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List of abbreviations

AbEa	Agency business escrow accounts
AFFO	Adjusted fund from operations
ACM	Arbor Commercial Mortgage, LLC, former external manager
A-Note	Restructured mortgage loan
ARGP	Arbor Realty General Partnership
ARLP	Arbor Realty Limited Partnership
ARSR	Arbor Realty SR, Inc.
B-Note	Restructured mortgage loan, equity-like
CCV	Collateral carrying value
CECL	Current expected credit losses
CMBS	Commercial mortgage-backed securities
DCV	Debt carrying value
EPM	Elon Property Management Company LLC
FDIC	Federal Deposit Insurance Corporation
GAAP	Generally accepted accounting principles
MBS	Mortgage-backed securities
NCF	Net cash flow
NOI	Net operating income
P/BV	Price to Common Book Value
Private Label loan	Non-Agency mortgage loan
Repo	Repurchase agreement
SbEa	Structured business escrow accounts
SFR	Single-family rental
UCC	Uniform commercial code
UW	Underwritten

List of references

All citations, references, and sources are publicly available. Annual reports and other company documents were obtained through the respective issuer's website, regulatory filings, and commercial registries. Documents are cited as follows:

< company name / author > < year of publication / business year >, < document title >, < page >, < url >

All annual reports are quoted with its business year in parentheses instead of publication year as we noticed that it does limit confusion.

Some SEC filings, specifically CMBS underwriting prospectuses, were retrieved through direct URLs within the EDGAR system, and those filings are quoted directly.

The phrase "company data" indicates that we aggregated the specific metrics from one or several respective regulatory filings.

List of figures

If not stated otherwise, all figures are obtained through the quoted references in the footnotes and can be found in the respective source.

Executive Summary

Arbor Realty Trust, Inc.	
Ticker:	ABR
Market Cap:	USD 2.34bn
Share Price:	USD 12.99
Consensus:	USD 17.13

We are short Arbor Realty Trust, Inc. (NYSE: ABR), because, in our opinion, Arbor hid its toxic mobile homes portfolio to manipulate its stock price and avoid insolvency, $599 million of Arbor's escrows evaporated overnight, the company's escrow balances and revenue are fake, in an Archegos-like situation $2.5 billion of repo facilities are subject to margin call provisions, Arbor's funding through repo desks is drying up, the CECL allowances and provisions have been severely understated to boost earnings, Arbor's financial statements for the last twelve years cannot be trusted, and auditors, as well as the board, turned a blind eye on misstatements and misconduct. **We estimate a median downside of 52% and, at worst a 67 percent downside for Arbor's stock.**

Arbor Realty Trust's valuation	P/BV multiple	Est. share price	Share price	Downside
Best	0.92	7.97	12.99	-39%
Mean	0.74	6.45	12.99	-50%
Median	0.72	6.24	12.99	-52%
Worst	0.49	4.24	12.99	-67%

In our opinion,

- **Arbor has been hiding a toxic real estate portfolio of mobile homes with a complex web of real and fake holding companies for more than a decade:**

  > ***The Borrowers.*** The borrowers consist of 46 "recycled" single-purpose entities that are Ohio limited partnerships, Ohio limited liability companies, Georgia limited partnerships, Georgia limited liability companies or Delaware limited liability companies. Each borrower is structured to be a single purpose bankruptcy-remote entity, having two independent directors in its organizational structure and is indirectly owned by Arbor Realty Sr, Inc. Legal counsel to the borrowers delivered a non-consolidation opinion in connection with the origination of the AMF Portfolio Whole Loan

- **Arbor disguises its off-balance liabilities of $582 million** as bad boy guarantees,

- Arbor invested several million dollars in maintenance for the portfolio and did not account for it on its income statement,

- If the portfolio had been consolidated, **Arbor would have been insolvent in 2011,**

- Up to 2017, Arbor had a negative book value per share and would not have been able to survive,

- **Consolidating the Lexford debt today leads to a fair value of $9.54 per share:**

Assets, liabilities and equity (in thousand USD)	2022	2021	2020	2019	2018	2017
Reported total assets	17,038,985	15,073,845	7,660,986	6,239,160	4,612,175	3,625,945
Reported total liabilities	13,967,106	12,523,861	6,178,301	4,883,133	3,546,609	2,761,389
Reported total equity	3,071,879	2,418,122	1,344,371	1,356,027	1,065,566	864,556
Lexford Debt	582,800	612,900	612,400	617,900	320,700	844,700
Estimated total assets	17,038,985	15,073,845	7,660,986	6,239,160	4,612,175	3,625,945
Estimated total liabilities	14,549,906	13,136,761	6,790,701	5,501,033	3,867,309	3,606,089
Estimated total equity	**2,489,079**	**1,937,084**	**870,285**	**738,127**	**744,866**	**19,856**
Reported preferred equity	633,684	556,163	89,472	89,501	89,502	89,508
Estimated common equity	1,855,395	1,380,921	780,813	648,626	655,364	(69,652)
Total shares outstanding (incl. OP units)	194,524,111	167,687,276	140,741,806	130,190,308	104,641,291	82,954,156
Book value per share, in USD	**9.54**	**8.24**	**5.55**	**4.98**	**6.26**	**(0.84)**

- **Lexford generated hundreds of millions of profit,** but Arbor shareholders only received a fraction of it, and the rest of **the cash is missing:**

Lexford portfolio - scenario (in thousand USD)	conservative	base	aggressive
Estimated net operating income	390,315	692,120	717,129
Estimated net cash flow	339,866	623,415	644,803
Estimated net profit	170,534	277,710	299,850
Reported distributions Arbor received	27,900	27,900	27,900
less: undisclosed CapEx by Arbor	16,439	16,439	16,439
Missing cash profits	**159,073**	**266,249**	**288,389**

- **In November 2022, Arbor started secretly selling parts of the Lexford portfolio**, but the net sales profits of $15.2 million were not distributed to Arbor Realty Trust as well,

- **Arbor lowered its off-balance escrow balances for yearend 2021 retroactively by $599 million in Q3 2022** and adopted the change in its annual report, **which should not be possible:**

Annual report 2021:

> At December 31, 2021 and 2020, our weighted average servicing fee was 44.9 basis points and 45.4 basis points, respectively. At December 31, 2021 and 2020, we held total escrow balances of $1.99 billion and $1.29 billion, respectively, which is not reflected in our consolidated balance sheets. Of the total escrow balances, we held $682.5 million and $867.6 million at December 31, 2021 and 2020, respectively, related to loans we

Annual report 2022:

> At December 31, 2022 and 2021, our weighted average servicing fee was 41.1 basis points and 44.9 basis points, respectively. At December 31, 2022 and 2021, we held total escrow balances of $1.25 billion and $1.40 billion, respectively, which is not reflected in our consolidated balance sheets. Of the total escrow balances, we held $677.4 million and $682.5 million at December 31, 2022 and 2021, respectively, related to loans we

- **The escrow accounts** don't show the true picture, as the balances of the second and third quarter 2022 **differ by several hundred million dollars despite being escrow deposits:**

Liquidity items (in thousand USD)	12/31/2022	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
Reported cash and cash equivalents	534,357	389,651	341,991	350,814	404,580	380,730	215,658	260,228	339,528
Reported restricted cash	713,808	922,531	787,952	517,090	486,690	569,928	249,090	272,039	197,470
Reported escrow balance	1,250,000	1,880,000	2,210,000	2,110,000	1,990,000	1,780,000	1,530,000	1,380,000	1,290,000
Estimated cash, restricted cash and escrows	**2,498,165**	**3,192,182**	**3,339,943**	**2,977,904**	**2,881,270**	**2,730,658**	**1,994,748**	**1,912,267**	**1,826,998**
Reported cash, restricted cash and escrows	2,500,000	2,850,000	2,650,000	2,980,000	2,880,000	2,734,778	1,997,758	1,914,168	1,824,931
Delta	**1,835**	**(342,182)**	**(689,943)**	**2,096**	**(1,270)**	**4,120**	**3,010**	**1,901**	**(2,067)**

- **The reported escrow balances of $1.25 billion and escrow revenue, totaling $65.8 million in the last five years, are fake** and accounted for on Arbor's balance sheet as interest and fee receivables in other assets,

- Arbor **does not disclose coherent information** about its repurchase and credit facilities,

- **it's an Archegos-like situation** because, as a matter of fact, neither investors nor counterparties have fundamental information about the parties, conditions, agreements, and risks involved **in the repurchase and credit facilities,**

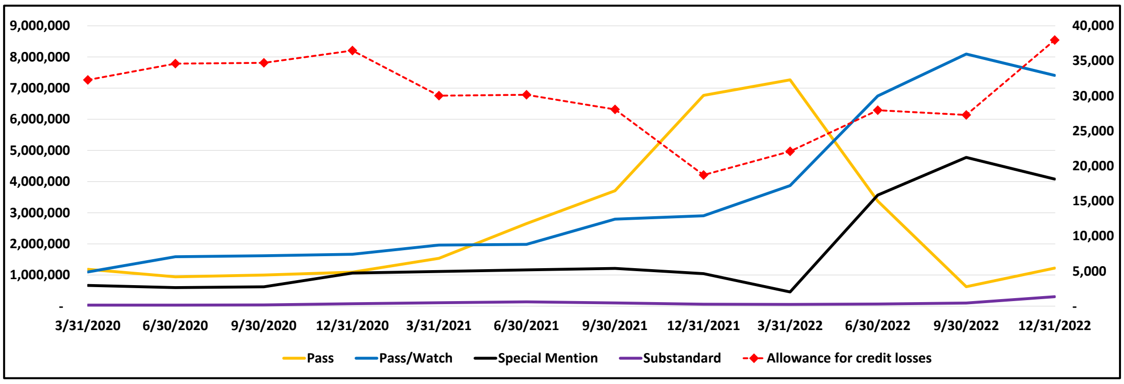
- Arbor even collateralized its servicing revenue to obtain a $75m credit facility, which is not reflected in its debt obligations,

- At the end of 2022, **about $2.5 billion debt of its repo facilities are subject to margin call provisions** at the repo desk's discretion**,** and the provisions are up 80x from $30 million at the beginning of 2022,

- Arbor does not account for a reasonable amount of CECL provision and allowance on its books,

- For its **$13 billion multifamily loan portfolio, the company recorded an allowance of $37 million,** and that is just $1.5 million higher than in 2020, when Arbor's multifamily loan portfolio amounted to only $3.8 billion,

- At the same time, **multifamily loans assigned a "Special Mention"-rating rose to $4 billion:**



- **Arbor never recorded or accounted for a CECL allowance and provision for its $1 billion single-family built-to-rent loan portfolio**, and the company's auditor never noticed it,
- The CECL allowances and provisions are severely understated **to boost Arbor's earnings,**
- **The reported low allowances and provisions will lead to a rude awakening in the near future,**
- Arbor's net interest income, other revenue, and other expenses have to be adjusted for the fake revenue and missing CECL allowances which **lead to significantly lower net income, basic EPS, and diluted EPS for the past five years:**

Key financial metrics (in thousand USD)	2022	2021	2020	2019	2018
Reported net interest income	390,785	254,082	170,249	129,541	97,950
Estimated net interest income	390,785	254,082	169,749	119,941	87,850
Δ Net interest income	-	-	(500)	(9,600)	(10,100)
Reported total other revenue	228,075	333,148	264,259	219,845	233,131
Estimated total other revenue	203,675	328,948	257,159	202,545	220,331
Δ Total other revenue	(24,400)	(4,200)	(7,100)	(17,300)	(12,800)
Reported net income	353,626	377,807	198,025	155,238	148,051
Estimated net income	209,599	370,233	187,054	128,338	125,151
Δ Net income	(144,027)	(7,574)	(10,971)	(26,900)	(22,900)
Reported basic EPS	1.72	2.30	1.44	1.30	1.54
Estimated basic EPS	0.93	2.28	1.38	1.10	1.34
Δ Basic EPS	(0.79)	(0.02)	(0.06)	(0.21)	(0.20)
Reported diluted EPS	1.67	2.28	1.42	1.27	1.50
Estimated diluted EPS	0.95	2.23	1.34	1.04	1.26
Δ Diluted EPS	(0.72)	(0.05)	(0.08)	(0.23)	(0.24)

- Arbor's non-GAAP metric, **distributable earnings per share, is lower as well:**

Diluted distributable earnings per share	2022	2021	2020	2019	2018
Reported Diluted distributable earnings per share	$ 2.23	$ 2.03	$ 1.75	$ 1.37	$ 1.33
Estimated Diluted distributable earnings per share	$ 1.95	$ 1.98	$ 1.69	$ 1.14	$ 1.09
Δ Reported vs. Estimated diluted distri. EPS	$ (0.27)	$ (0.05)	$ (0.07)	$ (0.23)	$ (0.24)

- Based on Arbor's peer group the **downside** for its stock is **between 39 and 67 percent** and in the **median downside for Arbor's share price is 52 percent:**

Arbor Realty Trust's valuation	P/BV multiple	Est. share price	Share price	Downside
Best	0.92	7.97	12.99	-39%
Mean	0.74	6.45	12.99	-50%
Median	0.72	6.24	12.99	-52%
Worst	0.49	4.24	12.99	-67%

- **An additional $51 million are of debt is due in the next twelve** months and maturing bonds as well as repurchase facilities of **$1.2 billion will lead to significant liquidity issues in Arbor's cash flow:**

Debt instrument	Name	Maturity	UPB / Cut-off balance	Carrying value / Maturity balance	Wtd Avg Rate	Business
Credit facility	$200M credit facility	March 2023	31,519	31,475	5.76%	Agency
Senior unsecured notes	8.00% Notes	April 2023	70,750	70,613	8.00%	Consolidated
Working capital facility	$35M working capital facility	April 2023	-	-	0.00%	Structured
Senior unsecured notes	5.625% Notes	May 2023	78,850	78,726	5.63%	Consolidated
Credit facility	$400M credit facility	July 2023	33,246	33,221	6.25%	Structured
Credit facility	$50M credit facility	September 2023	14,671	14,664	5.65%	Agency
Mortgage loan	Marabou Mills and Aragon Woods	September 2023	9,450	7,106	5.16%	Lexford portfolio
Repurchase facility	$499M repurchase facility*	October 2023	351,056	351,056	6.64%	Structured
Repurchase facility	$500M repurchase facility	November 2023	66,866	66,778	5.73%	Agency
Repurchase facility	$1B repurchase facility*	December 2023	499,891	498,666	6.39%	Structured
Mortgage loan	ART Indiana MF Portfolio	January 2024	11,000	9,316	5.11%	Lexford portfolio
Senior unsecured notes	5.75% Notes	April 2024	90,000	89,514	5.75%	Consolidated
Mortgage loan	Florida Multifamily Portfolio	April 2024	20,940	18,040	4.83%	Lexford portfolio
Mortgage loan	ART Florida Multifamily Portfolio 2	April 2024	20,000	17,265	4.91%	Lexford portfolio
Total			**1,298,239**	**1,286,440**		
Bonds			***239,600***	***238,853***		
Mortgage loans			***61,390***	***51,727***		
Repurchase and credit facility			***997,249***	***995,860***		

- **Ernst & Young and the Chairman of the audit committee will be celebrating their 20th-anniversary auditing and supervising Arbor's financials and the failure of such duties,**

- Ernst & Young failed its duties, and at least **Arbor's financials of the last twelve years cannot be trusted,**

- **Both parties turned a blind eye to the misstatements and misconduct by the company and its management,**

- It's not the first time Arbor and **its management has been alleged of improperly transferring money, as they have been in material litigation for more than a decade, which was settled in late 2022,**

- The litigation's expenses, which were never disclosed in Arbor's reports, total **about $49.4 million, which were paid for by Arbor's shareholders,**

- All misstatements and misconduct will lead to restatements, and counterparties, as well as bondholders, will force repayment of Arbor's outstanding debt,

- **A single margin call will lead to an immediate dividend cut, and deleveraging Arbor's balance sheet will corroborate a suspension of dividends for a longer time.**

1. Company overview

Arbor Realty Trust, Inc. ("ABR", "Arbor", "Arbor Realty Trust", or "the company") is a New York-based but Maryland-incorporated real estate investment trust specializing in real estate financing, particularly bridge loans. The company is not an equity REIT but a so-called mortgage REIT. Arbor went public in early 2004 and used to be a diversified REIT with significant equity investments. But in the aftermath of the great financial crisis, this led to substantial losses and dividend cuts.[1] Nowadays, Arbor covers the entire value chain in the mortgage sector: from loan origination and securitization to mortgage servicing. In recent years, the company has focused on mortgage servicing and bridge financing in the multifamily industry. As of yearend 2022, loans in the multifamily segment accounted for 91 percent of all loans, followed by single-family built-to-rent at 7% of its loan portfolio and 98 percent of all loans were bridge financing.[2] Since its inception, a well-established and closely-knit management team headed by CEO Ivan Kaufman has been leading Arbor Realty Trust. Initially, the REIT was managed externally by Arbor Commercial Mortgage LLC ("ACM"). In 2016 Arbor Realty Trust purchased the operational entity surrounding the agency business of ACM for $276 million from ACM and Kaufman, and in 2017 took the option to buy the remaining back-office operations from ACM, and as such operational management of Arbor Realty Trust has been fully internalized.[3]

Shares of Arbor Realty Trust are popular with investors because it has been increasing its dividend for years and is well ahead of its peers, with a dividend yield of 10 to 14 percent. How is this dividend funded? By means of four different revenue streams: interest income from its structured and agency business segments, servicing revenue from its agency business, income from equity affiliates, and escrow revenue. Especially the latter two revenue streams are not what they seem to be, and the public should take a closer look.

2. Lexford Portfolio – an equity "affiliate"

One investment that saw a growing income of $11 million and one of the few equity affiliate investments that generated profits in 2022 was the Lexford Portfolio.[4] It is a portfolio of multifamily properties across several states, and the initial investment dates back to 2011.

More than a decade ago, Arbor restructured a $67 million preferred equity investment in Lexford and, with unknown third-party investors, invested $25 million more in Lexford – the additional investment was required as part of a restructuring process after Lexford defaulted on its mortgages. [5] [6] It's been reported that Arbor owns a $44,000 non-controlling interest in a $100,000 direct investment made with the same third-party investor (see Figure 1).[7] [8] [9] In past filings, the company stated that it does not have the power to control Lexford's operations significantly (see Figure 1).[10] [11]

[1] Arbor Realty Trust, Inc. (2009), annual report, p. 33, https://www.sec.gov/Archives/edgar/data/1253986/000095012310022203/y83076e10vk.htm
[2] Arbor Realty Trust, Inc. (2023), investor presentation – February 2023, p. 6, https://ir.arbor.com/static-files/8123efdb-3de8-4018-aec0-469ededfe674
[3] ACM and company insiders have received cash and operating partnership units of Arbor Realty Limited Partnership totaling $276 million.
[4] Arbor Realty Trust, Inc. (2022), annual report, p. 78, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[5] Arbor Realty Trust, Inc. (2011), annual report, p. 84, https://www.sec.gov/Archives/edgar/data/1253986/000104746912002036/a2207726z10-k.htm
[6] Cantor Fitzgerald Co., et al. (2019), final prospectus, p. 187, https://www.sec.gov/Archives/edgar/data/1771200/000153949719000662/n1577_424b2-x16.htm
[7] Arbor Realty Trust, Inc. (2012), quarterly report, p. 54, https://www.sec.gov/Archives/edgar/data/1253986/000110465912032900/a12-8801_110q.htm
[8] Arbor Realty Trust, Inc. (2011), annual report, p. 131, https://www.sec.gov/Archives/edgar/data/1253986/000104746912002036/a2207726z10-k.htm
[9] Arbor Realty Trust, Inc. (2022), annual report, p. 79, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[10] Arbor Realty Trust, Inc. (2011), annual report, p. 131, https://www.sec.gov/Archives/edgar/data/1253986/000104746912002036/a2207726z10-k.htm
[11] Arbor Realty Trust, Inc. (2012), quarterly report, p. 54, https://www.sec.gov/Archives/edgar/data/1253986/000110465912032900/a12-8801_110q.htm

The original preferred equity investment matures in June 2020. The new preferred equity investment has a fixed interest rate of 12% and also matures in June 2020. We, along with the same outside investors, also made a $0.1 million equity investment into Lexford, of which we hold a $44,000 noncontrolling interest, and do not have the power to control the significant activities of the entity. During the fourth quarter of 2011, we recorded losses from the entity against the equity investment, reducing the balance to zero at December 31, 2011. We record this investment under the equity method of accounting. In addition, under the terms of the restructuring, Lexford's first mortgage lender

Figure 1 Extract of $100,000 investment in Lexford, source: company filings

Matter of fact is that Arbor does not own a non-controlling interest in Lexford but owns the whole real estate portfolio consisting of 80s-built mobile homes. The company hides this through contradicting disclosures, false accounting, and complex holding structures, and it's enabled by failed corporate governance. **In our opinion, GAAP-compliant consolidation of Lexford results in significant lower book value per share, up to 67 percent downside to its current price and significant dividend cuts.**

Contradicting disclosures to hide the truth

In a matter of minutes, the attentive reader of Arbor's annual and quarterly reports will have noticed that something is off with Lexford. In the past, the company reported its Lexford share as a complete write-off, at $100 and $44,000.[12] [13] [14] [15] [16] [17] To date, the investors can't assess the share of Arbor's ownership in Lexford because it does not disclose percentage terms, but readers could sense that Arbor owns something in Lexford as the company receives distributions from Lexford – $11 million alone in 2022.[18] Contradicting the received cash distributions for its investment in Lexford to date, Arbor reported in its 2015 annual report a divesture of its preferred equity investment in Lexford for the third quarter of 2015 (see Figure 2).[19]

2015 annual report:

In December 2011, we completed a restructuring of a $67.6 million preferred equity investment on the Lexford Portfolio ("Lexford"), which is a portfolio of multifamily assets. We, along with a consortium of independent outside investors, made an additional preferred equity investment of $25.0 million in Lexford of which we held a $10.5 million interest, and Mr. Fred Weber, our executive vice president of structured finance, held a $0.5 million interest, which was paid down to $22.5 million in the third quarter of 2013, and then paid off in the fourth quarter of 2013. The original preferred equity investment bore a fixed rate of interest of 2.36%, revised from an original rate of LIBOR plus 5.00% (the loan was paying a modified rate of LIBOR plus 1.65% at the time of the new investment). The original preferred equity investment was paid down during 2014 and 2015 and the remaining balance was paid off in July 2015. The additional preferred equity investment had a fixed interest rate of 12% and a maturity date in June 2020. Interest income recorded from the additional preferred equity investment totaled $1.1 million for the year ended December 31, 2013. We, along with the same outside investors, also made a $0.1 million equity investment into Lexford, of which we held a $44,000 noncontrolling interest, and do not have the power to control the significant activities of the entity. During 2011, we recorded losses from the entity against the equity investment, reducing the balance to zero. In the third and fourth quarters of 2015, we received distributions from this equity investment and recognized income of $4.5 million, net of expenses. The $4.5 million of income is comprised of income from equity affiliates of $5.5 million, partially offset by $1.0 million of expenses related to these distributions that were recorded in employee compensation and benefits. In addition, under the terms of the restructuring, Lexford's first mortgage lender

Lexford Portfolio—We, along with third party investors, made a $0.1 million equity investment into Lexford, a portfolio of multifamily assets. Our portion of this investment is a $44,000 noncontrolling interest. In the third and fourth quarters of 2015, we received distributions from this equity investment and recognized income totaling $4.5 million, net of expenses. The $4.5 million of income is comprised of income from equity affiliates of $5.5 million, partially offset by $1.0 million of expenses related to these distributions that were recorded in employee compensation and benefits. See Note 14—"Agreements and Transactions with Related Parties" for further details.

2016 annual report:

In 2011, we restructured a preferred equity investment on the Lexford Portfolio ("Lexford"), which is a portfolio of multifamily assets. In connection with this restructuring, we, along with an executive officer of ours and a consortium of independent outside investors, made an additional preferred and direct equity investment. Both of our

In 2011, we restructured a preferred equity investment on the Lexford Portfolio ("Lexford"), which is a portfolio of multifamily assets. In connection with this restructuring, we, along with an executive officer of ours and a consortium of independent outside investors, made an additional preferred and direct equity investment. Both of our preferred equity investments were repaid in full by the third quarter of 2015. Interest income recorded from such preferred equity investments was $0.2 million for 2015. As a result of the direct equity investment, which was also repaid in the third quarter of 2015, we received distributions totaling $2.8 million and $5.5 million during 2016 and 2015, respectively, which were

Figure 2 Investment and payback of Lexford differed in three annual reports, source: company filings

In the 2016 annual report, the reported divesture all of a sudden includes a divesture of its direct equity investment in Lexford, which supposedly should have happened in the third quarter of 2015 as

[12] Arbor Realty Trust, Inc. (2011), annual report, p. 166, https://www.sec.gov/Archives/edgar/data/1253986/000104746912002036/a2207726z10-k.htm
[13] Arbor Realty Trust, Inc. (2015), annual report, p. 87, https://www.sec.gov/Archives/edgar/data/1253986/000104746916010477/a2227477z10-k.htm
[14] Arbor Realty Trust, Inc. (2016), annual report, p. 105, https://www.sec.gov/Archives/edgar/data/1253986/000104746917001214/a2231130z10-k.htm
[15] Arbor Realty Trust, Inc. (2017), annual report, p. 101, https://www.sec.gov/Archives/edgar/data/1253986/000104746918000985/a2234227z10-k.htm
[16] Arbor Realty Trust, Inc. (2020), annual report, p. 80, https://www.sec.gov/Archives/edgar/data/1253986/000110465921025551/abr-20201231x10k.htm
[17] Arbor Realty Trust, Inc. (2022), quarterly report, p. 20, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
[18] Arbor Realty Trust, Inc. (2022), quarterly report, p. 20, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
[19] Arbor Realty Trust, Inc. (2015), annual report, p. 65, https://www.sec.gov/Archives/edgar/data/1253986/000104746916010477/a2227477z10-k.htm

well (see Figure 2).[20] [21] But in the Q3 2015 report, such a divesture was never reported or mentioned.[22] In addition, there were no distributions from equity affiliates in the cash flow statements reported nor stated in the notes to the financial statements.[23] We believe it is more than odd because, at the same time, new investments in equity affiliates were reported as contributions to equity affiliates in the cash flow statement.[24] [25] **We think the divesture never happened and its reporting is a lie. Arbor owns Lexford as a whole to date.**

The disguise of Arbor's ownership in Lexford went as far as abandoning generally accepted accounting principles. According to the most recent 10-K and 10-Q filing, all investments in equity affiliates are accounted for using the equity method.[26] [27] Usually, according to GAAP, the percentage of the PnL is accounted for as income from equity investments in the income statement, the pro rata share increases the asset account, and distributions decrease in this account again. Of course, the distributions also increase the investor's cash account. Arbor Realty Trust correctly accounted for it that way, classified distributions as return on capital, and included the pro rata portion of income in Arbor's income statement for all equity investments – **except Lexford**.[28] For the Lexford portfolio, distributions are recognized as income from equity affiliates instead of the pro rata share of net income (see Figure 3).[29] [30]

> ***Lexford Portfolio.*** During the three and nine months ended September 30, 2022, we received distributions of $5.0 million and $11.0 million, respectively, from this equity investment, which were recognized as income from equity affiliates.

Figure 3 Extract from Q3 2022 report about received distributions from Lexford investment, source: company filings

Arbor's pro rata share of Lexford's earnings has never been disclosed in any reports because otherwise, it will be evident to the public that Arbor owns Lexford as a whole.

The assets and debt of Lexford were hidden off-balance, and Arbor Realty Trust only disclosed that the company provided so-called "bad boy guarantees" on Lexford's debt – more than $580 million as of the yearend of 2022 (see Figure 4).[31] In the past, Arbor's guarantee was as high as 849 million dollars.[32]

> and 2020, respectively, which were recorded as income from equity affiliates. Separate from the loans we originated in 2018, we provide limited ("bad boy") guarantees for certain other debt controlled by Lexford. The bad boy guarantees may become a liability for us upon standard "bad" acts such as fraud or a material misrepresentation by Lexford or us. At December 31, 2022, this debt had an aggregate outstanding balance of $582.8 million and is scheduled to mature through 2029.

Figure 4 Bad boy guarantees of $606.9 million provided for Lexford on December 31, 2022, source: company filings

A "bad boy guaranty" is common in the commercial real estate industry and is a fancy name for a non-recourse carve-out guaranty. A bad boy guaranty is a contract in which the non-recourse mortgage becomes a recourse mortgage for the owner and sponsor of a mortgaged property. Regularly such guaranty ensures that if the owner commits "bad acts", the guarantor is liable. **Most importantly, the guarantor is the owner or primary beneficiary.** The Department of Treasury highlights in its handbook about lending and underwriting of commercial real estate that examiners should consider if a

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[20] Arbor Realty Trust, Inc. (2015), annual report, p. 122, https://www.sec.gov/Archives/edgar/data/1253986/000104746916010477/a2227477z10-k.htm
[21] Arbor Realty Trust, Inc. (2016), annual report, p. 143, https://www.sec.gov/Archives/edgar/data/1253986/000104746917001214/a2231130z10-k.htm
[22] Arbor Realty Trust, Inc. (2015), annual report, p. 38, https://www.sec.gov/Archives/edgar/data/1253986/000110465915076450/a15-17968_110q.htm
[23] Arbor Realty Trust, Inc. (2015), annual report, p. 65, https://www.sec.gov/Archives/edgar/data/1253986/000104746916010477/a2227477z10-k.htm
[24] Arbor Realty Trust, Inc. (2015), annual report, p. 65, https://www.sec.gov/Archives/edgar/data/1253986/000104746916010477/a2227477z10-k.htm
[25] Arbor Realty Trust, Inc. (2015), annual report, p. 38, https://www.sec.gov/Archives/edgar/data/1253986/000104746916010477/a2227477z10-k.htm
[26] Arbor Realty Trust, Inc. (2021), annual report, p. 76, https://www.sec.gov/Archives/edgar/data/1253986/000110465922024981/abr-20211231x10k.htm
[27] Arbor Realty Trust, Inc. (2022), quarterly report, p. 20, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
[28] Arbor Realty Trust, Inc. (2021), annual report, p. 76, https://www.sec.gov/Archives/edgar/data/1253986/000110465922024981/abr-20211231x10k.htm
[29] Arbor Realty Trust, Inc. (2021), annual report, p. 77, https://www.sec.gov/Archives/edgar/data/1253986/000110465922024981/abr-20211231x10k.htm
[30] Arbor Realty Trust, Inc. (2022), quarterly report, p. 20, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
[31] Arbor Realty Trust, Inc. (2022), annual report, p. 109, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[32] Arbor Realty Trust, Inc. (2015), annual report, p. 123, https://www.sec.gov/Archives/edgar/data/1253986/000104746916010477/a2227477z10-k.htm

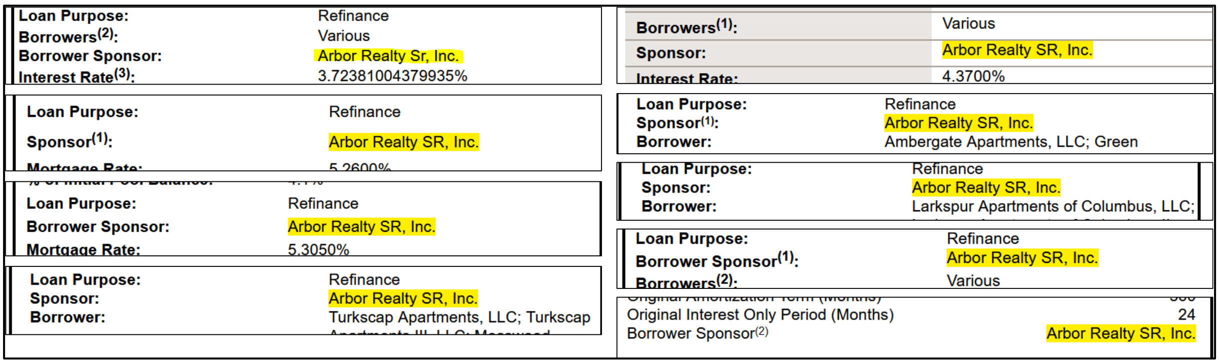
guarantor has sufficient economic incentive and significant investment in a project.[33] The handbook does not even differentiate between owner and guarantor because it is common practice that the guarantor is the owner of the mortgaged property. We believe it is the case regarding Lexford.

The reported bad boy guaranty is just a derivative of the Lexford debt hidden off-balance as Arbor is the owner of the Lexford real estate portfolio and liable for its debt.

In Arbor's financial notes to the Lexford portfolio, Arbor discloses that the properties are managed by a property management company owned by Arbor's CEO Ivan Kaufman, other executives, and affiliates.[34] We found out that it's a New Jersey-based company called Elon Property Management Company LLC ("EPM", "Elon", "Elon Property").[35]

No connection to Arbor Realty Trust or Ivan Kaufman can be found on EPM's website, and the company name is never mentioned in Arbor's quarterly or annual reports.[36] **We believe that it is done so investors cannot connect the dots.** Elon Property has even gone further by separating general information about itself and the Elon-managed properties with the help of two different URLs: "elonmanagement.com" and "elonproperties.com".[37] [38] It took us a great length to spot the connections.

We looked at the properties managed by Elon and were able to assign 147 of 172 online listed apartment complexes to the respective commercial mortgage-backed securities filed with the SEC.[39] **In the CMBS filings, the owner of the Lexford portfolio is reported: Arbor Realty SR, Inc.** (see Figure 5). It is the subsidiary through which Arbor Realty Trust operates its primary business.[40] No third-party investor is mentioned in the documents - neither by name nor with reference to anonymity.


Loan Purpose: Refinance
Borrowers(2): Various
Borrower Sponsor: Arbor Realty Sr, Inc.
Interest Rate(3): 3.72381004379935%

Loan Purpose: Refinance
Sponsor(1): Arbor Realty SR, Inc.
Mortgage Rate: 5.2600%

Loan Purpose: Refinance
Borrower Sponsor: Arbor Realty SR, Inc.
Mortgage Rate: 5.3050%

Loan Purpose: Refinance
Sponsor: Arbor Realty SR, Inc.
Borrower: Turkscap Apartments, LLC; Turkscap

Borrowers(1): Various
Sponsor: Arbor Realty SR, Inc.
Interest Rate: 4.3700%

Loan Purpose: Refinance
Sponsor(1): Arbor Realty SR, Inc.
Borrower: Ambergate Apartments, LLC; Green

Loan Purpose: Refinance
Sponsor: Arbor Realty SR, Inc.
Borrower: Larkspur Apartments of Columbus, LLC;

Loan Purpose: Refinance
Borrower Sponsor(1): Arbor Realty SR, Inc.
Borrowers(2): Various

Original Interest Only Period (Months) 24
Borrower Sponsor(2) Arbor Realty SR, Inc.

Figure 5 Extracts reporting Arbor Realty SR as sponsor for mortgaged properties, source: CMBS filings

In our opinion, the ownership structure of the Lexford portfolio and its accounting reported in the annual reports do not correspond to the truth. **Arbor Realty Trust owns the Lexford portfolio as a**

[33] Office of the Comptroller of the Currency (2022), Commercial Real Estate Lending – Version 2.0 – March 2022, p. 54
[34] Arbor Realty Trust, Inc. (2021), annual report, p. 108, https://www.sec.gov/Archives/edgar/data/1253986/000110465922024981/abr-20211231x10k.htm
[35] Arbor Rapha Capital Bioholdings Corp. I (2021), annual report, p. 73, https://www.sec.gov/Archives/edgar/data/1855886/000110465922038909/arcku-20211231x10k.htm
[36] The only connection in Arbor's SEC filings is that Arbor Realty Trust owned the trademark rights to EPM, since that IP was acquired in 2016 as part of the Agency segment acquisition. We have no idea why that was part of the acquisition. However, ABR was never registered as the owner of the trademark rights and, according to the USPTO, Elon Property Management remained the owner until cancellation. See schedule A of the trademarks https://www.sec.gov/Archives/edgar/data/1253986/000110465916101859/a16-5646_1ex2d1.htm
[37] Elon Property Management Company, LLC (2023), Website, https://web.archive.org/web/20230125154854/https://elonmanagement.com/
[38] Elon Property Management Company, LLC (2023), Properties listing, https://web.archive.org/web/20230125163644/https://www.elonproperties.com/searchlisting.aspx
[39] At the beginning of our research, 172 apartment complexes were still listed on the Elon Property Management website, but 5 properties were deleted at the end of 2022. This is the so-called "West Palm Portfolio".
[40] Arbor Realty Trust, Inc. (2022), prospectus supplement dated November 4, 2022, p. 1, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114940/tm2229605-1_424b5.htm

whole - and has owned it since 2011.[41] [42] [43] [44] The various contradicting information and deviations from accounting principles and standard industry procedures are to disguise Arbor's ownership of Lexford.

Since 2013, Arbor Realty Trust's subsidiary Arbor Realty SR, Inc. has been reported as a sponsor, guarantor, and direct or indirect owner of Lexford in over twenty different prospectuses for Commercial Mortgage Backed Securities filed with the SEC (see Figure 6, Figure 7 and Figure 8).[45] [46] [47] [48] [49]

Sponsorship. Arbor Realty SR, Inc., a subsidiary of Arbor Realty Trust, Inc. ("Arbor") (NYSE:ABR), acquired the portfolio in 2011. A

Figure 6 Arbor Realty is reported to have acquired Lexford portfolio in 2011, source: CMBS filing

The Borrowers. The borrowers consist of 46 "recycled" single-purpose entities that are Ohio limited partnerships, Ohio limited liability companies, Georgia limited partnerships, Georgia limited liability companies or Delaware limited liability companies. Each borrower is structured to be a single purpose bankruptcy-remote entity, having two independent directors in its organizational structure and is indirectly owned by Arbor Realty Sr, Inc. Legal counsel to the borrowers delivered a

Figure 7 Arbor Realty SR is the indirect owner of Lexford portfolio[50], source: CMBS filing

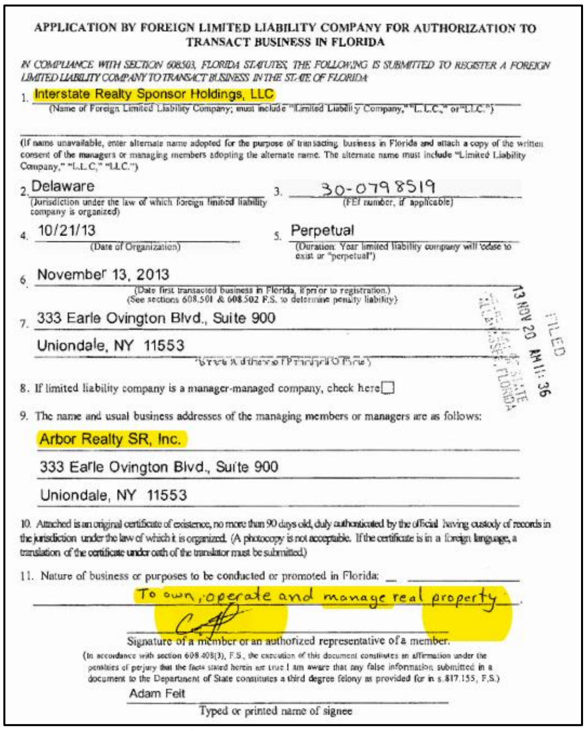
The titling of the securitized mortgage loan portfolio, which is chosen at the discretion of the mortgage loan sellers, indicates who owns the properties (see Figure 8).

Lexford portfolio (in thousand USD)	Maturity date	Mortgage Loan Seller	Securities	Appraised Value	Cut-off Date Balance	ARD/Maturity/Balloon balance
AMF Portfolio	11/6/2031	BMO/SMC	GS 2021-GSA3, BBCMS 2021-C12, BMO 2022-C1, BBCMS 2021-C15	280,625	172,000	159,735
Arbor Multifamily Portfolio	9/5/2029	3650 REIT	CSAIL 2019-C17	58,750	42,000	36,035
FIGO Multi-State MF Portfolio I / FIGO Multifamily Portfolio I	4/6/2029	CCRE	CF 2019-CF1	33,000	22,400	19,429
FIGO Multifamily Portfolio III	3/6/2029	CCRE	Morgan Stanley Capital I Trust 2019-L2	46,100	32,250	28,152
FIGO Multi-State MF Portfolio II	3/6/2029	UBS AG	UBS-2019 C16	40,400	28,200	24,589
RHW Multifamily Portfolio	12/6/2028	CCRE	BBCMS Mortgage Trust 2018-C2	20,590	14,025	12,283
MI, OH & GA Multifamily Portfolio	11/6/2025	BNYM	Citigroup Commercial Mortgage Trust 2016-GC37	18,490	13,050	11,283
ART Florida & Ohio MF Portfolio III	9/6/2025	CCRE	COMM 2015-CCRE26	27,450	20,500	17,677
ART Multi-State Portfolio III	8/6/2025	CCRE	COMM 2015-CCRE25	28,800	19,633	16,962
ART Multi-State Portfolio I	7/6/2025	CCRE	COMM 2015-CCRE24	30,550	22,318	19,259
ART Multi-State Portfolio II	7/6/2025	CCRE	GSMS 2015-GC32	27,450	20,549	17,722
ART Florida & Ohio MF Portfolio II	4/6/2025	CCRE	COMM 2015-CCRE23	33,600	25,000	21,192
ART Florida & Ohio MF Portfolio I	4/6/2025	CCRE	GSMS 2015-GC30	20,910	15,000	12,727
FL OH Multifamily Portfolio	3/6/2025	BNYM	CSAIL 2015-C3	29,190	21,040	17,908
ART Maryland MF Portfolio	10/6/2024	CCRE	GSMS 2014-GC26	34,900	24,000	21,128
ART Florida MF Portfolio IV	10/6/2024	CCRE	COMM 2014-CCRE20	32,740	21,400	18,794
ART Kentucky MF Portfolio	10/6/2024	CCRE	COMM 2014-UBS6	12,800	9,200	7,909
Florida Multifamily Portfolio	4/6/2024	GACC/ Deutsche	COMM 2014-UBS3	27,920	20,940	18,040
ART Florida Multifamily Portfolio 2	4/6/2024	CCRE	COMM 2014-CCRE17	27,900	20,000	17,265
ART Indiana MF Portfolio	1/6/2024	CCRE	COMM 2014-CCRE15	15,600	11,000	9,316
ART Florida MF Portfolio	10/6/2024	CCRE	COMM 2014-CCRE20	19,040	13,300	11,264
West Palm Portfolio	12/6/2023	GACC/ Deutsche	COMM 2014-CCRE14	35,900	24,925	21,540
Marabou Mills and Aragon Woods	9/6/2023	GACC/ Deutsche	COMM 2013-LC13	12,600	9,450	7,106
Total				**915,305**	**622,180**	**547,314**

Figure 8 List of all sub-portfolios and details of the Lexford portfolio, source: NINGI Research, CMBS filings

[41] Deutsche Bank Securities, Inc., et al. (2014), prospectus supplement COMM 2014-CCRE17 Mortgage Trust, https://www.sec.gov/Archives/edgar/data/1603669/000153949714000586/n307_pros-x9.htm
[42] Cantor Fitzgerald & Co., et al. (2019) free writing prospectus CF 2019-CF1, https://www.sec.gov/Archives/edgar/data/1515166/000153949719000566/n1577_x6-ts.htm
[43] Deutsche Bank Securities, Inc., et al. (2015), free writing prospectus COMM 2015-CCRE26 Mortgage Trust, https://www.sec.gov/Archives/edgar/data/1013454/000153949715001468/n542_ts-x2.htm
[44] Credit Suisse First Boston Mortgage Securities Corp., et al. (2015) prospectus supplement CSAIL 2015-C3, https://www.sec.gov/Archives/edgar/data/1647980/000153949715001310/n508_pros-x11.htm
[45] Deutsche Bank Securities, Inc., et al. (2014), prospectus supplement COMM 2014-CCRE17 Mortgage Trust, https://www.sec.gov/Archives/edgar/data/1603669/000153949714000586/n307_pros-x9.htm
[46] Deutsche Bank Securities, Inc., et al. (2014), prospectus supplement COMM 2014-CCRE17 Mortgage Trust, https://www.sec.gov/Archives/edgar/data/1603669/000153949714000586/n307_pros-x9.htm
[47] Cantor Fitzgerald & Co., et al. (2019) free writing prospectus CF 2019-CF1, https://www.sec.gov/Archives/edgar/data/1515166/000153949719000566/n1577_x6-ts.htm
[48] Deutsche Bank Securities, Inc., et al. (2015), free writing prospectus COMM 2015-CCRE26 Mortgage Trust, https://www.sec.gov/Archives/edgar/data/1013454/000153949715001468/n542_ts-x2.htm
[49] Credit Suisse First Boston Mortgage Securities Corp., et al. (2015) prospectus supplement CSAIL 2015-C3, https://www.sec.gov/Archives/edgar/data/1647980/000153949715001310/n508_pros-x11.htm
[50] Non-Consolidation opinion is a letter that if one of the properties goes bankrupt, neither of the other properties under the same parent entity are subject to that bankruptcy case but the court will respect its separate legal existence. It does not affect ownership or change generally accepted accounting principles.

Twelve securitized mortgage loan portfolios bear the abbreviation "ART". In our opinion, "ART" stands for Arbor Realty Trust. More recently, mortgage loan portfolios have been titled "Arbor Multifamily" or "AMF" in prospectuses. Other titles, such as "FIGO", "West Palm Portfolio", or "FL OH Multifamily Portfolio" are based on the location of the properties. The Lexford portfolio itself is hidden by a complex construct of more than 30 holdings titled "Interstate Realty" and more than 150 individual companies for every single property. By reviewing dozens of incorporation files, annual reports, and UCC filings of the individual properties, we were able to identify the "Interstate Realty" holding structure. **In our opinion, the generic company name "Interstate Realty" used for the portfolio was just another attempt to disguise the actual ownership and the connection to Arbor Realty Trust.** Arbor Realty SR was named as the manager at the incorporation of Interstate Realty Sponsor Holdings LLC (see Figure 9). **In the application for the Interstate Realty Sponsor Holdings LLC, the business purpose is "to own, operate and manage real property" (see Figure 9).[51]** Arbor staff and executives like Gianni Ottaviano, EVP of Structured Finance Production, signed documents and authorized restructurings on behalf of Arbor Realty Trust and Arbor Realty SR.[52] [53] [54] [55] [56] Executive Vice President and Senior Counsel John Bishar signed off annual reports.[57] [58] Another Arbor Realty Trust employee, Max Profesorske, signed off incorporations, transfers, and annual reports.[59] [60] [61] [62] In the past, any filings from the thirty holding companies were to be sent to Arbor or the company's employees.[63] [64] [65]


APPLICATION BY FOREIGN LIMITED LIABILITY COMPANY FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 608.503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN LIMITED LIABILITY COMPANY TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. Interstate Realty Sponsor Holdings, LLC
(Name of Foreign Limited Liability Company; must include "Limited Liability Company," "L.L.C.," or "LLC.")

(If name unavailable, enter alternate name adopted for the purpose of transacting business in Florida and attach a copy of the written consent of the managers or managing members adopting the alternate name. The alternate name must include "Limited Liability Company," "L.L.C," "LLC.")

2. Delaware
(Jurisdiction under the law of which foreign limited liability company is organized)

3. 30-0798519
(FEI number, if applicable)

4. 10/21/13
(Date of Organization)

5. Perpetual
(Duration: Year limited liability company will cease to exist or "perpetual")

6. November 13, 2013
(Date first transacted business in Florida, if prior to registration.)
(See sections 608.501 & 608.502 F.S. to determine penalty liability)

7. 333 Earle Ovington Blvd., Suite 900
Uniondale, NY 11553
(Street Address of Principal Office)

13 NOV 20 AM 11: 36
FILED

8. If limited liability company is a manager-managed company, check here☐

9. The name and usual business addresses of the managing members or managers are as follows:
Arbor Realty SR, Inc.
333 Earle Ovington Blvd., Suite 900
Uniondale, NY 11553

10. Attached is an original certificate of existence, no more than 90 days old, duly authenticated by the official having custody of records in the jurisdiction under the law of which it is organized. (A photocopy is not acceptable. If the certificate is in a foreign language, a translation of the certificate under oath of the translator must be submitted.)

11. Nature of business or purposes to be conducted or promoted in Florida:
To own, operate and manage real property.

Signature of a member or an authorized representative of a member.
(In accordance with section 608.408(3), F.S., the execution of this document constitutes an affirmation under the penalties of perjury that the facts stated herein are true. I am aware that any false information submitted in a document to the Department of State constitutes a third degree felony as provided for in s.817.155, F.S.)

Adam Feit
Typed or printed name of signee

Figure 9 Extract from incorporation of Interstate Realty Sponsor Holdings, source: company filings

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[51] Interstate Realty Sponsor Holdings, LLC (2013), Application by foreign limited liability company for authorization to transact business in Florida, p. 2, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)

[52] Interstate Realty Holdings XIX, LLC (2018), Registration of a Foreign For-Profit Limited Liability Company, p. 2, https://businesssearch.ohiosos.gov/ (Ohio Secretary of State)

[53] Interstate Realty Holdings XX, LLC (2018), Registration of a Foreign For-Profit Limited Liability Company, p. 2, https://businesssearch.ohiosos.gov/ (Ohio Secretary of State)

[54] Interstate Realty Holdings XXI, LLC (2018), Registration of a Foreign For-Profit Limited Liability Company, p. 2, https://businesssearch.ohiosos.gov/ (Ohio Secretary of State)

[55] Interstate Realty Holdings XXII, LLC (2018), Registration of a Foreign For-Profit Limited Liability Company, p. 2, https://businesssearch.ohiosos.gov/ (Ohio Secretary of State)

[56] Interstate Realty Holdings XXIV, LLC (2020), Application by foreign limited liability company for authorization to transact business in Florida, p. 4, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)

[57] Interstate Realty Holdings XI, LLC (2018), 2018 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)

[58] Interstate Realty Holdings XIV, LLC (2018), 2018 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)

[59] Starwood Mortgage Capital LLC (2021), CRE Insurance Risk Analysis, https://www.sec.gov/Archives/edgar/data/1861132/000153949722000277/n2921-x15insurance_approval.htm

[60] Interstate Realty Holdings V, LLC (2018), 2018 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)

[61] Interstate Realty Holdings VI, LLC (2018), 2018 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)

[62] Interstate Realty Holdings XV, LLC (2016), Limited Liability Company Reinstatement, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)

[63] From 2015 on Legacy Equity Investment Group, LLC was the authorized manager of Interstate Realty Sponsor Holdings. Arbor Realty Trust lists Legacy Equity Investment Group, LLC as having 51.33% interest of ownership in it.

[64] Interstate Realty Holdings V, LLC (2014), Application by foreign limited liability company for authorization to transact business in Florida, p. 1, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)

[65] Interstate Realty Sponsor Holdings, LLC (2013), Application by foreign limited liability company for authorization to transact business in Florida, p. 1, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)

A former employee we spoke to and whose signature is on Interstate Realty public filings confirmed that Arbor owns Lexford, going as far as explaining the constructive form of the Cardinal Industries built mobile homes and location specifics. In our opinion, such details can only be known to someone that had dealt with the Lexford properties. **The Lexford portfolio is wholly owned by Arbor, controlled by Arbor but not consolidated by Arbor.**

We think, as a result, Arbor Realty Trusts' financials have been severely misstated for more than a decade.

Editor's note: for more information about the holding structure, please read the appendix.

Sucking money out at shareholders expense

Arbor's actual ownership of the Lexford portfolio is undeniable. Still, the company never consolidated Lexford's assets and liabilities. **We think consolidating the portfolio would have been and will be a financial disaster for Arbor Realty Trust.** Lexford was previously known as the "Empirian Portfolio".[66] [67] [68] [69] [70] [71] The multifamily properties are mobile homes and manufactured housing, designed by now-defunct Cardinal Industries, and were built in Florida, Ohio, Maryland, Georgia, Indiana, and other states in the 1970s, 1980s, and even up to the 1990s.[72] The Empirian portfolio was securitized in three CMBS in 2007 (Pool 1, Pool 2, and Pool 3) by Merrill Lynch.[73] [74] In 2010 the properties were placed under special servicing.[75] [76] In October 2011, Arbor acquired the properties from Pools 1 and 3, and the debt was restructured into an A-Note and B-Note totaling 715.1 million dollars. [77] [78] [79] [80] The A- and B-note were the original debt Arbor should've consolidated at the end of 2011. **The disclosed bad boy guarantee provided for Lexford over the last decade was, in fact, just a derivative of Arbor's mortgage payables of worthless assets hidden from its investors.** As Arbor reported a write-off of the Lexford investment and marked it down to zero in December 2011, **the consolidated assets on Arbor's balance sheet would have been zero as well, but the liabilities would have been on the company's book at $715 million dollars.** Because for once impaired assets, GAAP does not allow a reversal of such an impairment. Worthless mobile homes were balanced with $715 million in liabilities.

But by hiding the debt from investors and the public in the first place, we believe, starting in 2013, Arbor was able to refinance the mortgages because underwriting procedures require an assessment if a borrower's owner and guarantor can fulfill the obligations.[81] We believe consolidating Lexford would have led to a failure during the underwriting process.

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[66] https://www.sec.gov/Archives/edgar/data/1639694/000153949715000657/n474_prosx17.htm
[67] https://www.sec.gov/Archives/edgar/data/1621368/000153949714001508/n398_424b5-x12.htm
[68] https://www.sec.gov/Archives/edgar/data/1620305/000153949714001358/n382_x10-ps.htm
[69] https://www.sec.gov/Archives/edgar/data/1640052/000153949715000612/n470_424b5-x16.htm
[70] Fitch Ratings, Inc. (2012), Fitch Downgrades Six Classes of MLMT 2007-C1, https://www.businesswire.com/news/home/20121120006420/en/Fitch-Downgrades-Six-Classes-of-MLMT-2007-C1
[71] Fitch Ratings, Inc. (2015), Fitch Downgrades 3 Distressed Classes of MLMT 2007-C1, https://www.businesswire.com/news/home/20150708006160/en/Fitch-Downgrades-3-Distressed-Classes-of-MLMT-2007-C1
[72] https://www.sec.gov/Archives/edgar/data/1404613/000095013607004951/file1.htm, p. 20
[73] https://www.sec.gov/Archives/edgar/data/1404613/000095013607004951/file1.htm, p. 20
[74] Barrie, Sean (2018), The Five Largest CMBS Loan Losses from June 2018, https://www.trepp.com/trepptalk/5-largest-cmbs-loan-losses-june-2018
[75] Credit Suisse Group AG (2011), CMBS Market Watch Weekly – 15 December 2011, p. 4
[76] https://www.sec.gov/Archives/edgar/data/1603669/000153949714000586/n307_pros-x9.htm, S-95
[77] https://www.sec.gov/Archives/edgar/data/1639694/000153949715000657/n474_prosx17.htm
[78] https://www.sec.gov/Archives/edgar/data/1621368/000153949714001508/n398_424b5-x12.htm
[79] https://www.sec.gov/Archives/edgar/data/1620305/000153949714001358/n382_x10-ps.htm
[80] https://www.sec.gov/Archives/edgar/data/1640052/000153949715000612/n470_424b5-x16.htm
[81] Office of the Comptroller of the Currency (2022), Commercial Real Estate Lending – Version 2.0 – March 2022, p. 54

Lexford bad boy guarantees (in thousand USD)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Estimated total mortgage debt via new CMBS	582,800	612,900	612,400	617,900	294,525	311,305	311,305	298,255	154,215	22,750	-	-
Estimated A-Note obligations	-	-	-	-	26,175	318,885	321,885	336,335	347,375	466,340	494,840	500,510
Reported B-Note obligations	-	-	-	-	-	214,510	214,510	214,510	214,510	214,510	214,510	214,510
Total Lexford debt	**582,800**	**612,900**	**612,400**	**617,900**	**320,700**	**844,700**	**847,700**	**849,100**	**716,100**	**703,600**	**709,350**	**715,100**

Figure 10 Reported Lexford debt, source: NINGI Research, CMBS filings, company data

In our opinion, but with the debt hid off-balance, refinancing was possible. In the past ten years, new mortgages were used to refinance the A-Note obligations (see Figure 10). At the same time, the B-Note debt was still outstanding, leading Arbor's bad boy guarantees to peak at $849 million – above the initial 715 million dollars (see Figure 10). Lexford's hidden liabilities consisted of the debt for the A- and B-Note as well as the new mortgage debt (see Figure 10). In 2018 the A-Note was finally paid off, and the B-Note was forgiven; hence the guarantees consisted of outstanding debt via the CMBS.[82]

At the peak of $849 million, Arbor's reported liabilities would have been up to 31 percent higher than reported if the liabilities were adequately accounted for in past filings.

If Arbor had properly consolidated Lexford, the company would have been technically insolvent from 2011 to 2016, and its book value per share would have been negative up to 2017 (see Figure 11).[83] With the proper consolidation, the current valuation for Arbor, hence the book value per share, is about <u>9.54 dollars per share</u> – but that does not discount the accounting misstatements and failed corporate governance (see Figure 11). <u>In chapter 6, our analysis estimates an average downside of 52 percent based on peer multiples.</u>

Assets, liabilities and equity (in thousand USD)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Reported total assets	17,038,985	15,073,845	7,660,986	6,239,160	4,612,175	3,625,945	2,970,786	1,827,392	1,866,494	1,877,472	1,701,881	1,776,714
Reported total liabilities	13,967,106	12,523,861	6,178,301	4,883,133	3,546,609	2,761,389	2,223,748	1,262,301	1,331,039	1,439,876	1,470,620	1,603,653
Reported total equity	3,071,879	2,418,122	1,344,371	1,356,027	1,065,566	864,556	747,038	565,091	535,455	437,596	231,261	173,061
Lexford Debt	582,800	612,900	612,400	617,900	320,700	844,700	847,700	849,100	716,100	703,600	709,350	715,100
Estimated total assets	17,038,985	15,073,845	7,660,986	6,239,160	4,612,175	3,625,945	2,970,786	1,827,392	1,866,494	1,877,472	1,701,881	1,776,714
Estimated total liabilities	14,549,906	13,136,761	6,790,701	5,501,033	3,867,309	3,606,089	3,071,448	2,111,401	2,047,139	2,143,476	2,179,970	2,318,753
Estimated total equity	**2,489,079**	**1,937,084**	**870,285**	**738,127**	**744,866**	**19,856**	**(100,662)**	**(284,009)**	**(180,645)**	**(266,004)**	**(478,089)**	**(542,039)**
Reported preferred equity	633,684	556,163	89,472	89,501	89,502	89,508	89,508	89,295	89,295	67,654	0	0
Estimated common equity	1,855,395	1,380,921	780,813	648,626	655,364	(69,652)	(190,170)	(373,304)	(269,940)	(333,658)	(478,089)	(542,039)
Total shares outstanding (incl. OP units)	194,524,111	167,687,276	140,741,806	130,190,308	104,641,291	82,954,156	51,730,553	50,962,516	50,477,308	49,136,308	31,249,225	24,298,140
Book value per share, in USD	**9.54**	**8.24**	**5.55**	**4.98**	**6.26**	**(0.84)**	**(3.68)**	**(7.33)**	**(5.35)**	**(6.79)**	**(15.30)**	**(22.31)**

Figure 11 Arbor's book value per share for the last 12 years, source: NINGI Research, company data

As Arbor never consolidated Lexford properly and never reported net operating income, net cash flow, or net profit, this leads to the question: was Lexford profitable? Arbor has received only $27.9 million in distributions over the past twelve years.[84] [85] [86] [87] [88] [89] Of that, eleven million went to Arbor in 2022, i.e., in the previous eleven years, Arbor received $16.9 million.[90] **But at the same time, Lexford generated an estimated $390 million in net operating income, $339 million in net cash flow, and $170 million in net profits (see Figure 13). <u>Where is the money?</u>**

Tenants of any Lexford apartment have a lease contract with at least one of two companies: Elon Property Management Company – Lexford Pools 1/3, L.L.C. and Elon Property Management Company – Lexford Pools 2, LLC ("Landlord LLCs").[91] Both companies are registered in Delaware and owned by Elon Property Management Company LLC, based in Lakewood, New Jersey (see Figure 12). But its principal address is reported as 333 Earle Ovington Boulevard, Uniondale in New York (see Figure 12) – that is the address of Arbor Realty Trust's headquarters. In addition, in New York's corporation and

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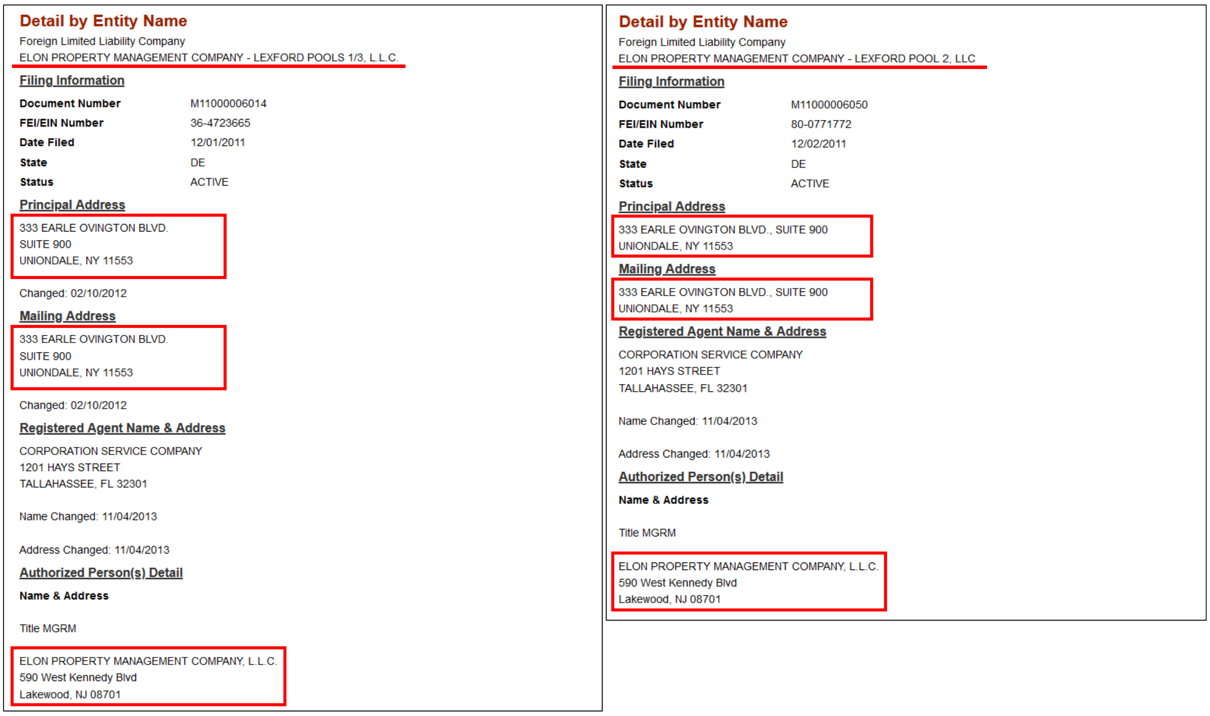
[82] Barrie, Sean (2018), The Five Largest CMBS Loan Losses from June 2018, https://www.trepp.com/trepptalk/5-largest-cmbs-loan-losses-june-2018
[83] In 2018 the portfolio debt only lowered because of the bridge loans Arbor provided to itself.
[84] Arbor Realty Trust, Inc. (2015), annual report, p. 38, https://www.sec.gov/Archives/edgar/data/1253986/000104746916010477/a2227477z10-k.htm
[85] Arbor Realty Trust, Inc. (2016), annual report, p. 105, https://www.sec.gov/Archives/edgar/data/1253986/000104746917001214/a2231130z10-k.htm
[86] Arbor Realty Trust, Inc. (2017), annual report, p. 101, https://www.sec.gov/Archives/edgar/data/1253986/000104746918000985/a2234227z10-k.htm
[87] Arbor Realty Trust, Inc. (2019), annual report, p. 96, https://www.sec.gov/Archives/edgar/data/1253986/000104746920000885/a2240688z10-k.htm
[88] Arbor Realty Trust, Inc. (2021), annual report, p. 77, https://www.sec.gov/Archives/edgar/data/1253986/000110465922024981/abr-20211231x10k.htm
[89] Arbor Realty Trust, Inc. (2022), quarterly report, p. 20, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
[90] Arbor Realty Trust, Inc. (2022), quarterly report, p. 20, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
[91] See class action lawsuit 1:21-cv-01520 by Lexford tenants against Elon Property and its subsidiaries Elon Property Management Company – Lexford Pools 1/3, L.L.C. and Elon Property Management Company – Lexford Pools 2, LLC

business entity database Arbor's Executive Vice President Gianni Ottaviano is listed as its agent for Elon Property Management Company – Lexford Pools 1/3, L.L.C. and Elon Property Management Company LLC.



Detail by Entity Name
Foreign Limited Liability Company
ELON PROPERTY MANAGEMENT COMPANY - LEXFORD POOLS 1/3, L.L.C.

Filing Information

Document Number	M11000006014
FEI/EIN Number	36-4723665
Date Filed	12/01/2011
State	DE
Status	ACTIVE

Principal Address
333 EARLE OVINGTON BLVD.
SUITE 900
UNIONDALE, NY 11553

Changed: 02/10/2012

Mailing Address
333 EARLE OVINGTON BLVD.
SUITE 900
UNIONDALE, NY 11553

Changed: 02/10/2012

Registered Agent Name & Address
CORPORATION SERVICE COMPANY
1201 HAYS STREET
TALLAHASSEE, FL 32301

Name Changed: 11/04/2013

Address Changed: 11/04/2013

Authorized Person(s) Detail
Name & Address

Title MGRM

ELON PROPERTY MANAGEMENT COMPANY, L.L.C.
590 West Kennedy Blvd
Lakewood, NJ 08701

Detail by Entity Name
Foreign Limited Liability Company
ELON PROPERTY MANAGEMENT COMPANY - LEXFORD POOL 2, LLC

Filing Information

Document Number	M11000006050
FEI/EIN Number	80-0771772
Date Filed	12/02/2011
State	DE
Status	ACTIVE

Principal Address
333 EARLE OVINGTON BLVD., SUITE 900
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1201 HAYS STREET
TALLAHASSEE, FL 32301

Name Changed: 11/04/2013

Address Changed: 11/04/2013

Authorized Person(s) Detail
Name & Address

Title MGRM

ELON PROPERTY MANAGEMENT COMPANY, L.L.C.
590 West Kennedy Blvd
Lakewood, NJ 08701

Figure 12 Elon Property Management Company's subsidiaries Lexford Pools 1/3 and Lexford Pools 2, source: Florida's Division of Corporations

So the properties are owned by Arbor, the LLCs acting as the landlord are registered at Arbor's address, but the Landlord LLCs are owned by Elon Property Management, which is owned by Arbor's CEO Ivan Kaufman, Executive Vice President Fred Weber, and others.[92] [93] **We believe Arbor's management should know where the money went as company insiders own company that collected the rent.**

As mentioned, Arbor received about 27.9 million dollars in distributions, but in the same period, Arbor secretly invested at least $16.4 million in capital improvements, as reported in the respective CMBS prospectuses.[94] [95] [96] [97] [98] [99] [100] With the verified but never accounted-for capital expenditures Arbor has made, the $27.9m of total distributions drop to $11.5 million in net distributions - or the equivalent of $1.15 million in net profit per year.[101] [102] In comparison, the Lexford portfolio has an underwritten net operating income of $61 million per year (see Figure 14). Since our estimates are based on the reported underwritten NOI for the year of the securitization, the NOI has likely increased over the years. **Based on the recent distribution reports from SEC EDGAR, the estimated annual net operating income is almost 75 million dollars, with the reported most recent total NOI being $70 million.**

In a very conservative scenario, Lexford generated $390 million in net operating income, $339 million in net cash flow, and $170 million in net profits (see Figure 13). In our base scenario, these

[92] Arbor Realty Trust, Inc. (2015), annual report, p. 123, https://www.sec.gov/Archives/edgar/data/1253986/000104746916010477/a2227477z10-k.htm
[93] Arbor Realty Trust, Inc. (2022), annual report, p. 109, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[94] https://www.sec.gov/Archives/edgar/data/1895116/000153949721002139/n2858-x17_424b2.htm
[95] https://www.sec.gov/Archives/edgar/data/1654060/000153949719001448/n1763-x4_ts.htm
[96] https://www.sec.gov/Archives/edgar/data/1547361/000153949719000306/n1528_ts-x2.htm
[97] https://www.sec.gov/Archives/edgar/data/1532799/000153949719000414/n1550_x2-ts.htm
[98] https://www.sec.gov/Archives/edgar/data/1013454/000153949715001468/n542_ts-x2.htm
[99] https://www.sec.gov/Archives/edgar/data/1647980/000153949715001310/n508_pros-x11.htm
[100] https://www.sec.gov/Archives/edgar/data/1603669/000153949714000586/n307_pros-x9.htm
[101] This excludes the interest and repayment of the 2013 Preferred Equity Loan as it is not income from the Lexford portfolio.
[102] The average is calculated by dividing 11.5 million dollars by the remaining ten years.

numbers jump to $692 million NOI, $623 million NCF, and $277 million net profits (see Figure 13). The numbers in the aggressive scenario are slightly higher by assuming a CAGR of 3.18 percent, which is based on the growth of the reported most recent NOI from NOI at loan origination.

Lexford portfolio - scenario (in thousand USD)	conservative	base	aggressive
Estimated net operating income	390,315	692,120	717,129
Estimated net cash flow	339,866	623,415	644,803
Estimated net profit	170,534	277,710	299,850
Reported distributions Arbor received	27,900	27,900	27,900
less: undisclosed CapEx by Arbor	16,439	16,439	16,439
Missing cash profits	**159,073**	**266,249**	**288,389**

Figure 13 Lexford portfolio generated significant profits even in a conservative scenario, source: NINGI Research, company data, CMBS filings

Our conservative estimate is based on the assumption that all net profit, net cash flows, and net operating income – before refinancing, marked orange – was used to pay off the past A-note debt and cover expenses – that is marked in purple (see Figure 14, Figure 15, and Figure 16). In the year of and after refinancing the mortgage, that cash was available for Arbor – that is marked in orange and black, and the total of the last ten years is marked in red (see Figure 14, Figure 15, and Figure 16).

If we solely look at the underwritten NOI since the securitization of the respective sub-portfolios, in our opinion, the portfolio has generated at least $390.3 million in net operating income over the last ten years (see Figure 14). Assuming the Laxford portfolio also generated the same underwritten NOI before securitization, the NOI increases to $692.1 million (see Figure 14).

Lexford portfolio - estimated NOI (in thousand USD)	Refinance Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
AMF Portfolio	2019	16,905	16,905	16,905	*16,905*	16,905	16,905	16,905	16,905	16,905	16,905	16,905	4,226
FIGO Multifamily Portfolio III	2019	3,100	3,100	3,100	*3,100*	3,100	3,100	3,100	3,100	3,100	3,100	3,100	775
FIGO Multi-State MF Portfolio I / FIGO Multifamily Portfolio I	2019	2,046	2,046	2,046	*2,046*	2,046	2,046	2,046	2,046	2,046	2,046	2,046	511
FIGO Multi-State MF Portfolio II	2019	2,683	2,683	2,683	*2,683*	2,683	2,683	2,683	2,683	2,683	2,683	2,683	671
Arbor Multifamily Portfolio	2019	4,155	4,155	4,155	*4,155*	4,155	4,155	4,155	4,155	4,155	4,155	4,155	1,039
MI, OH & GA Multifamily Portfolio	2016	1,425	1,425	1,425	1,425	1,425	1,425	*1,425*	1,425	1,425	1,425	1,425	356
ART Florida & Ohio MF Portfolio I	2015	1,386	1,386	1,386	1,386	1,386	1,386	1,386	*1,386*	1,386	1,386	1,386	347
ART Florida & Ohio MF Portfolio II	2015	2,370	2,370	2,370	2,370	2,370	2,370	2,370	*2,370*	2,370	2,370	2,370	593
ART Florida & Ohio MF Portfolio III	2015	2,129	2,129	2,129	2,129	2,129	2,129	2,129	*2,129*	2,129	2,129	2,129	532
ART Multi-State Portfolio I	2015	2,444	2,444	2,444	2,444	2,244	2,244	2,244	*2,244*	2,244	2,244	2,244	561
RHW Multifamily Portfolio	2018	1,572	1,572	1,572	1,572	*1,572*	1,572	1,572	1,572	1,572	1,572	1,572	393
ART Multi-State Portfolio III	2015	1,988	1,988	1,988	1,988	1,988	1,988	1,988	*1,988*	1,988	1,988	1,988	497
ART Multi-State Portfolio II	2015	2,066	2,066	2,066	2,066	2,066	2,066	2,066	*2,066*	2,066	2,066	2,066	517
ART Florida MF Portfolio IV	2014	2,175	2,175	2,175	2,175	2,175	2,175	2,175	2,175	*2,175*	2,175	2,175	544
ART Florida Multifamily Portfolio 2	2014	1,873	1,873	1,873	1,873	1,873	1,873	1,873	1,873	*1,873*	1,873	1,873	468
FL OH Multifamily Portfolio	2015	2,256	2,256	2,256	2,256	2,256	2,256	2,256	2,256	*2,256*	2,256	2,256	564
West Palm Portfolio	2014	2,492	2,492	2,492	2,492	2,492	2,492	2,492	2,492	*2,492*	2,492	2,492	623
Florida Multifamily Portfolio	2014	2,098	2,098	2,098	2,098	2,098	2,098	2,098	2,098	*2,098*	2,098	2,098	524
ART Indiana MF Portfolio	2014	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	*1,048*	1,048	1,048	262
ART Kentucky MF Portfolio	2014	872	872	872	872	872	872	872	872	*872*	872	872	218
ART Maryland MF Portfolio	2014	2,340	2,340	2,340	2,340	2,340	2,340	2,340	2,340	*2,340*	2,340	2,340	585
ART Florida MF Portfolio	2013	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	*1,243*	1,243	311
Marabou Mills and Aragon Woods	2013	985	985	985	985	985	985	985	985	985	*985*	985	246
Estimated net operating income since 2011	**692,120**	**61,651**	**61,651**	**61,651**	**61,651**	**61,451**	**61,451**	**61,451**	**61,451**	**61,451**	**61,451**	**61,451**	**15,363**
Estimated net operating income since refinancing via CMBS	**390,315**	**61,651**	**61,651**	**61,651**	**61,651**	**32,561**	**30,989**	**30,989**	**29,564**	**17,381**	**2,228**	**-**	**-**

Figure 14 Estimated net operating income of Lexford - orange marks the year of refinance and purple years before refinance, source: NINGI Research, CMBS filings

According to the underwritten NCFs, the portfolio has generated an annual net cash flow of $55.4 million, $339.8 million over the last ten years at a conservative estimate and $623 million in our base estimate (see Figure 15).

Lexford portfolio - estimated NCF (in thousand USD)	Refinance Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
AMF Portfolio	2019	15,916	15,916	15,916	15,916	15,916	15,916	15,916	15,916	15,916	15,916	15,916	3,979
FIGO Multifamily Portfolio III	2019	3,058	3,058	3,058	3,058	3,058	3,058	3,058	3,058	3,058	3,058	3,058	764
FIGO Multi-State MF Portfolio I / FIGO Multifamily Portfolio I	2019	1,925	1,925	1,925	1,925	1,925	1,925	1,925	1,925	1,925	1,925	1,925	481
FIGO Multi-State MF Portfolio II	2019	2,541	2,541	2,541	2,541	2,541	2,541	2,541	2,541	2,541	2,541	2,541	635
Arbor Multifamily Portfolio	2019	4,026	4,026	4,026	4,026	4,026	4,026	4,026	4,026	4,026	4,026	4,026	1,007
RHW Multifamily Portfolio	2018	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	308
MI, OH & GA Multifamily Portfolio	2016	1,326	1,326	1,326	1,326	1,326	1,326	1,326	1,326	1,326	1,326	1,326	332
ART Florida & Ohio MF Portfolio I	2015	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	326
ART Florida & Ohio MF Portfolio II	2015	2,149	2,149	2,149	2,149	2,149	2,149	2,149	2,149	2,149	2,149	2,149	537
ART Florida & Ohio MF Portfolio III	2015	1,953	1,953	1,953	1,953	1,953	1,953	1,953	1,953	1,953	1,953	1,953	488
FL OH Multifamily Portfolio	2015	2,093	2,093	2,093	2,093	2,093	2,093	2,093	2,093	2,093	2,093	2,093	523
ART Multi-State Portfolio I	2015	2,096	2,096	2,096	2,096	2,096	2,096	2,096	2,096	2,096	2,096	2,096	524
ART Multi-State Portfolio III	2015	1,825	1,825	1,825	1,825	1,825	1,825	1,825	1,825	1,825	1,825	1,825	456
ART Multi-State Portfolio II	2015	1,908	1,908	1,908	1,908	1,908	1,908	1,908	1,908	1,908	1,908	1,908	477
ART Florida MF Portfolio IV	2014	1,972	1,972	1,972	1,972	1,972	1,972	1,972	1,972	1,972	1,972	1,972	493
ART Florida Multifamily Portfolio 2	2014	1,747	1,747	1,747	1,747	1,747	1,747	1,747	1,747	1,747	1,747	1,747	437
West Palm Portfolio	2014	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	287
Florida Multifamily Portfolio	2014	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	287
ART Maryland MF Portfolio	2014	2,218	2,218	2,218	2,218	2,218	2,218	2,218	2,218	2,218	2,218	2,218	554
ART Indiana MF Portfolio	2014	965	965	965	965	965	965	965	965	965	965	965	241
ART Kentucky MF Portfolio	2014	809	809	809	809	809	809	809	809	809	809	809	202
ART Florida MF Portfolio	2013	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	287
Marabou Mills and Aragon Woods	2013	901	901	901	901	901	901	901	901	901	901	901	225
Estimated net cash flow since 2011	**623,415**	**55,415**	**55,415**	**55,415**	**55,415**	**55,415**	**55,415**	**55,415**	**55,415**	**55,415**	**55,415**	**55,415**	**13,854**
Estimated net cash flow since refinancing via CMBS	**339,866**	**55,415**	**55,415**	**55,415**	**55,415**	**25,856**	**25,856**	**25,856**	**24,623**	**13,967**	**2,050**	**-**	**-**

Figure 15 Estimated net cash flow of Lexford - orange marks the year of refinance and purple years before refinance, source: NINGI Research, CMBS filings

At a very conservative estimate, the Lexford portfolio generated net profits of 170 million dollars in the last decade (see Figure 16). In the base scenario, the net profits were $277 million and, at best, could have exceeded 299 million dollars if it grew at the same pace as net operating income.

Lexford portfolio - estimated net profit (in thousand USD)	Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
AMF Portfolio	2019	10,500	10,500	10,500	10,500	6,365	6,365	6,365	6,365	6,365	6,365	6,365	1,591
Arbor Multifamily Portfolio	2019	1,507	1,507	2,131	2,131	1,507	1,507	1,507	1,507	1,507	1,507	1,507	377
FIGO Multi-State MF Portfolio I / FIGO Multifamily Portfolio I	2019	588	588	905	905	588	588	588	588	588	588	588	147
FIGO Multifamily Portfolio III	2019	852	852	1,404	1,404	852	852	852	852	852	852	852	213
FIGO Multi-State MF Portfolio II	2019	801	801	1,187	1,187	801	801	801	801	801	801	801	200
RHW Multifamily Portfolio	2018	358	358	358	543	543	358	358	358	358	358	358	89
MI, OH & GA Multifamily Portfolio	2016	585	585	585	585	585	776	776	585	585	585	585	146
ART Florida & Ohio MF Portfolio III	2015	827	827	827	827	827	827	1,131	1,131	827	827	827	207
ART Multi-State Portfolio III	2015	729	729	729	729	729	729	1,018	1,018	729	729	729	182
ART Multi-State Portfolio I	2015	828	828	828	828	828	828	1,152	1,152	828	828	828	207
ART Multi-State Portfolio II	2015	760	760	760	760	760	760	1,066	1,066	760	760	760	190
ART Florida & Ohio MF Portfolio II	2015	898	898	898	898	898	898	1,314	1,314	898	898	898	225
ART Florida & Ohio MF Portfolio I	2015	498	498	498	498	498	498	748	748	498	498	498	124
FL OH Multifamily Portfolio	2015	995	995	995	995	995	995	1,337	1,337	995	995	995	249
ART Maryland MF Portfolio	2014	841	841	841	841	841	841	1,200	1,200	1,200	841	841	210
ART Florida MF Portfolio IV	2014	851	851	851	851	851	851	1,182	1,182	1,182	851	851	213
ART Kentucky MF Portfolio	2014	298	298	298	298	298	298	298	435	435	298	298	75
Florida Multifamily Portfolio	2014	771	771	771	771	771	771	771	1,086	1,086	771	771	193
ART Florida Multifamily Portfolio 2	2014	598	598	598	598	598	598	598	891	891	598	598	149
ART Indiana MF Portfolio	2014	328	328	328	328	328	328	328	328	486	328	328	82
ART Florida MF Portfolio	2013	563	563	563	563	563	563	563	563	563	563	372	93
West Palm Portfolio	2014	891	891	891	891	891	891	891	1,258	1,258	891	891	223
Marabou Mills and Aragon Woods	2013	313	313	313	313	313	313	313	313	313	313	313	78
Estimated net profit since 2011	**277,710**	**26,178**	**26,178**	**28,058**	**28,243**	**22,228**	**22,233**	**25,154**	**26,076**	**24,003**	**22,043**	**21,852**	**5,463**
Estimated net profit since refinancing via CMBS	**170,534**	**26,178**	**26,178**	**28,058**	**28,243**	**12,116**	**11,764**	**14,685**	**15,022**	**7,414**	**876**	**-**	**-**

Figure 16 Estimated net profit of Lexford - orange marks the year of refinance and purple years before refinance, source: NINGI Research, CMBS filings

As a result, Arbor received only 4.1 percent of the estimated NOI since 2011 and 10 percent of the estimated profit that was due. **The rest of the money is nowhere to be found, but Arbor shareholders will be holding the bag.**

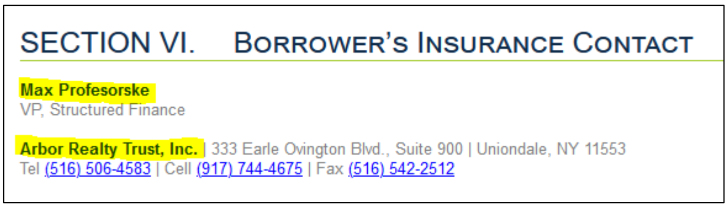
Investors could argue that net profits from consolidated Lexford could support Arbor's dividend. **We highly doubt that.** First, the principal payments due in the next twelve months of $51 million are less than the annual net profits of Lexford of about $26 million (see Figure 8 and Figure 16). Second, **Arbor has started selling the parts of the Lexford portfolio.** Arbor's management secretly sold the soon-in-need-of-refinancing "West Palm Portfolio" – twelve months before the mortgage's maturity date. We first noticed that all five properties had been delisted from EPM's website in late December 2022 and checked again in early January 2023.[103] [104] And on January 14, it was announced on TheRealDeal that

[103] Elon Property Management Company, LLC (2019), Properties listing, https://web.archive.org/web/20191202125306/https://www.elonproperties.com/searchlisting.aspx

[104] Elon Property Management Company, LLC (n.d.), Properties listing, https://www.elonproperties.com/searchlisting.aspx

the properties sold for 40.1 million dollars, and Arbor Realty Trust was named as the seller.[105] In another article, Arbor was not mentioned, but the sellers were managed by – you guessed it – Max Profesorske (see page 13 and Figure 17).[106] [107] According to the Palm Beach County property appraiser, the sale closed on November 17, 2022, and the respective deeds of the five properties reported it as December 6, 2022. Max Profesorske signed off all five sales as the authorized signatory for the six LLCs holding the properties (see Figure 17). Interstate Realty Holdings own the LLCs, hence Arbor Realty Trust.

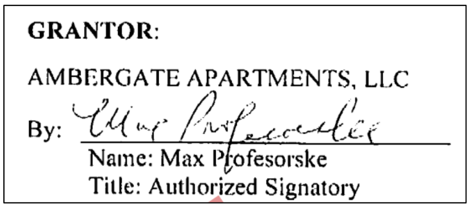
FWP (Prospectus) filed with the SEC:


SECTION VI. BORROWER'S INSURANCE CONTACT

Max Profesorske
VP, Structured Finance

Arbor Realty Trust, Inc. | 333 Earle Ovington Blvd., Suite 900 | Uniondale, NY 11553
Tel (516) 506-4583 | Cell (917) 744-4675 | Fax (516) 542-2512

Notarially certified deed:


GRANTOR:

AMBERGATE APARTMENTS, LLC

By:

Name: Max Profesorske
Title: Authorized Signatory

Figure 17 Arbor's employee signed the notarial certified deed, source: company filings

However, none of the estimated 15.2 million dollars net sales profit was recorded in Arbor's annual report as income or distributions from Lexford for the fourth quarter of 2022.[108] Lexford distributed $11 million in the second and third quarters of 2022, but these distributions were unrelated to the sale because the closing date was on November 17, 2022.[109] The sales profits are missing as well.

We think the sale was a lucky shot. The appraised value was 35.9 million dollars in 2013, and the sales price was $40.1 million in 2022 – so the property value increased by 11.8 percent in total over a ten-year period.[110] In the same ten-year period, the average property value of the Freddie Mac Multifamily Apartment Investment Market Index increased by 101.5 percent.[111] We believe Arbor got lucky, because the properties are located in West Palm Beach, Florida, and the land may be worth 40 million dollars. But most of the Lexford mobile homes are located in less attractive markets like Ohio, Georgia, Kentucky, or Indiana, and according to credit analysts from S&P Global Ratings and Fitch Ratings, have significant deferred maintenance in the past. These issues were reported by analysts in 2012, 2015, 2019, and 2021.[112] [113] [114] [115] [116] We think its prospective sales prices are less than the original appraised value at mortgage origination.[117] [118] [119] [120] Analysts from S&P Global do seem to think the same, as they assigned a loan-to-value of above 100% to Lexford's AMF portfolio, in which $5.9 million was

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105 Dinkova, Lidia (2023), JV drops $40M for portfolio of aging Palm Beach County rentals, https://therealdeal.com/miami/2023/01/13/jv-drops-40m-for-portfolio-of-aging-palm-beach-county-rentals/
106 Bandell, Brian (2023), Palm Beach County apartment portfolio sold for $40M, https://www.bizjournals.com/southflorida/news/2023/01/12/palm-beach-county-apartment-portfolio-sold-for-40m.html
107 According to his LinkedIn Max Profesorske is the CFO of Hampshire Properties. We think this is just a front. Arbor Realty Trust invested in Hampshire Properties's real estate as a preferred equity investor. For example the Fairfax Multifamily Portfolio, in which Arbor invested about $31.5 million through its subsidiary Arbor Nova PE, LLC. Hampshire is just returning the favor. In another article Max Profesorske was reported to be the executive of a property manager from Lakewood, New Jersey. That is Elon Property Management's address. Hampshire Properties is based in Brooklyn, New York. It is to disguise Arbor Realty Trust as the seller.
108 Arbor Realty Trust, Inc. (2022), annual report, p. 79, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
109 Arbor Realty Trust, Inc. (2022), quarterly report, p. 20, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
110 https://www.sec.gov/Archives/edgar/data/1594100/000153949714000049/n279_prosupx10.htm
111 The Federal Home Loan Mortgage Corporation (2023), Freddie Mac Multifamily Apartment Investment Market Index, https://www.freddiemac.com/research/indices/aimi
112 Fitch Ratings, Inc. (2012), Fitch Downgrades Six Classes of MLMT 2007-C1, https://www.businesswire.com/news/home/20121120006420/en/Fitch-Downgrades-Six-Classes-of-MLMT-2007-C1
113 Fitch Ratings, Inc. (2015), Fitch Downgrades 3 Distressed Classes of MLMT 2007-C1, https://www.businesswire.com/news/home/20150708006160/en/Fitch-Downgrades-3-Distressed-Classes-of-MLMT-2007-C1
114 S&P Global Ratings (2019), Presale: CSAIL 2019-C17 Commercial Mortgage Trust, pg. 23
115 S&P Global Ratings (2021), Presale: BBCMS Mortgage Trust 2021-C12, pg. 22
116 Fitch Ratings, Inc. (2012), Fitch downgrades six classes of MLMT 2007-C1, https://www.reuters.com/article/idUSWNA985520121120
117 https://www.sec.gov/Archives/edgar/data/1004158/000153949715000582/n474_fwp-x3.htm
118 https://www.sec.gov/Archives/edgar/data/1013454/000153949714000132/n284_x3-anxa1.htm
119 https://www.sec.gov/Archives/edgar/data/1654060/000153949719001448/n1763-x4_ts.htm
120 https://www.sec.gov/Archives/edgar/data/1771200/000153949719000662/n1577_424b2-x16.htm

invested before the appraisal.[121] [122] [123] The outstanding principal payments that are due in the next year total $51.7 million, and in the next two years, principal of about $111.5 million is due.[124] [125] [126] [127] [128] [129] [130] [131] At the same time, we estimate that net cash flows from the mortgaged properties are only $5.5 million and $11.7 million**. In our opinion, Arbor's shareholders will either have to fund the principal as a whole or the difference between the sale price and mortgage principal.** In the end, Arbor's investors will have to take the losses without having participated in the profits of the last decade. **Most value has already been extracted out of Lexford.**

The Lexford situation will also lead to a massive deferred tax liability because Arbor never properly accounted for its Lexford portfolio and the income generated, so the company never paid out the required 90% of its taxable income to its shareholders.

In our opinion, Arbor is hiding a mobile home portfolio and the related $600 million debt; the company secretly invested in maintenance, most of its $170 million in net profits from that real estate portfolio is missing, Arbor's management is secretly selling the properties, sales profits are missing, Arbor's shareholders will have to fund any arising costs and take the losses.

<u>In our opinion, Arbor's share price has an average downside of 50 to 52 percent and, at worst, up to 67 percent (see chapter 6)</u>

Just in case Arbor denies ownership of the Lexford portfolio, questions for the company and its management which are of interest to the public:

- Why is Arbor named the sponsor of all Lexford properties in 24 different CMBS prospectus?
- Why is Arbor Realty SR named as the owner in loan documents given to Rating agencies?
- Why is it stated in a dozen prospectus and presale reports that Arbor acquired the Lexford portfolio in 2011?
- What is the reason that Arbor Realty SR is named as the parent in the Interstate Realty filings?
- Why did Arbor executives and employees sign off Interstate Realty incorporation filings and annual reports?
- Why did Arbor invest more than $16.4 million in Lexford's maintenance and not account for the maintenance CapEx in its financial statements?
- Did Arbor falsely report net operating income from its undisclosed Lexford properties as interest income from bridge loans?
- Is it true that Arbor Realty SR invested more than $24 million for maintenance into the AMF Portfolio? As reported by an S&P Global Ratings presale report.[132]
- Why did Arbor expense $1 million as employee compensation and benefits for Lexford despite its non-controlling interest in it in 2015?
- Did Arbor use its repurchase facility with JP Morgan to fund the bridge loans made to Lexford?

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[121] https://www.sec.gov/Archives/edgar/data/1895116/000153949721002139/n2858-x17_424b2.htm
[122] S&P Global Ratings (2019), Presale: CSAIL 2019-C17 Commercial Mortgage Trust, pg. 23
[123] S&P Global Ratings (2021), Presale: BBCMS Mortgage Trust 2021-C12, pg. 22
[124] https://www.sec.gov/Archives/edgar/data/1004158/000153949714001401/n405_x1-anxa.htm
[125] https://www.sec.gov/Archives/edgar/data/1013454/000153949714001269/n382_x1-a1.htm
[126] https://www.sec.gov/Archives/edgar/data/1013454/000153949714001390/n398_anx-x2.htm
[127] https://www.sec.gov/Archives/edgar/data/1013454/000153949714000598/n312_x2.htm
[128] https://www.sec.gov/Archives/edgar/data/1013454/000153949714000517/n307_anx-x3.htm
[129] https://www.sec.gov/Archives/edgar/data/1013454/000153949714000132/n284_x3-anxa1.htm
[130] https://www.sec.gov/Archives/edgar/data/1594100/000153949714000049/n279_prosupx10.htm
[131] https://www.sec.gov/Archives/edgar/data/1013454/000153949713000860/n245_fwpx4.htm
[132] S&P Global Ratings (2019), Presale: CF Trust 2019-MF1, p. 6

- What is the percentage of ownership in Lexford throughout the years since Arbor's first investment in 2011?
- Why is Arbor liable for Lexford's bad acts if Arbor is not the owner?
- Why did Arbor provide the bad boy guarantees for a portfolio owned by a third party?
- Who is the majority owner of Lexford?
- Did someone fraudulent misrepresent the properties as being owned by Arbor to obtain the loans?
- Did company insiders or third-party investors use Arbor's REIT status to evade taxes on the net profits generated by Lexford?

3. Enchanted escrow balances

Let’s talk about Arbor’s escrow revenue. Another feature that sets Arbor Realty Trust apart from other mortgage REITs is that the company uses its off-balance escrow accounts as a profit center.[133] We were puzzled that the escrow accounts are operated as profit centers since these accounts are usually operated as cost centers. We could find no peers with escrow accounts as a profit center. So we looked into Arbor's escrow balances and revenue. **The bottom line is: billions of dollars of escrows are fake, the escrow revenue is fake, and Arbor's self-proclaimed natural hedge against interest rate increases is a lie.**

First of all, we have to differentiate between escrow accounts by Arbor's two business segments: agency business and structured business. From now on, if you read "AbEa" it is agency business escrows, and if you read "SbEa" it is structured business escrows. Keep it in mind!

The agency business escrow accounts ("AbEa") are traditional escrow accounts for mortgage, insurance, and tax payments, as well as other property-related expenses.[134] Simply, the cash payments are deposited in the escrow accounts by the mortgage borrower, so a mortgage servicer – here, the mortgage servicer is Arbor's agency business unit – can use the deposited funds to pay the mortgage lender and pay insurance as well as taxes. The monies are not assets of the mortgage servicer, so it's reasonable that neither is reported on the mortgage servicer's balance sheet nor on the cash flow statements. Arbor discloses the dollar amount held for the agency business and that the money is held by FDIC-insured financial institutions (see Figure 18 and Figure 19).[135]

> respectively, which is not reflected in our consolidated balance sheets. Of the total escrow balances, we held $677.4 million and $682.5 million at December 31, 2022 and 2021, respectively, related to loans we are servicing within our Agency Business. These escrows are maintained in separate accounts at several federally insured depository institutions, which may exceed FDIC insured limits. We earn interest income on the total escrow deposits, generally based on a

Figure 18 Escrows from Agency business and held by FDIC-insured institutions, source: company filings

It is a whole different picture regarding the Structured business escrow accounts ("SbEa"). Arbor does not disclose any information about what's in the SbEa, and we only know the amount in the SbEa by subtracting the disclosed dollar amount of the AbEa from the total reported escrow balance. At its

[133] Arbor Realty Trust, Inc. (2021), annual report, p. 75, https://www.sec.gov/Archives/edgar/data/1253986/000110465922024981/abr-20211231x10k.htm
[134] Arbor Realty Trust, Inc. (2021), annual report, p. 8, https://www.sec.gov/Archives/edgar/data/1253986/000110465922024981/abr-20211231x10k.htm
[135] Arbor Realty Trust, Inc. (2022), annual report, p. 77, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm

peak, the dollar amount was more than twice the size of the disclosed AbEa, but Arbor does not report anything about it in the company's reports (see Figure 19).

Escrows by business segment (in thousand USD)	12/31/2022	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
Reported total escrow balance	1,250,000	1,880,000	2,210,000	2,110,000	1,990,000	1,780,000	1,530,000	1,380,000	1,290,000
Reported escrows from Agency Business (AbEa)	677,400	666,600	646,500	631,500	682,500	767,200	810,200	885,400	867,600
Estimated escrows from Structured Business (SbEa)	**572,600**	**1,213,400**	**1,563,500**	**1,478,500**	**1,307,500**	**1,012,800**	**719,800**	**494,600**	**422,400**

Figure 19 Dollar amount held in escrow accounts, source: NINGI Research, company data

A former employee explained to us that in the past, 60 percent of the SbEa consisted of originated bridge loans that can be drawn by the borrowers to fund the acquisition of property and value-adding renovations. But 40 percent of SbEa are unfunded loan commitments that can be drawn if borrowers reach certain milestones, all while being deposited in the escrow accounts. So it is the exact opposite of AbEa: the mortgage lender deposits funds into escrow accounts that will be paid to the mortgage borrower. But this time, Arbor has to account for it because the related assets, liabilities, and cash flows are part of the company's business operations: bridge loan origination. The funded portion is recognized on Arbor's balance sheet, and the unfunded portion is a future off-balance liability. At the same time because the total escrow balances are not reflected in Arbor's consolidated balance sheets, the cash for the unfunded portion has to be off-balance in an escrow account.

To our surprise, no cash flows to the escrow accounts are reported on Arbor's financial statements – nil. But where do the monies in the escrow accounts come from? Still, the cash for unfunded loan commitments deposited in the escrow accounts would either have to be raised through the public markets or through credit lines from major banks. As no cash outflow has been reported in the cash flow statements, funding through either capital markets or known warehouse, or credit lines is not possible. In our opinion, this leads to three options, which imply severe misstatements of Arbor's financials and risk metrics:

- Cash flows for unfunded loan commitments are reported as funded loan commitments,
- Arbor has an unknown credit line with a third party, and the drawn cash is deposited directly into the escrow accounts or,
- The escrow balances regarding the Structured business segment are totally fake.

To cut to the chase, we think the escrow accounts from the structured business are fake. Otherwise, $599 million of real cash disappeared from the escrow balance without a trace (see Figure 20) – and Arbor's cash on hand is only $534 million to fund that.[136] [137] An attentive reader can see for themselves that in the Q3 2022 report, the total escrow balance held on December 31, 2021, was changed from $1.99 billion to $1.4 billion – all while the AbEa numbers remained the same.[138] Arbor did not highlight or comment on this change in its filings and adopted the change in its 2022 annual report (see Figure 20).[139]

[136] Arbor Realty Trust, Inc. (2021), annual report, p. 74, https://www.sec.gov/Archives/edgar/data/1253986/000110465922024981/abr-20211231x10k.htm
[137] Arbor Realty Trust, Inc. (2022), annual report, p. 77, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[138] Arbor Realty Trust, Inc. (2022), quarterly report, p. 18, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
[139] Arbor Realty Trust, Inc. (2022), annual report, p. 77, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm

2021 annual report:

At December 31, 2021 and 2020, our weighted average servicing fee was 44.9 basis points and 45.4 basis points, respectively. At December 31, 2021 and 2020, we held total escrow balances of $1.99 billion and $1.29 billion, respectively, which is not reflected in our consolidated balance sheets. Of the total escrow balances, we held $682.5 million and $867.6 million at December 31, 2021 and 2020, respectively, related to loans we

Q2 2022 quarterly report:

At June 30, 2022 and December 31, 2021, our weighted average servicing fee was 43.6 basis points and 44.9 basis points, respectively. At June 30, 2022 and December 31, 2021, we held total escrow balances of $2.21 billion and $1.99 billion, respectively, which is not reflected in our consolidated balance sheets. Of the total escrow balances, we held $646.5 million and $682.5 million at June 30, 2022 and December 31, 2021,

Q3 2022 quarterly report:

At September 30, 2022 and December 31, 2021, our weighted average servicing fee was 42.4 basis points and 44.9 basis points, respectively. At September 30, 2022 and December 31, 2021, we held total escrow balances of $1.88 billion and $1.40 billion, respectively, which is not reflected in our consolidated balance sheets. Of the total escrow balances, we held $666.6 million and $682.5 million at September 30, 2022 and December 31,

2022 annual report:

At December 31, 2022 and 2021, our weighted average servicing fee was 41.1 basis points and 44.9 basis points, respectively. At December 31, 2022 and 2021, we held total escrow balances of $1.25 billion and $1.40 billion, respectively, which is not reflected in our consolidated balance sheets. Of the total escrow balances, we held $677.4 million and $682.5 million at December 31, 2022 and 2021, respectively, related to loans we

Figure 20 Comparison of reported escrows with change from $1.99bn to $1.4bn for yearend 2022, source: company filings

Money held in escrow can quickly disappear. The German payment processor Wirecard and Markus Braun can tell you that.[140] $599 million in escrow are gone – it just happens. **In our opinion, the amount and availability of the escrow balances for Arbor Realty Trust are highly questionable. In addition to the missing $599 million for yearend 2021, we found a difference of $342m and $689 in the last two quarterly reports of 2022 (see Figure 21).** By simply adding up the individual reported balance sheet items scattered in a report and comparing it to the reported total in Arbor's market risk disclosure of the same report, the misstatements are distinguishable.

Liquidity items (in thousand USD)	12/31/2022	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
Reported cash and cash equivalents	534,357	389,651	341,991	350,814	404,580	380,730	215,658	260,228	339,528
Reported restricted cash	713,808	922,531	787,952	517,090	486,690	569,928	249,090	272,039	197,470
Reported escrow balance	1,250,000	1,880,000	2,210,000	2,110,000	1,990,000	1,780,000	1,530,000	1,380,000	1,290,000
Estimated cash, restricted cash and escrows	**2,498,165**	**3,192,182**	**3,339,943**	**2,977,904**	**2,881,270**	**2,730,658**	**1,994,748**	**1,912,267**	**1,826,998**
Reported cash, restricted cash and escrows	2,500,000	2,850,000	2,650,000	2,980,000	2,880,000	2,734,778	1,997,758	1,914,168	1,824,931
Delta	**1,835**	**(342,182)**	**(689,943)**	**2,096**	**(1,270)**	**4,120**	**3,010**	**1,901**	**(2,067)**

Figure 21 Delta between reported and totaled cash, restricted cash, and escrows, source: NINGI Research, company data

We think the SbEa is a made-up escrow balance that naturally occurs between a borrower being granted a bridge loan and taking out part of the monies shortly after to acquire the proposed investment property. The rest of this made-up escrow balance consists of the unfunded loan commitments. **What we found is that the SbEa are now 100% of unfunded loan commitments** because borrowers use the acquisition-related part of the bridge loan immediately. **Arbor turned a future liability into an off-balance interest-earning asset – all with the help of its own imagination.** The start of this imagination by Arbor began in the third quarter of 2018 when the company suddenly disclosed a distinction between its total escrow balance and escrows held for its agency business.[141] **That's why we think that the frequently promoted escrow revenue is fake and the reported 24.4 million dollars for 2022 do not exist.** Without the escrow revenue, Arbor's Non-GAAP distributable earnings per share are 0.09 dollars lower for the fourth quarter and 0.29 for the full year. **The company's GAAP basic earnings per share are $1.55 instead of the reported EPS of $1.72 – that is 17 cents lower than reported by Arbor Realty Trust.** However, the ramifications of this fake revenue go further. In total, we believe the $65.8 million escrow revenue of the last five years is fake.

[140] The Financial Times Ltd. (n.d.), Inside Wirecard, https://www.ft.com/wirecard
[141] Arbor Realty Trust, Inc. (2018), quarterly report, p. 16, https://www.sec.gov/Archives/edgar/data/1253986/000110465918065595/a18-18993_110q.htm

As we have shown in Figure 20 and Figure 21, it is evident that the financials are misstated by hundreds of millions of dollars, and there are material weaknesses in the internal controls over Arbor's financial reporting. We believe this is very worrisome for a mortgage lender.

We think the fake revenue was recorded on Arbor's balance sheet item "other assets" as interest and fee receivables. At the end of the fourth quarter, the line item accumulated to about 108.5 million dollars, which at Arbor's convenience, were excluded from the estimate of credit losses. In our opinion, this does seem reasonable because no one can assess the current expected credit losses on fake revenue**. As a result, we think at least $65.8 million have to be erased from Arbor's balance sheet, subsequently lowering the company's equity. Viewed in isolation, the company's book value per share is 9.20 dollars.**

On a side note, the company's management has claimed that the escrow balance serves as a natural hedge against interest rate increases, **but we think this claim is false as well as the escrows are fake.**

If Arbor does claim that the total escrow balances are real and deposits consist of monies, questions for the company and its management which are of interest to the public:

- Why are 599 million dollars missing from the total escrow balance?
- How does Arbor earn only about 60bps on its cash and cash equivalents but 375bps on its escrow balances?
- Where are the SbEa monies deposited, and are the escrows invested in market money securities? A list of all banks would be helpful.
- What are the current expected credit losses on the total escrow balances?
- What are the current expected credit losses on the fee and interest receivables?
- Does Arbor report unfunded loan commitments as funded loan commitments to deposit monies into escrow accounts?

4. Archegos-like situation in repo facilities

In past year Arbor consistently pointed to the strong cash generation of its various businesses and that the company is well-capitalized.[142] However, over the last twelve months, Arbor has completed two equity offerings of common stock with net proceeds of $430 million and two bond issuances of $330 million.[143] [144] [145] According to Arbor's investor material, to bolster their funding capabilities for loan origination. **We doubt that.** We think it is because funding through repurchase and credit facilities is becoming though. **This chapter is highly technical but worth the read if you are a counterparty to Arbor Realty Trust.**

We think it is because Arbor's counterparties, major and regional banks, offering repurchase facilities are tightening their underwriting and purchasing standards. But let's begin with a short educational excursus. First of all, every mortgage lender, like **Arbor Realty Trust, is heavily reliant on warehouse and especially repurchase facilities with major and regional banks.** Repurchase facilities provide liquidity to the commercial real estate market, and **without repurchase facilities, a mortgage lender is severely constrained in its business operations.** That's why several mortgage REITs struggled with

[142] Finsight Group, Inc. (2022), Earnings transcript – ABR – Q3 2022,https://capedge.com/transcript/1253986/2022Q3/ABR
[143] Arbor Realty Trust, Inc. (2022), Prospectus supplement, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114940/tm2229605-1_424b5.htm
[144] Arbor Realty Trust, Inc. (2022), Press release – Third Quarter 2022 results, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114708/tm2229582d1_ex99-1.htm
[145] Arbor Realty Trust, Inc. (2022), 8.50% Senior Notes due 2027, https://www.sec.gov/Archives/edgar/data/1253986/000110465922107758/tm2227923d1_8k.htm

keeping operations going while they received margin calls from their repurchase facility counterparties that the mortgage REITs could not fund during March 2020. Most mortgage lenders sell the originated loans to a bank's repo desk and are required to buy them back after a fixed period. If the collateral on that loans, hence the property values, decline in that period, the repo desks require more margin. And if a mortgage lender is not able to fund the margin call or to repurchase the loans, hence paying down the debt from the repurchase facilities, the banks can sell the loans in the open market or collect the interest and principal themselves. If a margin call or loan repurchase cannot be funded, the company will lose trust from banks and capital markets, it can be viewed as being in distress.

Back to Arbor Realty Trust's repurchase facilities: at the end of 2022, **Arbor had at least 24 different repurchase and credit facilities with – to the public – unknown banks.** At large, Arbor does not disclose the names of the banks or report all information in a proper manner.

Repurchase and credit facilities (in thousand USD)	Current maturitiy	Extension	BM	BM plus interest	Funding available	UPB	Debt Carrying Value	Collateral Carrying Value	Wtd. Avg. Note Rate
Structured Business									
$2.5B joint repurchase facility *	March 2024	March 2025	LIBOR	1.75% - 3.50%	2,500,000	1,524,831	1,516,657	2,099,447	6.73%
$1B repurchase facility *	December 2023	N/A	SOFR	2.25%	1,000,000	499,891	498,666	703,740	6.39%
$500M repurchase facility	6 month notice	N/A	SOFR	3.26%	500,000	155,121	154,653	188,563	7.16%
$499M repurchase facility *	October 2023	N/A	SOFR	2.36%	499,000	351,056	351,056	504,506	6.64%
$450M repurchase facility	March 2023	March 2026	LIBOR/ SOFR	1.75% - 2.25%	450,000	344,576	344,237	450,736	6.36%
$450M repurchase facility	October 2023	October 2024	SOFR	1.75% - 1.95%	450,000	187,428	186,639	239,678	6.18%
$400M credit facility	July 2023	N/A	SOFR	1.86% - 2.56%	400,000	33,246	33,221	43,238	6.25%
$225M credit facility	October 2023	October 2024	SOFR	2.55%	225,000	47,398	47,398	81,119	6.90%
$200M repurchase facility	March 2024	March 2025	SOFR	2.55%	200,000	33,155	32,494	47,750	6.95%
$200M repurchase facility	January 2024	January 2025	SOFR	1.75% - 3.50%	200,000	155,240	154,516	200,099	6.33%
$156.5M loan specific credit facilities	May 2023 to August 2025	N/A	LIBOR	2.20% - 3.375%	156,500	156,543	156,107	225,805	6.42%
$50M credit facility	April 2023	April 2024	SOFR	2.10%	50,000	29,200	29,194	36,500	6.48%
$35M working capital facility	April 2023	Renewed annually	SOFR	3.00%	35,000	-	-	-	-
$25M credit facility	October 2024	N/A	SOFR	2.60%	25,000	19,177	18,701	24,572	6.99%
$25M credit facility	February 2023	February 2024	SOFR	2.35%	25,000	-	-	-	-
$1M master security agreement	N/A	N/A	N/A	N/A	1,000	-	-	-	-
Repurchase facility - securities *	N/A	N/A	SOFR	2.60%		12,832	12,832	-	6.99%
Structured Business total					6,716,500	3,549,694	3,536,371	4,845,753	6.59%
Agency Business									
$750M ASAP agreement	N/A	N/A	SOFR	1.15%	750,000	29,476	29,476	30,291	5.21%
$500M joint repurchase facility *	March 2024	March 2025	LIBOR	2.50% - 2.75%	500,000	105,275	104,629	135,641	6.52%
$500M repurchase facility	November 2023	N/A	SOFR	1.375%	500,000	66,866	66,778	66,866	5.73%
$200M credit facility	March 2023	N/A	SOFR	1.46%	200,000	31,519	31,475	33,177	5.76%
$150M credit facility	July 2023	N/A	SOFR	1.46%	150,000	57,974	57,887	57,974	5.76%
$50M credit facility	September 2023	N/A	SOFR	1.35%	50,000	14,671	14,664	14,671	5.65%
$1M repurchase facility *					1,000	534	534	920	6.66%
$75M Fannie Mae DUS/ Freddie Mac SBL credit facility	*September 2025*	*N/A*	*FIXED*	*2.875%*	*75,000*	*69,000*	*69,000*	*69,000*	*2.88%*
Agency Business total					2,226,000	306,315	305,443	339,540	5.96%
Consolidated total					**8,942,500**	**3,856,009**	**3,841,814**	**5,185,293**	**6.54%**
* These facilities are subject to margin call provisions associated with changes in interest spreads.				**Margin call risk:**	**4,500,000**	**2,494,419**	**2,484,374**	**3,444,254**	

Figure 22 Repurchase and credit facilities at the end of 2022, source: company data

The company does not attach any of its repurchase agreements to its financial statements and does not disclose the name of any of its counterparties. We believe it is more than odd. Scattered through quarterly and annual reports, Arbor discloses selected information about the repurchase facilities. Why does it matter? **Well, to date, the public cannot assess any counterparty risk for Arbor because investors do not know who the banks on the other side of the repurchase agreements are.**

> We have a letter of credit facility with a financial institution to secure obligations under the Fannie Mae DUS program and the Freddie Mac SBL program with a total committed amount of up to $75.0 million. The facility bears interest at a fixed rate of 2.875%, matures in September 2025 and is primarily collateralized by our servicing revenue as approved by Fannie Mae and Freddie Mac. The facility includes a $5.0 million sublimit for an obligation under the Freddie Mac SBL program. At December 31, 2022, the letters of credit outstanding include $64.0 million for the Fannie Mae DUS program and $5.0 million for the Freddie Mac SBL program.

Figure 23 Credit facility collateralized by Arbor's servicing revenue, source: company filings

In addition, Arbor's management chose **not to include a fixed-rate credit facility in the table for repurchase and credit facility** (see orange marked row in Figure 22). The available amount of $75 million was almost completely drawn at the end of 2022, and the letter of credit is collateralized by Arbor's servicing revenue (see Figure 23).[146] [147] We believe this credit facility is not accounted for on Arbor's balance sheet.

[146] Arbor Realty Trust, Inc. (2022), annual report, p. 72, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[147] Arbor Realty Trust, Inc. (2022), annual report, p. 83, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm

In total, we think it's an Archegos-like situation because, as a matter of fact, neither investors nor counterparties have fundamental information about the parties, conditions, agreements, and risks involved in the repurchase and credit facilities. It's insane.

To top it all off, Arbor discloses that facilities are subject to margin calls provisions associated with changes in interest spreads, but the true size is tucked away in a footnote to the table. <u>This concerns about $2.5 billion at the end of 2022 (see Figure 22).</u> However, the company does not disclose the specific contractual agreements that trigger a margin call and only states that the margin call provisions are "associated" with changes in the net interest spread.[148] At the same time, Arbor does not disclose the current interest spread of its largest $2.5 billion outstanding facility subject to such a margin call.[149] That way, nobody can question Arbor's reported expenses or debt structure. We could not find any current information on the largest repurchase facility's benchmark rate or the interest added, and the last benchmark rate plus interest was reported in the third quarter of 2020.[150] **So the public cannot assess the risk of a margin call itself and will only know that Arbor got called on its $2.5 billion facility after the margin call happened.** Investors can only observe that the counterparty tightened the overdraft interest and advance rate requirements for Arbor.[151] Our analysis of the disclosed information about Arbor's repurchase and credit facilities suggests that its counterparties are tightening their underwriting and repo standards as well, as Arbor has to provide more collateral for the same loan amount (see Figure 24). And in the last twelve months, repo desks have raised interest added to the benchmark rate by 11 to 25 basis points.

The table in Figure 24 shows the change in debt carrying value (ΔDCV) divided by the change in collateral carrying value (ΔCCV). A result below 50 percent and above 95 percent suggests that debt relative to pledged collateral has been decreasing – hence the advance rate lowered over time (see Figure 24). We think it is an indication that the repo desks have tightened the standards under which they buy the loans or advance funding. This leads to less available liquidity for Arbor. Especially the long-standing and largest repurchase facilities signal stricter purchasing standards, while the facilities with new counterparties added in 2022 have not tightened their standards yet (see Figure 24). **We think some of the company's counterparties have taken these steps because they became aware of how dire the situation has become.** The repo facilities are vital for Arbor's business operations.

ΔDCV / ΔCCV, QoQ change	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Structured Business				
$2.5B joint repurchase facility *	**121.91%**	**204.52%**	84.33%	**39.42%**
$1B repurchase facility *	75.34%	**101.59%**	71.87%	74.11%
$500M repurchase facility	81.42%	82.27%	-	-
$499M repurchase facility *	**15.01%**	77.68%	**41.40%**	74.03%
$450M repurchase facility	**101.00%**	80.81%	82.32%	77.71%
$450M repurchase facility	76.30%	67.67%	**46.73%**	62.41%
$400M credit facility	79.39%	**3.25%**	73.57%	77.56%
$225M credit facility	75.48%	54.89%	79.24%	58.74%
$200M repurchase facility	76.26%	**95.67%**	**38.62%**	-
$200M repurchase facility	86.22%	**2.77%**	79.41%	79.60%
$156.5M loan specific credit facilities	60.75%	69.40%	73.38%	**11.40%**
$50M credit facility	-	-	-	-
$35M working capital facility	-	-	-	-
$25M credit facility	74.53%	-	79.16%	65.00%
$25M credit facility	-	81.80%	76.53%	**38.15%**
$1M master security agreement	-	-	-	-
Repurchase facility - securities *	-	-	-	-
Structured Business total	**103.97%**	**31.17%**	**82.56%**	**72.23%**

Figure 24 QoQ Change in debt carrying value relative to QoQ change in collateral carrying value (repo facilities with margin call provisions are marked with a star), source: NINGI Research, company data

148 Arbor Realty Trust, Inc. (2022), annual report, p. 81, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
149 Arbor Realty Trust, Inc. (2022), annual report, p. 81, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
150 Arbor Realty Trust, Inc. (2020), quarterly report, p. 25, https://www.sec.gov/Archives/edgar/data/1253986/000110465920119763/abr-20200930x10q.htm
151 Arbor Realty Trust, Inc. (2022), annual report, p. 79, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm

How important the repurchase facilities for Arbor are can be seen that the company refinanced part of its Lexford debt with funds from JP Morgan's repurchase facility in 2018.[152] In our opinion, unknown to JP Morgan at the time, Arbor originated bridge loans to secretly owned Lexford subsidiaries and sold the loans as part of its repurchase agreement to JPM. After a year, Arbor refinanced the loans through CMBS as the "AMF Portfolio".[153] [154] [155] [156] An attentive reader or JP Morgan can check it themselves by comparing the UCC forms 20180574253X and 201805819249 with the properties listed in the commercial mortgage-backed securities BBCMS 2021-C12, BMO 2022-C1, BBCMS 2021-C15, and GS 2021-GSA3.[157] Other Lexford properties were given a Private Label loan and securitized in Arbor's own mortgage-backed securities to pay off the JPM funding.[158] We think this was not disclosed to the MBS investors because shortly before Arbor originated a loan to its wholly-owned property called "Hickory Place", they transferred the property to an unaffiliated holding and, after origination, transferred the ownership back to an Interstate Realty company.

Arbor's known business, as well as its undisclosed Lexford, operations are heavily reliant on its access to repurchase facilities and capital markets. We believe Arbor misused its repurchase agreements in the past to refinance undisclosed real estate.

To keep it simple: the company's capital and cash flow structure is becoming very fragile, its repo facilities with banks are a black box and any margin call on one of the outstanding facilities will lead to a severe stress situation, liquidity crunch, and significant dividend cuts.

Questions for the company and its management which are of interest to the public:

- Who are the banks that Arbor has a repo agreement with?
- Why did Arbor not disclose its repurchase agreements with banks in its SEC filings?
- What is the BM plus interest on Arbor's $3 billion joint repurchase facility?
- Did JP Morgan know that Arbor sold bridge loans originated to its wholly-owned Lexford portfolio?
- Why did Arbor not include the $75 million credit facility, collateralized by servicing revenue, in the repo facilities table?
- Is the $75 million credit facility accounted for on Arbor's balance sheet?
- Did Arbor disclose to MBS investors that the "Hickory Place" private label loan was made to a property owned by Arbor?

[152] The corresponding UCC forms were filed in Florida and are numbered: 20180574253X and 201805819249
[153] https://www.sec.gov/Archives/edgar/data/1895116/000153949721002139/n2858-x17_424b2.htm
[154] https://www.sec.gov/Archives/edgar/data/1891818/000153949721001950/n2795-x14_424b2.htm
[155] https://www.sec.gov/Archives/edgar/data/1861132/000153949722000197/n2921_x4-fwp.htm
[156] S&P Global Ratings (2019), Presale: CF Trust 2019-MF1, p. 2
[157] The loan IDs in the respective CMBs are 695101380, 10231070, 10231065, 10231066, and 10231068.
[158] Arbor Realty Trust, Inc. (2022), annual report, p. 109, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm

5. Honey, I Shrunk The CECL

Talking about margin call risk is not the only risk waiting for a rude awakening. Arbor's own risk ratings show more downgrades through all property types in its loan portfolio. The company reports its risk assessment in complex and plethoric tables but charted in a simple graph, the elevated risk in Arbor's loan portfolio becomes apparent (see Figure 26). **In the past year, multifamily loans originated between 2019 and 2022 and received a "Special Mention", grew by 300% to more than $4 billion (see Figure 25 and Figure 26). Loans classified as "Substandard" grew by 400% to more than $300 million (see Figure 25 and Figure 26).** Even the loans receiving a "Pass/Watch" grew by 200% to over $7.4 billion in the course of the last year (see Figure 25 and Figure 26). In the same period, loans that received a "Pass" rating by Arbor declined by 82 percent and made up only 9.4 percent of the total loan portfolio at the end of 2022 (see Figure 25 and Figure 26).

Multi Family Risk Rating (in thousand USD)	Pass	Pass/Watch	Special Mention	Substandard	Total
12/31/2022	1,223,021	7,407,368	4,079,033	305,454	13,014,876
in % of total	**9.4%**	**56.9%**	**31.3%**	**2.3%**	**100.0%**
9/30/2022	624,746	8,094,679	4,776,114	102,800	13,598,339
in % of total	4.6%	59.5%	35.1%	0.8%	100.0%
6/30/2022	3,375,721	6,746,681	3,566,207	68,125	13,756,734
in % of total	24.5%	49.0%	25.9%	0.5%	100.0%
3/31/2022	7,265,637	3,869,908	456,232	58,352	11,650,129
in % of total	62.4%	33.2%	3.9%	0.5%	100.0%
12/31/2021	6,764,897	2,902,976	1,044,824	62,402	10,775,099
in % of total	**62.8%**	**26.9%**	**9.7%**	**0.6%**	**100.0%**
9/30/2021	3,703,853	2,792,559	1,213,748	103,670	7,813,830
in % of total	47.4%	35.7%	15.5%	1.3%	100.0%
6/30/2021	2,649,998	1,985,146	1,164,145	139,370	5,938,659
in % of total	44.6%	33.4%	19.6%	2.3%	100.0%
3/31/2021	1,535,867	1,961,964	1,115,060	110,640	4,723,531
in % of total	32.5%	41.5%	23.6%	2.3%	100.0%
12/31/2020	1,090,734	1,665,493	1,062,898	80,481	3,899,606
in % of total	**28.0%**	**42.7%**	**27.3%**	**2.1%**	**100.0%**
9/30/2020	1,000,705	1,620,530	621,941	42,100	3,285,276
in % of total	30.5%	49.3%	18.9%	1.3%	100.0%
6/30/2020	942,345	1,585,775	597,812	35,379	3,161,311
in % of total	29.8%	50.2%	18.9%	1.1%	100.0%
3/31/2020	1,184,699	1,098,723	665,270	34,094	2,982,786
in % of total	39.7%	36.8%	22.3%	1.1%	100.0%

Figure 25 Multifamily risk rating by category and quarter with yearend marked red, source: NINGI Research, company data

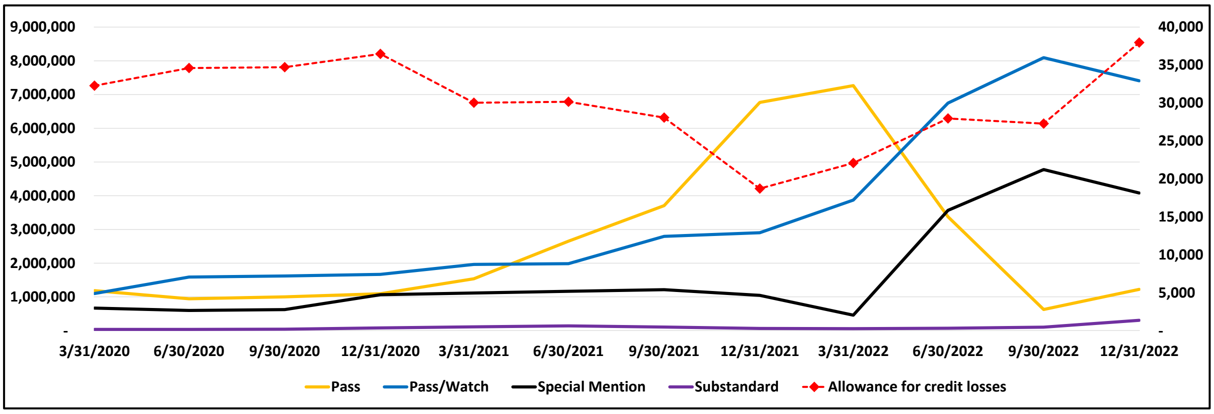

Figure 26 Risk rating of multifamily loan book by vintage years 2019 to 2022, source: NINGI Research, company data

Despite that Arbor's multifamily loan book more than tripled to 13 billion dollars, and more loans being rated with a "Special Mention" and "Substandard" on an absolute and percentage basis, Arbor Realty Trusts' allowance for credit losses was only slightly higher than at its peak in 2020 (see Figure 26). For a multifamily loan book of $3.8 billion, the CECL allowance was $36.4 million, and for the most recently reported multifamily loan book of $13 billion, the CECL allowance was $37.9 million – 0.29% of the company's loan book.[159] [160] Arbor's peers, like Ready Capital, reported an allowance for current

[159] Arbor Realty Trust, Inc. (2020), annual report, p. 72, https://www.sec.gov/Archives/edgar/data/1253986/000110465921025551/abr-20201231x10k.htm
[160] Arbor Realty Trust, Inc. (2022), annual report, p. 72, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm

expected credit losses of 0.91% on its total loan book that is more diversified in regards to loan type and sector.[161]

We looked at Arbor's other investments, and they indicate a state of distress in the multifamily sector. Arbor acquired a multifamily property in the fourth quarter of 2022 and tucked it away in its line item "other assets", which is not part of the company's normal course of business, so something has happened, an equity affiliate investment in a multifamily development was impaired to zero because off losses in the fourth quarter, the AMAC III fund specializing in multifamily real estate, in which Arbor invested reported significant losses in the fourth quarter, all while Arbor's own loan portfolio and its CECL are below its two-year average? [162] [163] [164] We doubt that. Arbor's management is talking about a recession and but the provision for credit losses is only marginally higher than the time interest rates were at zero, GDP was growing, and inflation was low. In the fourth quarter of 2022, the delinquency rates in the multifamily sector almost tripled from 0.85% to 2.17%.[165] **We believe the low CECL allowance is all part of earnings management to beat analysts' and investors' estimates.**

As always, Arbor Realty Trust tops this off by not recording any allowance on its balance sheet or provision on its income statement for the company's loans in the single-family rental sector.[166] But this niche in the overall residential real estate market represents 7 percent, **almost one billion dollars, of Arbor's total loan portfolio.**[167] Every property type in Arbor's internal risk rating is matched with the corresponding column of its allowance for credit losses – except for single-family rental.[168] We encourage you to take a look yourself at pages 71 and 72 of Arbor's most recently published 2022 annual report. **Zero allowance for single-family rental loans.** In our opinion: utterly insane.

The company's auditor reported that they audited the model for its allowance, and **it was a critical audit matter, but Ernst & Young did not notice that Arbor does not record any allowance or provision for its single-family rental loans.[169] The company originated $1 billion in single-family built-to-rent loans; hence regular construction loans in an already struggling residential real estate sector and its own internal risk rating signal higher risk, but there is no provision for credit losses accounted for these loans (see Figure 28).** In our opinion, this is just another piece of evidence that Arbor's financial statements are severely misstated and there are material weaknesses in the company's financial reporting.

We think the risk models employed by Arbor cannot be relied on. In the past two years, it grew 516% or almost 250% annually, but Arbor did not record any allowance or provision for it.[170] In the meantime, the company's internal risk rating assigned 85% of all SFR loans with a "Pass/Watch", and almost 9 percent are rated "Special Mention" (see Figure 27). Of a total of $525 million SFR loans originated in 2022, only 9.9 percent were assigned a "Pass"-rating at the end of 2022 (see Figure 27). But what's more amazing is that within the three-month period from Q2 to Q3 2022, in which the residential real estate market had one of its worst quarters, Arbor SFR loans assigned with a "Special Mention" rating dropped from 25.7% to 3.4% (see Figure 27). **We believe the risk rating is doctored.**

[161] Ready Capital Corp. (2022), annual report, p. 127, https://www.sec.gov/Archives/edgar/data/1527590/000155837023002422/rc-20221231x10k.htm
[162] Arbor Realty Trust, Inc. (2022), annual report, p. 40, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[163] Arbor Realty Trust, Inc. (2022), annual report, p. 78, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[164] Arbor Realty Trust, Inc. (2022), annual report, p. 79, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[165] Clancy, Manus (2023), CMBS Delinquency Rate Moves Above 3% in December 2022 for First Time Since July 2022, https://www.trepp.com/trepptalk/cmbs-delinquency-rate-december-moves-above-3-first-time-july
[166] Arbor Realty Trust, Inc. (2022), annual report, p. 72, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[167] Arbor Realty Trust, Inc. (2022), annual report, p. 71, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[168] Arbor Realty Trust, Inc. (2022), annual report, p. 72, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[169] Arbor Realty Trust, Inc. (2022), annual report, p. 53, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[170] Arbor Realty Trust, Inc. (2022), annual report, p. 71, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm

Single Family Risk Rating (in thousand USD)	Pass	Pass/Watch	Special Mention	Substandard	Total
12/31/2022	56,102	820,936	86,180	-	963,218
in % of total	**5.8%**	**85.2%**	**8.9%**	**0.0%**	**100.0%**
9/30/2022	24,478	808,514	28,893	-	861,885
in % of total	2.8%	93.8%	3.4%	0.0%	100.0%
6/30/2022	56,210	456,232	177,491	-	689,933
in % of total	8.1%	66.1%	25.7%	0.0%	100.0%
3/31/2022	80,674	321,874	155,088	-	557,636
in % of total	14.5%	57.7%	27.8%	0.0%	100.0%
12/31/2021	88,331	282,529	66,780	-	437,640
in % of total	**20.2%**	**64.6%**	**15.3%**	**0.0%**	**100.0%**
9/30/2021	78,123	196,490	32,062	-	306,675
in % of total	25.5%	64.1%	10.5%	0.0%	100.0%
6/30/2021	77,210	134,775	8,960	-	220,945
in % of total	34.9%	61.0%	4.1%	0.0%	100.0%
3/31/2021	110,337	39,639	10,600	-	160,576
in % of total	68.7%	24.7%	6.6%	0.0%	100.0%
12/31/2020	97,003	48,139	11,350	-	156,492
in % of total	**62.0%**	**30.8%**	**7.3%**	**0.0%**	**100.0%**
9/30/2020	64,444	39,672	10,351	-	114,467
in % of total	56.3%	34.7%	9.0%	0.0%	100.0%
6/30/2020	43,172	43,172	34,857	-	121,201
in % of total	35.6%	35.6%	28.8%	0.0%	100.0%
3/31/2020	43,065	48,423	7,448	-	98,936
in % of total	43.5%	48.9%	7.5%	0.0%	100.0%

Figure 27 Single-family rental risk rating by category and quarter, source: NINGI Research, company data

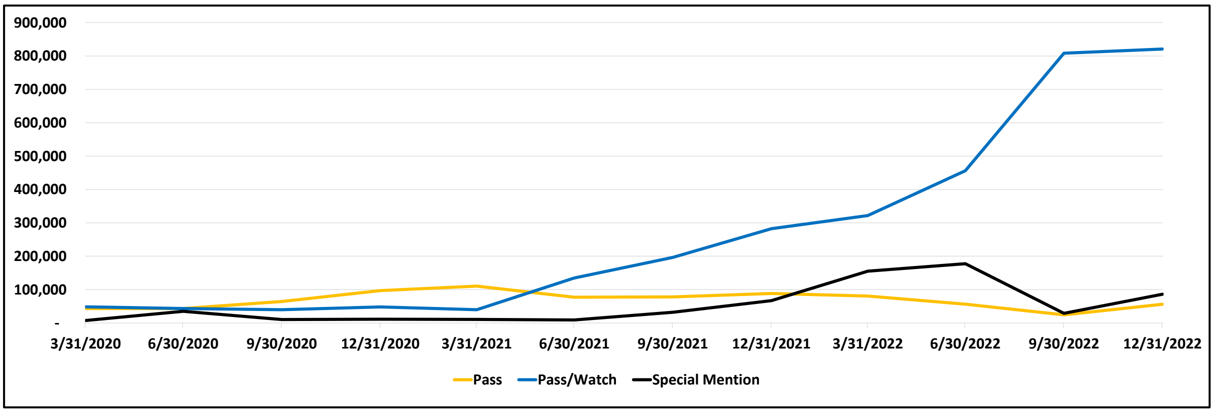

Figure 28 Risk rating of single-family rental loan book by all vintage years, source: NINGI Research, company data

In the most recent earnings call, Arbor's CEO stated that the company was very selective regarding SFR projects but still very successful in 2022.[171] We doubt that, as presented above. Management still touts the Single-Family rental niche as a growth opportunity for Arbor, but 50 percent of its unfunded commitments are to related parties. [172] And more than 94 percent of all SFR loans have been downgraded since their origination (see Figure 27 and Figure 28). **In our opinion, single-family rental loans are not a successful growth opportunity; it is a disaster in the making. We think the company shrunk the total allowance for credit losses and is understating it by hundreds of millions of dollars to boost earnings, and there will be a rude awakening.**

Questions for the company and its management which are of interest to the public:

- What are the models and inputs used to determine the CECL allowance?
- What were the realized losses on loans in 2022, 2021, 2020, and 2019?
- Why does Arbor not account for / report any CECL allowance and provision for its SFR loans?
- Did Ernst & Young comment on the missing CECL allowance and provision for SFR loans?

[171] Finsight Group, Inc. (2023), Earnings transcript – ABR – Q4 2022, https://capedge.com/transcript/1253986/2022Q4/ABR
[172] Arbor Realty Trust, Inc. (2022), annual report, p. 106, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm

6. GAAP or Non-GAAP – significant downside anyway

As we have laid out in the previous chapters, **Arbor's balance sheet is severely misstated** due to Lexford's debt, and its fair book value[173] is $9.54 per share (see Figure 29), but we also have to include the higher allowance for the company's loan portfolio as well as deduct the accrued fee receivables. That leads to a book value of $8.66 per share (see Figure 29).

Assets, liabilities and equity (in thousand USD)	2022	2021	2020	2019	2018	2017
Reported total assets	17,038,985	15,073,845	7,660,986	6,239,160	4,612,175	3,625,945
Reported total liabilities	13,967,106	12,523,861	6,178,301	4,883,133	3,546,609	2,761,389
Reported total equity	3,071,879	2,418,122	1,344,371	1,356,027	1,065,566	864,556
Lexford Debt	582,800	612,900	612,400	617,900	320,700	844,700
Estimated total assets	17,038,985	15,073,845	7,660,986	6,239,160	4,612,175	3,625,945
Estimated total liabilities	14,549,906	13,136,761	6,790,701	5,501,033	3,867,309	3,606,089
Estimated total equity	**2,489,079**	**1,937,084**	**870,285**	**738,127**	**744,866**	**19,856**
Reported preferred equity	633,684	556,163	89,472	89,501	89,502	89,508
Estimated common equity	1,855,395	1,380,921	780,813	648,626	655,364	(69,652)
Total shares outstanding (incl. OP units)	194,524,111	167,687,276	140,741,806	130,190,308	104,641,291	82,954,156
Book value per share, in USD	**9.54**	**8.24**	**5.55**	**4.98**	**6.26**	**(0.84)**
less: accrued fee and interest receivables on escrows	*65,800*	*41,400*	*37,200*	*30,100*	*12,800*	-
plus: additional allowance for credit losses for Multifamily loans	*(92,188)*	-	-	-	-	-
plus: additional allowance for credit losses for SFR loans	*(13,437)*	*(5,252)*	*(1,878)*	-	-	-
Book value per share, in USD	**8.66**	**7.96**	**5.27**	**4.75**	**6.14**	**(0.84)**

Figure 29 Arbor's balance sheet including the Lexford debt, additional allowances and less receivables, source: NINGI Research, company data

At the time, Arbor's stock is currently trading at a 1.03x Price to Common Book Value, and its peers are trading below Arbor's multiple, and most of them are trading below its book value per share. **We think, at best, Arbor's stock is only overvalued by 63 percent and, at worst, by 206 percent. In our opinion, Arbor's share price is 108 to 110 percent overvalued, leading to an average downside of 50 to 52 percent (see Figure 30).**

Arbor Realty Trust's valuation	P/BV multiple	Est. share price	Share price	Downside	Overvalued by
Best	0.92	7.97	12.99	-39%	63%
Mean	0.74	6.45	12.99	-50%	110%
Median	0.72	6.24	12.99	-52%	108%
Worst	0.49	4.24	12.99	-67%	206%

Figure 30 Share price valuation at best, mean, median, and at worst, source: NINGI Research

If the public uses Ready Capital's P/BV ratio Arbor's share price is 124% overvalued, and there is a downside of 55 percent (see Figure 31). Other P/BV ratios lead to a downside of 39 to 67 percent, and multiples of well-known peers with similar dividend yields, like Starwood Property Trust, indicate a downside for Arbor's 40 percent (see Figure 31).

			Arbor Realty Trust				
Peer company	**Ticker**	**P/BV ratio**	**Book value per share**	**Estimated share price**	**Current share price**	**Downside**	**Overvalued by**
MFA Financial, Inc.	MFA	0.49	8.66	**4.24**	12.99	-67%	206%
Claros Mortgage Trust, Inc.	CMTG	0.70	8.66	**6.06**	12.99	-53%	114%
Annaly Capital Management, Inc.	NLY	0.92	8.66	**7.97**	12.99	-39%	63%
Ladder Capital Corp.	LADR	0.81	8.66	**7.01**	12.99	-46%	85%
Ready Capital Corp.	RC	0.67	8.66	**5.80**	12.99	-55%	124%
Blackstone Mortgage Trust, Inc.	BXMT	0.72	8.66	**6.24**	12.99	-52%	108%
Starwood Property Trust, Inc.	STWD	0.90	8.66	**7.79**	12.99	-40%	67%

Figure 31 P/BV ratio on peer companies and multiple valuation of Arbor's stock, source: NINGI Research, company data

[173] Book value per share is defined as Common tangible Book Value = Shareholder's equity – Preferred Stock

But the misstatements and doctored financials also affect the company's income statement for the last five years. Our key assumptions from the previous chapters are (see Figure 32):

- Interest income from the Lexford bridge loans and Private Label loans of $0.5 million, $9.6 million, and $10.1 million for 2020, 2019, and 2018 have to be eliminated because Lexford is wholly owned by Arbor.
- Revenue from escrow accounts is fake, so $24.4 million, $4.2 million, $7.1 million, $17.3 million, and $12.8 million for 2022, 2021, 2020, 2019, and 2018 have to be eliminated.
- Adjusting the CECL allowance for multifamily loans to 1 percent leads to a provision of about $111.4 million dollars added to total other expenses.
- CECL allowance for single-family rentals has not been recorded. We used 1.2% of total SFR loans outstanding as an estimate because the SFR loans are construction loans, and the overall single-family market has been in a downtrend. This leads to an additional CECL allowance for SFR loans of $8.2 million, $3.4 million, and $1.9 million for 2022, 2021, and 2020.

In our opinion, **Arbor's net income in the last five years is $219 million lower**, and the **net income attributable to common stockholders is $177 million dollars lower than reported by the company.**

Income statement (in thousand USD)	**2022**	**2021**	**2020**	**2019**	**2018**
Reported interest income	**948,401**	**466,087**	**339,465**	**315,940**	**251,768**
less: Lexford bridge and private label loans interest income	-	-	*500*	*9,600*	*10,100*
Reported interest expense	557,616	212,005	169,216	186,399	153,818
Net interest income	**390,785**	**254,082**	**169,749**	**119,941**	**87,850**
less: escrow revenue	*24,400*	*4,200*	*7,100*	*17,300*	*12,800*
Total other revenue	**203,675**	**328,948**	**257,159**	**202,545**	**220,331**
plus: estimated CECL allowance multifamily loans	*(111,442)*	-	-	-	-
plus: estimated CECL allowance single-family rental loans	(8,185)	(3,374)	(1,878)	-	-
Total other expenses	**376,692**	**201,398**	**272,076**	**182,308**	**169,454**
Net income	**209,599**	**370,233**	**187,054**	**128,338**	**125,151**
Preferred stock dividends	40,954	21,888	7,554	7,554	7,554
Net income attributable to noncontrolling interest	14,126	33,913	22,397	19,004	23,211
Net income attributable to common stockholders	**154,519**	**314,432**	**157,104**	**101,780**	**94,386**

Figure 32 Arbor's income statement with key changes, source: NINGI Research, company data

In our opinion, the most significant change is that the basic earnings per share for 2022 are $0.79 lower than reported.[174] Even without adjusting 2022 for the higher CECL allowance for multifamily loans, Arbor's basic EPS is $0.17 lower due to adding the missing provision for loan losses on the company's SFR loans. Arbor's management cooked the company's books topline due to recognized interest income from Lexford and the fake escrow revenue (see Figure 33). We think Arbor's

[174] The higher diluted EPS is due to added back interest expense from Arbor's convertible notes as the company used If-Converted method as guided in ASC 2020-06 for the first time.

management doctored its financials to beat analysts' estimates for their own benefit and to signal to capital markets that the company is healthy at a time when it is not.

Key financial metrics (in thousand USD)	2022	2021	2020	2019	2018
Reported net interest income	390,785	254,082	170,249	129,541	97,950
Estimated net interest income	390,785	254,082	169,749	119,941	87,850
Δ Net interest income	**-**	**-**	**(500)**	**(9,600)**	**(10,100)**
Reported total other revenue	228,075	333,148	264,259	219,845	233,131
Estimated total other revenue	203,675	328,948	257,159	202,545	220,331
Δ Total other revenue	**(24,400)**	**(4,200)**	**(7,100)**	**(17,300)**	**(12,800)**
Reported net income	353,626	377,807	198,025	155,238	148,051
Estimated net income	209,599	370,233	187,054	128,338	125,151
Δ Net income	**(144,027)**	**(7,574)**	**(10,971)**	**(26,900)**	**(22,900)**
Reported basic EPS	1.72	2.30	1.44	1.30	1.54
Estimated basic EPS	0.93	2.28	1.38	1.10	1.34
Δ Basic EPS	**(0.79)**	**(0.02)**	**(0.06)**	**(0.21)**	**(0.20)**
Reported diluted EPS	1.67	2.28	1.42	1.27	1.50
Estimated diluted EPS	0.95	2.23	1.34	1.04	1.26
Δ Diluted EPS	**(0.72)**	**(0.05)**	**(0.08)**	**(0.23)**	**(0.24)**

Figure 33 Effects on Arbor's income statement incorporating our findings and key assumptions, source: NINGI Research, company data

The most important point is that by doctoring its financials for years and claiming its superiority in comparison to its peers, **Arbor's near future will be a rude awakening.** The company's assets consist of billions of bridge loans coming due that were originated at significantly lower cap rates. In an equity REIT, your assets are brick and mortar. In a mortgage REIT, your assets are the promise of a borrower to pay you back. Most of those promises were made during a zero-interest rate environment. Now we are looking at a 4.5% interest rate environment, and Arbor will have to roll these bridge loans over into their own private label loans. **If they can't get the funding** for originating the Private Label loans to help borrowers repay the bridge loans, **this will lead to sudden accelerating delinquencies and defaults.** However, if they roll the loans over into their Private Label products, Arbor has to offload these loans to the capital market. If they can't sell the loans to investors, Arbor's cash flow will dry up, and the company will take on the significant risk because most bridge loans were made in a zero-rate interest environment and growing economy. **If one step in that process does not work smoothly, the losses will suddenly accelerate.** Arbor's management claims that they can manage any property obtained due to loan default themselves. But at what cost? We believe this will require ample liquidity and capital resources which will lead to a dividend suspension.

To get a sense of how much of Arbor's financials are doctored to appeal to investors, the public should take a closer look at the Non-GAAP financial measures. In the first quarter of 2020, Arbor changed its Non-GAAP earnings from AFFO to "Core earnings" and reported the first nine months the "Core earnings" as its important Non-GAAP financial measure.[175] [176] [177] The change from AFFO benefits Arbor's Non-GAAP EPS because the company adds its provision for credit losses back, which boosts the Non-GAAP EPS in a year with elevated credit risk (see Figure 34).

Non-GAAP financial measure	2022	2021	2020	2019	2018
Diluted distributable earnings per share	$ 2.23	$ 2.03	$ 1.75	$ 1.37	$ 1.33
Diluted AFFO per share	$ 1.91	$ 2.26	$ 1.21	$ 1.36	$ 1.26
Δ Distributable EPS vs. AFFO per share	**$ (0.31)**	**$ 0.23**	**$ (0.55)**	**$ (0.01)**	**$ (0.07)**

Figure 34 Non-GAAP financial measures, source: NINGI Research, company data

[175] Arbor Realty Trust, Inc. (2020), quarterly report, p. 62, https://www.sec.gov/Archives/edgar/data/1253986/000110465920058422/abr-20200331x10q.htm
[176] Arbor Realty Trust, Inc. (2020), quarterly report, p. 67, https://www.sec.gov/Archives/edgar/data/1253986/000110465920088705/abr-20200630x10q.htm
[177] Arbor Realty Trust, Inc. (2020), quarterly report, p. 69, https://www.sec.gov/Archives/edgar/data/1253986/000110465920119763/abr-20200930x10q.htm

In addition, the company adds depreciation and amortization from unconsolidated joint ventures to its Non-GAAP EPS – **Arbor adds depreciation and amortization than was never reported in its income statement in the first place.**[178] [179] [180] Arbor states in its 2020 annual report that it just renamed "core earnings" to "distributable earnings" for its 10-K, as in the Q3 2020 report, it was still called "core earnings".[181] [182] But as a matter of fact, the company did change the calculation. **In the calculation reported in the 2020 annual report, Arbor adds realized losses back to the earnings.**[183]

We think it is mind-boggling to add D&A that was never reported and add realized losses back to a company's Non-GAAP earnings. In our opinion, even for Non-GAAP financial measures, it is unreasonable to add never reported depreciation or realized losses back to earnings per share.

Diluted distributable earnings per share	2022	2021	2020	2019	2018
Reported Diluted distributable earnings per share	$ 2.23	$ 2.03	$ 1.75	$ 1.37	$ 1.33
Estimated Diluted distributable earnings per share	$ 1.95	$ 1.98	$ 1.69	$ 1.14	$ 1.09
Δ Reported vs. Estimated diluted distri. EPS	**$ (0.27)**	**$ (0.05)**	**$ (0.07)**	**$ (0.23)**	**$ (0.24)**

Figure 35 Distributable EPS adjusted for fake revenue, source: NINGI Research, company data

Despite Arbor using Non-GAAP financial metrics, deducting the fake escrow revenue and interest income from the Lexford loans leads to $0.27 lower distributable earnings per share, and former years have to be lowered as well (see Figure 35).

Obviously, Arbor's cash flow statements of the past years are affected by misstatements and misconduct as well. The cash flows have to be adjusted for the unreported but invested $16.4 million in capital improvements into Lexford's mobile homes. We already mentioned that $51.7 million in Lexford principal payments due in the next twelve months, but that is in addition to the $149.6 million in senior unsecured notes maturing in April and May of this year.[184] **We believe this will severely constrain the future cash flow.**

Debt instrument	Name	Maturity	UPB / Cut-off balance	Carrying value / Maturity balance	Wtd Avg Rate	Business
Credit facility	$200M credit facility	March 2023	31,519	31,475	5.76%	Agency
Senior unsecured notes	8.00% Notes	April 2023	70,750	70,613	8.00%	Consolidated
Working capital facility	$35M working capital facility	April 2023	-	-	0.00%	Structured
Senior unsecured notes	5.625% Notes	May 2023	78,850	78,726	5.63%	Consolidated
Credit facility	$400M credit facility	July 2023	33,246	33,221	6.25%	Structured
Credit facility	$50M credit facility	September 2023	14,671	14,664	5.65%	Agency
Mortgage loan	Marabou Mills and Aragon Woods	September 2023	9,450	7,106	5.16%	Lexford portfolio
Repurchase facility	$499M repurchase facility*	October 2023	351,056	351,056	6.64%	Structured
Repurchase facility	$500M repurchase facility	November 2023	66,866	66,778	5.73%	Agency
Repurchase facility	$1B repurchase facility*	December 2023	499,891	498,666	6.39%	Structured
Mortgage loan	ART Indiana MF Portfolio	January 2024	11,000	9,316	5.11%	Lexford portfolio
Senior unsecured notes	5.75% Notes	April 2024	90,000	89,514	5.75%	Consolidated
Mortgage loan	Florida Multifamily Portfolio	April 2024	20,940	18,040	4.83%	Lexford portfolio
Mortgage loan	ART Florida Multifamily Portfolio 2	April 2024	20,000	17,265	4.91%	Lexford portfolio
Total			**1,298,239**	**1,286,440**		
Bonds			***239,600***	***238,853***		
Mortgage loans			***61,390***	***51,727***		
Repurchase and credit facility			***997,249***	***995,860***		

Figure 36 outstanding liabilities due in the next 12 months, source: NINGI Research, company data, CMBS filings

But not only publicly tradeable bonds are due this year, but almost $997 million in repurchase and credit facilities, that don't have a maturity extension and have to be repurchased (see Figure 22 and Figure 36). **In our opinion, this will constrain Arbor's near-term cash flow, lead to an even more fragile capital and cash flow structure, and that its first option of easing will be a dividend cut or a total suspension.**

[178] Arbor Realty Trust, Inc. (2020), annual report, p. 48, https://www.sec.gov/Archives/edgar/data/1253986/000110465921025551/abr-20201231x10k.htm
[179] Arbor Realty Trust, Inc. (2021), annual report, p. 47, https://www.sec.gov/Archives/edgar/data/1253986/000110465922024981/abr-20211231x10k.htm
[180] Arbor Realty Trust, Inc. (2022), annual report, p. 48, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm
[181] Arbor Realty Trust, Inc. (2020), annual report, p. 48, https://www.sec.gov/Archives/edgar/data/1253986/000110465921025551/abr-20201231x10k.htm
[182] Arbor Realty Trust, Inc. (2020), quarterly report, p. 69, https://www.sec.gov/Archives/edgar/data/1253986/000110465920119763/abr-20200930x10q.htm
[183] Arbor Realty Trust, Inc. (2020), annual report, p. 48, https://www.sec.gov/Archives/edgar/data/1253986/000110465921025551/abr-20201231x10k.htm
[184] Arbor Realty Trust, Inc. (2022), annual report, p. 87, https://www.sec.gov/Archives/edgar/data/1253986/000110465923023097/abr-20221231x10k.htm

7. Arbor's three wise monkeys

To date, Arbor's auditors Ernst & Young ("EY") and audit chairman Melvin Lazar seemingly have not taken notice of any of the misconduct. This year both parties will be celebrating their 20th anniversary of supervision of the company's financial statements.[185] [186] We already highlighted the material weaknesses over Arbor's financial reporting, but Ernst & Young, year after year, issued an unqualified opinion for Arbor's financial statements. **The auditor completely failed its duties. In our opinion, the audited financials dating back to 2011 cannot be trusted.** Ernst & Young, next to auditing Arbor's financials, did so-called "attestation reports" for several CMBS of Arbor Realty Trust and several CMBS in which Lexford's mortgages were securitized.[187] [188] [189] [190] [191] [192] [193] In an attestation report, an independent consultant, most certainly a major auditing company, expresses the agreed-upon procedures performed and the factual findings about certain information the procedures were applied to – in the case of CMBS – an Excel file with the specific mortgage information.[194] It doesn't sound very easy, but it's just that an auditing firm was hired to compare the information given to them by the client and report the factual findings. The findings are more or less like a binary outcome. The auditing firm does not state an opinion or representation of the accuracy of the data. **However, in our opinion, EY had to know at late as November 2018 that Arbor was hiding debt off-balance because they attested that Arbor Realty SR was the sponsor and guarantor of the then-securitized "RHW Multifamily" portfolio.**[195] As knowledge about different mortgage sub-segments like Multifamily, understanding the financial information and its securitization is highly specialized; we doubt that there is no knowledge transfer and the use of the same personnel at Ernst & Young.

We think if EY knew something, Melvin Lazar knew something as well. According to Arbor's investor relations website, 82-year-old Lazar has been a board member since 2003 and has chaired the audit committee ever since.[196] That is not quite right. Because from May 31, 2011, to December 18, 2011, Mr. Lazar was no longer part of the board of directors.[197] Mr. Lazar had retired, and as of June 1, 2011, former EY partner John J. Robbins assumed his position on the board and chaired the audit committee.[198] However, the then-newly elected Chairman of the Audit Committee, John J. Robbins, resigned effective immediately on December 15, 2011 (see Figure 37).[199]

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[185] Arbor Realty Trust, Inc. (2021), annual report, p. 52, https://www.sec.gov/Archives/edgar/data/1253986/000110465922024981/abr-20211231x10k.htm
[186] Arbor Realty Trust, Inc. (n.d.), Our team – Melvin F. Lazar, https://web.archive.org/web/20230125153219/https://arbor.com/our-team/melvin-f-lazar/
[187] Ernst & Young LLP (2019), Underwriting information comparison agreed-upon procedures report, https://www.sec.gov/Archives/edgar/data/1771200/000153949719000560/exh_99-1.htm
[188] Ernst & Young LLP (2019), Underwriting information comparison agreed-upon procedures report, https://www.sec.gov/Archives/edgar/data/1786008/000153949719001416/exh1.htm
[189] https://www.sec.gov/Archives/edgar/data/1771200/000153949719000560/n1577_x3-abs15g.htm
[190] Ernst & Young LLP (2019), Underwriting information comparison agreed-upon procedures report, https://www.sec.gov/Archives/edgar/data/1547361/000153949719000295/exh99-1.htm
[191] Ernst & Young LLP (2019), Underwriting information comparison agreed-upon procedures report, https://www.sec.gov/Archives/edgar/data/1769322/000153949719000418/exh_2.htm
[192] Ernst & Young LLP (2018), Underwriting information comparison agreed-upon procedures report, https://www.sec.gov/Archives/edgar/data/1754913/000153949718001831/exh_1.htm
[193] Ernst & Young LLP (2021), Agreed-upon procedures report, https://www.sec.gov/Archives/edgar/data/1895116/000153949721002032/n2858-x1_exh1.htm
[194] Public Company Accounting Oversight Board (2001), AT Section 201 – Agreed-Upon Procedures Engagements, https://pcaobus.org/oversight/standards/attestation-standards/details/AT201
[195] Ernst & Young LLP (2018), Agreed-upon procedures report, https://www.sec.gov/Archives/edgar/data/1754913/000153949718001831/exh_1.htm
[196] https://arbor.com/our-team/melvin-f-lazar/
[197] Arbor Realty Trust, Inc. (2012), proxy statement, p. 9, https://www.sec.gov/Archives/edgar/data/1253986/000104746912004539/a2208940zdef14a.htm
[198] Arbor Realty Trust, Inc. (2011), proxy statement, p. 8, https://www.sec.gov/Archives/edgar/data/1253986/000104746911003559/a2203331zdef14a.htm
[199] Arbor Realty Trust, Inc. (2011), Departure of Directors or Certain Officers, https://www.sec.gov/Archives/edgar/data/1253986/000110465911070239/a11-31971_28k.htm

On December 15, 2011, John J. Robbins, a Class II director of Arbor Realty Trust, Inc. (the "Company") and the Chairman of the Audit Committee, notified Company that he was resigning as a director of the Company.

Item 8.01. Other Events.

On December 19, 2011, the Board of Directors of the Company appointed Melvin F. Lazar as a Class II director in order to fill the vacancy created by the resignation of John J. Robbins on December 15, 2011. Mr. Lazar was also appointed to serve as the Chairman of the Audit Committee. Mr. Lazar previously served as a Class II director of the Company and the Chairman of the Audit Committee from November 2003 until his resignation at the end of his last three-year term in May 2011.

Figure 37 Extract about Robbin's resignation and Lazar's reappointment, source: company filings

There were no reasons given for Mr. Robbins' departure, and the exit was never further discussed in Arbor's proxy material.[200] Instead, reading the 2012 proxy material, one could get the impression that Mr. Robbins was still a board member at the time because his resignation was only mentioned in a footnote on page 31.[201] Solely the above shown 8-K filing announced the departure of Mr. Robbins.[202]

Attentive readers will notice that Mr. Robbins' resignation announcement is missing a key sentence. A sentence that is usually included when executives and board members resign:

> *"…was not due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices"*

We believe Mr. Robbins resigned the month of the Lexford restructuring because of that very investment. As described in the prospectus for CMBS COMM 2014-CCRE17, Arbor purchased Pools 1 and 3 of the Empirian portfolio in October and completed a restructuring in December.[203]

CREDIT SUISSE

15 December 2011

The other servicing comments this month indicated that the renovations on the 570 vacant apartments are now completed (at a cost of $55 million) and leased. The projected revenue increase from these renovations was raised to $23 million a year versus a prior estimate of $15 million a year. If this projection proves accurate, it could have a meaningful effect on the value of the property. The property remains 99% leased as of December 2011.

Empirian Multifamily Port. Pool 1 and 3 another A/B split

MLMT 2007-C1

The two largest loans in MLMT 2007-C1, Empirian Multifamily Portfolio Pool 1 ($384.8 million, 10.1% of deal) and Empirian Multifamily Portfolio Pool 3 ($330.3 million, 8.6% of deal) were reported as modified in the just released December remittance reports. The servicer's comments mentioned an assumption of the loan, which may suggest a sale, but the prior months' comments had mentioned that the borrower, Empire Assets Group, hired workout consultants to seek a restructuring. As a result, at this point we are unsure who the current borrower or sponsor is.

Figure 38 Extract from a Credit Suisse market update about Empirian Multifamily portfolio, source: Credit Suisse Group AG

On the day of Mr. Robbins' resignation, Credit Suisse reported about a sale of the Empirian portfolio in its market update (see Figure 38).[204] However, at the time and to date, it's been a secret to the general public as to who the new sponsor, hence owner, was (see Figure 38).[205] Arbor Realty Trust disguised its equity stake in the toxic investment by renaming the Empirian portfolio "Lexford" in its 2011 annual report.[206] At the time, nobody should know that Lexford was Empirian because otherwise, investors would have immediately known that it was the recently defaulted and toxic multifamily

[200] Arbor Realty Trust, Inc. (2012), proxy statement, https://www.sec.gov/Archives/edgar/data/1253986/000104746912004539/a2208940zdef14a.htm
[201] Arbor Realty Trust, Inc. (2012), proxy statement, p. 31, https://www.sec.gov/Archives/edgar/data/1253986/000104746912004539/a2208940zdef14a.htm
[202] Arbor Realty Trust, Inc. (2011), Departure of Directors or Certain Officers, https://www.sec.gov/Archives/edgar/data/1253986/000110465911070239/a11-31971_28k.htm
[203] https://www.sec.gov/Archives/edgar/data/1603669/000153949714000586/n307_pros-x9.htm, S-95
[204] Credit Suisse Group AG (2011), CMBS Market Watch Weekly – 15 December 2011, p. 4
[205] Credit Suisse Group AG (2011), CMBS Market Watch Weekly – 15 December 2011, p. 4
[206] Arbor Realty Trust, Inc. (2011), annual report, p. 84, https://www.sec.gov/Archives/edgar/data/1253986/000104746912002036/a2207726z10-k.htm

portfolio – it was the talk of the town in 2010 and 2011.[207] At the time of the acquisition, this also meant that the portfolio's assets were virtually worthless but were offset by over $715 million in liabilities. If Arbor had correctly accounted for the portfolio at the time, liabilities would have increased from $1.60 billion to $2.32 billion within a quarter, while assets remained the same at $1.77 billion – leading to negative common equity and a book value per share of minus 22 dollars (see Figure 11).[208] [209]

In our opinion, with Ernst & Young seeing no evil, Lazar hearing no evil, and Robbins speaking no evil, Arbor Realty Trust and its company insiders were able to mislead investors.

The behavior of Arbor's management presented herein does not seem to be a one-time event. A former executive told us that Ivan Kaufman is great at golf, but governance is not his strong hand.

We believe a red flag is that Arbor and its management have been in a decade-long material litigation with several affiliates and counterparties about its involvement in an LBO of the Extended Stay hotel chain. The complaint alleges that the defendants paid illegal dividends to themselves at a time when the hotel chain was already insolvent.[210] The court case stalled for several years, but the court let Arbor Realty Trust as a company off the hook in August 2020.[211] However, the court permitted claims against Arbor's management in their own capacity to proceed on theories of constructive fraudulent transfer and fraudulent transfer under state and federal law.[212] The debtors alleged that more than $74 million was transferred at the time, and due to interest, the liability compounded to $139 million against Arbor's directors.[213] In late 2022, Arbor Realty Trust paid $7.4 million dollars, so the litigation against its directors was settled. In the most recent earnings call, this settlement was framed as a positive outcome for the company, but it was disclosed that Arbor Realty Trust spent up to $3.5 million annually for more than a decade to defend itself and the company's directors.[214] Up to the investors' call, Arbor never disclosed the litigation's annual expenses in its filings. The amount is, at best, not properly disclosed in its annual reports and, at worst, not reflected in the company's financial statement at all. **In the end, we estimate that Arbor Realty Trust spent $49.4 million to defend their directors in their personal capacities, and ultimately, shareholders had to fund this bill.**

In our opinion, Arbor Realty Trust, company insiders, and board members colluded to misstate Arbor's financials for their own benefit and take advantage through various means. All at the expense of Arbor Realty Trust's shareholders. For all information presented herein, we are short Arbor Realty Trust.

Where's Waldo? – Arbor Realty Trust edition.

All information presented herein is just a snippet of misstatements and misconduct happening at Arbor Realty Trust. If you are a footnote devotee and a fan of the popular book series "Where's Waldo?", we encourage you to compare Arbor's second-quarter, third-quarter, and annual reports for any of the same years. We think you can find misstatements on your own, which we have not included in this report. There are many more to find.

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[207] By talk of the town in the meaning of the portfolio's latest changes being featured and referenced in industry, fixed income and equity research reports like Fitch, S&P, Credit Suisse and Distressed Assets Investor.
[208] Arbor Realty Trust, Inc. (2011), annual report, p. 94, https://www.sec.gov/Archives/edgar/data/1253986/000104746912002036/a2207726z10-k.htm
[209] Arbor Realty Trust, Inc. (2011), quarterly report, p. 2, https://www.sec.gov/Archives/edgar/data/1253986/0001104659110608/a11-25912_110q.htm
[210] Arbor Realty Trust, Inc. (2022), quarterly report, p. 35, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
[211] Arbor Realty Trust, Inc. (2022), quarterly report, p. 35, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
[212] Arbor Realty Trust, Inc. (2022), quarterly report, p. 35, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
[213] Arbor Realty Trust, Inc. (2022), quarterly report, p. 35, https://www.sec.gov/Archives/edgar/data/1253986/000110465922114721/abr-20220930x10q.htm
[214] Finsight Group, Inc. (2023), Earnings transcript – ABR – Q4 2022, https://capedge.com/transcript/1253986/2022Q4/ABR

Appendix

How Arbor hid its real estate portfolio

The portfolio was hidden by a complex construct of more than 30 holdings titled "Interstate Realty" and more than 150 individual companies for every single property. By reviewing dozens of incorporation files, annual reports, and UCC filings of the individual properties, we were able to identify the "Interstate Realty" holding structure (see Figure 39). In our opinion, the generic company name "Interstate Realty" used for the portfolio was just another attempt to disguise the actual ownership and the connection to Arbor Realty Trust.

No.	Company name	State	Incorporation Date	Parent
1	INTERSTATE REALTY HOLDINGS II, LLC	Delaware	12/2/2013	-
2	INTERSTATE REALTY HOLDINGS III, LLC	Delaware	12/2/2013	25
3	INTERSTATE REALTY HOLDINGS IV, LLC	Delaware	1/29/2014	-
4	INTERSTATE REALTY HOLDINGS IX, LLC	Delaware	8/22/2014	-
5	INTERSTATE REALTY HOLDINGS V, LLC	Delaware	2/28/2014	25
6	INTERSTATE REALTY HOLDINGS VI, LLC	Delaware	2/28/2014	27
7	INTERSTATE REALTY HOLDINGS VII, LLC	Delaware	8/22/2014	25
8	INTERSTATE REALTY HOLDINGS VIII, LLC	Delaware	8/22/2014	-
9	INTERSTATE REALTY HOLDINGS X, LLC	Delaware	11/25/2014	26
10	INTERSTATE REALTY HOLDINGS XI, LLC	Delaware	11/25/2014	26
11	INTERSTATE REALTY HOLDINGS XII, LLC	Delaware	2/2/2015	25
12	INTERSTATE REALTY HOLDINGS XIII, LLC	Delaware	2/2/2015	25
13	INTERSTATE REALTY HOLDINGS XIV, LLC	Delaware	4/30/2015	25
14	INTERSTATE REALTY HOLDINGS XIX, LLC	Delaware	11/26/2018	-
15	INTERSTATE REALTY HOLDINGS XV, LLC	Delaware	4/30/2015	29
16	INTERSTATE REALTY HOLDINGS XVI, LLC	Delaware	4/30/2015	25
17	INTERSTATE REALTY HOLDINGS XVII, LLC	Delaware	4/30/2015	25
18	INTERSTATE REALTY HOLDINGS XVIII, LLC	Delaware	10/23/2018	-
19	INTERSTATE REALTY HOLDINGS XX, LLC	Delaware	11/26/2018	-
20	INTERSTATE REALTY HOLDINGS XXI, LLC	Delaware	11/26/2018	-
21	INTERSTATE REALTY HOLDINGS XXII, LLC	Delaware	11/26/2018	-
22	INTERSTATE REALTY HOLDINGS XXIII, LLC	Delaware	4/30/2019	-
23	INTERSTATE REALTY HOLDINGS XXIV, LLC	Delaware	2/25/2020	25
24	INTERSTATE REALTY HOLDINGS, LLC	Delaware	11/8/2013	27
25	INTERSTATE REALTY SPONSOR HOLDINGS II, LLC	Delaware	12/2/2013	-
26	INTERSTATE REALTY SPONSOR HOLDINGS III, LLC	Delaware	11/25/2014	-
27	INTERSTATE REALTY SPONSOR HOLDINGS, LLC	Delaware	10/21/2013	-
28	INTERSTATE REALTY SPONSOR HOLDINGS VI, LLC	N/A	N/A	-
29	INTERSTATE REALTY SPONSOR II	N/A	N/A	-
30	INTERSTATE REALTY SPONSOR, LLC	Delaware	8/8/2013	-

Figure 39 List of the secret Lexford holding structure including signatories of Interstate filings, source: NINGI Research, company filings, state filings

But the umbrella holding company "Interstate Realty Sponsor, LLC" was listed as a subsidiary in the annual report and a supplement to an Arbor Realty Trust securities prospectus in 2013.[215] [216] Because Arbor Realty did not report a full list of its subsidiaries since 2013, connecting the dots is difficult.[217] Only the holding companies' articles of incorporation make it clear that Interstate Realty Holdings and Interstate Realty Sponsor Holdings are subsidiaries of Arbor Realty Trust and Arbor Realty SR, respectively (see Figure 39 and Figure 40).[218] [219] Arbor Realty SR was named as the manager at the incorporation of Interstate Realty Sponsor Holdings LLC (see Figure 41).

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[215] https://www.sec.gov/Archives/edgar/data/1253986/000104746914000903/a2218253zex-21_1.htm
[216] https://www.sec.gov/Archives/edgar/data/1253986/000110465913072740/a13-21370_1ex1d1.htm
[217] https://www.sec.gov/Archives/edgar/data/1253986/000104746914000903/a2218253zex-21_1.htm
[218] Interstate Realty Sponsor Holdings, LLC (2014), 2014 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[219] Interstate Realty Sponsor Holdings, LLC (2015), 2015 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)

2014 FOREIGN LIMITED LIABILITY COMPANY ANNUAL REPORT
DOCUMENT# M13000007355
Entity Name: INTERSTATE REALTY SPONSOR HOLDINGS, LLC

FILED
Apr 14, 2014
Secretary of State
CC2414706851

Current Principal Place of Business:
333 EARLE OVINGTON BLVD.
SUITE 900
UNIONDALE, NY 11553

Current Mailing Address:
333 EARLE OVINGTON BLVD.
SUITE 900
UNIONDALE, NY 11553

FEI Number: 30-0798519
Certificate of Status Desired: No

Name and Address of Current Registered Agent:
CORPORATION SERVICE COMPANY
1201 HAYS STREET
TALLAHASSEE, FL 32301-2525 US

The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.

SIGNATURE:
Electronic Signature of Registered Agent
Date

Authorized Person(s) Detail :
Title MGRM
Name ARBOR REALTY SR, INC.
Address 333 EARLE OVINGTON BLVD, SUITE 900
City-State-Zip: UNIONDALE NY 11553

2015 FOREIGN LIMITED LIABILITY COMPANY ANNUAL REPORT
DOCUMENT# M13000007355
Entity Name: INTERSTATE REALTY SPONSOR HOLDINGS, LLC

FILED
Apr 21, 2015
Secretary of State
CC9719310764

Current Principal Place of Business:
333 EARLE OVINGTON BLVD.
SUITE 900
UNIONDALE, NY 11553

Current Mailing Address:
333 EARLE OVINGTON BLVD.
SUITE 900
UNIONDALE, NY 11553

FEI Number: 30-0798519
Certificate of Status Desired: No

Name and Address of Current Registered Agent:
CORPORATION SERVICE COMPANY
1201 HAYS STREET
TALLAHASSEE, FL 32301-2525 US

The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.

SIGNATURE:
Electronic Signature of Registered Agent
Date

Authorized Person(s) Detail :
Title MGRM
Name LEGACY EQUITY INVESTMENT GROUP, LLC
Address 333 EARLE OVINGTON BLVD, SUITE 900
City-State-Zip: UNIONDALE NY 11553

Figure 40 Filed annual reports of Interstate Realty Sponsor Holdings, source: company filings

APPLICATION BY FOREIGN LIMITED LIABILITY COMPANY FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 608.503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN LIMITED LIABILITY COMPANY TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. Interstate Realty Sponsor Holdings, LLC
(Name of Foreign Limited Liability Company; must include "Limited Liability Company," "L.L.C.," or "LLC.")

(If name unavailable, enter alternate name adopted for the purpose of transacting business in Florida and attach a copy of the written consent of the managers or managing members adopting the alternate name. The alternate name must include "Limited Liability Company," "L.L.C.," "LLC.")

2. Delaware
(Jurisdiction under the law of which foreign limited liability company is organized)

3. 30-0798519
(FEI number, if applicable)

4. 10/21/13
(Date of Organization)

5. Perpetual
(Duration: Year limited liability company will cease to exist or "perpetual")

6. November 13, 2013
(Date first transacted business in Florida, if prior to registration.)
(See sections 608.501 & 608.502 F.S. to determine penalty liability)

7. 333 Earle Ovington Blvd., Suite 900
Uniondale, NY 11553
(Street Address of Principal Office)

13 NOV 20 AM 11: 36
FILED
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

8. If limited liability company is a manager-managed company, check here ☐

9. The name and usual business addresses of the managing members or managers are as follows:
Arbor Realty SR, Inc.
333 Earle Ovington Blvd., Suite 900
Uniondale, NY 11553

10. Attached is an original certificate of existence, no more than 90 days old, duly authenticated by the official having custody of records in the jurisdiction under the law of which it is organized. (A photocopy is not acceptable. If the certificate is in a foreign language, a translation of the certificate under oath of the translator must be submitted.)

11. Nature of business or purposes to be conducted or promoted in Florida:
To own, operate and manage real property

Signature of a member or an authorized representative of a member.
(In accordance with section 608.408(3), F.S., the execution of this document constitutes an affirmation under the penalties of perjury that the facts stated herein are true. I am aware that any false information submitted in a document to the Department of State constitutes a third degree felony as provided for in s.817.155, F.S.)
Adam Feit
Typed or printed name of signee

Figure 41 Extract from incorporation of Interstate Realty Sponsor Holdings, source: company filings

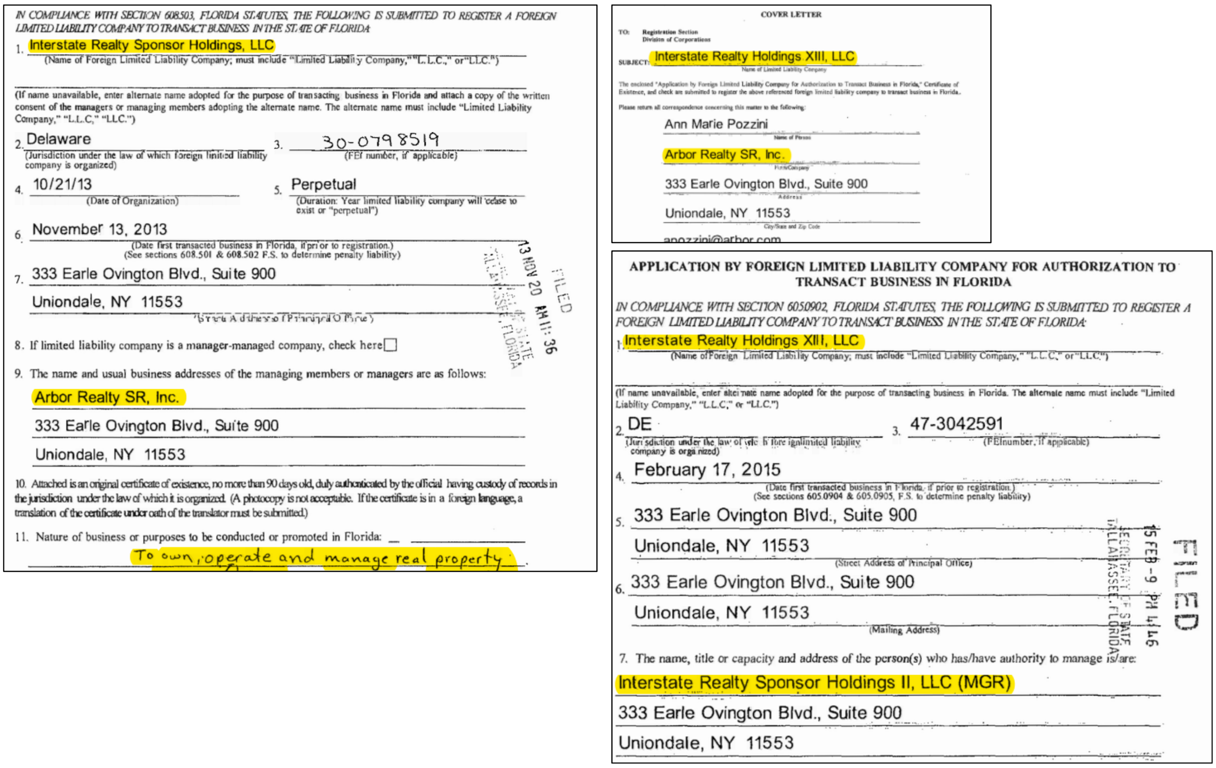
In the application for the Interstate Realty Sponsor Holdings LLC, the business purpose is "to own, operate and manage real property" (see Figure 41 and Figure 42).[220] Arbor staff and executives like Gianni Ottaviano, EVP of Structured Finance Production, signed documents and authorized restructurings on behalf of Arbor Realty Trust and Arbor Realty SR (see Figure 45).[221] [222] [223] [224] [225] Executive Vice President and Senior Counsel John Bishar signed off annual reports (see Figure 46).[226] [227] Another Arbor Realty Trust employee, Max Profesorske, signed off incorporations, transfers, and annual reports (see Figure 45).[228] [229] [230] [231] In the past, any filings from the thirty holding companies were to be sent to

[220] Interstate Realty Sponsor Holdings, LLC (2013), Application by foreign limited liability company for authorization to transact business in Florida, p. 2, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[221] Interstate Realty Holdings XIX, LLC (2018), Registration of a Foreign For-Profit Limited Liability Company, p. 2, https://businesssearch.ohiosos.gov/ (Ohio Secretary of State)
[222] Interstate Realty Holdings XX, LLC (2018), Registration of a Foreign For-Profit Limited Liability Company, p. 2, https://businesssearch.ohiosos.gov/ (Ohio Secretary of State)
[223] Interstate Realty Holdings XXI, LLC (2018), Registration of a Foreign For-Profit Limited Liability Company, p. 2, https://businesssearch.ohiosos.gov/ (Ohio Secretary of State)
[224] Interstate Realty Holdings XXII, LLC (2018), Registration of a Foreign For-Profit Limited Liability Company, p. 2, https://businesssearch.ohiosos.gov/ (Ohio Secretary of State)
[225] Interstate Realty Holdings XXIV, LLC (2020), Application by foreign limited liability company for authorization to transact business in Florida, p. 4, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[226] Interstate Realty Holdings XI, LLC (2018), 2018 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[227] Interstate Realty Holdings XIV, LLC (2018), 2018 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[228] Starwood Mortgage Capital LLC (2021), CRE Insurance Risk Analysis, https://www.sec.gov/Archives/edgar/data/1861132/000153949722000277/n2921-x15insurance_approval.htm
[229] Interstate Realty Holdings V, LLC (2018), 2018 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[230] Interstate Realty Holdings VI, LLC (2018), 2018 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[231] Interstate Realty Holdings XV, LLC (2016), Limited Liability Company Reinstatement, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)

Arbor or the company's employees (see Figure 42, Figure 43, Figure 44, and Figure 45).[232] [233] [234]

A former employee we spoke to and whose signature is on Interstate Realty public filings confirmed that Arbor owns Lexford, going as far as explaining the constructive form of the Cardinal Industries built mobile homes and location specifics. In our opinion, such details can only be known to someone that had dealt with the Lexford properties. **The Lexford portfolio is wholly owned by Arbor, controlled by Arbor but not consolidated by Arbor.**

In other cases, documentation should be mailed to Arbor Realty SR – but digitally forwarded to an Elon Property Management email address.[235] [236] In the most recent Interstate Realty holding company registration, all documents should be sent to a Miami real estate lawyer.[237] [238] **In our opinion, the latter is to disguise the portfolio's true owner. Every action was an attempt to disguise Arbor's ownership of Lexford, its profits, and the portfolio's debt.**


IN COMPLIANCE WITH SECTION 608.503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN LIMITED LIABILITY COMPANY TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. Interstate Realty Sponsor Holdings, LLC
(Name of Foreign Limited Liability Company; must include "Limited Liability Company," "L.L.C.," or "LLC.")

(If name unavailable, enter alternate name adopted for the purpose of transacting business in Florida and attach a copy of the written consent of the managers or managing members adopting the alternate name. The alternate name must include "Limited Liability Company," "L.L.C," "LLC.")

2. Delaware
(Jurisdiction under the law of which foreign limited liability company is organized)

3. 30-0798519
(FEI number, if applicable)

4. 10/21/13
(Date of Organization)

5. Perpetual
(Duration: Year limited liability company will cease to exist or "perpetual")

6. November 13, 2013
(Date first transacted business in Florida, if prior to registration.)
(See sections 608.501 & 608.502 F.S. to determine penalty liability)

7. 333 Earle Ovington Blvd., Suite 900
Uniondale, NY 11553
(Street Address of Principal Office)

FILED 13 NOV 20 AM 11: 36 SECRETARY OF STATE TALLAHASSEE, FLORIDA

8. If limited liability company is a manager-managed company, check here ☐

9. The name and usual business addresses of the managing members or managers are as follows:
Arbor Realty SR, Inc.
333 Earle Ovington Blvd., Suite 900
Uniondale, NY 11553

10. Attached is an original certificate of existence, no more than 90 days old, duly authenticated by the official having custody of records in the jurisdiction under the law of which it is organized. (A photocopy is not acceptable. If the certificate is in a foreign language, a translation of the certificate under oath of the translator must be submitted.)

11. Nature of business or purposes to be conducted or promoted in Florida:
To own, operate and manage real property.

COVER LETTER

TO: Registration Section
Division of Corporations

SUBJECT: Interstate Realty Holdings XIII, LLC
Name of Limited Liability Company

The enclosed "Application by Foreign Limited Liability Company for Authorization to Transact Business in Florida," Certificate of Existence, and check are submitted to register the above referenced foreign limited liability company to transact business in Florida.

Please return all correspondence concerning this matter to the following:

Ann Marie Pozzini
Name of Person

Arbor Realty SR, Inc.
Firm/Company

333 Earle Ovington Blvd., Suite 900
Address

Uniondale, NY 11553
City/State and Zip Code

apozzini@arbor.com

APPLICATION BY FOREIGN LIMITED LIABILITY COMPANY FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 605.0902, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN LIMITED LIABILITY COMPANY TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. Interstate Realty Holdings XIII, LLC
(Name of Foreign Limited Liability Company; must include "Limited Liability Company," "L.L.C," or "LLC.")

(If name unavailable, enter alternate name adopted for the purpose of transacting business in Florida. The alternate name must include "Limited Liability Company," "L.L.C," or "LLC.")

2. DE
(Jurisdiction under the law of which foreign limited liability company is organized)

3. 47-3042591
(FEI number, if applicable)

4. February 17, 2015
(Date first transacted business in Florida, if prior to registration.)
(See sections 605.0904 & 605.0905, F.S. to determine penalty liability)

5. 333 Earle Ovington Blvd., Suite 900
Uniondale, NY 11553
(Street Address of Principal Office)

6. 333 Earle Ovington Blvd., Suite 900
Uniondale, NY 11553
(Mailing Address)

FILED 15 FEB -9 PM 4:46 SECRETARY OF STATE TALLAHASSEE, FLORIDA

7. The name, title or capacity and address of the person(s) who has/have authority to manage is/are:
Interstate Realty Sponsor Holdings II, LLC (MGR)
333 Earle Ovington Blvd., Suite 900
Uniondale, NY 11553

Figure 42 Extract from Interstate Realty filings listing Arbor Realty SR as owner of Interstate Realty, source: company filings

[232] From 2015 on Legacy Equity Investment Group, LLC was the authorized manager of Interstate Realty Sponsor Holdings. Arbor Realty Trust lists Legacy Equity Investment Group, LLC as having 51.33% interest of ownership in it.
[233] Interstate Realty Holdings V, LLC (2014), Application by foreign limited liability company for authorization to transact business in Florida, p. 1, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[234] Interstate Realty Sponsor Holdings, LLC (2013), Application by foreign limited liability company for authorization to transact business in Florida, p. 1, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[235] Interstate Realty Holdings V, LLC (2014), Application by foreign limited liability company for authorization to transact business in Florida, p. 1, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[236] Interstate Realty Holdings VI, LLC (2014), Application by foreign limited liability company for authorization to transact business in Florida, p. 1, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[237] Interstate Realty Holdings XXIV, LLC (2020), Application by foreign limited liability company for authorization to transact business in Florida, p. 2, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[238] Akerman LLP (2023), Christopher J. McCranie, https://web.archive.org/web/20230125160721/https://www.akerman.com/en/people/christopher-j-mccranie.html

TO: Registration Section
Division of Corporations

SUBJECT: Interstate Realty Holdings XIV, LLC
Name of Limited Liability Company

The enclosed "Application by Foreign Limited liability Company for Authorization to Transact Business in Florida," Certificate of Existence, and check are submitted to register the above referenced foreign limited liability company to transact business in Florida.

Please return all correspondence concerning this matter to the following:

Karen Murphy
Name of Person

Arbor Realty Trust, Inc.
Firm/Company

333 Earle Ovington Boulevard
Address

Uniondale, NY 11553
City/State and Zip Code

kmurphy@arbor.com

IN COMPLIANCE WITH SECTION 605.0902, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN LIMITED LIABILITY COMPANY TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. Interstate Realty Holdings XIV, LLC
(Name of Foreign Limited Liability Company; must include "Limited Liability Company," "L.L.C." or "LLC.")

(If name unavailable, enter alternate name adopted for the purpose of transacting business in Florida. The alternate name must include "Limited Liability Company," "L.L.C," or "LLC.")

2. Delaware
(Jurisdiction under the law of which foreign limited liability company is organized)

3. Applied For
(FEI number, if applicable)

4.
(Date first transacted business in Florida, if prior to registration.)
(See sections 605.0904 & 605.0905, F.S. to determine penalty liability)

5. 333 Earle Ovington Boulevard
Uniondale, NY 11553
(Street Address of Principal Office)

6. 333Earle Ovington Boulevard
Uniondale, NY 11553
(Mailing Address)

7. Name and street address of Florida registered agent: (P.O. Box NOT acceptable)
Name: Corporation Service Company
Office Address: 1201 Hays Street
Tallahassee (City), Florida 32301 (Zip code)

Registered agent's acceptance:
Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent.

Corporation Service Company **Janet Budhu,Asst. Vice President**
By: (Registered agent's signature)

8. The name, title or capacity and address of the person(s) who has/have authority to manage is/are:
Interstate Realty Sponsor Holdings II, LLC (MGR)
333 Earle Ovington Boulevard, Suite 900
Uniondale, NY 11553

2015 MAY 13 AM 9:28
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Figure 43 Interstate Realty Sponsor Holdings II is a subsidiary of Arbor Realty Trust, source: company filings

COVER LETTER

TO: Registration Section
Division of Corporations

SUBJECT: Interstate Realty Holdings VII, LLC
Name of Limited Liability Company

The enclosed "Application by Foreign Limited liability Company for Authorization to Transact Business in Florida," Certificate of Existence, and check are submitted to register the above referenced foreign limited liability company to transact business in Florida.

Please return all correspondence concerning this matter to the following:

Karen Murphy
Name of Person

Arbor Realty Trust, Inc.
Firm/Company

333 Earle Ovington Boulevard
Address

Uniondale, New York 11553
City/State and Zip Code

APozzini@arbor.com
E-mail address: (to be used for future annual report notification)

APPLICATION BY FOREIGN LIMITED LIABILITY COMPANY FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 605.0902, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN LIMITED LIABILITY COMPANY TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. Interstate Realty Holdings VII, LLC
(Name of Foreign Limited Liability Company; must include "Limited Liability Company," "L.L.C," or "LLC.")

(If name unavailable, enter alternate name adopted for the purpose of transacting business in Florida. The alternate name must include "Limited Liability Company," "L.L.C," or "LLC.")

2. Delaware
(Jurisdiction under the law of which foreign limited liability company is organized)

3. N/A
(FEI number, if applicable)

4.
(Date first transacted business in Florida, if prior to registration.)
(See sections 605.0904 & 605.0905, F.S. to determine penalty liability)

5. 333 Earle Ovington Boulevard, Uniondale, NY 11553
(Street Address of Principal Office)

6. 333 Earle Ovington Boulevard, Uniondale, NY 11553
(Mailing Address)

7. The name, title or capacity and address of the person(s) who has/have authority to manage is/are:
Interstate Realty Sponsor Holdings II, LLC, Manager
333 Earle Ovington Boulevard, Uniondale, NY 11553

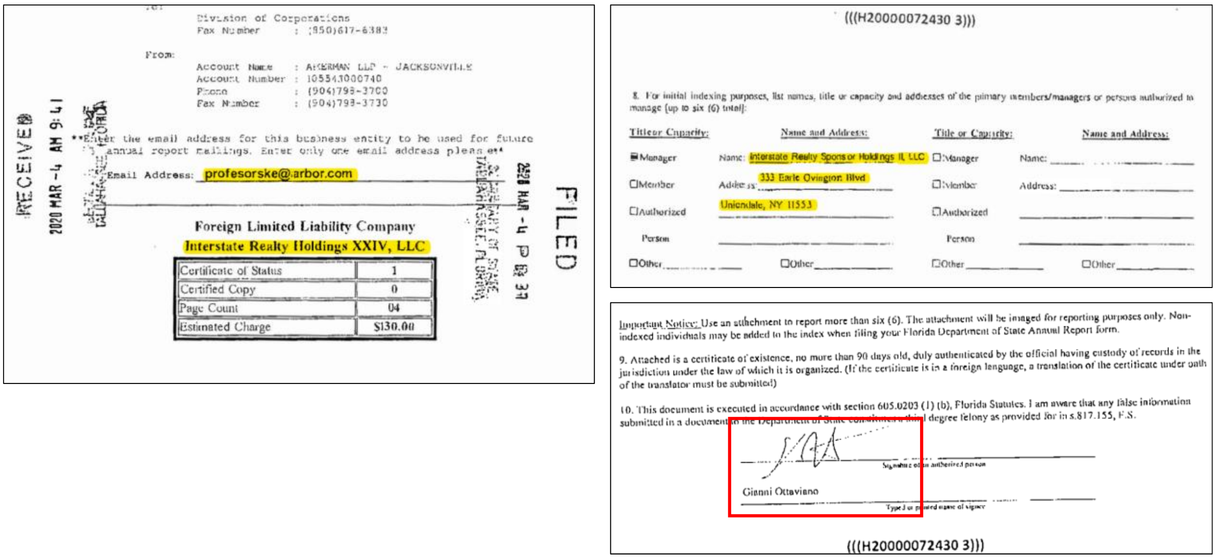
8. Attached is an original certificate of existence, no more than 90 days old, duly authenticated by the official having custody of records in the jurisdiction under the law of which it is organized. (A photocopy is not acceptable. If the certificate is in a foreign language, a translation of the certificate under oath of the translator must be submitted)

Signature of an authorized person
(In accordance with section 605.0203, F.S., the execution of this document constitutes an affirmation under the penalties of perjury that the facts stated herein are true. I am aware that any false information submitted in a document to the Department of State constitutes a third degree felony as provided for in s. 817.155, F.S.)

Amy Carreras
Typed or printed name of signee

FILED
2014 AUG 26 AM 11:43
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Figure 44 Interstate Realty Sponsor Holdings II is a subsidiary of Arbor Realty Trust, source: company filings


Division of Corporations
Fax Number : (850)617-6383

From:
Account Name : AKERMAN LLP - JACKSONVILLE
Account Number : I05543000740
Phone : (904)798-3700
Fax Number : (904)798-3730

Enter the email address for this business entity to be used for future annual report mailings. Enter only one email address please.

Email Address: profesorske@arbor.com

RECEIVED 2020 MAR -4 AM 9:41

FILED 2020 MAR -4 P 02 37

Foreign Limited Liability Company
Interstate Realty Holdings XXIV, LLC

Certificate of Status	1
Certified Copy	0
Page Count	04
Estimated Charge	$130.00

(((H20000072430 3)))

8. For initial indexing purposes, list names, title or capacity and addresses of the primary members/managers or persons authorized to manage (up to six (6) total):

Title or Capacity:	Name and Address:	Title or Capacity:	Name and Address:
☒Manager	Name: Interstate Realty Sponsor Holdings II, LLC	☐Manager	Name:
☐Member	Address: 333 Earle Ovington Blvd	☐Member	Address:
☐Authorized Person	Uniondale, NY 11553	☐Authorized Person	
☐Other	☐Other	☐Other	☐Other

Important Notice: Use an attachment to report more than six (6). The attachment will be imaged for reporting purposes only. Non-indexed individuals may be added to the index when filing your Florida Department of State Annual Report form.

9. Attached is a certificate of existence, no more than 90 days old, duly authenticated by the official having custody of records in the jurisdiction under the law of which it is organized. (If the certificate is in a foreign language, a translation of the certificate under oath of the translator must be submitted.)

10. This document is executed in accordance with section 605.0203 (1) (b), Florida Statutes. I am aware that any false information submitted in a document to the Department of State constitutes a third degree felony as provided for in s.817.155, F.S.

Signature of an authorized person

Gianni Ottaviano

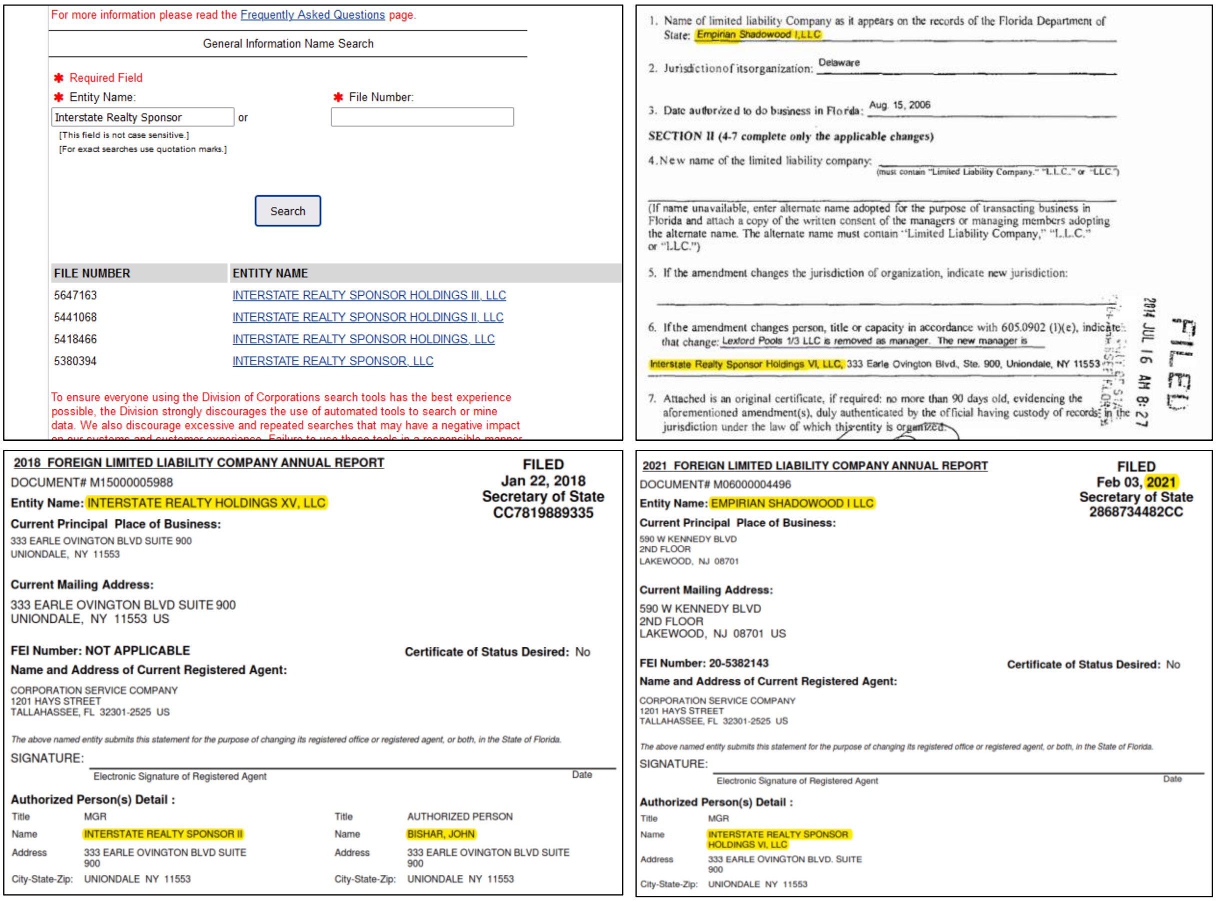
Typed or printed name of signee

(((H20000072430 3)))

Figure 45 Another Interstate Realty incorporation signed by Gianni Ottaviano, Arbor's EVP, and emailed to Arbor's employee Max Profesorske, source: company filings

We think the disguise went as far as making up fake holding companies. In some cases, fake companies like "Interstate Realty Sponsor II" were registered as owners of individual real estate companies.[239] The executive and Senior Counsel of Arbor, John Bishar, signed these annual reports (see Figure 46).[240] Interstate Realty Sponsor II does not exist as a company (see Figure 46). Likewise, there is no "Interstate Realty Sponsor Holdings VI", and yet it is listed as the owner of the real estate company "Empirian Shadowood" behind the Shadowood Apartments in Sarasota, Florida (see Figure 46).[241] [242] We do not believe this to be an administrative error. Because errors occur and are corrected at the latest when the following annual report of the individual real estate companies is created. However, these fake companies are still registered as owners to date.

[239] Empirian Shadowood, LLC (2021), 2021 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[240] Empirian Shadowood, LLC (2021), 2021 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[241] Empirian Shadowood, LLC (2014), Application by foreign limited liability company for authorization to transact business in Florida, p. 3, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[242] Empirian Shadowood, LLC (2021), 2021 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)



For more information please read the Frequently Asked Questions page.

General Information Name Search

✱ Required Field
✱ Entity Name: Interstate Realty Sponsor or ✱ File Number:
[This field is not case sensitive.]
[For exact searches use quotation marks.]

Search

FILE NUMBER	ENTITY NAME
5647163	INTERSTATE REALTY SPONSOR HOLDINGS III, LLC
5441068	INTERSTATE REALTY SPONSOR HOLDINGS II, LLC
5418466	INTERSTATE REALTY SPONSOR HOLDINGS, LLC
5380394	INTERSTATE REALTY SPONSOR, LLC

To ensure everyone using the Division of Corporations search tools has the best experience possible, the Division strongly discourages the use of automated tools to search or mine data. We also discourage excessive and repeated searches that may have a negative impact

1. Name of limited liability Company as it appears on the records of the Florida Department of State: Empirian Shadowood I, LLC
2. Jurisdiction of its organization: Delaware
3. Date authorized to do business in Florida: Aug. 15, 2006

SECTION II (4-7 complete only the applicable changes)

4. New name of the limited liability company: (must contain "Limited Liability Company," "L.L.C." or "LLC")

(If name unavailable, enter alternate name adopted for the purpose of transacting business in Florida and attach a copy of the written consent of the managers or managing members adopting the alternate name. The alternate name must contain "Limited Liability Company," "L.L.C." or "LLC.")

5. If the amendment changes the jurisdiction of organization, indicate new jurisdiction:

6. If the amendment changes person, title or capacity in accordance with 605.0902 (1)(e), indicate that change: Lexford Pools 1/3 LLC is removed as manager. The new manager is Interstate Realty Sponsor Holdings VI, LLC, 333 Earle Ovington Blvd., Ste. 900, Uniondale, NY 11553

7. Attached is an original certificate, if required: no more than 90 days old, evidencing the aforementioned amendment(s), duly authenticated by the official having custody of records in the jurisdiction under the law of which this entity is organized.

2014 JUL 16 AM 8:27
FILED

2018 FOREIGN LIMITED LIABILITY COMPANY ANNUAL REPORT
DOCUMENT# M15000005988
Entity Name: INTERSTATE REALTY HOLDINGS XV, LLC
FILED Jan 22, 2018 Secretary of State CC7819889335

Current Principal Place of Business:
333 EARLE OVINGTON BLVD SUITE 900
UNIONDALE, NY 11553

Current Mailing Address:
333 EARLE OVINGTON BLVD SUITE 900
UNIONDALE, NY 11553 US

FEI Number: NOT APPLICABLE **Certificate of Status Desired:** No
Name and Address of Current Registered Agent:
CORPORATION SERVICE COMPANY
1201 HAYS STREET
TALLAHASSEE, FL 32301-2525 US

The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.
SIGNATURE: Electronic Signature of Registered Agent Date

Authorized Person(s) Detail :

Title	MGR	Title	AUTHORIZED PERSON
Name	INTERSTATE REALTY SPONSOR II	Name	BISHAR, JOHN
Address	333 EARLE OVINGTON BLVD SUITE 900	Address	333 EARLE OVINGTON BLVD SUITE 900
City-State-Zip:	UNIONDALE NY 11553	City-State-Zip:	UNIONDALE NY 11553

2021 FOREIGN LIMITED LIABILITY COMPANY ANNUAL REPORT
DOCUMENT# M06000004496
Entity Name: EMPIRIAN SHADOWOOD I LLC
FILED Feb 03, 2021 Secretary of State 2868734482CC

Current Principal Place of Business:
590 W KENNEDY BLVD
2ND FLOOR
LAKEWOOD, NJ 08701

Current Mailing Address:
590 W KENNEDY BLVD
2ND FLOOR
LAKEWOOD, NJ 08701 US

FEI Number: 20-5382143 **Certificate of Status Desired:** No
Name and Address of Current Registered Agent:
CORPORATION SERVICE COMPANY
1201 HAYS STREET
TALLAHASSEE, FL 32301-2525 US

The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.
SIGNATURE: Electronic Signature of Registered Agent Date

Authorized Person(s) Detail :

Title	MGR
Name	INTERSTATE REALTY SPONSOR HOLDINGS VI, LLC
Address	333 EARLE OVINGTON BLVD. SUITE 900
City-State-Zip:	UNIONDALE NY 11553

Figure 46 Fake Interstate Realty companies listed as owners of Lexford portfolio and signed by Arbor's counsel John Bishar, source: company filings, Delaware Division of Corporations

Efforts to keep the portfolio out of investors' eyesight have been extensive. Each property is held by one LLC and sometimes by multiple separate LLCs. The annual business reports of the individual real estate companies were signed off by a CFO named Jason Gelfond (see Figure 47).[243] [244] [245] In the respective documents, Mr. Gelfond is referred to by his first name Jason. In our opinion, the person is the CFO of Elon Property Management but is presented on EPM's website by his middle name, Moshe, instead of his first name Jason (see Figure 47 and Figure 48).[246] [247]

[243] Mosswood Apartments II, LLC (2022), 2022 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[244] Capital Ridge Apartments, LLC (2022), 2022 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[245] Capital Ridge Apartments, LLC (2022), 2022 Foreign Limited Liability Company Annual report, https://search.sunbiz.org/ (Florida Department of State, Division of Corporations)
[246] Gelfond & Associates, P.A. (2023), About us, https://web.archive.org/web/20230125155042/https://gelfondcpas.com/about-us
[247] Elon Property Management Company, LLC (2023), Our team, https://web.archive.org/web/20230125154842/https://elonmanagement.com/our-team

Figure 47 Jason Moshe Gelfond signed off annual reports, source: elonmanagement.com, company filings

Figure 48 Screenshot of Jason Moshe Gelfond's biography mentioned working for a property manager, source: gelfondcpas.com