrections to obviously misreported debt servicing costs made by Arbor to the US Bank Trustee. Without corrections, the underlying DSCR would be 0.35x.

| July 2025 Update | ARCREN 2021-FL3 | ARCREN 2021-FL4 | ARCREN 2022-FL1 | Mixed | Total |
|---|---|---|---|---|---|
| Underlying Revenue | 88,479,455 | 163,735,997 | 138,614,058 | 104,491,396 | **495,320,905** |
| Underlying Expenses | (47,087,204) | (79,395,371) | (72,977,696) | (51,835,257) | **(251,295,527)** |
| Underlying NOI | 41,392,251 | 84,340,626 | 65,636,362 | 52,656,139 | **244,025,378** |
| Debt Service Amount | (53,079,574) | (124,459,010) | (198,328,644) | (308,583,815) | **(684,451,044)** |
| **DSCR** | **0.78** | **0.68** | **0.33** | **0.17** | **0.357** |
| Debt Outstanding | 589,360,456 | 1,306,580,754 | 1,207,529,542 | 940,346,072 | **4,043,816,825** |
| Tranches moved to REPO | | | | | **283,474,095** |
| Underlying Collateral Valuation | 749,515,000 | 1,856,375,000 | 1,853,270,000 | 1,244,600,000 | **5,703,760,000** |
| Implied Cap Rate** | | | | | **4.28%** |
| LTV** | | | | | **76%** |

**Refer to total - portions of debt no longer represented from terminated CLOs

*Figure 8 – Viceroy Analysis of Arbor CLO data*

- Delinquent loans have risen sharply since December 2024, from $680m to $1,048m, an increase of 54%.
  - Delinquent loans now represent >25% of the CLO loan book.
  - $242m of these delinquencies are >90 days.

| December 2024 Update | ARCREN 2021-FL3 | ARCREN 2021-FL4 | ARCREN 2022-FL1 | Total |
|---|---|---|---|---|
| **Total deal balance** | **945,344,925** | **1,873,181,786** | **1,732,835,750** | **4,551,362,461** |
| < 1 Month | 40,900,000 | - | 171,400,000 | **212,300,000** |
| 30 Days | - | 186,917,851 | 64,209,785 | **251,127,636** |
| 60 Days | **-** | **-** | **31,240,000** | **31,240,000** |
| 90+ Days | **57,700,000** | 44,000,000 | 83,464,965 | **185,164,965** |
| Modified | 781,181,926 | 1,370,470,754 | 1,523,049,000 | **3,674,701,680** |
| *Adjustment for double count** | *(86,100,000)* | *(197,917,851)* | *(278,370,000)* | ***(562,387,851)*** |
| **Total delinquent & modified** | **793,681,926** | **1,403,470,754** | **1,594,993,750** | **3,792,146,430** |

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

| July 2025 Update | ARCREN 2021-FL3 | ARCREN 2021-FL4 | ARCREN 2022-FL1 | Total |
|---|---|---|---|---|
| **Total deal balance** | **820,010,236** | **1,661,550,937** | **1,562,255,652** | **4,043,816,825** |
| < 1 Month | 12,500,000 | 156,488,000 | 289,812,000 | **458,800,000** |
| 30 Days | 46,300,000 | 226,626,787 | 23,655,000 | **296,581,787** |
| 60 Days | **-** | **26,500,000** | **24,400,000** | **50,900,000** |
| 90+ Days | **78,370,000** | 132,707,851 | 31,240,000 | **242,317,851** |
| Modified | 718,528,926 | 1,299,124,062 | 1,315,572,696 | **3,333,225,684** |
| *Adjustment for double count** | *(137,170,000)* | *(495,822,638)* | *(302,152,000)* | ***(935,144,638)*** |
| **Total delinquent & modified** | **718,528,926** | **1,345,624,062** | **1,382,527,696** | **3,446,680,684** |

** Double count adjustment for loans both modified and delinquent.*

*Figures 9 & 10 – Viceroy Analysis of Arbor CLO data – Dec 2024 – July 2025*

- Arbor tries to cure the true value of its delinquencies by modifying loans month-on-month. Arbor has modified $1.8b loans in its CLOs alone in the first six[1] months of 2025.
  - **Arbor has re-modified ~$426m of loans in June and July 2025.** Most of these loans had already been modified since Q4 2024, some as recently as April 2025.

Viceroy believes this CLO sample is vastly representative of Arbor's entire portfolio. However, when compared to this data, the figures Arbor reports in its 10-Q appear inconsistent and irreconcilable:

- Arbor claims no loans moved from <60 day delinquencies to >60 day delinquencies in Q2 2025. This is incorrect: we can see a rise in <60 day to >60 day delinquency in Arbor's CLO filings alone.
  - The CLO data *alone* represents $77m of the reported $82m net delinquency progression in H1 2025.
- Arbor reported a $106m net increase in >60 day delinquencies in H1 FY25. However, CLO data shows a $291m net increase in <60-day delinquencies. These figures are irreconcilable.

| | Three Months Ended June 30, 2025 | Six Months Ended June 30, 2025 |
|---|---|---|
| Beginning balance (5 and 9 multifamily bridge loans) | $ 142,823 | $ 167,428 |
| Loans that progressed to greater than 60 days past due | — | (82,290) |
| Loans modified or paid off (1) | (47,675) | (86,165) |
| Loans transferred to REO | (48,500) | (48,500) |
| Additional loans that are now less than 60 days past due experiencing late and partial payments | 10,264 | 106,439 |
| Ending balance (3 multifamily bridge loans) | $ 56,912 | $ 56,912 |

*Figure 11 – Arbor 2025 Q2 10-Q*

- Arbor claims to have made $1.19b of UPB loan modifications in H1 FY25.
  - These modification numbers, which represent Arbor's entire book, do not reconcile to reported CLO modifications of $1.8b, which only represent a portion of Arbor's book.
  - The average pay rate of modified loans was reduced to 5.23%, substantially below rate Arbor pays on its own debt (incl. LTV buffer). This is significantly lower than last year's figure of 7.01% (even after accounting for 75bp cut).

| Asset Class | Payment Deferrals With/Without Term Extensions (1) | Rate Reductions With/Without Term Extensions (2) | Other (3) | Total (4)(5)(6) |
|---|---|---|---|---|
| Multifamily | $ 994,270 | $ 107,000 | $ 83,975 | $ 1,185,245 |
| Single-Family Rental | — | — | 16,490 | 16,490 |
| Total UPB | $ 994,270 | $ 107,000 | $ 100,465 | $ 1,201,735 |

(1) These loans were modified to a weighted average pay rate and deferred rate of 5.23% and 2.19%, respectively, at June 30, 2025. A portion of these loans with a total UPB of $225.2 million were also modified to extend the weighted average term by 19.3 months. These modifications also include loans with a total UPB of $508.4 million in which the pay rate increases from time-to-time throughout the loans maturities.

*Figure 12 – Arbor 2025 Q2 10-Q*

[1] Note CLO data is dated mid-month. We use early-July data release for the purpose of this report.

- Despite the above, Arbor's provisions have ended *down* y/y, with relatively miniscule write-offs.

| | Six Months Ended June 30, 2025 | | | | | | |
|---|---|---|---|---|---|---|---|
| Allowance for credit losses: | | | | | | | |
| Beginning balance | $ 148,139 | $ 78,130 | $ 7,524 | $ 3,293 | $ 1,700 | $ 181 | $ 238,967 |
| Provision for credit losses (net of recoveries) | 23,324 | 60 | (212) | — | — | 282 | 23,454 |
| Charge-offs (2) | (19,143) | — | — | — | — | — | (19,143) |
| Ending balance | $ 152,320 | $ 78,190 | $ 7,312 | $ 3,293 | $ 1,700 | $ 463 | $ 243,278 |

| | UPB by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| **Asset Class / Risk Rating** | **2025** | **2024** | **2023** | **2022** | **2021** | **Prior** | **Total** |
| Multifamily: | | | | | | | |
| Pass | $ 431,196 | $ 56,945 | $ 32,369 | $ 78,944 | $ 9,903 | $ 26,795 | $ 636,152 |
| Pass/Watch | 313,012 | 497,269 | 295,934 | 779,822 | 674,877 | 159,810 | 2,720,724 |
| Special Mention | — | 202,814 | 35,688 | 2,048,287 | 2,270,295 | 150,079 | 4,707,163 |
| Substandard | — | 11,963 | — | 90,534 | 453,853 | — | 556,350 |
| Doubtful | — | 9,460 | — | 148,162 | 82,382 | 24,565 | 264,569 |
| Total Multifamily | $ 744,208 | $ 778,451 | $ 363,991 | $ 3,145,749 | $ 3,491,310 | $ 361,249 | $ 8,884,958 |

| | UPB by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| **Asset Class / Risk Rating** | **2024** | **2023** | **2022** | **2021** | **2020** | **Prior** | **Total** |
| Multifamily: | | | | | | | |
| Pass | $ 308,228 | $ 41,713 | $ 69,000 | $ 10,205 | $ 2,010 | $ 24,823 | $ 455,979 |
| Pass/Watch | 357,724 | 308,353 | 1,012,593 | 462,709 | 119,860 | 113,100 | 2,374,339 |
| Special Mention | 79,618 | 31,344 | 2,340,782 | 2,958,064 | — | 94,529 | 5,504,337 |
| Substandard | — | 658 | 159,100 | 206,277 | — | 21,700 | 387,735 |
| Doubtful | 12,460 | — | 193,850 | 159,379 | 14,800 | 9,765 | 390,254 |
| Total Multifamily | $ 758,030 | $ 382,068 | $ 3,775,325 | $ 3,796,634 | $ 136,670 | $ 263,917 | $ 9,112,644 |

*Figures 13, 14 & 15 – Arbor 2025 Q2 10-Q*

## Build to Bag-hold, Borrow to Bailout

In May 2025, Arbor completed Build-to-Rent (BTR) CLO 1. This CLO, unlike the others, is exclusively to finance build-to-rent projects. When this project was announced, Viceroy's members made a little gamble on whether this "Build-to-Baghold" CLO liquidity would be used to bail-out management projects. It was. The only surprise was that Arbor was *also* invested in these projects.

***Viceroy estimates that $300m of ~$490m of BTR CLO has been allocated to bail-out management's investment failures.***

- Arbor ***refinanced*** a $32.5m bridge loan into a **$43m bridge loan** (a 33% increase) for a construction project it had previously made a $3.5m preferred equity investment in. The project is part-owned by the family of CEO Kaufman.
- The refinancing earned some sort of "bonus" for the Kaufman family, whose stake in the project was increased "in connection with the refinancing". Arbor had *already* extended the maturity of its preference investment by 29 months.

In May 2025, we refinanced a $32.5 million bridge loan with a new $43.0 million bridge loan for an SFR BTR construction project. In 2020, we also made a $3.5 million preferred equity investment in the same project, of which $1.2 million was paid off in May 2025. An entity owned by an immediate family member of our chief executive officer also made an equity investment in the project and owned a 21.8% equity interest in the borrowing entity that increased to 26.6% in connection with the refinancing. Interest on the new loan decreased from SOFR plus 3.75% with a SOFR floor of 0.75% to SOFR plus 3.00% with a SOFR floor of 3.25% and matures in May 2026. The preferred equity investment has a 12.00% fixed rate and was scheduled to mature in December 2023, which was extended to May 2026. In connection with the extension, the borrower paid deferred interest of $1.9 million. Interest income recorded from these loans was $1.0 million and $2.0 million for the three and six months ended June 30, 2025, respectively, and $1.1 million and $2.1 million for the three and six months ended June 30, 2024, respectively.

*Figure 16 – Arbor 2025 Q2 10-Q*

- Arbor ***refinanced*** a $30.5m bridge loan into a **$36.2m bridge loan** (a 19% increase) for a construction project it made a $4.6m preferred equity investment in. The project is part-owned by the family of CEO Kaufman. Again, the Kaufman family earned a bonus in the form of an increased stake in the project.

In May 2025, we refinanced a $30.5 million bridge loan with a new $36.2 million bridge loan, for an SFR BTR construction project. In 2020, we also made a $4.6 million preferred equity investment in the same project. ACM and an entity owned by an immediate family member of our chief executive officer also made equity investments in the project and owned a combined 18.9% equity interest in the borrowing entity that increased to 33.7% in connection with the refinancing. Interest on the new loan decreased from SOFR plus 4.25% with a SOFR floor of 1.00% to SOFR plus 3.00% with a SOFR floor of 3.25% and matures in November 2025. The preferred equity

*Figure 17 – Arbor 2025 Q2 10-Q*

- Arbor ***refinanced*** a $56.9m bridge loan into a **$58.4m bridge loan** for a construction project part-owned by unnamed Arbor executives.

In May 2025, we refinanced a $56.9 million bridge loan with a new $58.4 million bridge loan for an SFR BTR construction project. Two of our officers made minority equity investments totaling $0.5 million, representing approximately 4% of the total equity invested in the project. Interest on the new loan decreased from SOFR plus 5.50% with a SOFR floor of 3.25% to SOFR plus 2.75% with a SOFR floor of 3.50% and matures in May 2027. Interest income recorded from the loans was $1.2 million and $2.6 million for the three and six months ended June 30, 2025, respectively, and $0.6 million and $1.0 million for the three and six months ended June 30, 2024, respectively.

*Figure 18 – Arbor 2025 Q2 10-Q*

- Arbor ***refinanced*** a $46.2m bridge loan it bought from ACM, the Kaufman family's personal investment vehicle, into a $52.6m bridge loan (a 14% increase). The project is part-owned by executives and the Kaufman family.

In February 2025, we refinanced a $46.2 million bridge loan we purchased from ACM in 2022 with a new $52.6 million bridge loan ($12.8 million was funded at June 30, 2025) for an SFR BTR construction project. A consortium of investors (which includes, among other unaffiliated investors, certain of our officers with a minority ownership interest) owns 70% of the borrowing entity and an entity indirectly owned and controlled by an immediate family member of our chief executive officer owns 10% of the borrowing entity. Interest on the new loan decreased from SOFR plus 5.50% to SOFR plus 4.75% and matures in February 2027. Interest income recorded from the loans was $0.3 million and $0.6 million for the three and six months ended June 30, 2025, respectively, and $0.2 million and $0.4 million for the three and six months ended June 30, 2024, respectively.

*Figure 19 – Arbor 2025 Q2 10-Q*

- Arbor had previously committed $211m in loans to related party construction projects owned by its executive team and their families. Of this, $109m has already been funded.

In July 2024, we committed to fund a $62.4 million bridge loan ($12.2 million was funded at June 30, 2025) in an SFR BTR construction project. An entity owned by an immediate family member of our chief executive officer also made an equity investment in the project and owns a 3.34% equity interest in the borrowing entity. The loan has an interest rate of SOFR plus 4.25% with a SOFR floor of 3.50% and matures in July 2027. Interest income recorded from this loan was $0.2 million and $0.3 million for the three and six months ended June 30, 2025, respectively.

*Figure 20 – Arbor 2025 Q2 10-Q*

- Arbor had previously committed $42.5m.4m (of which $13.1m was already funded) into a SFR BTR construction project owned by a family member of CEO Kaufman.

In July 2024, we committed to fund a $62.4 million bridge loan ($12.2 million was funded at June 30, 2025) in an SFR BTR construction project. An entity owned by an immediate family member of our chief executive officer also made an equity investment in the project and owns a 3.34% equity interest in the borrowing entity. The loan has an interest rate of SOFR plus 4.25% with a SOFR floor of 3.50% and matures in July 2027. Interest income recorded from this loan was $0.2 million and $0.3 million for the three and six months ended June 30, 2025, respectively.

In May 2024, we committed to fund a $42.5 million bridge loan ($13.1 million was funded at June 30, 2025) in an SFR BTR construction project. An entity owned by an immediate family member of our chief executive officer also made an equity investment in the project and owns a 2.28% equity interest in the borrowing entity. The loan has an interest rate of SOFR plus 4.25% with a SOFR floor of 3.50% and matures in May 2027. Interest income recorded from this loan was $0.3 million and $0.4 million for the three and six months ended June 30, 2025, respectively, and less than $0.1 million for both the three and six months ended June 30, 2024.

In 2022, we committed to fund a $67.1 million bridge loan ($46.4 million was funded at June 30, 2025) in an SFR BTR construction project. An entity owned by an immediate family member of our chief executive officer also made an equity investment in the project and owns a 2.25% equity interest in the borrowing entity. The loan has an interest rate of SOFR plus 4.63% with a SOFR floor of 0.25% and was scheduled to mature in May 2025, which was extended to May 2026. Interest income recorded from this loan was $1.1 million and $2.1 million for the three and six months ended June 30, 2025, respectively, and $0.3 million and $0.4 million for the three and six months ended June 30, 2024, respectively.

In 2022, we committed to fund a $39.4 million bridge loan ($37.7 million was funded at June 30, 2025) in an SFR BTR construction project. An entity owned by an immediate family member of our chief executive officer also made an equity investment in the project and owns a 2.25% equity interest in the borrowing entity. The loan has an interest rate of SOFR plus 4.00% with a SOFR floor of 0.25% and was scheduled to mature in March 2025, which was extended to March 2026. Interest income recorded from this loan was $0.8 million and $1.5 million for the three and six months ended June 30, 2025, respectively, and $0.4 million and $0.7 million for the three and six months ended June 30, 2024, respectively.

*Figure 21 – Arbor 2025 Q2 10-Q*

Arbor has been making risky and poorly underwritten loans for a long time. This represents something different: shareholder capital is being actively redirected to prop up the failing personal investments of the CEO and executive team. This is a shift from incompetence to self-dealing.

## Misreporting PIK & Shrinking Yields

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 reports that in HY 2025, it has only accrued ~$22m of PIK interest YTD. This is verifiably false.

At June 30, 2025 and December 31, 2024, accrued interest receivable related to our loans totaling $176.3 million and $154.4 million, respectively, was excluded from the estimate of credit losses, is subject to our revenue recognition policy and is included in other assets on the consolidated balance sheets. During the three and six months ended June 30, 2025, we wrote-off $4.3 million and $7.6 million, respectively, of interest receivable that was previously accrued.

*Figure 22 – Arbor 2025 Q2 10-Q*

The calculation for the PIK is extremely straightforward. The PIK revenue per quarter are the difference between Arbor's Weighted Average Pay Rate and its Structured Business' Weighted Average Yield[2].

***Viceroy's calculations suggest Arbor has accrued ~$56m of PIK revenues YTD 2025.***

| PIK Calculation | Jul-25 | Mar-25 | Dec-24 | Sep-24 | Jun-24 | Mar-24 |
|---|---|---|---|---|---|---|
| Weighted average pay rate (bridge loans) EOP | 6.98% | 6.92% | 6.90% | 7.25% | 7.79% | 8.07% |
| Bridge Loans UBP | 11,105,463 | 11,057,542 | 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 | 7.86% | 8.09% | 8.86% | 9.04% | 8.99% | 9.44% |
| Delta | 0.88% | 1.17% | 1.61% | 1.29% | 1.20% | 1.37% |
| Annualized PIK | 97,728 | 129,373 | 182,010 | 149,195 | 142,478 | 167,823 |
| **Estimated PIK Quarterly** | **24,432** | **32,343** | **45,502** | **37,299** | **35,620** | **41,956** |

*Figure 23 – Viceroy Analysis*

While PIK has decreased q/q, this is largely due to the fact that the structured business' yield has fallen dramatically while the pay rate has remained flat. In other words, interest is no longer accruing as much as rates have been cut.

- This high rate of PIK in PIK is *consistent with enormous reported concessions ABR has made to its borrowers*.
- Arbor report an enormous 5.23%/2.19% pay/deferred rate against $1.19b in modified loans[3].
- This is up from 7.01%/2.13% pay/deferred rate in HY 2024.

| Asset Class | Payment Deferrals With/Without Term Extensions (1) | Rate Reductions With/Without Term Extensions (2) | Other (3) | Total (4)(5)(6) |
|---|---|---|---|---|
| Multifamily | $ 994,270 | $ 107,000 | $ 83,975 | $ 1,185,245 |
| Single-Family Rental | — | — | 16,490 | 16,490 |
| Total UPB | $ 994,270 | $ 107,000 | $ 100,465 | $ 1,201,735 |

(1) These loans were modified to a weighted average pay rate and deferred rate of 5.23% and 2.19%, respectively, at June 30, 2025. A portion of these loans with a total UPB of $225.2 million were also modified to extend the weighted average term by 19.3 months. These modifications also include loans with a total UPB of $508.4 million in which the pay rate increases from time-to-time throughout the loans maturities.

[2] We have made adjustments for the Q3 and Q4 2024 Fed rate cuts.

[3] As discussed in Section XX above, CLO data shows this modification number still severely under-reported.

| Asset Class | Payment Deferrals With/Without Term Extensions (1) | Term Extensions (2) | Rate Reduction Without Term Extension (3) | Other (4) | Total (5)(6) |
|---|---|---|---|---|---|
| Multifamily | $ 1,395,124 | $ 671,953 | $ 18,400 | $ 337,642 | $ 2,423,119 |
| Single-Family Rental | 74,078 | — | — | — | 74,078 |
| Total UPB | $ 1,469,202 | $ 671,953 | $ 18,400 | $ 337,642 | $ 2,497,197 |

(1) These loans were modified to a weighted average pay rate and deferred rate of 7.01% and 2.13%, respectively, at June 30, 2024. A portion of these loans with a total UPB of $999.3 million were also modified to extend the weighted average term by 19.8 months.

*Figures 24 & 25 – Arbor 2025 Q2 10-Q*

Outside of PIK being misreported, we believe the only reasons this calculation does *not* work are the following:

- Arbor have included accrued revenues from ~$450m of NPLs loans in their revenues and their interest earning yield, which should in fact be recorded on a cash basis. This would then inflate our PIK calculation.

***Non-performing Loans***

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 June 30, 2025, 19 loans with an aggregate net carrying value of $424.7 million, net of loan loss reserves of $36.4 million, were classified as non-performing and, at December 31, 2024, 26 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.

A summary of our non-performing loans by asset class is as follows (in thousands):

| | June 30, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| | UPB | Carrying Value | UPB | Carrying Value |
| Multifamily | $ 469,168 | $ 458,481 | $ 649,227 | $ 620,072 |
| Commercial | 1,700 | 1,700 | 1,700 | 1,700 |
| Retail | 920 | 910 | 920 | 910 |
| Total | $ 471,788 | $ 461,091 | $ 651,847 | $ 622,682 |

At both June 30, 2025 and December 31, 2024, we had no loans contractually past due greater than 60 days that are still accruing interest.

*Figure 26 – Arbor 2025 Q2 10-Q*

- The reported PIK is a net number, not a gross number. Properties accruing PIK have been subsequently sold and the PIK reversed. We believe this is unlikely given the quantum of (underreported) PIK vs the number of REO/Foreclosures sold.

## 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 are now being 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 | Q2 2026 |
|---|---|
| **Net income attributable to common stockholders** | **23,952** |
| Adjustments: | |
| Net income attributable to noncontrolling interest | 2,015 |
| Income from mortgage servicing rights | (10,930) |
| Deferred tax benefit | (1,603) |
| Amortization and write-offs of MSRs | 19,825 |
| Depreciation and amortization | 6,582 |
| Loss on extinguishment of debt | - |
| Provision for credit losses, net | 8,435 |
| (Gain) loss on derivative instruments, net | (674) |
| Loss on real estate | 1,857 |
| Stock-based compensation | 2,610 |
| **Arbor reported distributable earnings** | **52,069** |
| **Viceroy adjustments:** | |
| Less: Provisions for credit losses | (8,435) |
| Less: Stock based compensation | (2,610) |
| Add: PIK income | (24,432) |
| **Viceroy adjusted distributable earnings** | **16,592** |
| Diluted weighted average shares outstanding | 209,003,002 |
| Viceroy adjusted distributable earnings per share | 0.08 |
| Dividend declared per share | 0.30 |
| **Dividend shortfall** | **(46,109)** |

*Figure 27 – 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.***

## 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 28 – Viceroy Analysis – The 'F" Word[4]*

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 29 – 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".

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

## Delinquent Management Loans

A $22m loan made to members of Arbor's management team (including CEO Ivan Kaufman) in 2018, previously impaired, has been modified. 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 February 2025, which was modified to extend the maturity to February 2027 in exchange for $3.0 million of additional collateral and a $2.5 million paydown to be made in February 2026. In 2024, we recorded a $5.5 million specific reserve on this loan. Interest income recorded from this loan was $0.5 million and $1.0 million for the three and six months ended June 30, 2025, respectively and $0.6 million and $1.1 million, for the three and six months ended June 30, 2024, respectively.

> 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 30 & 31 – 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 February 2026.

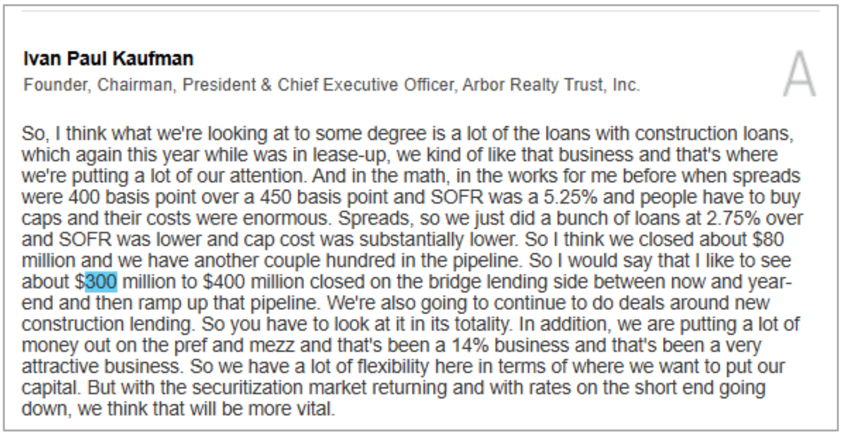
The loan has had numerous repayment extensions dating back to August 2021. The gravy train continues for Arbor management. We note that Ivan Kaufman and other officers, as part of the 2018, 2021 and 2024 Loan Committee, would have had to approve their own loan.

> 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 32 – Arbor 2018 10-K*

## New Business

CEO Ivan Kaufman claimed that Arbor would close hundreds of millions of dollars in new MF investments being inherently unprofitable at ~10% borrow rates.



**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 33 – Arbor Q3 2024 Earnings Call Transcript*

Unsurprisingly, there has been no incremental new structure business loans outside of the Build-To-Baghold management slush fund. Instead Arbor's ***gross*** new loans this year appear to have mostly been 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.

This is documented in "REO & Foreclosures" & "Build-to-Baghold, Borrow-to-Bailout" sections above.

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.***

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

## Summary of other findings

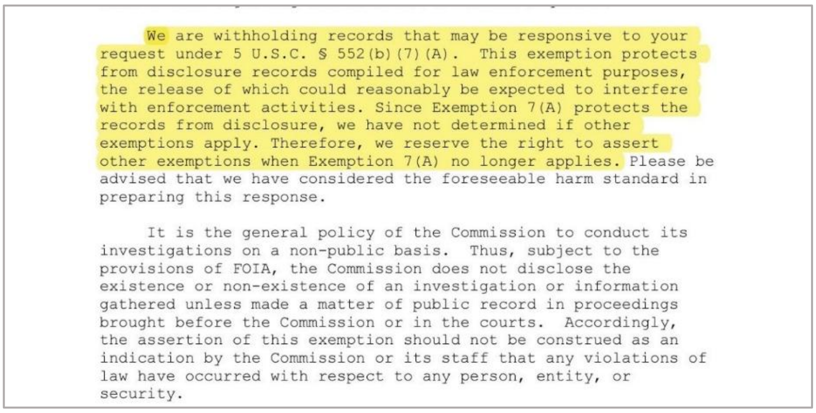
- Viceroy's granular analysis of individual CLO loan data over 12 months shows:
  - Vast sections of financial data including delinquencies and modifications have been manipulated, adulterated, and/or erroneously under-reported.
  - Almost every underlying sponsor's debt servicing costs are substantially 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 34 – 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.

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