

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported):

July 28, 2023

Arbor Realty Trust, Inc.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND
(STATE OF INCORPORATION)

001-32136
(COMMISSION FILE NUMBER)

20-0057959
(IRS EMPLOYER ID. NUMBER)

333 Earle Ovington Boulevard, Suite 900
Uniondale, New York
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

11553
(ZIP CODE)

(516) 506-4200
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbols	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ABR	New York Stock Exchange
Preferred Stock, 6.375% Series D Cumulative Redeemable, par value \$0.01 per share	ABR-PD	New York Stock Exchange
Preferred Stock, 6.25% Series E Cumulative Redeemable, par value \$0.01 per share	ABR-PE	New York Stock Exchange
Preferred Stock, 6.25% Series F Fixed-to-Floating Rate Cumulative Redeemable, par value \$0.01 per share	ABR-PF	New York Stock Exchange

Item 2.02 Results of Operations and Financial Condition.

On July 28, 2023, Arbor Realty Trust, Inc. issued a press release announcing its earnings for the quarter ended June 30, 2023, a copy of which is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits*

Exhibit Number	Exhibit
99.1	Press Release, dated July 28, 2023
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.



Arbor Realty Trust Reports Second Quarter 2023 Results and Increases Quarterly Dividend to \$0.43 per Share

Company Highlights:

- Diversified, annuity-based operating platform with a multifamily focus that generates strong distributable earnings and dividends in all cycles
 - GAAP net income of \$0.41 per diluted common share
 - Distributable earnings¹ of \$0.57 per diluted common share, well in excess of our current dividend, representing a 75% payout ratio
 - Raised cash dividend on common stock to \$0.43 per share; a \$0.01 per share, or 2% increase, representing an annualized dividend of \$1.72 per share
 - Strong liquidity position with ~\$1 billion in cash and liquidity and ~\$265 million of restricted cash in replenishable CLO vehicles with a weighted average cost of 1.67% over benchmark rates²
 - Agency loan originations of \$1.42 billion and a servicing portfolio of ~\$29.45 billion, up 2%
 - Structured loan originations of \$209.0 million and a portfolio of ~\$13.49 billion

Uniondale, NY, July 28, 2023 -- Arbor Realty Trust, Inc. (NYSE: ABR), today announced financial results for the second quarter ended June 30, 2023. Arbor reported net income for the quarter of \$76.2 million, or \$0.41 per diluted common share, compared to net income of \$69.9 million, or \$0.41 per diluted common share for the quarter ended June 30, 2022. Distributable earnings for the quarter was \$114.0 million, or \$0.57 per diluted common share, compared to \$93.7 million, or \$0.52 per diluted common share for the quarter ended June 30, 2022.

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Agency Business

Loan Origination Platform

	<u>Agency Loan Volume (in thousands)</u>	
	<u>Quarter Ended</u>	
	<u>June 30, 2023</u>	<u>March 31, 2023</u>
Fannie Mae	\$ 1,079,910	\$ 795,021
Freddie Mac	217,884	101,332
FHA	62,552	148,940
Private Label	50,256	41,107
SFR-Fixed Rate	11,837	5,461
Total Originations	<u>\$ 1,422,439</u>	<u>\$ 1,091,861</u>
Total Loan Sales	<u>\$ 1,410,724</u>	<u>\$ 932,699</u>
Total Loan Commitments	<u>\$ 1,133,312</u>	<u>\$ 1,500,110</u>

For the quarter ended June 30, 2023, the Agency Business generated revenues of \$76.7 million, compared to \$80.4 million for the first quarter of 2023. Gain on sales, including fee-based services, net on the GSE/Agency business (excluding private label and SFR) was \$22.2 million for the quarter, reflecting a margin of 1.67%, compared to \$13.1 million and 1.72% for the first quarter of 2023. Income from mortgage servicing rights was \$16.2 million for the quarter, reflecting a rate of 1.43% as a percentage of loan commitments, compared to \$18.5 million and 1.23% for the first quarter of 2023.

At June 30, 2023, loans held-for-sale was \$485.1 million, with financing associated with these loans totaling \$463.3 million.

Fee-Based Servicing Portfolio

The Company's fee-based servicing portfolio totaled \$29.45 billion at June 30, 2023. Servicing revenue, net was \$32.3 million for the quarter and consisted of servicing revenue of \$48.0 million, net of amortization of mortgage servicing rights totaling \$15.6 million.

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	Fee-Based Servicing Portfolio (\$ in thousands)					
	June 30, 2023			March 31, 2023		
	UPB	Wtd. Avg. Fee	Wtd. Avg. Life (years)	UPB	Wtd. Avg. Fee	Wtd. Avg. Life (years)
Fannie Mae	\$ 20,002,570	0.489%	7.7	\$ 19,508,256	0.495%	8.0
Freddie Mac	5,245,325	0.248%	8.8	5,180,607	0.247%	9.1
Private Label	2,305,000	0.193%	7.5	2,233,500	0.196%	7.7
FHA	1,303,812	0.145%	20.0	1,242,669	0.147%	19.8
Bridge	299,578	0.111%	3.5	467,881	0.116%	2.9
SFR-Fixed Rate	290,266	0.200%	5.9	279,712	0.200%	5.9
Total	\$ 29,446,551	0.401%	8.4	\$ 28,912,625	0.403%	8.6

Loans sold under the Fannie Mae program contain an obligation to partially guarantee the performance of the loan (“loss-sharing obligations”) and includes \$34.5 million for the fair value of the guarantee obligation undertaken at June 30, 2023. The Company recorded a \$7.6 million provision for loss sharing associated with CECL for the second quarter of 2023. At June 30, 2023, the Company’s total CECL allowance for loss-sharing obligations was \$32.2 million, representing 0.16% of the Fannie Mae servicing portfolio.

Structured Business

Portfolio and Investment Activity

	Structured Portfolio Activity (\$ in thousands)			
	Quarter Ended			
	June 30, 2023		March 31, 2023	
	UPB	%	UPB	%
Bridge:				
Multifamily	\$ 98,530	47%	\$ 186,100	70%
SFR	108,964	52%	76,089	28%
	207,494	99%	262,189	98%
Mezzanine/Preferred Equity	1,500	1%	5,845	2%
Total Originations	\$ 208,994	100%	\$ 268,034	100%
Number of Loans Originated	26		24	
SFR Commitments	\$ 200,182		\$ 54,350	
Runoff	\$ 685,220		\$ 1,186,649	

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	Structured Portfolio (\$ in thousands)			
	June 30, 2023		March 31, 2023	
	UPB	%	UPB	%
Bridge:				
Multifamily	\$ 11,887,768	88%	\$ 12,034,638	88%
SFR	1,023,959	8%	982,026	7%
Other	256,575	2%	282,275	2%
	13,168,302	98%	13,298,939	97%
Mezzanine/Preferred Equity	312,812	2%	311,819	2%
SFR Permanent	10,493	< 1%	32,966	< 1%
Total Portfolio	\$ 13,491,607	100%	\$ 13,643,724	100%

At June 30, 2023, the loan and investment portfolio's unpaid principal balance, excluding loan loss reserves, was \$13.49 billion, with a weighted average current interest pay rate of 8.76%, compared to \$13.64 billion and 8.60% at March 31, 2023. Including certain fees earned and costs associated with the loan and investment portfolio, the weighted average current interest pay rate was 9.07% at June 30, 2023, compared to 8.83% at March 31, 2023.

The average balance of the Company's loan and investment portfolio during the second quarter of 2023, excluding loan loss reserves, was \$13.66 billion with a weighted average yield of 9.19%, compared to \$14.15 billion and 8.94% for the first quarter of 2023. The increase in average yield was primarily due to increases in the benchmark index rates in the second quarter of 2023.

During the second quarter of 2023, the Company recorded a \$16.0 million provision for loan losses associated with CECL. At June 30, 2023, the Company's total allowance for loan losses was \$169.1 million. The Company had seven non-performing loans with a carrying value of \$122.4 million, before loan loss reserves of \$10.1 million, compared to four loans with a carrying value of \$7.7 million, before loan loss reserves of \$5.1 million at March 31, 2023.

Financing Activity

The balance of debt that finances the Company's loan and investment portfolio at June 30, 2023 was \$12.11 billion with a weighted average interest rate including fees of 7.25% as compared to \$12.65 billion and a rate of 6.97% at March 31, 2023.

The average balance of debt that finances the Company's loan and investment portfolio for the second quarter of 2023 was \$12.46 billion, as compared to \$13.02 billion for the first quarter of 2023. The average cost of borrowings for the second quarter of 2023 was 7.11%, compared to 6.69% for the first quarter of 2023. The increase in average cost was primarily due to increases in the benchmark index rates in the second quarter of 2023.

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Dividend

The Company announced today that its Board of Directors has declared a quarterly cash dividend of \$0.43 per share of common stock for the quarter ended June 30, 2023. The dividend is payable on August 31, 2023 to common stockholders of record on August 15, 2023. The ex-dividend date is August 14, 2023.

Earnings Conference Call

The Company will host a conference call today at 10:00 a.m. Eastern Time. A live webcast and replay of the conference call will be available at www.arbor.com in the investor relations section of the Company's website, or you can access the call telephonically at least ten minutes prior to the conference call. The dial-in numbers are (800) 225-9448 for domestic callers and (203) 518-9708 for international callers. Please use participant passcode ABRQ223 when prompted by the operator.

A telephonic replay of the call will be available until August 4, 2023. The replay dial-in numbers are (800) 934-4548 for domestic callers and (402) 220-1175 for international callers.

About Arbor Realty Trust, Inc.

[Arbor Realty Trust, Inc.](#) (NYSE: [ABR](#)) is a nationwide real estate investment trust and direct lender, providing loan origination and servicing for multifamily, single-family rental (SFR) portfolios, and other diverse commercial real estate assets. Headquartered in New York, Arbor manages a multibillion-dollar servicing portfolio, specializing in government-sponsored enterprise products. Arbor is a leading [Fannie Mae DUS®](#) lender and [Freddie Mac Optigo®](#) Seller/Servicer, and an approved FHA Multifamily Accelerated Processing (MAP) lender. Arbor's product platform also includes [bridge](#), [CMBS](#), [mezzanine and preferred equity](#) loans. Rated by Standard and Poor's and Fitch Ratings, Arbor is committed to building on its reputation for service, quality, and customized solutions with an unparalleled dedication to providing our clients excellence over the entire life of a loan.

Safe Harbor Statement

Certain items in this press release may constitute forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Arbor can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from Arbor's expectations include, but are not limited to, changes in economic conditions generally, and the real estate markets specifically, continued

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ability to source new investments, changes in interest rates and/or credit spreads, and other risks detailed in Arbor's Annual Report on Form 10-K for the year ended December 31, 2022 and its other reports filed with the SEC. Such forward-looking statements speak only as of the date of this press release. Arbor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Arbor's expectations with regard thereto or change in events, conditions, or circumstances on which any such statement is based.

Notes

1. During the quarterly earnings conference call, the Company may discuss non-GAAP financial measures as defined by SEC Regulation G. In addition, the Company has used non-GAAP financial measures in this press release. A supplemental schedule of non-GAAP financial measures and the comparable GAAP financial measure can be found on the last page of this release.
2. Amounts reflect approximate balances as of July 25, 2023.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Income - (Unaudited)

(\$ in thousands—except share and per share data)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Interest income	\$ 335,737	\$ 201,328	\$ 663,685	\$ 368,026
Interest expense	227,195	107,067	446,569	189,627
Net interest income	108,542	94,261	217,116	178,399
Other revenue:				
Gain on sales, including fee-based services, net	22,587	16,510	37,176	18,166
Mortgage servicing rights	16,201	17,567	34,659	32,879
Servicing revenue, net	32,347	20,714	61,913	41,769
Property operating income	1,430	290	2,811	586
Gain (loss) on derivative instruments, net	(7,384)	8,606	(3,161)	25,992
Other income (loss), net	45	(13,249)	4,923	(10,048)
Total other revenue	65,226	50,438	138,321	109,344
Other expenses:				
Employee compensation and benefits	41,310	38,900	83,708	80,925
Selling and administrative	12,584	13,188	26,207	27,735
Property operating expenses	1,365	542	2,747	1,077
Depreciation and amortization	2,387	2,031	5,011	4,014
Provision for loss sharing (net of recoveries)	7,672	(1,949)	10,848	(2,611)
Provision for credit losses (net of recoveries)	13,878	5,067	36,395	7,426
Total other expenses	79,196	57,779	164,916	118,566
Income before extinguishment of debt, income from equity affiliates, and income taxes	94,572	86,920	190,521	169,177
Loss on extinguishment of debt	(1,247)	-	(1,247)	(1,350)
Income from equity affiliates	5,560	6,547	19,886	13,759
Provision for income taxes	(5,553)	(5,352)	(13,582)	(13,540)
Net income	93,332	88,115	195,578	168,046
Preferred stock dividends	10,342	11,214	20,684	20,270
Net income attributable to noncontrolling interest	6,826	6,992	14,411	13,808
Net income attributable to common stockholders	\$ 76,164	\$ 69,909	\$ 160,483	\$ 133,968
Basic earnings per common share	\$ 0.42	\$ 0.43	\$ 0.88	\$ 0.85
Diluted earnings per common share	\$ 0.41	\$ 0.41	\$ 0.87	\$ 0.82
Weighted average shares outstanding:				
Basic	181,815,469	163,044,217	181,468,002	158,258,813
Diluted	216,061,876	195,013,810	215,489,604	190,357,030
Dividends declared per common share	\$ 0.42	\$ 0.38	\$ 0.82	\$ 0.75

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(\$ in thousands—except share and per share data)

	June 30, 2023 (Unaudited)	December 31, 2022
Assets:		
Cash and cash equivalents	\$ 846,362	\$ 534,357
Restricted cash	396,866	713,808
Loans and investments, net (allowance credit losses of \$169,054 and \$132,559)	13,271,359	14,254,674
Loans held-for-sale, net	485,126	354,070
Capitalized mortgage servicing rights, net	394,410	401,471
Securities held-to-maturity, net (allowance credit losses of \$4,534 and \$3,153)	155,210	156,547
Investments in equity affiliates	72,806	79,130
Due from related party	73,263	77,419
Goodwill and other intangible assets	93,723	96,069
Other assets	368,502	371,440
Total assets	\$ 16,157,627	\$ 17,038,985
Liabilities and Equity:		
Credit and repurchase facilities	\$ 3,579,080	\$ 3,841,814
Securitized debt	7,168,104	7,849,270
Senior unsecured notes	1,331,875	1,385,994
Convertible senior unsecured notes	281,737	280,356
Junior subordinated notes to subsidiary trust issuing preferred securities	143,506	143,128
Due to related party	3,556	12,350
Due to borrowers	102,495	61,237
Allowance for loss-sharing obligations	66,681	57,168
Other liabilities	320,952	335,789
Total liabilities	12,997,986	13,967,106
Equity:		
Arbor Realty Trust, Inc. stockholders' equity:		
Preferred stock, cumulative, redeemable, \$0.01 par value: 100,000,000 shares authorized, shares issued and outstanding by period:		
Special voting preferred shares - 16,293,589 shares		
6.375% Series D - 9,200,000 shares		
6.25% Series E - 5,750,000 shares		
6.25% Series F - 11,342,000 shares		
Common stock, \$0.01 par value: 500,000,000 shares authorized - 183,067,388 and 178,230,522 shares issued and outstanding	1,831	1,782
Additional paid-in capital	2,280,632	2,204,481
Retained earnings	107,561	97,049
Total Arbor Realty Trust, Inc. stockholders' equity	3,023,708	2,936,996
Noncontrolling interest	135,933	134,883
Total equity	3,159,641	3,071,879
Total liabilities and equity	\$ 16,157,627	\$ 17,038,985

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

Statement of Income Segment Information - (Unaudited)
(in thousands)

	Quarter Ended June 30, 2023			
	Structured Business	Agency Business	Other / Eliminations ⁽¹⁾	Consolidated
Interest income	\$ 322,105	\$ 13,632	\$ -	\$ 335,737
Interest expense	220,966	6,229	-	227,195
Net interest income	101,139	7,403	-	108,542
Other revenue:				
Gain on sales, including fee-based services, net	-	22,587	-	22,587
Mortgage servicing rights	-	16,201	-	16,201
Servicing revenue	-	47,952	-	47,952
Amortization of MSR's	-	(15,605)	-	(15,605)
Property operating income	1,430	-	-	1,430
Loss on derivative instruments, net	-	(7,384)	-	(7,384)
Other income (loss), net	760	(715)	-	45
Total other revenue	2,190	63,036	-	65,226
Other expenses:				
Employee compensation and benefits	13,438	27,872	-	41,310
Selling and administrative	5,833	6,751	-	12,584
Property operating expenses	1,365	-	-	1,365
Depreciation and amortization	1,214	1,173	-	2,387
Provision for loss sharing (net of recoveries)	-	7,672	-	7,672
Provision for credit losses (net of recoveries)	14,369	(491)	-	13,878
Total other expenses	36,219	42,977	-	79,196
Income before extinguishment of debt, income from equity affiliates, and income taxes	67,110	27,462	-	94,572
Loss on extinguishment of debt	(1,247)	-	-	(1,247)
Income from equity affiliates	5,560	-	-	5,560
Provision for income taxes	(1,200)	(4,353)	-	(5,553)
Net income	70,223	23,109	-	93,332
Preferred stock dividends	10,342	-	-	10,342
Net income attributable to noncontrolling interest	-	-	6,826	6,826
Net income attributable to common stockholders	\$ 59,881	\$ 23,109	\$ (6,826)	\$ 76,164

(1) Includes income allocated to the noncontrolling interest holders not allocated to the two reportable segments.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

Balance Sheet Segment Information - (Unaudited)
(in thousands)

	June 30, 2023		
	Structured Business	Agency Business	Consolidated
Assets:			
Cash and cash equivalents	\$ 468,515	\$ 377,847	\$ 846,362
Restricted cash	391,872	4,994	396,866
Loans and investments, net	13,271,359	-	13,271,359
Loans held-for-sale, net	-	485,126	485,126
Capitalized mortgage servicing rights, net	-	394,410	394,410
Securities held-to-maturity, net	-	155,210	155,210
Investments in equity affiliates	72,806	-	72,806
Goodwill and other intangible assets	12,500	81,223	93,723
Other assets	358,528	83,237	441,765
Total assets	<u>\$ 14,575,580</u>	<u>\$ 1,582,047</u>	<u>\$ 16,157,627</u>
Liabilities:			
Debt obligations	\$ 12,041,014	\$ 463,288	\$ 12,504,302
Allowance for loss-sharing obligations	-	66,681	66,681
Other liabilities	309,875	117,128	427,003
Total liabilities	<u>\$ 12,350,889</u>	<u>\$ 647,097</u>	<u>\$ 12,997,986</u>

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

Reconciliation of Distributable Earnings to GAAP Net Income - (Unaudited)
(\$ in thousands—except share and per share data)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income attributable to common stockholders	\$ 76,164	\$ 69,909	\$ 160,483	\$ 133,968
Adjustments:				
Net income attributable to noncontrolling interest	6,826	6,992	14,411	13,808
Income from mortgage servicing rights	(16,201)	(17,567)	(34,659)	(32,879)
Deferred tax benefit	(7,360)	(706)	(4,197)	(2,426)
Amortization and write-offs of MSR	21,204	27,625	39,927	55,295
Depreciation and amortization	4,058	2,617	8,353	5,186
Loss on extinguishment of debt	1,247	-	1,247	1,350
Provision for credit losses, net	16,810	5,849	40,515	7,546
(Gain) loss on derivative instruments, net	8,085	(4,155)	1,034	(4,453)
Stock-based compensation	3,193	3,149	9,094	9,241
Distributable earnings (1)	\$ 114,026	\$ 93,713	\$ 236,208	\$ 186,636
Diluted distributable earnings per share (1)	\$ 0.57	\$ 0.52	\$ 1.19	\$ 1.06
Diluted weighted average shares outstanding (1) (2)	198,791,261	179,873,329	198,239,006	175,252,399

(1) Amounts are attributable to common stockholders and OP Unit holders. The OP Units are redeemable for cash, or at the Company's option for shares of the Company's common stock on a one-for-one basis.

(2) The diluted weighted average shares outstanding were adjusted to exclude the potential shares issuable upon conversion and settlement of the Company's convertible senior notes principal balance. For the quarters ended June 30, 2023 and June 30, 2022, the diluted weighted average shares outstanding excluded 17,270,615 and 15,140,481 of these potentially issuable shares, respectively. For the six months ended June 30, 2023 and June 30, 2022, the diluted weighted average shares outstanding excluded 17,250,598 and 15,104,631 of these potentially issuable shares, respectively.

The Company is presenting distributable earnings because management believes it is an important supplemental measure of the Company's operating performance and is useful to investors, analysts and other parties in the evaluation of REITs and their ability to provide dividends to stockholders. Dividends are one of the principal reasons investors invest in REITs. To maintain REIT status, REITs are required to distribute at least 90% of their REIT-taxable income. The Company considers distributable earnings in determining its quarterly dividend and believes that, over time, distributable earnings is a useful indicator of the Company's dividends per share.

The Company defines distributable earnings as net income (loss) attributable to common stockholders computed in accordance with GAAP, adjusted for accounting items such as depreciation and amortization (adjusted for unconsolidated joint ventures), non-cash stock-based compensation expense, income from MSR, amortization and write-offs of MSR, gains/losses on derivative instruments primarily associated with Private Label loans not yet sold and securitized, changes in fair value of GSE-related derivatives that temporarily flow through earnings (net of any tax impact), deferred tax provision (benefit), CECL provisions for credit losses (adjusted for realized losses as described below) and gains/losses on the receipt of real estate from the settlement of loans (prior to the sale of the real estate). The Company also adds back one-time charges such as acquisition costs and one-time gains/losses on the early extinguishment of debt and redemption of preferred stock.

The Company reduces distributable earnings for realized losses in the period management determines that a loan is deemed nonrecoverable in whole or in part. Loans are deemed nonrecoverable upon the earlier of: (1) when the loan receivable is settled (i.e., when the loan is repaid, or in the case of foreclosure, when the underlying asset is sold); or (2) when management determines that it is nearly certain that all amounts due will not be collected. The realized loss amount is equal to the difference between the cash received, or expected to be received, and the book value of the asset.

Distributable earnings is not intended to be an indication of the Company's cash flows from operating activities (determined in accordance with GAAP) or a measure of its liquidity, nor is it entirely indicative of funding the Company's cash needs, including its ability to make cash distributions. The Company's calculation of distributable earnings may be different from the calculations used by other companies and, therefore, comparability may be limited.

