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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-32136

Arbor Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**20-0057959**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
333 Earle Ovington Boulevard, Suite 900 Uniondale, NY	**11553**
(Address of principal executive offices)	(Zip Code)

(516) 506-4200
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange
Preferred Stock, 8.25% Series A Cumulative Redeemable, par value $0.01 per share	New York Stock Exchange
Preferred Stock, 7.75% Series B Cumulative Redeemable, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's common stock, all of which is voting, held by non-affiliates of the registrant as of June 30, 2013 (computed based on the closing price on such date as reported on the NYSE) was $217.2 million. As of February 14, 2014, the registrant had 49,136,308 shares of common stock outstanding (excluding 2,650,767 shares held in treasury).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the registrant's 2014 Annual Meeting of Stockholders (the "2014 Proxy Statement"), to be filed within 120 days after the end of the registrant's fiscal year ended December 31, 2013, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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FORWARD LOOKING STATEMENTS

This report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, the operating performance of our investments and financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "seek," "anticipate," "estimate," "believe," "could," "project," "predict," "continue" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in economic conditions generally and the real estate market specifically; adverse changes in the financing markets we access affecting our ability to finance our loan and investment portfolio; changes in interest rates; the quality and size of the investment pipeline and the rate at which we can invest our cash; impairments in the value of the collateral underlying our loans and investments; legislative/regulatory changes; the availability and cost of capital for future investments; competition; and other risks detailed from time to time in our SEC reports. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect management's views as of the date of this report. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement. For a discussion of our critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Estimates and Critical Accounting Policies" under Item 7 of this report.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

PART I

ITEM 1. BUSINESS

In this Annual Report on Form 10-K we refer to Arbor Realty Trust, Inc. and subsidiaries as "we," "us," "the Company," or "our" unless we specifically state otherwise or the context indicates otherwise.

Overview

Arbor Realty Trust, Inc. is a specialized real estate finance company that invests in a diversified portfolio of structured finance assets in the multi-family and commercial real estate markets. We invest primarily in real estate-related bridge and mezzanine loans, including junior participating interests in first mortgages, preferred and direct equity, and in limited cases, discounted mortgage notes and other real estate-related assets, which we refer to collectively as structured finance investments. We also hold investments in mortgage-related securities and real estate property. Our principal business objective is to maximize the difference between the yield on our investments and the cost of financing these investments to generate cash available for distribution, facilitate capital appreciation and maximize total return to our stockholders.

We are organized to qualify as a real estate investment trust ("REIT") for federal income tax purposes. A REIT is generally not subject to federal income tax on that portion of its REIT taxable income that is distributed to its stockholders, provided that at least 90% of taxable income is distributed and provided that certain other requirements are met. Certain of our assets that produce non-qualifying income are held in taxable REIT subsidiaries. Unlike other subsidiaries of a REIT, the income of a taxable REIT subsidiary is subject to federal and state income taxes.

We commenced operations in July 2003 and conduct substantially all of our operations and investing activities through our operating partnership, Arbor Realty Limited Partnership, and its subsidiaries. We serve as the general partner of our operating partnership, and own a 100% partnership interest in our operating partnership as of December 31, 2013.

We are externally managed and advised by Arbor Commercial Mortgage, LLC ("ACM"), a national commercial real estate finance company that specializes in debt and equity financing for multi-family and commercial real estate, pursuant to the terms of a management agreement described below. ACM provides us with all of the services vital to our operations other than asset management, securitization and certain credit functions, and our executive officers and other staff are all employed by our manager, ACM, pursuant to the management agreement. The management agreement requires ACM to manage our business affairs in conformity with the policies and investment guidelines that are approved and monitored by our Board of Directors.

We believe ACM's experience and reputation positions it to originate attractive investment opportunities for us. Our management agreement with ACM was developed to capitalize on synergies with ACM's origination infrastructure, existing business relationships and management expertise. ACM has granted us a right of first refusal to pursue all structured finance investment opportunities in the multi-family or commercial real estate markets that are identified by ACM or its affiliates. ACM continues to originate and service multi-family and commercial mortgage loans under Fannie Mae, Federal Housing Administration and conduit commercial lending programs. We believe that the customer relationships established from these lines of business may generate additional real estate investment opportunities for our business.

Our Corporate History

Arbor Realty Trust, Inc. is a Maryland corporation that was formed in June 2003. On July 1, 2003, ACM contributed a portfolio of structured finance investments to our operating partnership. Concurrently with this contribution, we and our operating partnership entered into a management agreement with ACM pursuant to which ACM manages our investments for a base management fee and incentive compensation, and the nine person asset management group of ACM became our employees.

In exchange for ACM's contribution of structured finance investments, our operating partnership issued approximately 3.1 million units of limited partnership interest, or operating partnership units, and approximately 0.6 million warrants to purchase additional operating partnership units at an initial exercise price of $15.00 per operating partnership unit to ACM. Concurrently, we, our operating partnership and ACM entered into a pairing agreement. Pursuant to the pairing agreement, each operating partnership unit issued to ACM and issuable to ACM upon exercise of its warrants for additional operating partnership units in connection with the contribution of initial assets was paired with one share of the Company's special voting preferred stock. In October 2004, ACM exercised these warrants and held approximately 3.8 million operating partnership units, constituting an approximately 16% limited partnership interest in our operating partnership. ACM had the ability to redeem each of these operating partnership units for cash or, at our election, one share of our common stock. We granted ACM certain demand and other registration rights with respect to the shares of common stock that could be issued upon redemption of these operating partnership units. Each of these operating partnership units were also paired with one share of our special voting preferred stock entitling ACM to one vote on all matters submitted to a vote of our stockholders. Upon redemption of these operating partnership units, an equivalent number of shares of our special voting preferred stock would be redeemed and cancelled.

Concurrently with ACM's contribution of investments to our operating partnership, we sold approximately 1.6 million of our units, each consisting of five shares of our common stock and one warrant to purchase an additional share of common stock at an initial exercise price of $15.00 per share, for $75.00 per unit in a private placement and agreed to register the shares of common stock underlying these units and warrants for resale under the Securities Act of 1933, as amended (the "1933 Act"). In July 2004, we registered approximately 9.6 million shares of common stock underlying these units and warrants. At December 31, 2005, approximately 1.6 million warrants were exercised, of which 0.5 million were exercised "cashless," for a total of 1.3 million common shares issued pursuant to their exercise.

In June 2008, our external manager exercised its right to redeem its approximate 3.8 million operating partnership units in our operating partnership for shares of our common stock on a one-for-one basis. In addition, the special voting preferred shares paired with each operating partnership unit, pursuant to the pairing agreement, were redeemed simultaneously and cancelled.

We closed our initial public offering in April 2004. Since then we have utilized the capital markets from time to time to access capital to finance our loan and investment portfolio, pay down debt and for general corporate purposes. We have employed several methods of raising capital including public offerings of our common and preferred stock, private placements of debt, "At-the-Market" equity offerings, as well as collateralized debt and loan obligation transactions.

Our Investment Strategy

Our principal business objectives are to invest in bridge and mezzanine loans, including junior participating interests in first mortgages, preferred and direct equity, mortgage-backed securities and other real estate-related assets predominantly in the multifamily and commercial real estate markets and actively manage our investment portfolio in order to generate cash available for distribution, facilitate capital appreciation and maximize total return to our stockholders. We believe the financing of multi-family and commercial real estate offers opportunities that demand customized financing solutions. We believe we can achieve these objectives through the following business and growth strategies:

Provide Customized Financing. We provide financing customized to the needs of our borrowers. We target borrowers who have demonstrated a history of enhancing the value of the properties they operate, but whose options may be limited by conventional bank financing and who may benefit from the sophisticated structured finance products we offer.

Execute Transactions Rapidly. We act quickly and decisively on proposals, provide commitments and close transactions within a few weeks and sometimes days, if required. We believe that rapid execution attracts opportunities from both borrowers and other lenders that would not otherwise be available. We believe our ability to structure flexible terms and close loans in a timely manner gives us a competitive advantage.

Manage Credit Quality. A critical component of our strategy in the real estate finance sector is our ability to manage the real estate risk that is underwritten by our manager and us. We actively manage the credit quality of our portfolio by using the expertise of our asset management group, which has a proven track record of structuring and repositioning structured finance investments to improve credit quality and yield.

Use ACM's Relationships with Existing Borrowers. We capitalize on ACM's reputation in the commercial real estate finance industry. ACM has relationships with a large borrower base nationwide. Since ACM's originators offer senior mortgage loans as well as our structured finance products, we are able to benefit from its existing customer base and use its senior lending business as a potential refinance vehicle for our structured finance assets.

Offer Broader Products and Expand Customer Base. We have the ability to offer a larger number of financing alternatives than ACM has been able to offer to its customers in the past. Our potential borrowers are able to choose from products offering various lengths of maturity, rate types and larger principal amounts than ACM could offer.

Leverage the Experience of Executive Officers, ACM and Our Employees. Our executive officers and employees, and those of ACM, have extensive experience originating and managing structured commercial real estate investments. Our senior management team has, on average, over 20 years of experience in the financial services industry.

Our Targeted Investments

We pursue lending and investment opportunities with property owners and developers who need interim financing until permanent financing can be obtained. We primarily target transactions where we believe we have competitive advantages, particularly our lower cost structure and in-house underwriting capabilities. Our structured finance investments generally have maturities of two to five years depending on type, have extension options when appropriate, and generally require a balloon payment of principal at maturity. Borrowers in the market for these types of loans include, but are not limited to, owners or developers seeking either to acquire or refurbish real estate or to pay down debt and reposition a property for permanent financing.

Our investment program emphasizes the following general categories of real estate-related activities:

Bridge Financing. We offer bridge financing products to borrowers who are typically seeking short-term capital to be used in an acquisition of property. The borrower has usually identified an undervalued asset that has been under managed and/or is located in a recovering market. From the borrower's perspective, shorter term bridge financing is advantageous because it allows for time to improve the property value through repositioning the property without encumbering it with restrictive long-term debt that may not reflect optimal leverage for a non-stabilized property.

The bridge loans we currently make typically range in size from $5 million to $30 million and are predominantly secured by first mortgage liens on the property. At December 31, 2013 our target interest rate range is generally 5.25% to 7.25% over 30-day LIBOR. Additional yield enhancements may include origination fees, deferred interest, yield look-backs, and participating interests, which are equity interests in the borrower that share in a percentage of the underlying cash flows of the property. Borrowers generally use the proceeds of a conventional mortgage to repay a bridge loan.

Junior Participation Financing. We offer junior participation financing in the form of a junior participating interest in the senior debt. Junior participation financings have the same obligations, collateral and borrower as the senior debt. The junior participation interest is subordinated to the senior debt by virtue of a contractual agreement between the senior debt lender and the junior participating interest lender.

Our junior participation loans have typically ranged in size from $1 million to $50 million and have terms of up to ten years. At December 31, 2013 our target interest rate is generally 12.0%. As in the case with our bridge loans, the yield on these investments may be enhanced by prepaid and deferred interest payments, yield look-backs and participating interests.

Mezzanine Financing. We offer mezzanine financing in the form of loans that are subordinate to a conventional first mortgage loan and senior to the borrower's equity in a transaction. Mezzanine financing may take the form of loans secured by pledges of ownership interests in entities that directly or indirectly control the real property or subordinated loans secured by second mortgage liens on the property. We may also require additional security such as personal guarantees, letters of credit and/or additional collateral unrelated to the property.

Our mezzanine loans have typically ranged in size from $1 million to $50 million and have terms of up to ten years. At December 31, 2013 our target interest rate is generally 12.0%. As in the case with our bridge loans, the yield on these investments may be enhanced by prepaid and deferred interest payments, yield look-backs and participating interests.

We hold a majority of our mezzanine loans through subsidiaries of our operating partnership that are pass-through entities for tax purposes.

Preferred Equity Investments. We provide financing by making preferred equity investments in entities that directly or indirectly own real property. In cases where the terms of a first mortgage prohibit additional liens on the ownership entity, investments structured as preferred equity in the entity owning the property serve as viable financing substitutes. With preferred equity investments, we typically become a member in the ownership entity.

Our preferred equity investments have typically ranged in size from $1 million to $75 million and have terms up to ten years. At December 31, 2013 our target return is generally 12.0%.

Other Investment Opportunities

Real Property. We have, and may in the future, obtain real estate by foreclosure or through partial or full settlement of mortgage debt related to our loans. Our management team may identify such assets and initiate an asset-specific plan to maximize the value of the collateral, which can include appointing a third party property manager, completing the construction or renovation of the property, continuing the sale of condominium units, leasing or increasing the occupancy of the property, or selling the entire asset or a partial interest to a third party. As such, these transactions may require the use of additional capital prior to the completion of the specific plan. Additionally, we may identify real estate investment opportunities such as domestic real estate for repositioning and/or renovation and then disposition at an anticipated significant return. In these situations, we may act solely on our own behalf or in partnership with other investors. Typically, these transactions are analyzed with the expectation that we will have the ability to sell the property within a one to three year time period, achieving a significant return on invested capital. In connection with these transactions, speed of execution is often the most critical component to success. We may seek to finance a portion of the acquisition price through short-term financing, if available. Repayment of the short-term financing will either come from the sale of the property or conventional permanent debt.

Note Acquisitions. We may acquire real estate notes from lenders in situations where the borrower wishes to restructure and reposition its short-term debt and the lender wishes, for a variety of reasons (such as risk mitigation, portfolio diversification or other strategic reasons), to divest certain assets from its portfolio. These notes may be acquired at a discount. In such cases, we intend to use our management resources to resolve any disputes concerning the note or the property securing it and to identify and resolve any existing operational or any other problems at the property. We will then either restructure the debt obligation for immediate resale or sale at a later date, or reposition it for permanent financing. In some instances, we may take title to the property underlying the real estate note.

Equity Securities. We have, and may in the future, invest in equity securities such as the common stock of a commercial real estate specialty finance company. Investments in these securities have the risk of stock market fluctuations which may result in the loss of our principal investment.

Residential Mortgage-Backed Securities. We have, and may in the future, invest in residential mortgage-backed securities ("RMBS"). These securities may be purchased at a premium or discount to their face value, which is amortized or accreted into interest income on an effective yield adjusted for actual prepayment activity over the expected remaining life of the related security as a yield adjustment. These securities may have underlying credit ratings assigned by the three leading nationally recognized rating agencies (Moody's Investor Service, Standard & Poor's and Fitch Ratings) and are generally not insured or otherwise guaranteed.

Commercial Real Estate Collateralized Debt Obligation Bonds. We have, and may in the future, invest in securities such as commercial real estate collateralized debt obligation ("CDO") bonds. These certificates are usually purchased at a discount to their face value, which is accreted into interest income, if deemed to be collectable, on an effective yield adjusted for actual prepayment activity over the expected remaining life of the related security as a yield adjustment. These securities may have underlying credit ratings assigned by the three leading nationally recognized rating agencies and are generally not insured or otherwise guaranteed.

Commercial Mortgage-Backed Securities. We have, and may in the future, invest in commercial mortgage-backed securities ("CMBS"). These securities are usually purchased at a discount to their face value which is accreted into interest income, if deemed to be collectable, on an effective yield adjusted for actual prepayment activity over the expected remaining life of the related security as a yield adjustment. These securities may have underlying credit ratings assigned by the three leading nationally recognized rating agencies and are generally not insured or otherwise guaranteed.

Our Structured Finance Investments

We own a diversified portfolio of structured finance investments consisting primarily of real estate-related bridge, junior participation interests in first mortgages, and mezzanine loans as well as preferred equity investments.

At December 31, 2013, we had 144 loans and investments in our portfolio, totaling $1.7 billion. We have an allowance for loan losses of $122.3 million at December 31, 2013 related to 15 loans in our portfolio with an aggregate carrying value, before loan loss reserves, of $207.5 million. The loan loss reserves were determined during our regular quarterly risk rating review process, which is based on several factors including current market conditions, values and the operating status of these properties. We continue to actively manage all loans and investments in the portfolio in a manner consistent with our underwriting and asset management policy and procedures with the goal of maintaining the credit quality of our portfolio and limiting potential losses.

The overall yield on our loan and investments portfolio in 2013 was 5.65% on average assets of $1.7 billion. This yield was computed by dividing the interest income earned during the year by the average assets during the year. Our cost of funds in 2013 was 3.22% on average borrowings of $1.3 billion. This cost of funds was computed by dividing the interest expense incurred during the year by the average borrowings during the year.

Our average net investment (average assets less average borrowings) in 2013 was $444.8 million, resulting in average leverage (average borrowings divided by average assets) of 74.6%. Including average junior subordinated notes of $175.9 million as equity, our average leverage was 64.5%. The net interest income earned in 2013 yielded a 12.7% return on our average net investment during the year. This yield was computed by dividing net interest (interest income less interest expense) earned in 2013 by average equity (computed as average assets minus average borrowings) invested during the year.

Our business plan contemplates that our leverage ratio, including our junior subordinated notes as equity, will be approximately 70% to 80% of our assets in the aggregate. However, including our junior subordinated notes as equity, our leverage is generally not to exceed 80% of the value of our portfolio assets, before loan loss reserves, when considering additional financing sources unless approval to exceed the 80% limit is obtained from our Board of Directors. See "Operating Policies and Strategies" below for further details.

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The following table sets forth information regarding our loan and investment portfolio as of December 31, 2013:

Type	Asset Class	Number	Unpaid Principal (Dollars in Thousands)	Weighted Average Pay Rate(1)	Weighted Average Remaining Maturity (months)
Bridge Loans	Multi Family	76	$ 843,990	5.59%	17.4
	Office	9	156,716	5.65%	24.6
	Land	7	107,419	0.11%	8.3
	Hotel	1	34,181	7.75%	37.0
	Commercial	1	22,728	3.47%	43.0
	Retail	1	6,750	6.03%	11.0
		95	1,171,784	5.11%	18.5
Mezzanine Loans	Multi Family	23	89,966	7.20%	72.3
	Office	2	18,779	9.68%	16.0
	Land	1	9,333	—	8.0
	Commercial	1	472	4.47%	43.0
		27	118,550	7.02%	58.2
Junior Participations	Office	5	181,338	5.39%	25.7
	Hotel	1	35,000	1.95%	3.0
	Multi Family	1	32,000	—	3.0
		7	248,338	4.21%	19.6
Preferred Equity	Multi Family	11	102,573	5.67%	52.7
	Condo	2	15,250	17.00%	2.0
	Office	1	2,000	7.00%	11.0
	Commercial	1	1,700	12.00%	43.0
		15	121,523	7.20%	45.5
Total		144	$ 1,660,195	5.26%	23.5

(1) "Weighted Average Pay Rate" is a weighted average, based on the unpaid principal balances of each loan in the portfolio, of the interest rate that is required to be paid monthly as stated in the individual loan agreements. Certain loans and investments that require an additional rate of interest "Accrual Rate" to be paid at the maturity are not included in the weighted average pay rate as shown in the table.

The following table sets forth geographic and asset class information regarding our loan and investment portfolio as of December 31, 2013:

Geographic Location	Unpaid Principal (Dollars in Thousands)	Percentage	Asset Class	Unpaid Principal (Dollars in Thousands)	Percentage
New York	$ 595,552	35.9%	Multi Family	$ 1,068,530	64.4%
Texas	169,409	10.2%	Office	358,833	21.6%
Florida	140,149	8.4%	Land	116,752	7.0%
California	121,909	7.3%	Hotel	69,181	4.2%
Maryland	71,450	4.3%	Commercial	24,900	1.5%
North Carolina	64,680	3.9%	Condo	15,250	0.9%
Georgia	62,009	3.7%	Retail	6,749	0.4%
Pennsylvania	49,437	3.0%			
Tennessee	38,486	2.3%			
Illinois	35,833	2.2%			
Alabama	32,830	2.0%			
Diversified	125,844	7.6%			
Other(1)	152,607	9.2%			
Total	$ 1,660,195	100.0%	Total	$ 1,660,195	100.0%

(1) No other individual state makes up more than 2% of the total.

Regulatory Aspects of Our Investment Strategy

Real Estate Exemption from Investment Company Act. We believe that we conduct, and we intend to conduct, our business at all times in a manner that avoids registration as an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act. Entities that are primarily engaged in the business of purchasing or otherwise acquiring "mortgages and other liens on and interests in real estate," are currently exempt from registration under the Investment Company Act if they maintain at least 55% of their assets directly in qualifying real estate assets and meet certain other requirements. Assets that qualify for purposes of this 55% test include, among other things, direct investments in real estate and mortgage loans. Our bridge loans, which are secured by first mortgage liens on the underlying properties, and our loans that are secured by second mortgage liens on the underlying properties generally qualify for purposes of this 55% test. These two types of loans constituted more than 55% of our assets as of December 31, 2013. The regulatory authorities are currently reviewing the interpretive guidance under the above exemption. Refer to Item 1A "Risk Factors—Risks Related to Our Business" for more information.

Investment Advisors Act. Our manager is required to register under the Investment Advisors Act of 1940, or the Investment Advisors Act, and is thereby subject to the regulation prescribed by the statute. In addition, our subsidiary, Arbor Realty Collateral Management, LLC, the collateral manager for our CDOs and collateralized loan obligations ("CLOs"), is also registered under the investment advisors act.

Our investment guidelines provide that no more than 15% of our assets may consist of any type of mortgage-related securities and that the percentage of our investments in mortgage-related securities as compared to our structured finance investments be monitored on a regular basis.

Management Agreement

Pursuant to the terms of the management agreement, our manager has agreed to service and manage our investments and to provide us with multi-family and commercial real estate-related structured finance investment opportunities, finance and other services necessary to operate our business. Our manager is required to provide a dedicated management team to provide these services to us, the members of which will devote such of their time to our management as our independent directors reasonably deem necessary and appropriate, commensurate with our level of activity from time to time. We rely to a significant extent on the facilities and resources of our manager to conduct our operations. For performing services under the management agreement, ACM is eligible to receive a base management fee, incentive compensation and "success-based" compensation as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Item 7 of this report.

Operations

Our Manager's Investment Services. Under the management agreement, ACM is responsible for sourcing originations, providing underwriting services and processing approvals for all loans and other investments in our portfolio. ACM also provides certain administrative loan servicing functions with respect to our loans and investments. We are able to capitalize on ACM's well established operations and services in each area described below.

Origination. Our manager originates most of our investments. ACM has a network of sales offices located in Boston, Massachusetts; Dallas, Texas; Los Angeles, California; New York, New York;Baltimore, Maryland; Bloomfield Hills, Michigan; Cleveland, Ohio; and Uniondale, New York. These offices are staffed by approximately 20 loan originators who solicit property owners, developers and mortgage loan brokers. In some instances, the originators accept loan applications meeting our underwriting criteria from a select group of mortgage loan brokers. While a large portion of ACM's marketing effort occurs at the branch level, ACM also markets its products in national industry publications and targeted direct mailings. ACM markets structured finance products and our product offerings using the same methods. Once potential borrowers have been identified, ACM determines which financing products best meet the borrower's needs. Loan originators in every branch office are able to offer borrowers the full array of ACM's and our structured finance products. After identifying a suitable product, ACM works with the borrower to prepare a loan application. Upon completion by the borrower, the application is forwarded to ACM's underwriters for due diligence.

Underwriting. ACM's loan originators work in conjunction with its underwriters who perform due diligence on all proposed transactions prior to loan approval and commitment. The underwriters analyze each loan application in accordance with the guidelines set forth below in order to determine the loan's conformity with respect to such guidelines. In general, ACM's underwriting guidelines require it to evaluate the following: the historic and current property revenues and expenses; the potential for near-term revenue growth and opportunity for expense reduction and increased operating efficiencies; the property's location, its attributes and competitive position within its market; the proposed ownership structure, financial strength and real estate experience of the borrower and property management; third party appraisal, environmental and engineering studies; market assessment, including property inspection, review of tenant lease files, surveys of property comparables and an analysis of area economic and demographic trends; review of an acceptable mortgagee's title policy and an "as built" survey; construction quality of the property to determine future maintenance and capital expenditure requirements; and the requirements for any reserves, including those for immediate repairs or rehabilitation, replacement reserves, tenant improvement and leasing commission costs, real estate taxes and property casualty and liability insurance. Key factors considered in credit decisions include, but are not limited to, debt service coverage, loan to value ratios and property, financial and operating performance. Consideration is also given to other factors, such as additional forms of security and identifying likely strategies to affect repayment. ACM continuously refines its underwriting criteria based upon actual loan portfolio experience and as market conditions and investor requirements evolve.

Investment Approval Process. ACM applies its established investment approval process to all loans and other investments proposed for our portfolio before submitting each proposal to us for final approval. A written report is generated for every loan or other investment that is submitted to ACM's credit committee for approval. The report includes a description of the prospective borrower and any guarantors, the collateral and the proposed use of investment proceeds, as well as borrower and property consolidated financial statements and analysis. In addition, the report includes an analysis of borrower liquidity, net worth, cash investment, income, credit history and operating experience. If the transaction is approved by a majority of ACM's credit committee, it is presented for approval to our credit committee, which consists of our chief executive officer, chief credit officer, and executive vice president of structured finance. All transactions require the approval of a majority of the members of our credit committee. Following the approval of any such transaction, ACM's underwriting and servicing departments, together with our asset management group, assure that all loan approval terms have been satisfied and conform with lending requirements established for that particular transaction. If our credit committee rejects the loan and our independent directors allow ACM or one of its affiliates to pursue it, ACM will have the opportunity to execute the transaction.

Servicing. ACM services our loans and investments through its internal servicing operations. Our manager currently services an expanding portfolio, consisting of 2,157 loans with outstanding balances of approximately $10.8 billion through its loan administration department in Buffalo, New York. ACM's loan servicing operations are designed to provide prompt customer service and accurate and timely information for account follow up, financial reporting and management review. Following the funding of an approved loan, all pertinent loan data is entered into ACM's data processing system, which provides monthly billing statements, tracks payment performance and processes contractual interest rate adjustments on variable rate loans. Our manager utilizes the operations of its loan administration department to service our portfolio with the same efficiency, accuracy and promptness. ACM also works closely with our asset management group to ensure the appropriate level of customer service and monitoring of these loans.

Our Asset Management Operations. Our asset management group is comprised of more than 30 employees. Effective asset and portfolio management is essential to maximize the performance and value of a real estate investment. The asset management group customizes an asset management plan with the loan originators and underwriters to track each investment from origination through disposition. This group monitors each investment's operating history, local economic trends and rental and occupancy rates and evaluates the underlying property's competitiveness within its market. This group assesses ongoing and potential operational and financial performance of each investment in order to evaluate and ultimately improve its operations and financial viability. The asset management group performs frequent onsite inspections, conducts meetings with borrowers and evaluates and participates in the budgeting process, financial and operational review and renovation plans of each of the underlying properties. As an asset and portfolio manager, the asset management group focuses on increasing the productivity of onsite property managers and leasing brokers. This group communicates the status of each transaction against its established asset management plan to senior management, in order to enhance and preserve capital, as well as to avoid litigation and potential exposure.

Timely and accurate identification of an investment's operational and financial issues and each borrower's objectives is essential to implementing an executable loan workout and restructuring process, if required. Since existing property management may not have the requisite expertise to manage the workout process effectively, our internal asset management group determines the current operating and financial status of an asset or portfolio and performs a liquidity analysis of the property and ownership entity and then, if appropriate, identifies and evaluates alternatives in order to maximize the value of an investment.

Our asset management group continues to provide its services to ACM on a limited basis pursuant to the management agreement. In the event the services provided by our asset management group, pursuant to this agreement, exceed more than 15% per quarter, the level anticipated by our Board of Directors, we will negotiate in good faith with our manager an adjustment to our manager's base management fee under the management agreement, to reduce the scope of the services, the quantity of serviced assets or the time required to be devoted to the services by our asset management group.

Operating Policies and Strategies

Investment Guidelines. Our Board of Directors has adopted general guidelines for our investments and borrowings to the effect that: (1) no investment will be made that would cause us to fail to qualify as a REIT; (2) no investment will be made that would cause us to be regulated as an investment company under the Investment Company Act; (3) no more than 25% of our equity (including junior subordinated notes as equity), determined as of the date of such investment, will be invested in any single asset; (4) no single mezzanine loan or preferred equity investment will exceed $75 million; (5) our leverage (including junior subordinated notes as equity) will generally not exceed 80% of the unpaid principal balance of our assets, in the aggregate; (6) we will not co-invest with our manager or any of its affiliates unless such co-investment is otherwise in accordance with these guidelines and its terms are at least as favorable to us as to our manager or the affiliate making such co-investment; (7) no more than 15% of our gross assets may consist of mortgage-related securities. Any exceptions to the above general guidelines require the approval of our Board of Directors.

Financing Policies. We finance the acquisition of our structured finance investments primarily by borrowing against or "leveraging" our existing portfolio and using the proceeds to acquire additional mortgage assets. We expect to incur debt such that we will maintain an equity to assets ratio no less than 20% (including junior subordinated notes as equity), although the actual ratio may be lower from time to time depending on market conditions and other factors deemed relevant by our manager. Our charter and bylaws do not limit the amount of indebtedness we can incur, and the Board of Directors has discretion to deviate from or change our indebtedness policy at any time, provided that we are in compliance with our bank covenants. However, we intend to maintain an adequate capital base to protect against various business environments in which our financing and hedging costs might exceed the interest income from our investments.

Our investments are financed primarily by CDOs, CLOs, junior subordinate notes, and through repurchase agreements and other financing facilities with institutional lenders. Although we expect that these will be the principal means of leveraging our investments, we may issue common stock, preferred stock or secured or unsecured notes of any maturity if it appears advantageous to do so.

Credit Risk Management Policy. We are exposed to various levels of credit risk depending on the nature of our underlying assets and the nature and level of credit enhancements supporting our assets. We originate or purchase mortgage loans that meet our minimum debt service coverage standards. ACM, as our manager, our chief credit officer, and our asset management group, reviews and monitors credit risk and other risks of loss associated with each investment. In addition, ACM seeks to diversify our portfolio of assets to avoid undue geographic, issuer, industry and certain other types of concentrations. Our Board of Directors monitors the overall portfolio risk and reviews levels of provision for loss.

Interest Rate Risk Management Policy. To the extent that it is consistent with our election to qualify as a REIT, we generally follow an interest rate risk management policy intended to mitigate the negative effects of major interest rate changes. We minimize our interest rate risk from borrowings by attempting to structure the key terms of our borrowings to generally correspond to the interest rate terms of our assets.

We may enter into hedging transactions to protect our investment portfolio from interest rate fluctuations and other changes in market conditions. These transactions may include interest rate swaps, the purchase or sale of interest rate collars, caps or floors, options, mortgage derivatives and other hedging instruments. These instruments may be used to hedge as much of the interest rate risk as ACM determines is in the best interest of our stockholders, given the cost of such hedges and the need to maintain our status as a REIT. In general, income from hedging transactions does not constitute qualifying income for purposes of the REIT gross income requirements. To the extent, however, that a hedging contract reduces interest rate risk on indebtedness incurred to acquire or carry real estate assets, any income that is derived from the hedging contract, would not give rise to non-qualifying income for purposes of the 75% or 95% gross income tests. ACM may elect to have us bear a level of interest rate risk that could otherwise be hedged when it believes, based on all relevant facts, that bearing such risk is advisable.

To date, we have entered into various interest rate swaps in connection with the issuance of floating rate secured notes, the issuance of variable rate junior subordinate notes and to hedge the interest risk on forecasted outstanding LIBOR based debt. The notional amount of each interest rate swap agreement and the related terms have been designed to protect our investment portfolio from interest rate risk and to match the payment and receipts of interest on the underlying debt instruments, where applicable.

Disposition Policies. ACM evaluates our asset portfolio on a regular basis to determine if it continues to satisfy our investment criteria. Subject to certain restrictions applicable to REITs, ACM may cause us to sell our investments opportunistically and use the proceeds of any such sale for debt reduction, additional acquisitions, or working capital purposes.

Equity Capital Policies. Subject to applicable law, our Board of Directors has the authority, without further stockholder approval, to issue additional authorized common stock and preferred stock or otherwise raise capital, including through the issuance of senior securities, in any manner and on the terms and for the consideration it deems appropriate, including in exchange for property. We may in the future issue common stock in connection with acquisitions. We also may issue units of partnership interest in our operating partnership in connection with acquisitions of property. We may, under certain circumstances, repurchase our common stock in private transactions with our stockholders, if those purchases are approved by our Board of Directors.

Conflicts of Interest Policies. We, our executive officers, and ACM face conflicts of interests because of our relationships with each other. ACM has approximately 11% of the voting interest in our common stock as of December 31 2013. Mr. Kaufman, our chairman and chief executive officer, is the chief executive officer of ACM and beneficially owns approximately 92% of the outstanding membership interests of ACM. Mr. Martello, one of our directors, is the chief operating officer of Arbor Management, LLC (the managing member of ACM) and a trustee of two trusts that own minority membership interests in ACM. Mr. Bishar, our secretary, is general counsel to ACM. Mr. Elenio, our chief financial officer and treasurer, is the chief financial officer of ACM. Each of Messrs. Kaufman, Martello, Bishar, and Elenio, as well as Mr. Weber, our executive vice president of structured finance, Mr. Kilgore, our executive vice president of structured securitization and Mr. Guziewicz, our chief credit officer, are members of ACM's executive committee and, excluding Mr. Kaufman, own minority membership interests in ACM.

We have implemented several policies, through board action and through the terms of our charter and our agreements with ACM, to help address these conflicts of interest, including the following:

- Our charter requires that a majority of our Board of Directors be independent directors and that only our independent directors make any determination on our behalf with respect to the relationships or transactions that present a conflict of interest for our directors or officers.

- Our Board of Directors adopted a policy that decisions concerning our management agreement with ACM, including termination, renewal and enforcement thereof or our participation in any transactions with ACM or its affiliates outside of the management agreement, including our ability to purchase securities and mortgages or other assets from ACM, or our ability to sell securities and assets to ACM, must be reviewed and approved by a majority of our independent directors.

- Our management agreement provides that our determination to terminate the management agreement for cause or because the management fees are unfair to us or because of a change in control of our manager, will be made by a majority vote of our independent directors.

- Our independent directors will periodically review the general investment standards established by ACM under the management agreement.

- Our management agreement provides that ACM may not assign duties under the management agreement, except to certain affiliates of ACM, without the approval of a majority of our independent directors.

- Our management agreement provides that decisions to approve or reject investment opportunities rejected by our credit committee that ACM or Mr. Kaufman wish to pursue will be made by a majority of our independent directors.

Our Board of Directors has approved the operating policies and the strategies set forth above. Our Board of Directors has the power to modify or waive these policies and strategies, or amend our agreements with ACM, without the consent of our stockholders to the extent that the Board of Directors (including a majority of our independent directors) determines that such modification or waiver is in the best interest of our stockholders. Among other factors, developments in the market that either affect the policies and strategies mentioned herein or that change our assessment of the market may cause our Board of Directors to revise its policies and strategies. However, if such modification or waiver involves the relationship of, or any transaction between, us and our manager or any affiliate of our manager, the approval of a majority of our independent directors is also required. We may not, however, amend our charter to change the requirement that a majority of our board consists of independent directors or the requirement that our independent directors approve related party transactions without the approval of two thirds of the votes entitled to be cast by our stockholders.

Compliance with Federal, State and Local Environmental Laws

Properties that we may acquire directly or indirectly through partnerships, and the properties underlying our structured finance investments and mortgage-related securities, are subject to various federal, state and local environmental laws, ordinances and regulations. Under these laws, ordinances and regulations, a current or previous owner of real estate (including, in certain circumstances, a secured lender that acquires ownership or control of a property) may become liable for the costs of removal or remediation of certain hazardous or toxic substances or petroleum product releases at, on, under or in its property. These laws typically impose cleanup responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of the hazardous or toxic substances. The costs of investigation, remediation or removal of these substances may be substantial and could exceed the value of the property. An owner or control party of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of or exposure to materials containing asbestos. These laws allow third parties to seek recovery from owners of real properties for personal injuries associated with materials containing asbestos. Our operating costs and the values of these assets may be adversely affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of complying with future legislation, and our income and ability to make distributions to our stockholders could be affected adversely by the existence of an environmental liability with respect to properties we may acquire. We will endeavor to ensure that these properties are in compliance in all material respects with all federal, state and local laws, ordinances and regulations regarding hazardous or toxic substances or petroleum products.

Competition

Our net income depends, in large part, on our manager's ability to originate structured finance investments with spreads over our borrowing costs. In originating these investments, our manager competes with other mortgage REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, other lenders, governmental bodies and other entities, some of which may have greater financial resources and lower costs of capital available to them. In addition, there are numerous mortgage REITs with asset acquisition objectives similar to ours, and others may be organized in the future. The existence of additional REITs may increase competition for the available supply of structured finance assets suitable for purchase by us. Competitive variables include market presence and visibility, size of loans offered and underwriting standards. To the extent that a competitor is willing to risk larger amounts of capital in a particular transaction or to employ more liberal underwriting standards when evaluating potential loans, our origination volume and profit margins for our investment portfolio could be impacted. Our competitors may also be willing to accept lower returns on their investments and may succeed in buying the assets that we have targeted for acquisition. Although management believes that we are well positioned to continue to compete effectively in each facet of our business, there can be no assurance that we will do so or that we will not encounter further increased competition in the future that could limit our ability to compete effectively.

Employees

We have 37 employees, including Messrs. Weber, Kilgore and Guziewicz, and a 31 person asset management group. Mr. Kaufman, our chief executive officer and Mr. Elenio, our chief financial officer are full time employees of ACM and are not directly compensated by us (other than annual bonuses and pursuant to our equity incentive plans), however, a portion of their compensation is reimbursed by the management fee that we pay to ACM, as well as a performance based compensation plan for Mr. Kaufman as discussed in our Proxy Statement. Beginning January 1, 2014, Mr. Ivan Kaufman will be compensated directly as our employee.

Corporate Governance and Internet Address

We have adopted corporate governance guidelines and a code of business conduct and ethics, which delineate our standards for our directors, officers and employees, and the employees of our manager who provide services to us. We emphasize the importance of professional business conduct and ethics through our corporate governance initiatives.

Our internet address is www.arborrealtytrust.com. We make available, free of charge through a link on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports, if any, as filed with the SEC as soon as reasonably practicable after such filing. Our website also contains our code of business conduct and ethics, code of ethics for chief executive and senior financial officers, corporate governance guidelines, stockholder communications with the Board of Directors, and the charters of the audit committee, nominating/corporate governance committee, and compensation committee of our Board of Directors. No information contained in or linked to our website is incorporated by reference in this report.

ITEM 1A. ***RISK FACTORS***

Our business is subject to various risks, including the risks listed below. If any of these risks actually occur, our business, financial condition and results of operations could be materially adversely affected and the value of our common stock could decline.

Risks Related to Our Business

A prolonged economic slowdown, a lengthy or severe recession, or declining real estate values could harm our operations.

Over the last several years, global stock and credit markets have experienced prolonged price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially. We believe the risks associated with our business are more severe during periods of economic downturn if these periods are accompanied by declining real estate values. Declining real estate values would likely limit our new mortgage loan originations, since borrowers often use increases in the value of their existing properties to support the purchase or investment in additional properties. Borrowers may also be less able to pay principal and interest on our loans if the real estate economy weakens. Declining real estate values also significantly increase the likelihood that we will incur losses on our loans in the event of default because the value of our collateral may be insufficient to cover our cost on the loan. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect both our net interest income from loans in our portfolio as well as our ability to originate, sell and securitize loans, which would significantly harm our revenues, results of operations, financial condition, business prospects and our ability to make distributions to the stockholders.

Prolonged disruptions in the financial markets could affect our ability to obtain financing on reasonable terms and have other adverse effects on us and the market price of our common stock.

Commercial real estate is particularly adversely affected by a prolonged economic downturn and liquidity crisis. These circumstances materially impacted liquidity in the financial markets and resulted in the scarcity of certain types of financing, and, in certain cases, made certain financing terms less attractive. If these conditions persist, lending institutions may be forced to exit markets such as repurchase lending, become insolvent, further tighten their lending standards or increase the amount of equity capital required to obtain financing, and in such event, could make it more difficult for us to obtain financing on favorable terms or at all. Our profitability will be adversely affected if we are unable to obtain cost-effective financing for our investments. A prolonged downturn in the stock or credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for our borrowers to repay our loans as they may experience difficulties in selling assets, increased costs of financing or obtaining financing at all. These events in the stock and credit markets may also make it more difficult or unlikely for us to raise capital through the issuance of our common stock or preferred stock. These disruptions in the financial markets also may have a material adverse effect on the market value of our common stock and other adverse effects on us or the economy in general.

Increases in loan loss reserves and other impairments are likely if economic conditions deteriorate.

A decline in economic conditions could negatively impact the credit quality of our loans and investments portfolio. If we do not see a continued stabilization of the financial markets and such market conditions decline further, we will likely experience increases in loan loss reserves, potential defaults and other asset impairment charges.

Loan loss reserves are particularly difficult to estimate in a turbulent economic environment.

We perform an evaluation of our loans on a quarterly basis to determine whether an impairment is necessary and adequate to absorb probable losses. The valuation process for our loans and investments portfolio requires us to make certain estimates and judgments, which are particularly difficult to determine during a period in which the availability of commercial real estate credit is limited and commercial real estate transactions have decreased. Our estimates and judgments are based on a number of factors, including projected cash flows from the collateral securing our commercial real estate loans, loan structure, including the availability of reserves and recourse guarantees, likelihood of repayment in full at the maturity of a loan, potential for a refinancing market coming back to commercial real estate in the future and expected market discount rates for varying property types. If our estimates and judgments are not correct, our results of operations and financial condition could be severely impacted.

Loan repayments are less likely in a volatile market environment.

In a market in which liquidity is essential to our business, loan repayments have been a significant source of liquidity for us. However, many financial institutions have curtailed new lending activity and real estate owners are having difficulty refinancing their assets at maturity. If borrowers are not able to refinance loans at their maturity, the loans could go into default and the liquidity that we would receive from such repayments will not be available. Furthermore, without a functioning commercial real estate finance market, borrowers that are performing on their loans will most likely extend such loans if they have that right, which will further delay our ability to access liquidity through repayments.

We may not be able to access the debt or equity capital markets on favorable terms, or at all, for additional liquidity, which could adversely affect our business, financial condition and operating results.

Additional liquidity, future equity or debt financing may not be available on terms that are favorable to us, or at all. Our ability to access additional debt and equity capital depends on various conditions in these markets, which are beyond our control. If we are able to complete future equity offerings, they could be dilutive to our existing stockholders or could result in the issuance of securities that have rights, preferences and privileges that are senior to those of our other securities. Our inability to obtain adequate capital could have a material adverse effect on our business, financial condition, liquidity and operating results.

We may be unable to invest excess equity capital on acceptable terms or at all, which would adversely affect our operating results.

We may not be able to identify investments that meet our investment criteria and we may not be successful in closing the investments that we identify. In addition, the investments that we acquire with our equity capital may not produce a return on capital. There can be no assurance that we will be able to identify attractive opportunities to invest our equity capital, which would adversely affect our results of operations.

Changes in market conditions could adversely affect the market price of our common stock.

As with other publicly traded equity securities, the value of our common stock depends on various market conditions which may change from time to time. Among the market conditions that may affect the value of our common stock are the following:

- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;

- our financial performance; and

- general stock and bond market conditions.

The market value of our common stock is based primarily upon the market's perception of our growth potential and our current and potential future earnings and dividends. Consequently, our common stock may trade at prices that are higher or lower than our book value per share of common stock. If our future earnings or dividends are less than expected, it is likely that the market price of our common stock will diminish.

A declining portfolio could adversely affect the returns from our investments.

Dislocations in the market could lead to a reduction in our loans and investments portfolio. If we do not have the opportunity to originate quality investments to replace the reductions in our portfolio, this reduction will likely result in reduced returns from our investments.

Our investments in residential and commercial mortgage-related securities are subject to risks relating to the particular issuer of the securities, which may result in losses to us.

Our investments in residential and commercial mortgage-related securities involve special risks relating to the particular issuer of the securities, including the financial condition and business outlook of the issuer, the individual borrowers and the value of the individual assets. The issuers of these securities may experience many of the same risks of disruptions in the financial markets and economic conditions. In addition, our investments are also subject to the risks described above with respect to residential and commercial real estate loans and mortgage-backed securities and similar risks, including risks of delinquency and foreclosure, the dependence upon the successful operation of, and net income from, real property, risks generally related to interests in real property, and risks that may be presented by the type and use of a particular property. REITs have been severely impacted by the economic environment and have had very little access to the capital markets or the debt markets in order to meet their existing obligations or to refinance maturing debt.

We depend on key personnel with long standing business relationships, the loss of whom could threaten our ability to operate our business successfully.

Our future success depends, to a significant extent, upon the continued services of ACM as our manager and ACM's officers and employees. In particular, the mortgage lending experience of Mr. Kaufman and Mr. Weber and the extent and nature of the relationships they have developed with developers and owners of multi-family and commercial properties and other financial institutions are critical to the success of our business. We cannot assure their continued employment with ACM or service as our officers. The loss of services of one or more members of our or ACM's management team could harm our business and our prospects.

The real estate investment business is highly competitive. Our success depends on our ability to compete with other providers of capital for real estate investments.

Our business is highly competitive. Competition may cause us to accept economic or structural features in our investments that we would not have otherwise accepted and it may cause us to search for investments in markets outside of our traditional product expertise. We compete for attractive investments with traditional lending sources, such as insurance companies and banks, as well as other REITs, specialty finance companies and private equity vehicles with similar investment objectives, which may make it more difficult for us to consummate our target investments. Many of our competitors have greater financial resources and lower costs of capital than we do, which provides them with greater operating flexibility and a competitive advantage relative to us.

We may not achieve our targeted rate of return on our investments.

We originate or acquire investments based on our estimates or projections of overall rates of return on such investments, which in turn are based upon, among other considerations, assumptions regarding the performance of assets, the amount and terms of available financing to obtain desired leverage and the manner and timing of dispositions, including possible asset recovery and remediation strategies, all of which are subject to significant uncertainty. In addition, events or conditions that we have not anticipated may occur and may have a significant effect on the actual rate of return received on an investment.

As we acquire or originate investments for our balance sheet portfolio, whether as new additions or as replacements for maturing investments, there can be no assurance that we will be able to originate or acquire investments that produce rates of return comparable to returns on our previous or existing investments.

Our due diligence may not reveal all of a borrower's liabilities and may not reveal other weaknesses in its business.

Before investing in a company or making a loan to a borrower, we will assess the strength and skills of such entity's management and other factors that we believe are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, we will rely on the resources available to us and, in some cases, an investigation by third parties. This process is particularly important and subjective with respect to newly organized entities because there may be little or no information publicly available about the entities. There can be no assurance that our due diligence processes will uncover all relevant facts or that any investment will be successful.

We invest in junior participation loans which may be subject to additional risks relating to the privately negotiated structure and terms of the transaction, which may result in losses to us.

We invest in junior participation loans which are mortgage loans typically (i) secured by a first mortgage on a single commercial property or group of related properties and (ii) subordinated to a senior note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for the junior participation loan after payment is made to the senior note holder. Since each transaction is privately negotiated, junior participation loans can vary in their structural characteristics and risks. For example, the rights of holders of junior participation loans to control the process following a borrower default may be limited in certain investments. We cannot predict the terms of each junior participation investment. A junior participation may not be liquid and, consequently, we may be unable to dispose of underperforming or non-performing investments. The higher risks associated with a subordinate position in any investments we make could subject us to increased risk of losses.

We invest in mezzanine loans which are subject to a greater risk of loss than loans with a first priority lien on the underlying real estate.

We invest in mezzanine loans that take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. These types of investments involve a higher degree of risk than long-term senior mortgage lending secured by income producing real property because the investment may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our investment. In addition, mezzanine loans may have higher loan to value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal.

Preferred equity investments involve a greater risk of loss than traditional debt financing.

We invest in preferred equity investments, which involve a higher degree of risk than traditional debt financing due to a variety of factors, including that such investments are subordinate to other loans and are not secured by property underlying the investment. Furthermore, should the issuer default on our investment, we would only be able to proceed against the partnership in which we have an interest, and not the property underlying our investment. As a result, we may not recover some or all of our investment.

We invest in multi-family and commercial real estate loans, which may involve a greater risk of loss than single family real estate loans.

Our investments include multi-family and commercial real estate loans that involve a higher degree of risk than single family residential lending because of a variety of factors, including generally larger loan balances, dependency for repayment on successful operation of the mortgaged property and tenant businesses operating therein, and loan terms that include amortization schedules longer than the stated maturity and provide for balloon payments at stated maturity rather than periodic principal payments. In addition, the value of commercial real estate can be affected significantly by the supply and demand in the market for that type of property.

Volatility of values of multi-family and commercial properties may adversely affect our loans and investments.

Multi-family and commercial property values and net operating income derived from such properties are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, events such as natural disasters, including hurricanes and earthquakes, acts of war and/or terrorism and others that may cause unanticipated and uninsured performance declines and/or losses to us or the owners and operators of the real estate securing our investment; national, regional and local economic conditions, such as what we have experienced in recent years (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing, retail, industrial, office or other commercial space); changes or continued weakness in specific industry segments; construction quality, construction cost, age and design; demographic factors; retroactive changes to building or similar codes; and increases in operating expenses (such as energy costs). In the event a property's net operating income decreases, a borrower may have difficulty repaying our loan, which could result in losses to us. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay our loans, which could also cause us to suffer losses.

Many of our commercial real estate loans are funded with interest reserves and our borrowers may be unable to replenish those interest reserves once they run out.

Given the transitional nature of many of our commercial real estate loans, we often require borrowers to post reserves to cover interest and operating expenses until the property cash flows are projected to increase sufficiently to cover debt service costs. We also generally require the borrower to replenish reserves if they become depleted due to underperformance or if the borrower wants to exercise extension options under the loan. Despite low interest rates, revenues on the properties underlying any commercial real estate loan investments would decrease in an economic downturn, making it more difficult for borrowers to meet their payment obligations to us. In the future some of our borrowers may continue to have difficulty servicing our debt and will not have sufficient capital to replenish reserves, which could have a significant impact on our operating results and cash flows.

We may not have control over certain of our loans and investments.

Our ability to manage our portfolio of loans and investments may be limited by the form in which they are made. In certain situations, we may acquire investments subject to rights of senior classes and servicers under inter-creditor or servicing agreements; acquire only a participation in an underlying investment; co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests; or rely on independent third party management or strategic partners with respect to the management of an asset. Therefore, we may not be able to exercise control over the loan or investment. Such financial assets may involve risks not present in investments where senior creditors, servicers or third party controlling investors are not involved. Our rights to control the process following a borrower default may be subject to the rights of senior creditors or servicers whose interests may not be aligned with ours. A third party partner or co-venturer may have financial difficulties resulting in a negative impact on such assets and may have economic or business interests or goals which are inconsistent with ours. In addition, we may, in certain circumstances, be liable for the actions of our third party partners or co-venturers.

Real estate property may fail to perform as expected.

We may obtain new real estate properties through foreclosure proceedings or investment. Such newly obtained properties may not perform as expected and may subject us to unknown liabilities relating to such properties for clean-up of undisclosed environmental contamination or claims by tenants, vendors or other persons against the former owners of the properties. Inaccurate assumptions regarding future rental or occupancy rates could result in overly optimistic estimates of future revenues. In addition, future operating expenses or the costs necessary to bring an obtained property up to standards established for its intended market position may be underestimated.

The adverse resolution of a lawsuit could have a material adverse effect on our financial condition and results of operations.

The adverse resolution of litigation for which we have been named as a defendant could have a material adverse effect on our financial condition and results of operations. See Item 3 "Legal Proceedings" for information on our current litigation.

The impact of any future terrorist attacks and the availability of terrorism insurance expose us to certain risks.

Any future terrorist attacks, the anticipation of any such attacks, and the consequences of any military or other response by the United States and its allies may have an adverse impact on the U.S. financial markets and the economy in general. We cannot predict the severity of the effect that any such future events would have on the U.S. financial markets, including the real estate capital markets, the economy or our business. Any future terrorist attacks could adversely affect the credit quality of some of our loans and investments. Some of our loans and investments will be more susceptible to such adverse effects than others. We may suffer losses as a result of the adverse impact of any future terrorist attacks and these losses may adversely impact our results of operations.

In addition, the enactment of the Terrorism Risk Insurance Act of 2002, or the TRIA, and the subsequent enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007, which extended TRIA through the end of 2014, requires insurers to make terrorism insurance available under their property and casualty insurance policies in order to receive federal compensation under TRIA for insured losses. However, this legislation does not regulate the pricing of such insurance. The absence of affordable insurance coverage may adversely affect the general real estate lending market, lending volume and the market's overall liquidity and may reduce the number of suitable investment opportunities available to us and the pace at which we are able to make investments. If the properties that we invest in are unable to obtain affordable insurance coverage, the value of those investments could decline and in the event of an uninsured loss, we could lose all or a portion of our investment. Congress is currently considering a further extension of TRIA through December 31, 2019.

Failure to maintain an exemption from regulation as an investment company under the Investment Company Act would adversely affect our results of operations.

We believe that we conduct, and we intend to conduct our business in a manner that allows us to avoid being regulated as an investment company under the Investment Company Act. Pursuant to Section 3(c)(5)(C) of the Investment Company Act, entities that are primarily engaged in the business of purchasing or otherwise acquiring "mortgages and other liens on and interests in real estate" are currently exempted from regulation thereunder. The staff of the SEC has provided guidance on the availability of this exemption. Specifically, the staff's position generally requires us to maintain at least 55% of our assets directly in "qualifying real estate interests." To constitute as a qualifying real estate interest under this 55% test, an interest in real estate must meet various criteria. Loans that are secured by equity interests in entities that directly or indirectly own the underlying real property, rather than a mortgage on the underlying property itself, and ownership of equity interests in real property owners may not qualify for purposes of the 55% test depending on the type of entity. Mortgage-related securities that do not represent all of the certificates issued with respect to an underlying pool of mortgages may also not qualify for purposes of the 55% test. Therefore, our ownership of these types of loans and equity interests may be limited by the provisions of the Investment Company Act. There can be no assurance that the laws and regulations governing the Investment Company Act status of REITs, including the guidance of the Division of Investment Management of the SEC regarding this exemption, will not change in a manner that adversely affects our operations. To the extent that we do not comply with the SEC staff's 55% test, another exemption or exclusion from registration as an investment company under the Investment Company Act or other interpretations under the Investment Company Act, or if the SEC no longer permits our exemption, we may be deemed to be an investment company. If we fail to maintain an exemption or other exclusion from registration as an investment company we could, among other things, be required either (a) to substantially change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) to register as an investment company, either of which could have an adverse effect on us and the market price of our common stock. If we were required to register as an investment company under the Investment Company Act, we would become subject to substantial regulation with respect to our capital structure (including our ability to use leverage), management, operations, transactions with affiliated persons (as defined in the Investment Company Act), portfolio composition, including restrictions with respect to diversification and industry concentration and other matters.

Our manager and one of our subsidiaries are required to register under the Investment Advisors Act, and are subject to regulation under that Act.

Following registration under the Investment Advisers Act of 1940, or the Investment Advisors Act, our manager and one of our subsidiaries are subject to the extensive regulation prescribed by that statute and the regulations thereunder. The SEC will oversee activities as a registered investment adviser under this regulatory regime. A failure to comply with the obligations imposed by the Investment Advisers Act, including record-keeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities, could result in fines, censure, suspensions of personnel or investing activities or other sanctions, including revocation of our registration as an investment adviser. The regulations under the Investment Advisers Act are designed primarily to protect investors in our funds and other clients, and are not designed to protect holders of our publicly traded common stock. Even if a sanction imposed against our manager or its personnel involves a small monetary amount, the adverse publicity related to such sanction could harm our reputation and our relationship with our fund investors and impede our ability to raise additional capital or new funds. In addition, compliance with the Investment Advisors Act may require us to incur additional costs, and these costs may be material.

The Dodd-Frank Act may place restrictions on our business.

In July 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act represents a comprehensive overhaul of the financial services industry within the United States and, among other things, requires various federal agencies, including the SEC, to adopt a broad range of new rules and regulations. These rules and regulations are intended to impose significant investment restrictions and capital requirements on banking entities and other organizations that are significant to U.S. financial markets. For instance, the Dodd-Frank Act imposes significant restrictions on the proprietary trading activities of certain banking entities and subjects other systemically significant organizations regulated by the U.S. Federal Reserve to increased capital requirements and quantitative limits for engaging in such activities. The Dodd-Frank Act also seeks to reform the asset-backed securitization market (including the mortgage-backed securities market) by requiring the retention of a portion of the credit risk inherent in the pool of securitized assets and by imposing additional registration and disclosure requirements. Certain of the requirements and restrictions exempt agency securities, other government issued or guaranteed securities, or other securities. Nonetheless, the Dodd-Frank Act also imposes significant regulatory restrictions on the origination of residential mortgage loans. Provisions of the Dodd-Frank Act relating to the regulation of derivatives may also result in a comprehensive reform of the derivatives market. While the full impact of the Dodd-Frank Act cannot be assessed until all implementing regulations are finalized and ultimately adopted, the Dodd-Frank Act's extensive requirements may have a significant effect on the financial markets, and may affect the availability or terms of financing from our lender counterparties and the availability or terms of mortgage-backed securities, both of which could have an adverse effect on our business.

The impact of any future laws, as well as amendments to current laws, may place restrictions on our business.

Additional legislation could impose additional financial obligations or restrictions with respect to our business. The continued difficult economic environment has placed an increased level of scrutiny on the financial services sector, which has already expedited, to some degree, the signing of the Dodd-Frank Act as noted above. While the Dodd-Frank Act does represent a comprehensive overhaul of the financial services industry, it is possible that additional legislation could be deemed necessary and signed into law. At this time, it is difficult to predict the exact nature of any future legislation and the extent to which such legislation, if any, will impact our business, financial condition, or results of operations.

The effects of government regulation could negatively impact the market value of loans related to development projects.

Loans related to development projects bear additional risk in that government regulation could impact the value of the project by limiting the development of the property. If the proper approvals for the completion of the project are not granted, the value of the collateral may be adversely affected which may negatively impact the value of the loan.

Risks Related to Our Financing and Hedging Activities

We may not be able to access financing sources on favorable terms, or at all, which could adversely affect our ability to execute our business plan.

We generally finance our assets over the short and long-term through a variety of means, including repurchase agreements, credit facilities, junior subordinated notes, CDOs, CLOs and other structured financings. Our ability to execute this strategy depends on various conditions in the markets for financing in this manner that are beyond our control, including lack of liquidity and wider credit spreads, which we have seen over the past several years. If conditions deteriorate, we cannot assure that these sources are feasible as a means of financing our assets, as there can be no assurance that any existing agreements will be renewed or extended at expiration. If our strategy is not viable, we will have to find alternative forms of long-term financing for our assets, as credit facilities and repurchase facilities may not accommodate long-term financing. This could subject us to more recourse indebtedness and the risk that debt service on less efficient forms of financing would require a larger portion of our cash flows, thereby reducing cash available for distribution to our stockholders, funds available for operations as well as for future business opportunities.

Credit facilities may contain restrictive covenants relating to our operations.

Credit facilities may contain various financial covenants and restrictions, including minimum net worth, minimum liquidity and debt-to-equity ratios. Other restrictive covenants contained in credit facility agreements may include covenants that prohibit affecting a change in control, disposing of or encumbering assets being financed, maximum debt balance requirements, and restrictions from making material amendments to underwriting guidelines without approval of the lender. While we remain focused on actively managing our loans and investments portfolio, a weak environment will make maintaining compliance with future credit facilities' covenants more difficult. If we are not in compliance with any of these covenants, there can be no assurance that our lenders would waive or amend such non-compliance in the future and any such non-compliance could have a material adverse effect on us.

We may not be able to obtain the level of leverage necessary to optimize our return on investment.

Our return on investment depends, in part, upon our ability to grow our balance sheet portfolio of invested assets through the use of leverage at a cost of debt that is lower than the yield earned on our investments. We typically obtain leverage through the issuance of CDOs, CLOs, credit agreements, repurchase agreements and other borrowings. Our future ability to obtain the necessary leverage on beneficial terms ultimately depends upon the quality of the portfolio assets that collateralize our indebtedness. Our failure to obtain and/or maintain leverage at desired levels, or to obtain leverage on attractive terms, would have a material adverse effect on our performance. Moreover, we may be dependent upon a few lenders to provide financing under credit agreements and repurchase agreements for our origination or acquisition of loans and investments and there can be no assurance that these agreements will be renewed or extended at expiration. Our ability to obtain financing through CDOs and CLOs is subject to conditions in the debt capital markets which are impacted by factors beyond our control that may at times be adverse and reduce the level of investor demand for such securities.

The credit facilities and repurchase agreements that we may use to finance our investments may require us to provide additional collateral.

We may use credit facilities and repurchase agreements to finance some of our investments in the future. If the market value of the loans or investments pledged or sold by us to a funding source decline in value, we may be required by the lending institution to provide additional collateral or pay down a portion of the funds advanced. We may not have the funds available to pay down such future debt, which could result in defaults. Posting additional collateral to support these potential repurchase and credit facilities would reduce our liquidity and limit our ability to leverage our assets. In the event we do not have sufficient liquidity to meet such requirements, lending institutions can accelerate the indebtedness, increase interest rates and terminate our ability to borrow. Further, facility providers may require us to maintain a certain amount of uninvested cash or set aside unlevered assets sufficient to maintain a specified liquidity position which would allow us to satisfy our collateral obligations. As a result, we may not be able to leverage our assets as fully as we would choose, which could reduce our return on assets. In the event that we are unable to meet these collateral obligations, our financial condition could deteriorate rapidly.

The repurchase agreements we may use to finance our RMBS securities are generally short term agreements and may not be renewed by the counterparty throughout the life of the collateralized security.

The repurchase agreements we may use to finance the purchase of our RMBS securities are non-committed and expire every thirty days while the estimated life of these securities is significantly longer. While we expect these facilities to continually be renewed until our corresponding security position is liquidated, there is no guarantee or assurances that the counterparty will be willing or able to continue to extend the facility past the maturation date. If the counterparty does not renew the agreement, we would be required to repurchase the security immediately, or liquidate the securities in order to satisfy the amount owed under the facility. This could cause a forced liquidation of the securities which may result in a significant loss of value and may adversely affect our financial condition, liquidity and operating results.

Our use of leverage may create a mismatch with the duration and index of the investments that we are financing.

We attempt to structure our leverage such that we minimize the difference between the term of our investments and the leverage we use to finance such an investment. In the event that our leverage is for a shorter term than the financed investment, we may not be able to extend or find appropriate replacement leverage and that would have an adverse impact on our liquidity and our returns. In the event that our leverage is for a longer term than the financed investment, we may not be able to repay such leverage or replace the financed investment with an optimal substitute or at all, which will negatively impact our desired leveraged returns.

We attempt to structure our leverage such that we minimize the difference between the index of our investments and the index of our leverage —financing floating rate investments with floating rate leverage and fixed rate investments with fixed rate leverage. If such a product is not available to us from our lenders on reasonable terms, we may use hedging instruments to effectively create such a match. For example, in the case of fixed rate investments, we may finance such an investment with floating rate leverage, but effectively convert all or a portion of the attendant leverage to fixed rate using hedging strategies.

Our attempts to mitigate such risk are subject to factors outside of our control, such as the availability to us of favorable financing and hedging options, which is subject to a variety of factors, of which duration and term matching are only two such factors.

We utilize a significant amount of debt to finance our portfolio, which may subject us to an increased risk of loss, adversely affecting the return on our investments and reducing cash available for distribution.

We utilize a significant amount of debt to finance our operations, which may compound losses and reduce the cash available for distributions to our stockholders. We generally leverage our portfolio through the use of securitizations, including the issuance of CDOs, CLOs, bank credit facilities, repurchase agreements, and other borrowings. The leverage we employ varies depending on our availability of funds, ability to obtain credit facilities, the loan-to-value and debt service coverage ratios of our assets, the yield on our assets, the targeted leveraged return we expect from our portfolio and our ability to meet ongoing covenants related to our asset mix and financial performance. Substantially all of our assets are pledged as collateral for our borrowings. In addition, we may acquire real estate property subject to debt obligations. Our return on our investments and cash available for distribution to our stockholders may be reduced to the extent that changes in market conditions cause the cost of our financing to increase relative to the income that we can derive from the assets we acquire.

Our debt service payments, including payments in connection with any CDOs and CLOs, reduce the net income available for distributions. Moreover, we may not be able to meet our debt service obligations and, to the extent that we cannot, we risk the loss of some or all of our assets to foreclosure or sale to satisfy our debt obligations. Currently, neither our charter nor our bylaws impose any limitations on the extent to which we may leverage our assets.

We may guarantee some of our leverage and contingent obligations.

We may guarantee the performance of some of our obligations in the future, including but not limited to any repurchase agreements, derivative agreements, and unsecured indebtedness. Non-performance on such obligations may cause losses to us in excess of the capital we initially may invest/commit to under such obligations and there is no assurance that we will have sufficient capital to cover any such losses.

We may not be able to acquire suitable investments for a CDO or CLO issuance, or we may not be able to issue CDOs or CLOs on attractive terms, or at all, which may require us to utilize more costly financing for our investments.

We have financed, and, if the opportunities exist in the future, we may continue to finance certain of our investments through the issuance of CDOs and CLOs. During the period that we are acquiring investments for eventual long-term financing through CDOs and CLOs, we have typically financed these investments through repurchase and credit agreements. We use these agreements to finance our acquisition of investments until we have accumulated a sufficient quantity of investments, at which time we may refinance them through a securitization, such as a CDO or CLO issuance. As a result, we are subject to the risk that we will not be able to acquire a sufficient amount of eligible investments to maximize the efficiency of a CDO or CLO issuance. In addition, conditions in the debt capital markets may make the issuance of CDOs and CLOs less attractive to us even when we do have a sufficient pool of collateral, or we may not be able to execute a CDO or CLO transaction on terms favorable to us or at all. If we are unable to issue a CDO or CLO to finance these investments, we may be required to utilize other forms of potentially less attractive financing.

The use of CDO and CLO financings with over-collateralization and interest coverage requirements may have a negative impact on our cash flows.

The terms of CDOs and CLOs will generally provide that the principal amount of investments must exceed the principal balance of the related bonds by a certain amount and that interest income exceeds interest expense by a certain amount. Generally, CDO and CLO terms provide that, if certain delinquencies and/or losses or other factors cause a decline in collateral or cash flow levels, the cash flow otherwise payable on subordinated classes may be redirected to repay senior classes of CDOs and CLOs until the issuer or the collateral is in compliance with the terms of the governing documents. Other tests (based on delinquency levels or other criteria) may restrict our ability to receive interest payments from assets pledged to secure CDOs and CLOs. We cannot assure that the performance tests will be satisfied. If our investments fail to perform as anticipated, our over-collateralization, interest coverage or other credit enhancement expense associated with our CDO and CLO financings will increase. With respect to future CDOs and CLOs we may issue, we cannot assure, in advance of completing negotiations with the rating agencies or other key transaction parties as to the actual terms of the delinquency tests, over-collateralization and interest coverage terms, cash flow release mechanisms or other significant factors upon which net income to us will be calculated. Failure to obtain favorable terms with regard to these matters may adversely affect the availability of net income to us.

We may not be able to find suitable replacement investments for CLO reinvestment periods.

CLOs have periods where principal proceeds received from assets securing the CLO can be reinvested for a defined period of time, commonly referred to as a reinvestment period. Our ability to find suitable investments during the reinvestment period that meet the criteria set forth in the CLO governing documents and by rating agencies may determine the success of our CLO investments. Our potential inability to find suitable investments may cause, among other things, lower returns, interest deficiencies, hyper-amortization of the senior CLO liabilities and may cause us to reduce the life of the CLO and accelerate the amortization of certain fees and expenses.

We may be required to repurchase loans that we have sold or to indemnify holders of our CDOs and CLOs.

If any of the loans we originate or acquire and sell or securitize through CDOs and CLOs do not comply with representations and warranties we make about certain characteristics of the loans, the borrowers and the underlying properties, we may be required to repurchase those loans or replace them with substitute loans. In addition, in the case of loans that we have sold instead of retained, we may be required to indemnify persons for losses or expenses incurred as a result of a breach of a representation or warranty. Repurchased loans typically require a significant allocation of working capital to carry on our books, and our ability to borrow against such assets is limited. Any significant repurchases or indemnification payments could adversely affect our financial condition and operating results.

Our loans and investments may be subject to fluctuations in interest rates which may not be adequately protected, or protected at all, by our hedging strategies.

Our current balance sheet investment program emphasizes loans with both floating interest rates and fixed interest rates. Floating rate investments earn interest at rates that adjust from time to time (typically monthly) based upon an index (typically LIBOR), allowing this portion of our portfolio to be insulated from changes in value due specifically to changes in interest rates. Fixed interest rate investments, however, do not have adjusting interest rates and, as prevailing interest rates change, the relative value of the fixed cash flows from these investments will cause potentially significant changes in value. The majority of our interest-earning assets and interest-bearing liabilities have floating rates of interest. However, depending on market conditions, fixed rate assets may become a greater portion of our new loan originations. We may employ various hedging strategies to limit the effects of changes in interest rates (and in some cases credit spreads), including engaging in interest rate swaps, caps, floors and other interest rate derivative products. No strategy can completely insulate us from the risks associated with interest rate changes and there is a risk that they may provide no protection at all and potentially compound the impact of changes in interest rates. Hedging transactions involve certain additional risks such as counterparty risk, the legal enforceability of hedging contracts, the early repayment of hedged transactions and the risk that unanticipated and significant changes in interest rates may cause a significant loss of basis in the contract and a change in current period expense. We cannot make assurances that we will be able to enter into hedging transactions or that such hedging transactions will adequately protect us against the foregoing risks. In addition, cash flow hedges which are not perfectly correlated (and appropriately designated and documented as such) with a variable rate financing will impact our reported income as gains and losses on the ineffective portion of such hedges will be recorded on our Statement of Operations.

Hedging instruments often are not guaranteed by an exchange or its clearing house and involve risks and costs.

The cost of using hedging instruments increases as the period covered by the instrument lengthens and during periods of rising and volatile interest rates. We may increase our hedging activity and thus increase our hedging costs during periods when interest rates are volatile or rising and hedging costs have increased.

In addition, hedging instruments involve risk since they currently are often not guaranteed by an exchange or its clearing house. The enforceability of agreements underlying derivative transactions may depend on compliance with applicable statutory, commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in a default. Default by a party with whom we enter into a hedging transaction may result in the loss of unrealized profits and force us to cover our resale commitments, if any, at the then current market price. Although generally we will seek to reserve the right to terminate our hedging positions, it may not always be possible to dispose of or close out a hedging position without the consent of the hedging counterparty, and we may not be able to enter into an offsetting contract to cover our risk. We cannot assure that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in losses.

We may enter into derivative contracts that could expose us to contingent liabilities in the future.

Subject to maintaining our qualification as a REIT, part of our investment strategy involves entering into derivative contracts that could require us to fund cash payments in the future under certain circumstances (e.g., the early termination of the derivative agreement caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the derivative contract). The amount due would be equal to the unrealized loss of the open swap positions with the respective counterparty and could also include other fees and charges. These economic losses will be reflected in our financial results of operations, and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition.

Changes in values of our derivative contracts could adversely affect our liquidity and financial condition.

Certain of our derivative contracts, which are designed to hedge interest rate risk associated with a portion of our loans and investments, could require the funding of additional cash collateral for changes in the market value of these contracts. Due to the continued volatility in the financial markets, the values of these contracts have declined substantially. As a result, as of December 31, 2013, we funded approximately $14.2 million in cash related to these contracts. If we continue to experience significant changes in the outlook of interest rates, these contracts could continue to decline in value, which would require additional cash to be funded. However, at maturity, the values of these contracts return to par and all cash will be recovered. We may not have available cash to meet these requirements, which could result in the early termination of these derivatives, leaving us exposed to interest rate risk associated with these loans and investments, which could adversely impact our financial condition.

We are subject to certain counterparty risks related to our derivative contracts.

We periodically hedge a portion of our interest rate risk by entering into derivative financial instrument contracts. In a global credit crisis, there is a risk that counterparties could fail, shut down, file for bankruptcy or be unable to pay out contracts. The failure of a counterparty that holds collateral that we post in connection with certain interest rate swap agreements could result in the loss of such collateral.

Risks Related to Our Corporate and Ownership Structure

We are substantially controlled by ACM and Mr. Kaufman.

Mr. Ivan Kaufman, our chairman, chief executive officer and president and the chief executive officer of ACM, beneficially owns approximately 92% of the outstanding membership interests of ACM. ACM has approximately 11% of the voting power of our outstanding stock as of December 31, 2013. As a result of Mr. Kaufman's beneficial ownership of stock held by ACM as well as his beneficial ownership of additional shares of our common stock, Mr. Kaufman has approximately 12% of the voting power of our outstanding stock as of December 31, 2013. Because of his position with us and our manager and his ability to effectively vote a substantial minority of our outstanding stock, Mr. Kaufman has significant influence over our policies and strategy.

Our charter generally does not permit ownership in excess of 5% of our capital stock, and attempts to acquire our capital stock in excess of this limit are ineffective without prior approval from our Board of Directors.

For the purpose of preserving our REIT qualification, our charter generally prohibits a beneficial or constructive ownership by any person of more than 5% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of our common stock or 5% (by value) of our outstanding shares of stock of all classes or series, unless an exemption is granted by the Board of Directors. For purposes of this calculation, warrants held by such person will be deemed to have been exercised if such exercise would result in a violation. Our charter's constructive ownership rules are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than these percentages of the outstanding stock by an individual or entity could cause that individual or entity to own constructively in excess of these percentages of the outstanding stock and thus be subject to our charter's ownership limit. Any attempt to own or transfer shares of our common or preferred stock in excess of the ownership limit without the consent of the Board of Directors will result in the shares being automatically transferred to a charitable trust or otherwise voided. Our Board of Directors have approved resolutions under our charter allowing Ivan Kaufman and ACM, in relation to Mr. Kaufman's controlling equity interest, C. Michael Kojaian, one of our independent directors, as well as two outside investors to own more than the ownership interest limit of our common stock stated in our charter.

Our staggered board and other provisions of our charter and bylaws may prevent a change in our control.

Our Board of Directors is divided into three classes of directors. The current terms of the Class II, Class III and Class I directors will expire in 2014, 2015 and 2016, respectively. Directors of each class are chosen for three year terms upon the expiration of their current terms, and each year one class of directors is elected by the stockholders. The staggered terms of our directors may reduce the possibility of a tender offer or an attempt at a change in control, even though a tender offer or change in control might be in the best interest of our stockholders. In addition, our charter and bylaws also contain other provisions that may delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Risks Related to Conflicts of Interest with Our Manager

We are dependent on our manager with whom we have conflicts of interest.

We have only 37 employees, including Messrs. Weber, Kilgore, and Guziewicz, and are dependent upon our manager to provide services to us that are vital to our operations. ACM, our manager, has approximately 11% of the voting power of the outstanding shares of our capital stock as of December 31, 2013 and Mr. Kaufman, our chairman and chief executive officer and the chief executive officer of ACM, beneficially owns these shares. Mr. Martello, one of our directors, is the chief operating officer of Arbor Management, LLC (the managing member of ACM) and a trustee of two trusts which own minority membership interests in ACM. Mr. Bishar, our secretary, is general counsel to ACM. Mr. Elenio, our chief financial officer and treasurer, is the chief financial officer of ACM. Each of Messrs. Kaufman, Martello, Bishar, Elenio, Weber and Kilgore are members of ACM's executive committee and all, but excluding Mr. Kaufman, own minority membership interests in ACM.

We may enter into transactions with ACM outside the terms of the management agreement with the approval of a majority vote of the independent members of our Board of Directors. Transactions required to be approved by a majority of our independent directors include, but are not limited to, our ability to purchase securities, mortgages and other assets from ACM or to sell securities and assets to ACM. ACM may from time to time provide permanent mortgage loan financing to clients of ours, which will be used to refinance bridge financing provided by us. We and ACM may also make loans to the same borrower or to borrowers that are under common control. Additionally, our policies and those of ACM may require us to enter into intercreditor agreements in situations where loans are made by us and ACM to the same borrower.

We have entered into a management agreement with our manager under which our manager provides us with all of the services vital to our operations other than asset management and securitization services. Certain matters relating to our organization were not approved at arm's length and the terms of the contribution of assets to us may not be as favorable to us as if the contribution was with an unaffiliated third party.

The results of our operations are dependent upon the availability of, and our manager's ability to identify and capitalize on, investment opportunities. Our manager's officers and employees are also responsible for providing the same services for ACM's portfolio of investments. As a result, they may not be able to devote sufficient time to the management of our business operations.

Our directors have approved very broad investment guidelines for our manager and do not approve each investment decision made by our manager.

Our manager is authorized to follow very broad investment guidelines. Our directors will periodically review our investment guidelines and our investment portfolio. However, our board does not review each proposed investment. In addition, in conducting periodic reviews, the directors rely primarily on information provided to them by our manager. Furthermore, transactions entered into by our manager may be difficult or impossible to unwind by the time they are reviewed by the directors. Our manager has great latitude within the broad investment guidelines in determining the types of assets it may decide are proper investments for us.

Our manager has broad discretion to invest funds and may acquire structured finance assets where the investment returns are substantially below expectations or that result in net operating losses.

Our manager has broad discretion, within the general investment criteria established by our Board of Directors, to allocate our capital and to determine the timing of investment of such capital. Such discretion could result in allocation of capital to assets where the investment returns are substantially below expectations or that result in net operating losses, which would materially and adversely affect our business, operations and results.

The management compensation structure that we have agreed to with our manager may cause our manager to invest in high risk investments. Our manager is entitled to a base management fee, which is based on an agreed upon budget which represents the actual cost of managing the business. Our manager is also entitled to receive incentive compensation based in part upon our achievement of targeted levels of funds from operations. In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on funds from operations may lead our manager to place undue emphasis on the maximization of funds from operations at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the value of our invested portfolio.

Risk Related to Our Status as a REIT

If we fail to remain qualified as a REIT, we will be subject to tax as a regular corporation and could face a substantial tax liability.

We conduct our operations to qualify as a REIT under the Internal Revenue Code. However, qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent mistake could jeopardize our REIT status. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT. If we fail to qualify as a REIT in any tax year, then:

- we would be taxed as a regular domestic corporation, which, among other things, means we would be unable to deduct distributions to stockholders in computing taxable income and would be subject to federal income tax on our taxable income at regular corporate rates;
- any resulting tax liability could be substantial and would reduce the amount of cash available for distribution to stockholders; and
- unless we were entitled to relief under applicable statutory provisions, we would be disqualified from treatment as a REIT for the subsequent four taxable years following the year during which we lost our qualification, and thus, our cash available for distribution to stockholders would be reduced for each of the years during which we did not qualify as a REIT.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes, such as mortgage recording taxes. Any of these taxes would decrease cash available for distribution to our stockholders. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold some of our assets through taxable subsidiary corporations, the income of which would be subject to federal and state income tax. The income and any tax on or distribution requirements attributable to certain debt extinguishment transactions realized in 2009 and 2010 have been deferred to future periods at our election.

The "taxable mortgage pool" rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

Certain of our securitizations have resulted in the creation of taxable mortgage pools for federal income tax purposes. So long as 100% of the equity interests in a taxable mortgage pool are owned by an entity that qualifies as a REIT, including our subsidiary Arbor Realty SR, Inc., we would generally not be adversely affected by the characterization of the securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other tax benefits, stockholders with net operating losses, and certain tax-exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax-exempt "disqualified organizations," such as certain government-related entities that are not subject to tax on unrelated business income, we could incur a corporate level tax on a portion of our income from the taxable mortgage pool. In that case, we may reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax. Moreover, we could be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities.

To qualify as a REIT for federal income tax purposes we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Complying with REIT requirements may force us to liquidate otherwise attractive investments.

To qualify as a REIT we must ensure that at the end of each calendar quarter at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets. The remainder of our investment in securities generally cannot comprise more than 10% of the outstanding voting securities, or more than 10% of the total value of the outstanding securities, of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than assets which qualify for purposes of the 75% asset test) may consist of the securities of any one issuer, and no more than 25% of the value of our total assets may be represented by securities of one or more taxable REIT subsidiaries. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter to avoid losing our REIT status and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments.

Liquidation of collateral may jeopardize our REIT status.

To continue to qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate investments to satisfy our obligations to future lenders, we may be unable to comply with these requirements, ultimately jeopardizing our status as a REIT.

We may be unable to generate sufficient revenue from operations to pay our operating expenses and to pay dividends to our stockholders.

As a REIT, we are generally required to distribute at least 90% of our taxable income each year to our stockholders. In order to qualify for the tax benefits accorded to REITs, we intend to declare quarterly dividends and to make distributions to our stockholders in amounts such that we distribute all or substantially all of our taxable income each year, subject to certain adjustments. However, our ability to make distributions may be adversely affected by the risk factors described in this report. In the event of future investment opportunities, a downturn in our operating results and financial performance or unanticipated declines in the value of our asset portfolio, we may be unable to declare or pay quarterly dividends or make distributions to our stockholders. The timing and amount of dividends are in the sole discretion of our Board of Directors, which considers, among other factors, our earnings, financial condition, debt service obligations and applicable debt covenants, REIT qualification requirements and other tax considerations and capital expenditure requirements as our board may deem relevant from time to time.

Among the factors that could adversely affect our results of operations and impair our ability to make distributions to our stockholders are:

- use of funds and our ability to make profitable structured finance investments;
- defaults in our asset portfolio or decreases in the value of our portfolio;
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates; and
- increased debt service requirements, including those resulting from higher interest rates on variable rate indebtedness.

A change in any one of these factors could affect our ability to make distributions. If we are not able to comply with the restrictive covenants and financial ratios contained in future credit facilities, our ability to make distributions to our stockholders may also be impaired. We cannot assure that we will be able to make distributions to our stockholders in the future or that the level of any distributions we make will increase over time.

We may need to borrow funds in order to satisfy our REIT distribution requirements, and a portion of our distributions may constitute a return of capital. Debt service on any borrowings for this purpose will reduce our cash available for distribution.

In order to qualify as a REIT, we must generally, among other requirements, distribute at least 90% of our taxable income, subject to certain adjustments, to our stockholders each year. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws.

From time to time, we may generate taxable income greater than our net income for financial reporting purposes, or our taxable income may be greater than our cash flow available for distribution to our stockholders. In addition, we have deferred the recognition of taxable income from certain debt extinguishment transactions that occurred in 2009 and 2010 and will give rise to taxable income, but no corresponding cash flow, in future years. If we do not have other funds available in these situations we could be required to borrow funds, issue stock or sell investments and our equity securities at disadvantageous prices or find another alternative source of funds to make distributions sufficient to enable us to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock.

Recently enacted legislation resulted in an increase in the highest marginal tax rates applicable to individuals and other non-corporate taxpayers. As of January 1, 2013, capital gain income (including capital gain dividends that we pay) and ordinary income (including dividends that we pay which are not capital gain dividends) are generally taxable at top marginal rates of 20% and 39.6%, respectively. Certain U.S. stockholders who are individuals, trusts or estates and whose income exceeds certain thresholds are required to pay a 3.8% Medicare tax on our dividends and gain from the sale of our stock. The top tax rate on "qualified dividend income" received by U.S. stockholders taxed at individual rates is now 20% but, with limited exceptions, our dividends are generally not eligible for taxation at such preferential rate. At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may change. Any such changes may have a retroactive effect, and could adversely affect us or our stockholders.

Restrictions on share accumulation in REITs could discourage a change of control of us.

In order for us to qualify as a REIT, not more than 50% of the value of our outstanding shares of capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of a taxable year.

In order to prevent five or fewer individuals from acquiring more than 50% of our outstanding shares and a resulting failure to qualify as a REIT, our charter provides that, subject to certain exceptions, no person, including entities, may own, or be deemed to own by virtue of the attribution provisions of the Internal Revenue Code, more than 5% of the aggregate value or number of shares (whichever is more restrictive) of our outstanding common stock, or more than 5%, by value, of our outstanding shares of stock of all classes or series, in the aggregate. For purposes of the ownership limitations, warrants held by a person will be deemed to have been exercised if such exercise would result in a violation of the charter provisions.

Shares of our stock that would otherwise be directly or indirectly acquired or held by a person in violation of the ownership limitations are, in general, automatically transferred to a trust for the benefit of a charitable beneficiary, and the purported owner's interest in such shares is void. In addition, any person who acquires shares in excess of these limits is obliged to immediately give written notice to us and provide us with any information we may request in order to determine the effect of the acquisition on our status as a REIT.

While these restrictions are designed to prevent any five individuals from owning more than 50% of our shares, they could also discourage a change in control of our company. These restrictions may also deter tender offers that may be attractive to stockholders or limit the opportunity for stockholders to receive a premium for their shares if an investor makes purchases of shares to acquire a block of shares.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

ACM, our manager, leases our shared principal executive and administrative offices, located at 333 Earle Ovington Boulevard in Uniondale, New York.

ITEM 3. LEGAL PROCEEDINGS

We are not involved in any material litigation nor, to our knowledge, is any material litigation threatened against us other than the following:

On June 15, 2011, three related lawsuits were filed by the Extended Stay Litigation Trust (the "Trust"), a post-bankruptcy litigation trust alleged to have standing to pursue claims that previously had been held by Extended Stay, Inc. and the Homestead Village L.L.C. family of companies (together "ESI") (formerly Chapter 11 debtors, together the "Debtors") that have emerged from bankruptcy. Two of the lawsuits were filed in the United States Bankruptcy Court for the Southern District of New York, and the third in the Supreme Court of the State of New York, New York County. There are 73 defendants in the three lawsuits, including 55 corporate and partnership entities and 18 individuals. A subsidiary of ours and certain other entities that are affiliates of ours are included as defendants.

The New York State Court action has been removed to the Bankruptcy Court. Our affiliates filed a motion to dismiss the three lawsuits.

The lawsuits all allege, as a factual basis and background, certain facts surrounding the June 2007 leveraged buyout of ESI from affiliates of Blackstone Capital. Our subsidiary, Arbor ESH II, LLC, had a $115.0 million investment in the Series A1 Preferred Units of a holding company of Extended Stay, Inc. The New York State Court action and one of the two federal court actions name as defendants, Arbor ESH II, LLC, Arbor Commercial Mortgage, LLC and ABT-ESI LLC, an entity in which we have a membership interest, among the broad group of defendants. These two actions were commenced by substantially identical complaints. The defendants are alleged in these complaints, among other things, to have breached fiduciary and contractual duties by causing or allowing the Debtors to pay illegal dividends or other improper distributions of value at a time when the Debtors were insolvent. These two complaints also allege that the defendants aided and abetted, induced, or participated in breaches of fiduciary duty, waste, and unjust enrichment ("Fiduciary Duty Claims") and name a director of ours, and a former general counsel of Arbor Commercial Mortgage, LLC, each of whom had served on the Board of Directors of ESI for a period of time. We are defending these two defendants and paying the costs of such defense. On the basis of the foregoing allegations, the Trust has asserted claims under a number of common law theories, seeking the return of assets transferred by the Debtors prior to the Debtors' bankruptcy filing.

In the third action, filed in Bankruptcy Court, the same plaintiff, the Trust, has named Arbor Commercial Mortgage, LLC and ABT-ESI LLC, together with a number of other defendants and asserts claims, including constructive and fraudulent conveyance claims under state and federal statutes, as well as a claim under the Federal Debt Collection Procedure Act.

On June 28, 2013, the Trust filed a motion to amend the lawsuits, to, among other things, (i) consolidate the lawsuits into one lawsuit, (ii) remove 47 defendants, none of whom are related to us, from the lawsuits so that there are 26 remaining defendants, including 16 corporate and partnership entities and 10 individuals, and (iii) reduce the counts within the lawsuits from over 100 down to 17. The remaining counts in the amended complaint against affiliates of ours are principally state law claims for breach of fiduciary duties, waste, unlawful dividends and unjust enrichment, and claims under the Bankruptcy Code for avoidance and recovery actions, among others. The bankruptcy court granted the motion and the amended complaint has been filed. The amended complaint seeks $139 million in the aggregate from director designees and affiliates of ours. We have moved to dismiss the referenced actions and intend to vigorously defend against the claims asserted therein. A hearing date for the motion to dismiss has not been set yet.

We have not made a loss accrual for this litigation because we believe that it is not probable that a loss has been incurred and an amount cannot be reasonably estimated.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has been listed on the New York Stock Exchange ("NYSE") under the symbol "ABR" since our initial public offering in April 2004. The following table sets forth for the indicated periods the high and low sales prices for our common stock, as reported on the NYSE, and the dividends declared and paid with respect to such periods.

	High	Low	Dividends Declared
2013			
First Quarter	$ 8.60	$ 5.97	$ 0.12
Second Quarter	$ 8.08	$ 5.78	$ 0.13
Third Quarter	$ 7.74	$ 6.11	$ 0.13
Fourth Quarter(1)	$ 7.05	$ 6.26	$ 0.13
2012			
First Quarter	$ 5.94	$ 3.35	$ 0.075
Second Quarter	$ 6.67	$ 4.99	$ 0.10
Third Quarter	$ 6.55	$ 5.16	$ 0.11
Fourth Quarter	$ 6.24	$ 4.72	$ 0.12

(1) On February 12, 2014, our Board of Directors declared a dividend of $0.13 per common share for the fourth quarter of 2013.

We are organized and conduct our operations to qualify as a real estate investment trust, or a REIT, which requires that we distribute at least 90% of taxable income. No assurance, however, can be given as to the amounts or timing of future distributions as such distributions are subject to our taxable earnings, financial condition, capital requirements and such other factors as our Board of Directors deems relevant.

On February 12, 2014, the closing sale price for our common stock, as reported on the NYSE, was $7.04 and there were 8,039 record holders of our common stock, including persons holding shares in broker accounts under street names.

Equity Compensation Plan Information

The following table presents information as of December 31, 2013 regarding the 2003 Omnibus Stock Incentive Plan and the incentive compensation provisions of our management agreement with ACM, which are our only equity compensation plans:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders:			
2003 Omnibus Stock Incentive Plan(1)	0	N/A	N/A
Incentive Compensation pursuant to Management Agreement(2)	0	N/A	See Note 3
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	0	N/A	0

(1) The 2003 Omnibus Stock Incentive Plan expired in July 2013.

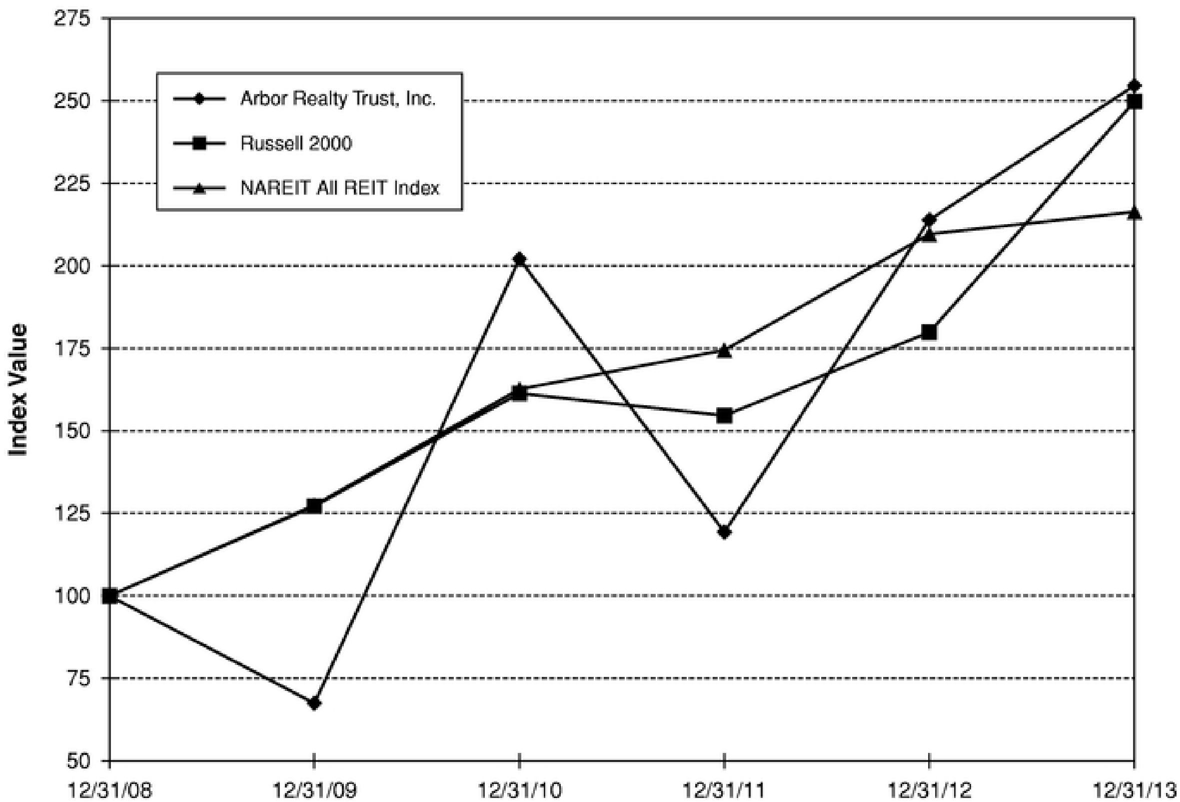
(2) Pursuant to the terms of our management agreement with ACM, at least 25% of the incentive compensation earned by our manager is payable in shares of our common stock having a value equal to the average closing price per share for the last twenty days of the fiscal quarter for which the incentive compensation is being paid. ACM has the right to elect to receive 100% of the incentive compensation in shares of our common stock. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Commitments—Management Agreement" for information regarding the terms of our management agreement and the incentive compensation payable to ACM thereunder. Our sole stockholder immediately prior to the date we entered into the management agreement with ACM approved the issuance of shares of our common stock to ACM pursuant to the incentive compensation provisions of the management agreement.

(3) The number of securities remaining available for future issuance to ACM as incentive compensation pursuant to the management agreement depends on the amount of incentive compensation earned by ACM in the future and therefore is not yet determinable.

Performance Graph

The graph below compares the cumulative total stockholder return on shares of our common stock with the cumulative total return of the NAREIT All REIT Index and the Russell 2000 Index. The five year period commences on December 31, 2008 and ends on December 31, 2013, the end of our most recently completed fiscal year. The graph assumes an investment of $100 on January 1, 2009 and the reinvestment of any dividends. This graph is not necessarily indicative of future price performance. The information included in the graph and table below was obtained from SNL Financial LC, Charlottesville, VA.© 2014.

Total Return Performance



	Period Ending					
Index	**12/31/08**	**12/31/09**	**12/31/10**	**12/31/11**	**12/31/12**	**12/31/13**
Arbor Realty Trust, Inc.	100.00	67.46	202.03	119.32	213.86	254.53
Russell 2000	100.00	127.17	161.32	154.59	179.86	249.69
NAREIT All REIT Index	100.00	127.45	162.60	174.43	209.57	216.29

In accordance with SEC rules, this section entitled "Performance Graph" shall not be incorporated by reference into any of our future filings under the Securities Act or the Exchange Act, and shall not be deemed to be soliciting material or to be filed under the Securities Act or the Exchange Act.

ITEM 6. SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

The following tables present selected historical consolidated financial information for the periods indicated. The selected historical consolidated financial information presented below under the captions "Operating Data," "Share Data" and "Balance Sheet Data" have been derived from our audited consolidated financial statements and include all adjustments, consisting only of normal recurring accruals, which management considers necessary for a fair presentation of the historical consolidated financial statements for such period. Prior period amounts have been reclassified to conform to current period presentation. In addition, since the information presented below is only a summary and does not provide all of the information contained in our historical consolidated financial statements, including the related notes, you should read it in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements, including the related notes, included elsewhere in this report.

	Year ended December 31,				
	2013	2012	2011	2010	2009
Operating Data					
Interest income	$99,031,623	$79,998,762	$ 73,867,556	$ 95,487,325	$ 117,262,129
Interest expense	42,065,151	40,866,832	51,651,933	62,979,036	80,102,075
Net interest income	56,966,472	39,131,930	22,215,623	32,508,289	37,160,054
Total other revenue	30,120,072	29,301,935	22,125,735	1,069,454	809,808
Provision for loan losses (net of recoveries)	4,287,652	22,946,396	38,542,888	82,811,753	241,328,039
Management fee—related party	10,900,000	10,000,000	8,300,000	26,365,448	15,136,170
Gain on extinguishment of debt	4,930,772	30,459,023	10,878,218	229,321,130	54,080,118
Income (loss) from continuing operations	21,742,860	16,707,629	(37,096,165)	113,637,487	(206,093,138)
(Loss) income from discontinued operations	(444,123)	5,008,826	(2,999,892)	(511,533)	(5,865,163)
Net income (loss)(1)	21,298,737	21,716,455	(40,096,057)	113,125,954	(211,958,301)
Preferred stock dividends	4,506,583	—	—	—	—
Net income attributable to noncontrolling interest	124,199	215,567	215,656	215,743	18,672,855
Net income (loss) attributable to Arbor Realty Trust, Inc. common stockholders	16,667,955	21,500,888	(40,311,713)	112,910,211	(230,631,156)
Share Data					
Income (loss) from continuing operations per share, basic	0.40	0.61	(1.49)	4.46	(8.88)
Income (loss) per share, basic	0.39	0.80	(1.61)	4.44	(9.11)
Income (loss) from					

continuing operations per share, diluted	0.40	0.61	(1.49)	4.41	(8.88)
Income (loss) per share, diluted(2)	0.39	0.79	(1.61)	4.39	(9.11)
Dividends declared per common share	0.50	0.285	—	—	—

	At December 31,				
	2013	2012	2011	2010	2009
Balance Sheet Data					
Loans and investments, net	$1,523,699,653	$1,325,667,053	$1,302,440,660	$1,414,225,388	$1,700,774,288
Total assets	1,877,472,482	1,701,881,280	1,776,714,330	1,731,207,928	2,060,774,772
Total debt	1,278,790,435	1,294,590,321	1,438,380,573	1,343,297,498	1,779,319,144
Redeemable preferred stock	67,654,655	—	—	—	—
Total equity	437,596,282	231,261,122	173,060,533	206,415,243	98,633,970

	Year ended December 31,				
	2013	2012	2011	2010	2009
Other Data					
Loan originations	$591,537,200	$274,516,550	$206,477,919	$ 24,749,342	$ 3,000,000
Mortgage-backed security and bond investments, net	126,544,084	157,687,589	36,464,627	6,603,769	12,412,500
Loan payoffs / paydowns	402,162,170	269,904,723	189,521,473	422,526,107	279,304,877

(1) Our 2009 results include a $57.6 million loss on sale and restructuring of loans, a $10.3 million other-than-temporary impairment, an $8.7 million loss on termination of swaps and a $56.0 million gain on exchange of profits interest.

(2) In 2009, we issued one million warrants as part of a debt restructuring which did not have a dilutive effect for the years ended December 31, 2009 and 2011 and had a dilutive effect for the years ended December 31, 2012 and 2010.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the sections of this report entitled "Risk Factors," "Forward-Looking Statements," and "Selected Consolidated Financial Information of Arbor Realty Trust, Inc. and Subsidiaries" and the historical consolidated financial statements of Arbor Realty Trust, Inc. and Subsidiaries, including related notes, included elsewhere in this report.

Overview

We invest in multi-family and commercial real estate-related bridge loans, junior participating interests in first mortgages, mezzanine loans, preferred and direct equity and, in limited cases, discounted mortgage notes and other real estate-related assets, which we refer to collectively as structured finance investments. We are organized and conduct our operations to qualify as a REIT and to comply with the provisions of the Internal Revenue Code with respect thereto. A REIT is generally not subject to federal income tax on its REIT—taxable income that is distributed to its stockholders, provided that at least 90% of its REIT—taxable income is distributed and provided that certain other requirements are met. We have also invested in mortgage-related securities. We conduct substantially all of our operations through our operating partnership and its wholly-owned subsidiaries.

Our operating performance is primarily driven by the following factors:

- *Net interest income earned on our investments*—Net interest income represents the amount by which the interest income earned on our assets exceeds the interest expense incurred on our borrowings. If the yield earned on our assets decreases or the cost of borrowings increases, this will have a negative impact on earnings. However, if the yield earned on our assets increases or the cost of borrowings decreases, this will have a positive impact on earnings. Net interest income is also directly impacted by the size and performance of our asset portfolio.

- *Credit quality of our assets*—Effective asset and portfolio management is essential to maximize the performance and value of a real estate/mortgage investment. Maintaining the credit quality of our loans and investments is of critical importance. Loans that do not perform in accordance with their terms may have a negative impact on earnings and liquidity.

- *Cost control*—We seek to minimize our operating costs, which consist primarily of employee compensation and related costs, management fees and other general and administrative expenses. If there are increases in foreclosures and non-performing loans and investments, certain of these expenses, particularly employee compensation expenses and asset management related expenses, may increase.

Significant Developments During 2013

Loan and Investment Activity—We originated 67 loans totaling $591.5 million with a weighted average interest rate of 7.29%. We received full satisfaction of 47 loans totaling $353.5 million with a weighted average interest rate of 5.72% and partial paydowns on five loans totaling $48.7 million with a weighted average interest rate of 6.28%.

Capital Raising Activities—We raised $197.2 million of capital through several offerings in 2013, including:

- $83.9 million raised through two common stock public offerings;

- $45.6 million raised through an "At-The-Market" ("ATM") common stock offering;

- $37.3 million raised from the issuance of 8.25% Series A cumulative redeemable preferred stock; and

- $30.4 million raised from the issuance of 7.75% Series B cumulative redeemable preferred stock.

We also closed a second CLO securitization whereby $260.0 million of real estate-related assets were contributed to a newly-formed consolidated subsidiary, which issued $177.0 million of investment grade notes.

Financing Activities—We increased our short-term funding sources by $153.0 million. We added three new facilities totaling $123.0 million and expanded the capacity on existing debt facilities by $30.0 million.

Current Market Conditions, Risks and Recent Trends

Our ability to execute our business strategy, particularly the growth of our portfolio of loans and investments, is dependent on many factors, including our ability to access capital and financing on favorable terms. Although economic and market conditions in the United States have generally improved over the past two years, the overall market recovery remains uncertain. The previous economic downturn had a significant negative impact and continues to affect both us and our borrowers. Weak economic conditions may limit our options for raising capital and obtaining financing on favorable terms and may also adversely impact the creditworthiness of our borrowers which could result in their inability to repay their loans.

The capital markets began to substantially open up in 2012 and access to the equity and debt markets continued to improve in 2013. We rely on these markets to generate capital for financing the growth of our business. As such, we raised $197.2 million of capital through several common and preferred stock offerings during 2013. We also closed a second CLO offering, whereby we issued $177.0 million of investment grade notes. While there can be no assurance that we will continue to have access to the equity and debt markets, we will continue to pursue these and other available market opportunities as means to increase our liquidity and capital base. If we were to experience another prolonged downturn in the stock or credit markets, it could cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly.

The commercial real estate markets continued to improve during 2013, but uncertainty remains as a result of global market instability, the current political climate and other matters and their potential impact on the United States economy. If real estate values decline again, it may limit our new mortgage loan originations since borrowers often use increases in the value of their existing properties to support the purchase or investment in additional properties. Declining real estate values may also significantly increase the likelihood that we will incur losses on our loans in the event of default because the value of our collateral may be insufficient to cover our cost on the loan. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect both our net interest income from loans as well as our ability to originate, sell and securitize loans, which would significantly impact our revenues, results of operations, financial condition, business prospects and our ability to make distributions to our stockholders.

During fiscal year 2013, we recorded $6.5 million of new provisions for loan losses, due to declining collateral values, and $2.2 million in net recoveries of reserves. During fiscal year 2012, we recorded $23.8 million of new provisions for loan losses, due to declining collateral values, and $0.9 million in net recoveries of reserves. In addition, during fiscal year 2013 we recorded a $1.0 million impairment loss on a real estate owned asset. We have made, and continue to make modifications and extensions to loans when it is economically feasible to do so. In some cases, a modification is a more viable alternative to foreclosure proceedings when a borrower cannot comply with loan terms. In doing so, lower borrower interest rates, combined with non-performing loans, would lower our net interest margins when comparing interest income to our costs of financing. However, in 2013, the level of modifications and extensions declined and repayments of loans increased as borrowers access to financing improved. These trends could worsen if another prolonged economic downturn were to occur and, if that were to happen, we believe there could be continued modifications and delinquencies in the foreseeable future, which may result in reduced net interest margins and additional losses throughout our sector.

Primary Sources of Operating Revenues

We derive our operating revenues primarily through interest received from making real estate-related bridge, mezzanine and junior participation loans and preferred equity investments. Interest income earned on these loans and investments represented approximately 75%, 71% and 76% of our total revenues in 2013, 2012 and 2011,respectively.

Property operating income is derived from our hotel and multifamily real estate owned assets. Property operating income represented approximately 22%, 26% and 23% of our total revenues in 2013, 2012 and 2011, respectively. The operation of a portfolio of hotel properties that we own is seasonal with the majority of revenues earned in the first two quarters of the calendar year.

Changes in Financial Condition

Assets—Comparison of balances at December 31, 2013 to December 31, 2012:

Our loan and investment portfolio balance, including our available-for-sale and held-to-maturity securities, at December 31, 2013 and 2012 was $1.7 billion and $1.5 billion, respectively, with a weighted average current interest pay rate of 5.21% and 4.77%, respectively. Including certain fees and costs associated with the loan and investment portfolio, the weighted average current interest rate was 5.69% and 5.04%, respectively. At December 31, 2013 and 2012, advances on our financing facilities totaled approximately $1.2 billion for both periods, with a weighted average funding cost of 3.03% and 2.82%, respectively, which excludes changes in the market value of certain interest rate swaps and financing costs. Including the financing costs, the weighted average funding rate was 3.34% and 3.12%, respectively.

Cash and cash equivalents increased $31.2 million primarily due to proceeds received from our equity offerings in 2013, as well as loan payoffs and interest from our investments, net of funding new loan originations and investments, payment of dividends and related party payables and purchasing our own CDO bonds.

Restricted cash increased $12.4 million primarily due to payoffs of loans from our CDOs and CLOs net of principal repayments. Restricted cash is kept on deposit with the trustees for our CDOs, all three of which reached their respective replenishment dates as of January 2012, and primarily represents proceeds from loan payoffs and paydowns net of principal repayments to the CDO bondholders, as well as unfunded loan commitments and interest payments received from loans.

Loans and investments increased $199.0 million. Loan and investment activity during 2013 was primarily comprised of:

- Originated 67 loans totaling $591.5 million with a weighted average interest rate of 7.29%.
- Received full satisfaction of 47 loans totaling $353.5 million that had a weighted average interest rate of 5.72%.
- Received partial pay downs on five loans totaling $48.7 million that have a weighted average interest rate of 6.28%.
- Modified five loans totaling $52.5 million resulting in a reduction of the weighted average interest rate from 9.76% to 9.08%.
- Extended 25 loans totaling $189.5 million.

Our allowance for loan losses was $122.3 million at December 31, 2013, a decrease of $39.4 million from December 31, 2012. During 2013, we recorded charge-offs to our allowance totaling $43.7 million and recorded a provision for loan loss, net of recoveries totaling $4.3 million.

Since December 31, 2013, we have originated ten new loans for a total of $80.2 million and received a total of $188.3 million for the repayment in full of eight loans.

Securities—during 2013, we purchased five RMBS investments for a total of $29.0 million and received $38.6 million of total principal paydowns on the portfolio. In the fourth quarter of 2013, we reclassified our portfolio of non-linked RMBS investments from held-to-maturity to available-for-sale as a result of a change in intent to hold the securities to maturity at December 31, 2013 due to management's decision to redeploy capital into the core lending business. This change resulted in a $34.0 million increase to available-for-sale securities and a corresponding decrease in held-to-maturity securities. We sold the majority of the available-for-sale RMBS securities in the first quarter of 2014.

Investments in equity affiliates decreased $54.9 million primarily due to the redemption of preferred operating partnership units of Lightstone Value Plus REIT L.P. ("Lightstone") as well as the deconsolidation of the previously consolidated entity. See Note 5 of the "Notes to the Consolidated Financial Statements" set forth in Item 8 hereof for a further description of this transaction.

Real estate owned assets—during 2013, we reclassified a property in a portfolio of six multifamily properties (the "Multifamily Portfolio") to held-for-sale in connection with a proposed sale transaction. This reclassification resulted in an $11.5 million increase in real estate held-for-sale, net and a corresponding decrease in real estate owned, net.

Liabilities—Comparison of balances at December 31, 2013 to December 31, 2012:

Repurchase agreements and credit facilities increased $28.5 million primarily due to the addition of three new warehouse facilities and increasing the borrowings under our existing line of credit. Amounts outstanding at December 31, 2013 under the new facilities totaled $78.9 million and the increase on the line of credit totaled $5.0 million. These increases were partially offset by paying off two warehousing facilities by a total of $29.9 million and partially paying off an additional warehouse facility by $16.7 million with proceeds from the completion of our CLO, as well as paydowns of two repurchase agreements.

Collateralized debt obligations decreased $172.8 million primarily due to $162.1 million of payments to investors due to runoff and amortization, as well as repurchases of three Class H notes originally issued by our CDO II and CDO III issuing entities with an aggregate face value of $9.9 million.

Collateralized loan obligations increased $177.0 million primarily due to the completion of our second CLO in the first quarter of 2013 in which we issued $177.0 million of investment grade notes.

Notes payable decreased $49.0 million primarily due to the satisfaction of a note payable in the third quarter of 2013 in connection with a transaction with Lightstone to redeem its preferred operating partnership units.

Other liabilities decreased $11.9 million primarily due to a $13.9 million decrease in accrued interest payable as a result of an increase in the fair value of our interest rate swaps.

Equity

In September 2013, we completed a public offering in which we sold 6,000,000 shares of our common stock for $7.08 per share, and received net proceeds of approximately $40.9 million after deducting the underwriting discount and other offering expenses.

In May 2013, we completed an underwritten public offering of 1,200,000 shares of 7.75% Series B cumulative redeemable preferred stock generating net proceeds of approximately $28.9 million after deducting the underwriting discount and other offering expenses. The underwriters exercised a portion of their over-allotment option for 60,000 shares providing additional net proceeds of approximately $1.5 million.

In March 2013, we completed a public offering in which we sold 5,625,000 shares of our common stock for $8.00 per share, and received net proceeds of approximately $43.0 million after deducting the underwriting discount and other offering expenses.

In February 2013, we completed an underwritten public offering of 1,400,000 shares of 8.25% Series A cumulative redeemable preferred stock generating net proceeds of approximately $33.6 million after deducting the underwriting discount and other offering expenses. The underwriters exercised a portion of their over-allotment option for 151,500 shares providing additional net proceeds of approximately $3.7 million.

In December 2012, we entered into an ATM equity offering sales agreement with JMP Securities LLC ("JMP") whereby, in accordance with the terms of the agreement, from time to time we could issue and sell through JMP up to 6,000,000 shares of our common stock. Sales of the shares were made by means of ordinary brokers' transactions or otherwise at market prices prevailing at the time of sale, or at negotiated prices. As of March 15, 2013, JMP sold all of the 6,000,000 shares for net proceeds to us of $45.6 million.

We used the net proceeds from these offerings to make investments, to repurchase or pay liabilities and for general corporate purposes.

In February 2014, we entered into an ATM equity offering sales agreement with JMP whereby, in accordance with the terms of the agreement, from time to time we may issue and sell through JMP up to 7,500,000 shares of our common stock. Sales of the shares, if any, will be made by means of ordinary brokers' transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. As of February 14, 2014, no shares have been sold.

As of February 14, 2014, we have $457.5 million available under our $500.0 million shelf registration statement that was declared effective by the SEC in August 2013.

The following table presents dividends declared by the Board of Directors on our common stock from January 1, 2013 through December 31, 2013:

Declaration Date	For Quarter Ended	Record Date	Payment Date	Dividend Per Share
November 6, 2013	September 30, 2013	November 20, 2013	December 2, 2013	$0.13
July 31, 2013	June 30, 2013	August 14, 2013	September 3, 2013	$0.13
May 1, 2013	March 31, 2013	May 15, 2013	May 31, 2013	$0.12
February 12, 2013	December 31, 2012	March 5, 2013	March 12, 2013	$0.12

On February 12, 2014, the Board of Directors declared a cash dividend of $0.13 for the quarter ended December 31, 2013. The dividend is payable on February 28, 2014 to common stockholders of record on February 25, 2014.

The following table presents dividends declared by the Board of Directors on our 8.25% Series A preferred stock from February 1, 2013 (date of issuance) through December 31, 2013:

Declaration Date	For Period Beginning	For Period Ended	Record Date	Payment Date	Dividend Per Share
October 25, 2013	September 1, 2013	November 30, 2013	November 15, 2013	December 2, 2013	$0.515625
July 31, 2013	June 1, 2013	August 31, 2013	August 14, 2013	September 3, 2013	$0.515625
May 1, 2013	February 1, 2013	May 31, 2013	May 15, 2013	May 31, 2013	$ 0.6875

On February 3, 2014, the Board of Directors declared a cash dividend of $0.515625 per share of 8.25% Series A cumulative redeemable preferred stock reflecting dividends from December 1, 2013, through February 28, 2014. The dividend is payable on February 28, 2014 to preferred stockholders of record on February 15, 2014.

The following table presents dividends declared by the Board of Directors on our 7.75% Series B preferred stock from May 9, 2013 (date of issuance) through December 31, 2013:

Declaration Date	For Period Beginning	For Period Ended	Record Date	Payment Date	Dividend Per Share
October 25, 2013	September 1, 2013	November 30, 2013	November 15, 2013	December 2, 2013	$0.484375
July 31, 2013	May 9, 2013	August 31, 2013	August 14, 2013	September 3, 2013	$ 0.6028

On February 3, 2014, the Board of Directors declared a cash dividend of $0.484375 per share of 7.75% Series B cumulative redeemable preferred stock reflecting dividends from December 1, 2013, through February 28, 2014. The dividend is payable on February 28, 2014 to preferred stockholders of record on February 15, 2014.

On May 1, 2013, we issued 70,000 shares of fully vested common stock to the independent members of the Board of Directors under the 2003 Stock Incentive Plan, as amended and restated in 2009 (the "Plan"), and recorded $0.5 million to selling and administrative expense in our Consolidated Statements of Operations in the second quarter of 2013.

On February 28, 2013, we issued 192,750 shares of restricted common stock under the Plan to certain employees of ours and ACM with a total grant date fair value of $1.5 million and recorded $0.2 million to employee compensation and benefits and $0.4 million to selling and administrative expense in our Consolidated Statements of Operations in the first quarter of 2013. One third of the shares vested as of the date of grant, one third will vest in February 2014, and the remaining third will vest in February 2015.

In connection with a debt restructuring with Wachovia Bank in the third quarter of 2009, we issued Wachovia 1.0 million warrants at an average strike price of $4.00. Of such warrants, 500,000 warrants are exercisable at a price of $3.50, 250,000 warrants are exercisable at a price of $4.00 and 250,000 warrants are exercisable at a price of $5.00. As of December 31, 2013, all of the warrants were exercisable, expire on July 23, 2015 and no warrants have been exercised to date.

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Comparison of Results of Operations for Years Ended 2013 and 2012

The following table sets forth our results of operations for the years ended December 31, 2013 and 2012:

	Year Ended December 31,		Increase/(Decrease)	
	2013	2012	Amount	Percent
Interest income	$ 99,031,623	$ 79,998,762	$ 19,032,861	24%
Interest expense	42,065,151	40,866,832	1,198,319	3%
Net interest income	56,966,472	39,131,930	17,834,542	46%
Other revenue:				
Property operating income	27,829,358	28,021,646	(192,288)	(1)%
Other income	2,290,714	1,280,289	1,010,425	79%
Total other revenue	30,120,072	29,301,935	818,137	3%
Other expenses:				
Employee compensation and benefits	12,042,332	10,173,572	1,868,760	18%
Selling and administrative	10,603,247	7,882,914	2,720,333	35%
Property operating expenses	24,568,369	25,958,586	(1,390,217)	(5)%
Depreciation and amortization	6,668,381	5,327,493	1,340,888	25%
Impairment loss on real estate owned	1,000,000	—	1,000,000	100%
Provision for loan losses (net of recoveries)	4,287,652	22,946,396	(18,658,744)	(81)%
Management fee—related party	10,900,000	10,000,000	900,000	9%
Total other expenses	70,069,981	82,288,961	(12,218,980)	(15)%
Income (loss) from continuing operations before gain on extinguishment of debt, loss from equity affiliates and benefit from income taxes	17,016,563	(13,855,096)	30,871,659	nm
Gain on extinguishment of debt	4,930,772	30,459,023	(25,528,251)	(84)%
Loss from equity affiliates	(204,475)	(697,856)	493,381	(71)%
Income before benefit from income taxes	21,742,860	15,906,071	5,836,789	37%
Benefit from income taxes	—	801,558	(801,558)	(100)%
Income from continuing operations	21,742,860	16,707,629	5,035,231	30%
Gain on sale of real estate held-for-sale	—	3,953,455	(3,953,455)	(100)%
(Loss) income from operations of real estate held-for-sale	(444,123)	1,055,371	(1,499,494)	nm
(Loss) income from discontinued operations	(444,123)	5,008,826	(5,452,949)	nm
Net income	21,298,737	21,716,455	(417,718)	(2)%
Preferred stock dividends	4,506,583	—	4,506,583	nm
Net income attributable to noncontrolling interest	124,199	215,567	(91,368)	(42)%
Net income attributable to Arbor Realty Trust, Inc. common stockholders	$ 16,667,955	$ 21,500,888	$ (4,832,933)	(22)%

nm—not meaningful

The following table presents the average balance of interest-earning assets and related interest-bearing liabilities, associated interest income and expense and the corresponding weighted average yields (dollars in thousands):

	Year Ended December 31,					
	2013			2012		
	Average Carrying Value(1)	Interest Income/ Expense	W/A Yield/ Financing Cost(2)	Average Carrying Value(1)	Interest Income/ Expense	W/A Yield/ Financing Cost(2)
Interest-earning assets:						
Bridge loans	$ 1,189,782	$ 67,110	5.64%	$ 1,051,690	$ 55,896	5.31%
Mezzanine / junior participation loans	353,955	19,901	5.62%	343,187	14,438	4.21%
Preferred equity investments	106,408	7,492	7.04%	87,284	3,766	4.31%
Securities	57,829	2,479	4.29%	65,547	2,955	4.51%
Other investments	41,730	1,789	4.29%	56,141	2,660	4.74%
Core interest-earning assets	1,749,704	98,771	5.65%	1,603,849	79,715	4.97%
Cash equivalents	97,370	261	0.27%	78,245	284	0.36%
Total interest-earning assets	$ 1,847,074	99,032	5.36%	$ 1,682,094	79,999	4.76%
Interest-bearing liabilities:						
Warehouse lines	$ 75,266	4,039	5.37%	$ 58,323	2,773	4.75%
CDO	726,045	21,375	2.94%	897,360	26,700	2.98%
CLO	251,404	8,793	3.50%	23,733	1,043	4.39%
Other non-recourse	38,407	1,342	3.49%	63,402	2,543	4.01%
Trust preferred	175,858	5,830	3.32%	176,340	7,095	4.02%
Securities financing	37,946	686	1.81%	44,341	713	1.61%
Total interest-bearing liabilities	$ 1,304,926	42,065	3.22%	$ 1,263,499	40,867	3.23%
Net interest income		$ 56,967			$ 39,132	

(1) Based on unpaid principal balance for loans, amortized cost for securities and principal amount for debt.

(2) Weighted average yield calculated based on annualized interest income or expense divided by average carrying value.

Net Interest Income

Interest income increased $19.0 million, or 24%, in 2013 as compared to 2012. This increase was primarily due to a 14% increase in the average yield on core interest-earning assets from 4.97% for 2012 to 5.65% for 2013, due to higher interest rates on our net originations. The increase was also due to a 9% increase in our average core interest-earning assets from $1.60 billion for 2012 to $1.75 billion for 2013, due to originations, net of payoffs.

Interest expense increased $1.2 million, or 3%, for 2013 as compared to 2012. The increase was primarily due to a 3% increase in the average balance of our interest-bearing liabilities from $1.26 billion for 2012 to $1.30 billion for 2013. The increase in the average balance was primarily due to the addition of a new CLO financing facility, net of a reduction in our CDO debt due to runoff and amortization and the repurchase of three CDO notes.

Other Revenue

Other income, net increased $1.0 million, or 79%, for 2013 as compared to 2012, primarily due to a $1.1 million gain on the sale of a CDO bond investment in the second quarter of 2013, an increase in net interest income of $1.0 million on our linked transactions as well as an increase of $0.7 million in miscellaneous asset management fees on our loan and investment portfolio, and is net of a $1.8 million decrease in the fair value of our linked transactions.

Other Expenses

Employee compensation and benefits expense increased $1.9 million, or 18%, for 2013 as compared to 2012. An increase in staffing resulting from higher loan origination volume from 2012 to 2013 contributed $1.5 million of this increase, while stock-based compensation recorded for the issuance of restricted common stock to certain employees in 2013 contributed an additional $0.4 million.

Selling and administrative expense increased $2.7 million, or 35%, for 2013 as compared to 2012. These costs include, but are not limited to, professional and consulting fees, marketing costs, insurance expense, travel and placement fees, director's fees, licensing fees, and stock-based compensation relating to our directors and certain employees of our manager. The increase was primarily due to $1.4 million of legal, consulting and director's fees incurred in connection with the exploration and evaluation of a potential transaction with our manager. The increase was also due to $0.6 million of stock-based compensation recorded for the issuance of restricted common stock to certain employees of our manager in 2013 as well as a $0.4 million increase in professional fees.

Depreciation and amortization expense increased $1.3 million, or 25%, for 2013 as compared to 2012, primarily due to an increase in capital expenditures associated with two real estate investments.

Impairment loss on real estate owned of $1.0 million for the year ended December 31, 2013 resulted from our determination of impairment based on the analysis of one of the properties in our multifamily portfolio in the fourth quarter of 2013.

Provision for loan losses (net of recoveries) totaled $4.3 million for 2013 and $22.9 million for 2012. During the year ended December 31, 2013, we performed an evaluation of our loan portfolio and determined that the fair value of the underlying collateral securing five impaired loans with an aggregate carrying value of $31.5 million was less than the net carrying value of the loans, resulting in us recording an additional $6.5 million provision for loan losses. We also recorded $2.2 million of recoveries of previously recorded loan loss reserves in 2013, netting the provision to $4.3 million for 2013. During the year ended December 31, 2012, we performed an evaluation of our loan portfolio and determined that the fair value of the underlying collateral securing eight impaired loans with an aggregate carrying value of $94.6 million was less than the net carrying value of the loans, resulting in us recording an additional $23.8 million provision for loan losses. We also recorded $0.9 million of net recoveries of previously recorded loan loss reserves in 2012, netting the provision to $22.9 million for 2012.

Management fees increased $0.9 million, or 9%, for 2013 as compared to 2012. These amounts represent compensation in the form of base management fees, on a cost reimbursement basis. The increase in management fees was due to an increase in allocable costs incurred by our manager in managing our business from 2012 to 2013.

Gain on Extinguishment of Debt

Gain on extinguishment of debt totaled $4.9 million for 2013 and $30.5 million for 2012. During the year ended December 31, 2013, we purchased, at a discount, $9.9 million of investment grade rated Class H notes originally issued by our CDO II and CDO III issuing entities from third party investors and recorded a net gain on early extinguishment of debt of $4.9 million. During the year ended December 31, 2012, we purchased, at a discount, $66.2 million of investment grade rated Class B, C, D, E, F, G and H notes originally issued by our CDO II and CDO III issuing entities from third party investors and recorded a net gain on early extinguishment of debt of $30.5 million.

Income Taxes

We are organized and conduct our operations to qualify as a REIT for federal income tax purposes. As a REIT, we are generally not subject to federal income tax on our REIT—taxable income that we distribute to our stockholders, provided that we distribute at least 90% of our REIT—taxable income and meet certain other requirements. As of December 31, 2013 and 2012, we were in compliance with all REIT requirements and, therefore, have not recorded a provision for income taxes on our REIT—taxable income for the years ended December 31, 2013 and 2012. The tax benefit recognized in 2012 primarily reflects a refund received in 2012 of federal income taxes paid by a taxable REIT subsidiary in a prior year.

(Loss) Income from Discontinued Operations

We recorded a loss from discontinued operations of $0.4 million in 2013 due to net losses incurred on a multifamily property that was reclassified to held-for-sale during the third quarter of 2013.

We recorded income from discontinued operations of $5.0 million in 2012 primarily from gains recognized on the sale of two properties totaling $4.0 million. In addition, we recognized $1.2 million of income related to the reversal of accrued liabilities that were not incurred in connection with the surrender of a property to the first mortgage lender in full satisfaction of the mortgage note payable.

Preferred Stock Dividends

During the year ended December 31, 2013 we incurred expenses totaling $4.5 million related to dividends declared on preferred stock. Of this total, $2.9 million relates to our 8.25% Series A cumulative redeemable preferred stock and $1.6 million relates to our 7.75% Series B cumulative redeemable preferred stock.

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Comparison of Results of Operations for Years Ended 2012 and 2011

The following table sets forth our results of operations for the years ended December 31, 2012 and 2011:

	Year Ended December 31,		Increase/(Decrease)	
	2012	2011	Amount	Percent
Interest income	$ 79,998,762	$ 73,867,556	$ 6,131,206	8%
Interest expense	40,866,832	51,651,933	(10,785,101)	(21)%
Net interest income	39,131,930	22,215,623	16,916,307	76%
Other revenue:				
Property operating income	28,021,646	21,937,250	6,084,396	28%
Other income	1,280,289	188,485	1,091,804	nm
Total other revenue	29,301,935	22,125,735	7,176,200	32%
Other expenses:				
Employee compensation and benefits	10,173,572	11,195,663	(1,022,091)	(9)%
Selling and administrative	7,882,914	7,325,801	557,113	8%
Property operating expenses	25,958,586	20,122,864	5,835,722	29%
Depreciation and amortization	5,327,493	4,789,911	537,582	11%
Provision for loan losses (net of recoveries)	22,946,396	38,542,888	(15,596,492)	(40)%
Loss on sale and restructuring of loans	—	5,710,000	(5,710,000)	(100)%
Management fee—related party	10,000,000	8,300,000	1,700,000	20%
Total other expenses	82,288,961	95,987,127	(13,698,166)	(14)%
Loss from continuing operations before gain on extinguishment of debt, (loss) income from equity affiliates and benefit from income taxes	(13,855,096)	(51,645,769)	37,790,673	(73)%
Gain on extinguishment of debt	30,459,023	10,878,218	19,580,805	180%
(Loss) income from equity affiliates	(697,856)	3,671,386	(4,369,242)	nm
Income (loss) before benefit from income taxes	15,906,071	(37,096,165)	53,002,236	nm
Benefit from income taxes	801,558	—	801,558	nm
Income (loss) from continuing operations	16,707,629	(37,096,165)	53,803,794	nm
Impairment loss on real estate held-for-sale	—	(1,450,000)	1,450,000	(100)%
Gain on sale of real estate held-for-sale	3,953,455	—	3,953,455	nm
Income (loss) from operations of real estate held-for-sale	1,055,371	(1,549,892)	2,605,263	nm
Income (loss) from discontinued operations	5,008,826	(2,999,892)	8,008,718	nm
Net income (loss)	21,716,455	(40,096,057)	61,812,512	nm
Net income attributable to noncontrolling interest	215,567	215,656	(89)	nm
Net income (loss) attributable to Arbor Realty Trust, Inc	$ 21,500,888	$ (40,311,713)	$ 61,812,601	nm

nm—not meaningful

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The following table presents the average balance of interest-earning assets and related interest-bearing liabilities, associated interest income and expense and the corresponding weighted average yields (dollars in thousands):

	Year Ended December 31, 2012 Average Carrying Value(1)	2012 Interest Income/ Expense	2012 W/A Yield/ Financing Cost(2)	2011 Average Carrying Value(1)	2011 Interest Income/ Expense	2011 W/A Yield/ Financing Cost(2)
Interest-earning assets:						
Bridge loans	$ 1,051,690	$ 55,896	5.31%	$ 1,012,324	$ 47,311	4.67%
Mezzanine / junior participation loans	343,187	14,438	4.21%	411,501	19,992	4.86%
Preferred equity investments	87,284	3,766	4.31%	90,388	2,740	3.03%
Securities	65,547	2,955	4.51%	19,177	474	2.47%
Other investments	56,141	2,660	4.74%	55,988	2,660	4.75%
Core interest-earning assets	1,603,849	79,715	4.97%	1,589,378	73,177	4.60%
Cash equivalents	78,245	284	0.36%	110,536	691	0.63%
Total interest-earning assets	$ 1,682,094	79,999	4.76%	$ 1,699,914	73,868	4.35%
Interest-bearing liabilities:						
Warehouse lines	$ 58,323	2,773	4.75%	$ 8,561	3,633	42.44%
CDO	897,360	26,700	2.98%	1,035,325	35,863	3.46%
CLO	23,733	1,043	4.39%	—	—	—
Other non-recourse	63,402	2,543	4.01%	75,491	3,130	4.15%
Trust preferred	176,340	7,095	4.02%	175,858	8,925	5.08%
Securities financing	44,341	713	1.61%	5,924	101	1.71%
Total interest-bearing liabilities	$ 1,263,499	40,867	3.23%	$ 1,301,159	51,652	3.97%
Net interest income		$ 39,132			$ 22,216	

(1) Based on unpaid principal balance for loans, amortized cost for securities and principal amount for debt.

(2) Weighted average yield calculated based on annualized interest income or expense divided by average carrying value.

Net Interest Income

Interest income increased $6.1 million, or 8%, in 2012 as compared to 2011. This increase was primarily due to an 8% increase in the average yield on core interest-earning assets from 4.60% in 2011 to 4.97% in 2012, due to higher interest rates on our net originations.

Interest expense decreased $10.8 million, or 21%, in 2012 as compared to 2011. The decrease was primarily due to a 19% decrease in the average cost of our interest-bearing liabilities from 3.97% for 2011 to 3.23% for 2012, primarily due to the maturity of certain of our interest rate swaps, resulting in a reduction of interest expense, as well as a $3.2 million non-cash charge recorded to interest expense in 2011 related to the amortization of a discount on a loan that was participated out to a subordinate lender. Interest expense also declined due to a 3% decrease in the average balance of these liabilities from $1.30 billion for 2011 to $1.26 billion for 2012. The average balance decline was primarily due to a reduction in our CDO debt due to runoff and amortization and the repurchase of CDO notes, net of the addition of new financing facilities.

Other Revenue

Property operating income increased $6.1 million, or 28%, in 2012 as compared to 2011. Property operating income represents income from our multifamily and hotel property portfolios and increased in 2012 primarily due to the addition of two real estate owned assets, one in each portfolio, during the first quarter of 2011 as well as higher average occupancy in each portfolio. The new assets contributed $3.9 million of the increase as a result of 2012 including a full first quarter impact versus a partial first quarter in 2011.

Other income increased $1.1 million in 2012 as compared to 2011, primarily due to $1.0 million of net interest income recorded on linked transactions classified as derivative instruments during 2012.

Other Expenses

Employee compensation and benefits expense decreased $1.0 million, or 9%, in 2012 as compared to 2011. The results for 2011include $0.4 million for stock-based compensation recorded for the issuance of restricted common stock to certain employees in 2011 and $0.3 million in higher compensation expense related to the restructuring of certain of our loans and investments.

Selling and administrative expense increased $0.6 million, or 8%, in 2012 as compared to 2011, primarily due to a $1.0 million increase in professional fees and insurance. This increase was partially offset by a $0.5 million reduction in stock-based compensation recorded for the fully vested common stock to certain employees of our manager and members of the Board of Directors in 2012 as compared to 2011.

Property operating expenses increased $5.8 million, or 29%, in 2012 as compared to 2011. The addition of two new real estate owned assets, as described in property operating income above, contributed $3.9 million of the increase as a result of 2012 including a full first quarter impact versus a partial first quarter in 2011. Operating expenses also increased as a result of customary maintenance performed at certain properties.

Depreciation and amortization expense increased $0.7 million, or 14%, in 2012 as compared to 2011, primarily due to depreciation expense associated with the addition of the two real estate owned assets during the first quarter of 2011 as described above.

Provision for loan losses (net of recoveries) totaled $22.9 million for 2012 and $38.5 million for 2011. During the year ended December 31, 2012, we performed an evaluation of our loan portfolio and determined that the fair value of the underlying collateral securing eight impaired loans with an aggregate carrying value of $94.6 million was less than the net carrying value of the loans, resulting in us recording an additional $23.8 million provision for loan losses. We also recorded $0.9 million of net recoveries of previously recorded loan loss reserves in 2012, netting the provision to $22.9 million. During the year ended December 31, 2011, we performed an evaluation of our loan portfolio and determined that the fair value of the underlying collateral securing 11 impaired loans with an aggregate carrying value of $109.5 million was less than the net carrying value of the loans, resulting in us recording an additional $44.8 million provision for loan losses. We also recorded $6.3 million of net recoveries of previously recorded loan loss reserves in 2011, netting the provision to $38.5 million.

Loss on sale and restructuring of loans was $5.7 million for the year ended December 31, 2011, which represents a loss of $4.7 million from the sale of a $30.0 million portion of a loan to a third party for $25.3 million, as well as $1.0 million loss from the execution of a forbearance agreement in the first quarter of 2011 for a loan modified in the second quarter of 2011.

Management fees increased $1.7 million, or 20%, in 2012 as compared to 2011. These amounts represent compensation in the form of base management fees, on a cost reimbursement basis. The increase in management fees was due to an increase in allocable costs incurred by our manager in managing our business from 2011 to 2012.

Gain on extinguishment of debt totaled $30.5 million for 2012 and $10.9 million for 2011. During the year ended December 31, 2012, we purchased, at a discount, $66.2 million of investment grade rated Class B, C, D, E, F, G and H notes originally issued by our CDO II and CDO III issuing entities from third party investors and recorded a net gain on early extinguishment of debt of $30.5 million. During the year ended December 31, 2011, we purchased, at a discount, $21.3 million of investment grade rated Class B, C,D, E and F notes originally issued by our three CDO issuing entities from third party investors and recorded a net gain on early extinguishment of debt of $10.9 million.

We recognized a loss from equity affiliates of $0.7 million in 2012 and income from equity affiliates of $3.7 million in 2011. The income recorded in 2011 is primarily due to a $3.9 million gain recognized on the sale of an interest in a property held by one of our equity affiliates.

Benefit from Income Taxes

We are organized and conduct our operations to qualify as a REIT for federal income tax purposes. As a REIT, we are generally not subject to federal income tax on our REIT—taxable income that we distribute to our stockholders, provided that we distribute at least 90% of our REIT—taxable income and meet certain other requirements. As of December 31, 2012 and 2011, we were in compliance with all REIT requirements and, therefore, have not recorded a provision for income taxes on our REIT—taxable income for the years ended December 31, 2012 and 2011. The tax benefit recognized in 2012 primarily reflects a refund received in 2012 for federal income taxes paid by a taxable REIT subsidiary in a prior year.

Income (Loss) from Discontinued Operations

We recorded income from discontinued operations of $5.0 million in 2012 primarily from gains recognized on the sale of two properties totaling $4.0 million. In addition, we recognized $1.2 million of income related to the reversal of accrued liabilities that were not incurred in connection with the surrender of a property to the first mortgage lender in full satisfaction of the mortgage note payable.

We recorded a loss from discontinued operations of $3.0 million in 2011 primarily due to the recognition of a $1.5 million impairment loss on a held-for-sale property and $1.5 million of net losses related to the operations of four properties. The impairment loss was based on an analysis of indicators of value from market participants.

Liquidity and Capital Resources

Sources of Liquidity

Liquidity is a measurement of the ability to meet potential cash requirements. Our short-term and long-term liquidity needs include ongoing commitments to repay borrowings, fund future loans and investments, fund additional cash collateral from potential declines in the value of a portion of our interest rate swaps, fund operating costs and distributions to our stockholders as well as other general business needs. Our primary sources of funds for liquidity consist of proceeds from equity offerings, debt facilities and cash flows from our operations. Our equity sources, depending on market conditions, consist of proceeds from capital market transactions including the issuance of common, convertible and/or preferred equity securities. Our debt facilities include the issuance of floating rate notes resulting from our CDOs and our new CLOs, the issuance of junior subordinated notes and borrowings under repurchase agreements, warehousing facilities and a line of credit. Net cash flows from operations include interest income from our loan and investment portfolio reduced by interest expense on our debt facilities, cash from other investments reduced by expenses, repayments of outstanding loans and investments and funds from junior loan participation arrangements.

We believe our existing sources of funds will be adequate for purposes of meeting our short-term and long-term liquidity needs. A majority of our loans and investments are financed under existing debt obligations and their credit status is continuously monitored; therefore, these loans and investments are expected to generate a generally stable return. Our ability to meet our long-term liquidity and capital resource requirements is subject to obtaining additional debt and equity financing. Any decision by our lenders and investors to enter into such transactions with us will depend upon a number of factors, such as our financial performance, compliance with the terms of our existing credit arrangements, industry or market trends, the general availability of and rates applicable to financing transactions, such lenders' and investors' resources and policies concerning the terms under which they make such capital commitments and the relative attractiveness of alternative investment or lending opportunities.

While we have been successful in obtaining proceeds from equity offerings and from certain financing facilities in 2012 and 2013, including our new CLOs, current conditions in the capital and credit markets have and may continue to make certain forms of financing less attractive and, in certain cases, less available. Therefore we will continue to rely, in part, on cash flows provided by operating and investing activities for working capital.

To maintain our status as a REIT under the Internal Revenue Code, we must distribute annually at least 90% of our REIT—taxable income. These distribution requirements limit our ability to retain earnings and thereby replenish or increase capital for operations. However, we believe that our capital resources and access to financing will provide us with financial flexibility and market responsiveness at levels sufficient to meet current and anticipated capital requirements.

Cash Flows

Our cash flows from operating activities increased by $2.4 million for the year ended December 31, 2013 compared to 2012, primarily due to a $9.1 million increase in net income adjusted for noncash expenses, gains and losses, net of a $7.1 million decrease in cash due to the change in other assets.

Cash flows from investing activities decreased by $153.5 million for the year ended December 31, 2013 compared to 2012, primarily due to a $332.3 million increase in the origination of loans, a $26.4 million decrease in the sale of real estate held-for-sale, and a $13.5 million decrease in the proceeds from the sale of a loan, net of a $193.1 million increase in payoffs and paydowns, a $22.7 million decrease in the purchase of investments, net of principal collections, and a $2.4 million redemption of investment in preferred shares, as compared to the twelve months of 2012.

Cash flows from financing activities increased by $208.4 million for the year ended December 31, 2013 compared to 2012. We received net proceeds of $197.0 million from our common and preferred stock offerings, an increase of $160.4 million over the same period in 2012. Our second CLO, closed in the first quarter of 2013, resulted in additional proceeds of $89.5 million over our fist CLO that closed in the third quarter of 2012. Proceeds from repurchase agreements and credit facilities increased by $72.2 million and net receipts on financial instruments underlying linked transactions increased $20.5 million and net receipts on swaps and margin calls to counterparties increased $5.6 million. Amounts in 2012 also included a $20.8 million repayment of a mortgage note payable. These positive changes to cash flows from financing activities were partially offset by an increase in the use of restricted cash of $36.3 million, an increase in the repayment of repurchase agreements and credit facilities of $97.1 million, an increase in dividends paid on our common stock of $13.3 million, increased amortization of our CDO vehicles by $8.2 million and payment of dividends on our preferred stock of $4.0 million.

Cash Flow From Operations

We continually monitor our cash position to determine the best use of funds to both maximize our return on funds and maintain an appropriate level of liquidity. Historically, in order to maximize the return on our funds, cash generated from operations has generally been used to temporarily pay down borrowings under credit facilities whose primary purpose is to fund our new loans and investments. Consequently, when making distributions in the past, we have borrowed the required funds by drawing on credit capacity available under our credit facilities. Since the terms of our short-term debt have changed due to market conditions, we may have to maintain adequate liquidity from operations to make any future distributions.

Debt Facilities

We maintain various forms of short-term and long-term financing arrangements. Borrowings underlying these arrangements are primarily secured by a significant amount of our loans and investments. The following is a summary of our debt facilities as of December 31, 2013:

	December 31, 2013			
Debt Facilities	Commitment	Debt Carrying Value	Available	Maturity Dates
Repurchase agreements and credit facilities	$ 244,922,553	$ 159,125,023	$ 85,797,530	2014 - 2015
Collateralized debt obligations(1)	639,622,981	639,622,981	—	2014 - 2015
Collateralized loan obligations(1)	264,500,000	264,500,000	—	2016 - 2017
Junior subordinated notes(2)	159,291,427	159,291,427	—	2034 - 2037
Notes payable	2,500,000	2,500,000	—	2014 - 2018
	$ 1,310,836,961	$ 1,225,039,431	$ 85,797,530	

(1) Maturity dates represent the weighted average remaining maturity based on the underlying collateral as of December 31, 2013.

(2) Represents a total face amount of $175.9 million less a total deferred amount of $16.6 million.

These debt facilities are described in further detail in Note 7 of the "Notes to the Consolidated Financial Statements" set forth in Item 8 hereof. London inter-bank offered rate, or LIBOR, refers to one-month LIBOR unless specifically stated.

Repurchase Agreements and Credit Facilities

Repurchase Agreements. We utilize repurchase agreements to finance the purchase of RMBS investments. At December 31, 2013, we have two repurchase agreements which have outstanding debt balances totaling $26.9 million.

The first repurchase agreement has an outstanding debt balance of $12.5 million at December 31, 2013. This facility generally finances between 60% and 90% of the value of each non-linked and linked RMBS investment, has a rolling monthly term, and bears interest at a rate of 125 to 200 basis points over LIBOR. This facility also includes a minimum net worth covenant of $100.0 million. The second repurchase agreement has an outstanding debt balance of $14.4 million at December 31, 2013. This facility generally finances between 75% and 90% of the value of each non-linked and linked RMBS investment, has a rolling monthly term, and bears interest at a rate of 165 to 185 basis points over LIBOR.

Warehouse Facilities. We utilize warehouse facilities to finance first mortgage loans on multifamily properties. At December 31, 2013, we have three warehouse facilities with outstanding debt balances totaling $112.2 million. These facilities generally have a maximum advance rate of 70% to 75%, depending on the type of property. Our warehouse facilities are described below.

In July 2011, we entered into a two year, $50.0 million warehouse facility with a financial institution to finance first mortgage loans on multifamily properties. In January 2013, we amended the facility, increasing the committed amount to $75.0 million. In April 2013, the facility was amended to bear interest at a rate of 225 basis points over LIBOR, which was originally 275 basis points over LIBOR, require a 0.25% commitment fee, which was originally 1.0%, upon closing, matures in April 2015 with a one year extension option on outstanding advances that requires two 5% paydowns and has warehousing and non-use fees. The facility also has a maximum advance rate of 75% and contains several restrictions including full repayment of an advance if a loan becomes 60 days past due, is in default or is written down by us. The facility also includes various financial covenants including a minimum liquidity requirement of $20.0 million, minimum tangible net worth, which includes junior subordinated notes as equity of $150.0 million, maximum total liabilities less subordinate debt of $2.0 billion, as well as certain other debt service coverage ratios and debt to equity ratios. The facility also has a compensating balance requirement of $50.0 million to be maintained by us and our affiliates. At December 31, 2013, the outstanding balance of this facility was $33.3 million.

In February 2013, we entered into a one year, $50.0 million warehouse facility with a financial institution to finance first mortgage loans on multifamily properties. The facility bears interest at a rate of 250 basis points over LIBOR, requires a 12.5 basis point commitment fee upon closing, had an original maturity in February 2014 that was extended to May 2014, has warehousing and non-use fees and allows for an original warehousing period of up to 24 months from the initial advance on an asset. The facility also has a maximum advance rate of 75% and contains certain restrictions including partial prepayment of an advance if a loan becomes 90 days past due or in the process of foreclosure, subject to certain conditions. The facility includes various financial covenants including a minimum liquidity requirement of $20.0 million, minimum tangible net worth which includes junior subordinated notes as equity of $150.0 million, maximum total liabilities less subordinate debt of $2.0 billion, as well as certain other debt service coverage ratios and debt to equity ratios. At December 31, 2013, the outstanding balance of this facility was $30.8 million.

In June 2013, we entered into a one year, $40.0 million warehouse facility with a financial institution to finance first mortgage loans on multifamily properties, including a $10.0 million sublimit to finance retail and office properties. The facility bears interest at a rate of 200 basis points over LIBOR, matures in June 2014, has warehousing fees and allows for an original warehousing period of up to 24 months from the initial advance on an asset. The facility also has a maximum advance rate of 70% or 75%, depending on the property type, and contains certain restrictions including prepayment of an advance if a loan becomes 60 days past due or in the process of foreclosure, subject to certain conditions. The facility also includes various financial covenants including a minimum liquidity requirement of $20.0 million, minimum tangible net worth of $150.0 million, as well as a minimum debt service coverage ratio. At December 31, 2013, the outstanding balance of this facility was $15.1 million.

In December 2013, we entered into a $33.0 million warehouse facility with a financial institution to finance the first mortgage loan on a multifamily property. The facility bears interest at a rate of 225 basis points over LIBOR which increases to 250 basis points over LIBOR in February 2014, requires up to a 45 basis point commitment fee and matures in November 2015 with a one year extension option. The facility also includes various financial covenants including a minimum liquidity requirement of $20.0 million, minimum tangible net worth which includes junior subordinated notes as equity of $150.0 million, maximum total liabilities less subordinate debt of $2.0 billion, as well as certain other debt service coverage ratios and debt to equity ratios. At December 31, 2013, the outstanding balance of this facility was $33.0 million.

Line of Credit. In May 2012, we entered into a $15.0 million committed revolving line of credit with a one year term maturing in May 2013, which is secured by a portion of the bonds originally issued by our CDO entities that have been repurchased by us. This facility has a 1% commitment fee, a 1% non-use fee and pays interest at a fixed rate of 8% on any drawn portion of the line. The facility also includes a debt service coverage ratio requirement for the posting of collateral. In January 2013, we amended the facility, increasing the committed amount to $20.0 million and a fixed rate of interest of 8.5% on any drawn portion of the $20.0 million commitment. The amendment also included a one year extension option upon maturity in May 2013 and required a 1% commitment fee and a 1% non-use fee. In May 2013, we extended the facility to a maturity in May 2014 with a one year extension option and a 1% extension fee, as well as amended the facility to have an 8.5% non-use fee on the first $5.0 million not borrowed and a 1% non-use fee on the remaining funds not borrowed. If not extended in May 2014, there will be a $0.1 million fee. At December 31, 2013, the outstanding balance of this facility was $20.0 million.

CDOs

We completed the formation of three separate CDO entities since 2005 by issuing to third party investors, tranches of investment grade CDOs through newly-formed wholly-owned subsidiaries. The issuers hold assets, consisting primarily of real-estate related assets and cash, which serve as collateral for the CDOs. The assets pledged as collateral for the CDOs were contributed from our portfolio of assets. By contributing these real estate assets to the various CDOs, these transactions resulted in a decreased cost of funds relating to the corresponding CDO assets and created capacity in our debt facilities.

The issuers issued tranches of investment grade floating-rate notes of approximately $305.0 million, $356.0 million and $447.5 million for CDO I, CDO II and CDO III, respectively. CDO III also has a $100.0 million revolving note, which was not drawn upon at the time of issuance. The revolving note facility has a commitment fee of 0.22% per annum on the undrawn portion of the facility. The tranches were issued with floating rate coupons based on three-month LIBOR plus pricing of 0.44% - 0.77%. Proceeds from the sale of the investment grade tranches issued in CDO I, CDO II and CDO III of $267.0 million, $301.0 million and $317.1 million, respectively, were used to repay higher costing outstanding debt under our repurchase agreements and notes payable. The CDOs could be replenished with substitute collateral for loans that are repaid during the first four years for CDO I and the first five years for CDO II and CDO III, subject to certain customary provisions. Thereafter, the outstanding debt balance is reduced as loans are repaid. All three CDOs have reached their respective replenishment dates and thus proceeds from the repayment of assets, which serve as collateral for the CDOs, must be retained in its structure as restricted cash and therefore is not available to fund current cash needs. Investor capital will be repaid quarterly from proceeds received from loan repayments held as collateral in accordance with the terms of the CDO. Proceeds distributed will be recorded as a reduction of the CDO liability. Our CDO vehicles are variable interest entities ("VIEs") for which we are the primary beneficiary and are consolidated in our Financial Statements.

At December 31, 2013 and 2012, the aggregate weighted average note rate for our CDOs, including the cost of interest rate swaps on assets financed in these facilities, was 2.18% and 1.87%, respectively. Excluding the effect of swaps, the weighted average note rate at December 31, 2013 and 2012 was 0.83% and 0.86%, respectively. Including certain fees and costs, the weighted average note rate was 3.26% and 2.77% at December 31, 2013 and 2012, respectively.

The following table sets forth the face amount and gain on extinguishment of our CDO bonds repurchased in the following periods by bond class:

	Year Ended December 31,					
	2013		2012		2011	
Class:	Face Amount	Gain	Face Amount	Gain	Face Amount	Gain
B	$ —	$ —	$13,000,000	$ 4,615,000	$ 5,654,540	$ 2,086,799
C	—	—	3,329,509	1,200,182	7,005,291	3,502,815
D	—	—	13,350,000	5,819,066	2,433,912	1,428,950
E	—	—	13,765,276	6,445,033	2,291,855	1,403,761
F	—	—	9,708,556	5,048,417	3,918,343	2,455,892
G	—	—	8,672,039	4,777,138	—	—
H	9,935,088	4,930,772	4,403,771	2,554,187	—	—
Total	$9,935,088	$4,930,772	$66,229,151	$30,459,023	$21,303,941	$10,878,217

In 2010, we re-issued our own CDO bonds we had acquired during 2009 with an aggregate face amount of $42.8 million, as well as CDO bonds from other issuers acquired in 2008 with an aggregate face amount of $25.0 million and a carrying value of $0.4 million, and $10.5 million in cash, as part of an exchange for the retirement of $114.1 million of our junior subordinated notes. The transaction resulted in the recording of $65.2 million of additional CDO debt, of which $42.3 million represents the portion of our CDO bonds that were exchanged and $22.9 million represents the estimated interest due on the reissued bonds through their maturity, of which $20.1 million remains at December 31, 2013.

The following table outlines borrowings and the corresponding collateral under our CDOs as of December 31, 2013:

	Debt		Collateral						
			Loans		Securities			Cash	
	Face Value	Carrying Value	Unpaid Principal(1)	Carrying Value(1)	Face Value	Carrying Value	Fair Value	Restricted Cash(2)	Collateral At-Risk(3)
CDO I	$126,753,077	$132,399,560	$ 284,758,473	$237,194,618	$ —	$ —	$ —	$ 79,986	$179,466,954
CDO II	196,046,587	201,847,417	362,150,693	312,859,875	—	—	—	1,719,760	187,213,841
CDO III	296,754,194	305,376,004	395,783,494	365,236,505	—	—	—	23,607,813	240,503,823
Total CDOs	$619,553,858	$639,622,981	$1,042,692,660	$915,290,998	$ —	$ —	$ —	$25,407,559	$607,184,618

CDO I—Issued four investment grade tranches in January 2005 with a reinvestment period through April 2009 and a stated maturity date of February 2040. Interest is variable based on three-month LIBOR; the weighted average note rate was 3.12%.

CDO II—Issued nine investment grade tranches in January 2006 with a reinvestment period through April 2011 and a stated maturity date of April 2038. Interest is variable based on three-month LIBOR; the weighted average note rate was 3.74%.

CDO III—Issued ten investment grade tranches in December 2006 with a reinvestment period through January 2012 and a stated maturity date of January 2042. Interest is variable based on three-month LIBOR; the weighted average note rate was 0.75%.

(1) Amounts include loans to real estate assets consolidated by us that were reclassified to real estate owned and held-for-sale, net on the Consolidated Financial Statements.

(2) Represents restricted cash held for principal repayments in the CDOs. Does not include restricted cash related to interest payments, delayed fundings and expenses.

(3) Amounts represent the face value of collateral in default, as defined by the CDO indenture, as well as assets deemed to be "credit risk." Credit risk assets are reported by each of the CDOs and are generally defined as one that, in the CDO collateral manager's reasonable business judgment, has a significant risk of declining in credit quality or, with a passage of time, becoming a defaulted asset.

CLOs

The following table outlines borrowings and the corresponding collateral under our CLOs as of December 31, 2013:

	Debt		Collateral			
			Loans		Cash	
	Face Value	Carrying Value	Unpaid Principal	Carrying Value	Restricted Cash(1)	Collateral At-Risk(2)
CLO I	$ 87,500,000	$ 87,500,000	$114,414,154	$113,940,857	$10,672,496	$ —
CLO II	177,000,000	177,000,000	255,016,564	253,989,391	4,621,675	—
Total CLOs	$264,500,000	$264,500,000	$369,430,718	$367,930,248	$15,294,171	$ —

CLO I—Issued two investment grade tranches in September 2012 with a replacement period through September 2014 and a stated maturity date of October 2022. Interest is variable based on three-month LIBOR; the weighted average note rate was 3.61%.

CLO II—Issued two investment grade tranches in January 2013 with a replacement period through January 2015 and a stated maturity date of February 2023. Interest is variable based on three-month LIBOR; the weighted average note rate was 2.56%.

(1) Represents restricted cash held for principal repayments in the CLOs. Does not include restricted cash related to interest payments, delayed fundings and expenses.

(2) Amounts represent the face value of collateral in default, as defined by the CLO indenture, as well as assets deemed to be "credit risk." Credit risk assets are reported by each of the CLOs and are generally defined as one that, in the CLO collateral manager's reasonable business judgment, has a significant risk of declining in credit quality or, with a passage of time, becoming a defaulted asset.

In September 2012, we completed our first collateralized loan obligation, or CLO, issuing to third party investors two tranches of investment grade collateralized loan obligations through newly-formed wholly-owned subsidiaries, Arbor Realty Collateralized Loan Obligation 2012-1, Ltd. and Arbor Realty Collateralized Loan Obligation 2012-1, LLC. Initially, the notes are secured by a portfolio of loan obligations with a face value of approximately $125.1 million, consisting primarily of bridge loans and a senior participation interest in a first mortgage loan that were contributed from our existing loan portfolio. The financing has a two-year replacement period that allows the principal proceeds and sale proceeds (if any) of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the Indenture. Thereafter, the outstanding debt balance will be reduced as loans are repaid. The aggregate principal amounts of the two classes of notes were $75.0 million of Class A senior secured floating rate notes and $12.5 million of Class B secured floating rate notes. We retained a residual interest in the portfolio with a notional amount of $37.6 million. The notes have an initial weighted average interest rate of approximately 3.39% plus one-month LIBOR and interest payments on the notes are payable monthly, beginning on November 15, 2012, to and including October 15, 2022, the stated maturity date of the notes.

In January 2013, we completed our second CLO, issuing to third party investors two tranches of investment grade CLOs through newly-formed wholly-owned subsidiaries, Arbor Realty Collateralized Loan Obligation 2013-1, Ltd. and Arbor Realty Collateralized Loan Obligation 2013-1, LLC. As of the CLO closing date, the notes are secured by a portfolio of loan obligations with a face value of approximately $210.0 million, consisting primarily of bridge loans and a senior participation interest in a first mortgage loan that were contributed from our existing loan portfolio. The financing has a two-year replacement period that allows the principal proceeds and sale proceeds (if any) of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the indenture. Thereafter, the outstanding debt balance will be reduced as loans are repaid. Initially, the proceeds of the issuance of the securities also included $50.0 million for the purpose of acquiring additional loan obligations for a period of up to 90 days from the closing date of the CLO. Subsequently, the issuer owns loan obligations with a face value of approximately $260.0 million. The aggregate principal amounts of the two classes of notes were $156.0 million of Class A senior secured floating rate notes and $21.0 million of Class B secured floating rate notes. We retained a residual interest in the portfolio with a notional amount of approximately $83.0 million. The notes have an initial weighted average interest rate of approximately 2.36% plus one-month LIBOR and interest payments on the notes are payable monthly, through February 15, 2023, the stated maturity date of the notes.

Our CLO vehicles are VIEs for which we are the primary beneficiary and are consolidated in our financial statements. The two investment grade tranches are treated as a secured financing, and are non-recourse to us.

At December 31, 2013 and 2012, the aggregate weighted average note rate for our CLOs was 2.91% and 3.65%, respectively. Including certain fees and costs, the weighted average note rate was 3.49% and 4.33% at December 31, 2013 and 2012, respectively.

Junior Subordinated Notes

At December 31, 2013, the aggregate carrying value of borrowings under our junior subordinated notes was $159.3 million, which is net of a deferred amount of $16.6 million being amortized into interest expense over the life of the notes, with a current weighted average pay rate of 3.01%, however, based upon the accounting treatment for a prior year restructuring, the effective rate was 3.06%. See Note 7 of the "Notes to the Consolidated Financial Statements" set forth in Item 8 hereof for a further description of this transaction.

The junior subordinated notes are unsecured, have maturities of 25 to 28 years, pay interest quarterly at a floating rate of interest based on three-month LIBOR and, absent the occurrence of special events, were not redeemable during the first two years.

Notes Payable

At December 31, 2013, notes payable consisted of three junior loan participations with an aggregate outstanding balance of $2.5 million.

We had a $50.2 million note payable after receiving cash related to a transaction with Lightstone to exchange our profits interest in Prime Outlets Member, LLC for operating partnership units in Lightstone. The note balance was secured by our investment in the common and preferred operating partnership units in Lightstone. In September 2013, the outstanding balance of our portion of the note was paid off upon the redemption of the preferred operating partnership units in Lightstone. In addition, during the fourth quarter of 2013, the operating agreement of the entity that held the remaining portion of the note payable was amended to provide joint control to the members of the entity, and therefore, the entity was deconsolidated.

Mortgage Note Payable—Real Estate Owned and Held-For-Sale

During 2011, we assumed a $55.4 million interest-only first lien mortgage in connection with the acquisition of real property pursuant to bankruptcy proceedings for an entity in which we had a $29.8 million loan secured by our Multifamily Portfolio. The mortgage bears interest at a variable rate of one-month LIBOR plus 1.23% and has a maturity date of March 2014 with a one year and three month extension option, subject to certain conditions. In September 2013, one of the properties in the Multifamily Portfolio was classified as held-for-sale and thus $11.0 million of the first lien mortgage was classified as held-for-sale and the balance of $42.7 million remained classified as real estate owned at December 31, 2013.

Restrictive Covenants

Our debt facilities contain various financial covenants and restrictions, including minimum net worth, minimum liquidity and maximum debt balance requirements, as well as certain other debt service coverage ratios and debt to equity ratios. We were in compliance with all financial covenants and restrictions at December 31, 2013.

Our CDO and CLO vehicles contain interest coverage and asset over collateralization covenants that must be met as of the waterfall distribution date in order for us to receive such payments. If we fail these covenants in any of our CDOs or CLOs, all cash flows from the applicable CDO or CLO would be diverted to repay principal and interest on the outstanding CDO or CLO bonds and we would not receive any residual payments until that CDO or CLO regained compliance with such tests. Our CDOs and CLOs were in compliance with all such covenants as of December 31, 2013 as well as on the most recent determination date in January 2014. In the event of a breach of the CDO or CLO covenants that could not be cured in the near-term, we would be required to fund our non-CDO or non-CLO expenses, including management fees and employee costs, distributions required to maintain REIT status, debt costs, and other expenses with (i) cash on hand, (ii) income from any CDO or CLO not in breach of a covenant test, (iii) income from real property and loan assets, (iv) sale of assets, or (v) accessing the equity or debt capital markets, if available. We have the right to cure covenant breaches, which would resume normal residual payments to us by purchasing non-performing loans out of the CDOs or CLOs. However, we may not havesufficient liquidity available to do so at such time.

The chart below is a summary of our CDO and CLO compliance tests as of the most recent determination dates in January 2014:

Cash Flow Triggers	CDO I	CDO II	CDO III	CLO I	CLO II
Overcollateralization(1)					
Current	167.15%	137.87%	107.80%	142.96%	146.89%
Limit	145.00%	127.30%	105.60%	137.86%	144.25%
Pass / Fail	Pass	Pass	Pass	Pass	Pass
Interest Coverage(2)					
Current	547.23%	430.96%	779.18%	289.34%	325.74%
Limit	160.00%	147.30%	105.60%	120.00%	120.00%
Pass / Fail	Pass	Pass	Pass	Pass	Pass

(1) The overcollateralization ratio divides the total principal balance of all collateral in the CDO and CLO by the total principal balance of the bonds associated with the applicable ratio. To the extent an asset is considered a defaulted security, the asset's principal balance for purposes of the overcollateralization test, is the lesser of the asset's market value or the principal balance of the defaulted asset multiplied by the asset's recovery rate which is determined by the rating agencies. Rating downgrades of CDO and CLO collateral will generally not have a direct impact on the principal balance of a CDO and CLO asset for purposes of calculating the CDO and CLO overcollateralization test unless the rating downgrade is below a significantly low threshold (e.g. CCC-) as defined in each CDO and CLO vehicle.

(2) The interest coverage ratio divides interest income by interest expense for the classes senior to those retained by us.

The chart below is a summary of our CDO and CLO overcollateralization ratios as of the following determination dates:

Determination Date	CDO I	CDO II	CDO III	CLO I	CLO II
January 2014	167.15%	137.87%	107.80%	142.96%	146.89%
October 2013	166.88%	133.77%	106.64%	142.96%	146.89%
July 2013	176.69%	139.10%	106.61%	142.96%	146.89%
April 2013	174.76%	138.97%	106.56%	142.96%	146.89%
January 2013	172.73%	138.89%	105.90%	142.96%	—

The ratio will fluctuate based on the performance of the underlying assets, transfers of assets into the CDOs and CLOs prior to the expiration of their respective replenishment dates, purchase or disposal of other investments, and loan payoffs. No payment due under the Junior Subordinated Indentures may be paid if there is a default under any senior debt and the senior lender has sent notice to the trustee. The Junior Subordinated Indentures are also cross-defaulted with each other.

Contractual Commitments

As of December 31, 2013, we had the following material contractual obligations (dollars in thousands):

	Payments Due by Period(1)						
Contractual Obligations	2014	2015	2016	2017	2018	Thereafter	Total
Repurchase agreements and credit facilities	$ 92,824	$ 66,301	$ —	$ —	$ —	$ —	$ 159,125
Collateralized debt obligations(2)	338,102	83,029	132,666	85,826	—	—	639,623
Collateralized loan obligations(3)	45,006	54,047	61,575	20,469	83,403	—	264,500
Junior subordinated notes(4)	—	—	—	—	—	175,858	175,858
Notes payable	1,750	—	—	—	750	—	2,500
Mortgage note payable—real estate owned and held-for-sale	53,751	—	—	—	—	—	53,751
Outstanding unfunded commitments(5)	3,477	1,999	319	—	—	24	5,819
Totals	$534,910	$205,376	$194,560	$106,295	$84,153	$175,882	$1,301,176

(1) Represents principal amounts due based on contractual maturities. Does not include total projected interest payments on our debt obligations of $29.2 million in 2014, $18.9 million in 2015, $13.3 million in 2016, $8.7 million in 2017, $7.5 million in 2018 and $85.6 million thereafter based on current LIBOR rates.

(2) Comprised of $132.4 million of CDO I debt, $201.8 million of CDO II debt and $305.4 million of CDO III debt with a weighted average contractual maturity of 0.86, 1.21and 1.39 years, respectively, as of December 31, 2013. The balance of estimated interest due through maturity on CDO bonds reissued in 2010, which is included in the carrying values of the CDOs, totaled $20.1 million at December 31, 2013.

(3) Represents $87.5 million of CLO I debt and $177.0 million of CLO II debt with a weighted average contractual maturity of 2.06 and 3.02 years, respectively, as of December 31, 2013.

(4) Represents the face amount due upon maturity. The carrying value is $159.3 million, which is net of a deferred amount of $16.6 million at December 31, 2013.

(5) In accordance with certain loans and investments, we have outstanding unfunded commitments of $5.8 million as of December 31, 2013, that we are obligated to fund as the borrowers meet certain requirements. Specific requirements include, but are not limited to, property renovations, building construction, and building conversions based on criteria met by the borrower in accordance with the loan agreements. In relation to the $5.8 million outstanding balance at December 31, 2013, our restricted cash balance contained approximately $5.8 million available to fund the portion of the unfunded commitments for loans financed by our CDO vehicles.

Off-Balance-Sheet Arrangements

At December 31, 2013, we did not have any off-balance-sheet arrangements.

Management Agreement

We, ARLP and Arbor Realty SR, Inc. have a management agreement with ACM, pursuant to which ACM provides certain services and we pay ACM a base management fee and under certain circumstances, an annual incentive fee.

The base management fee is an arrangement whereby we reimburse ACM for its actual costs incurred in managing our business based on the parties' agreement in advance on an annual budget with subsequent quarterly true-ups to actual costs. The 2013 base management fee was $10.9 million. All origination fees on investments are retained by us.

We incurred $10.9 million, $10.0 million and $8.3 million of base management fees for services rendered in 2013, 2012 and 2011, respectively.

The incentive fee is calculated as (1) 25% of the amount by which (a) our funds from operations per share, adjusted for certain gains and losses including gains from the retirement and restructuring of debt and 60% of any loan loss reserve recoveries (spread over a three year period), exceeds (b) the product of (x) 9.5% per annum or the Ten Year U.S. Treasury Rate plus 3.5%, whichever is greater, and (y) the greater of $10.00 or the weighted average of book value of the net assets contributed by ACM to ARLP per ARLP partnership unit, the offering price per share of our common equity in the private offering on July 1, 2003 and subsequent offerings and the issue price per ARLP partnership unit for subsequent contributions to ARLP, multiplied by (2) the weighted average of our outstanding shares.

The minimum return, or incentive fee hurdle, to be reached before an incentive fee is earned, is a percentage applied on a per share basis to the greater of $10.00 or the average gross proceeds per share. In addition, 60% of any loan loss and other reserve recoveries are eligible to be included in the incentive fee calculation, which recoveries are spread over a three year period.

The management agreement also allows us to consider, from time to time, the payment of additional "success-based" fees to ACM for accomplishing certain specified corporate objectives; has a termination fee of $10.0 million; and is renewable automatically for successive one-year terms, unless terminated with six months prior written notice. No success-based payments were made for the years ended December 31, 2013, 2012 and 2011.

The incentive fee is measured on an annual basis. However, when applicable, we will pay the annual incentive fee in quarterly installments, each within 60 days of the end of each fiscal quarter. The calculation of each installment is based on results for the twelve months ending on the last day of the fiscal quarter for which the installment is payable. These installments of the annual incentive fee are deemed to be an advance subject to potential reconciliation at the end of such fiscal year, and any overpayments are required to be repaid in accordance with the amended management agreement. Subject to the ownership limitations in our charter, at least 25% of this incentive fee is payable to our manager in shares of our common stock having a value equal to the average closing price per share for the last twenty days of the fiscal quarter for which the incentive fee is being paid. For the years ended December 31, 2013, 2012 and 2011, ACM did not earn an incentive management fee.

The incentive fee is accrued as it is earned. The expense incurred for the incentive fee paid in common stock is determined using the valuation method described above and the quoted market price of our common stock on the last day of each quarter. At December 31 of each year, we remeasure the incentive fee paid to ACM in the form of common stock in accordance with current accounting guidance, which discusses how to determine the expense when certain terms are not known prior to the measurement date. Accordingly, any expense recorded for such common stock is adjusted to reflect the fair value of the common stock on the measurement date when the final calculation of the total incentive fee is determined. In the event that the incentive fee for the full year is an amount less than the total of the installment payments made to ACM for the year, ACM will refund the amount of such overpayment to us in cash regardless of whether such installments were paid in cash or common stock. In such a case, we would record a negative incentive fee expense in the quarter when such overpayment is determined.

Additionally, in 2007, ACM received an incentive fee installment totaling $19.0 million which was recorded as a prepaid management fee related to the incentive fee on $77.1 million of deferred revenue recognized on the transfer of control of the 450 West 33rd Street property, one of our equity affiliates.

Inflation

Changes in the general level of interest rates prevailing in the economy in response to changes in the rate of inflation generally have little effect on our income because the majority of our interest-earning assets and interest-bearing liabilities have floating rates of interest. However, the significant decline in interest rates in the past triggered LIBOR floors on certain of our variable rate interest-earning assets. This resulted in an increase in interest rate spreads on certain assets as the rates we pay on variable rate interest-bearing liabilities declined at a greater pace than the rates we earned on our variable rate interest-earning assets. The number of loans impacted by LIBOR floors have significantly decreased over this time as a majority of the loans with such floors were paid off, monetized, modified or restructured. Additionally, we have various fixed rate loans in our portfolio which are financed with variable rate LIBOR borrowings. In connection with these loans, we have entered into various interest swaps to hedge our exposure to the interest rate risk on our variable rate LIBOR borrowings as it relates to certain fixed rate loans in our portfolio. However, the value of our interest-earning assets, our ability to realize gains from the sale of assets, and the average life of our interest-earning assets, among other things, may be affected. See Item 7A—"Quantitative and Qualitative Disclosures about Market Risk."

Related Party Transactions

Due from related party was approximately $0.1 million at both December 31, 2013 and 2012 and consisted primarily of escrows held by ACM and its affiliates related to real estate transactions.

Due to related party was $2.8 million and $3.1 million at December 31, 2013 and December 31, 2012, respectively, and consisted primarily of base management fees due to ACM that were remitted by us in the following quarter.

In October 2013, we purchased, at par, a $3.0 million mezzanine loan from ACM who originated the loan in September 2013 to a third party entity. The loan has a fixed interest rate of 13.00% and a maturity date of October 2018. Interest income recorded from this loan was approximately $0.1 million for the year ended December 31, 2013.

In June 2013, our board of directors formed a Special Committee consisting of independent directors in connection with the exploration and evaluation of a potential transaction with our manager involving the acquisition of our manager's Fannie Mae, DUS, FHA and CMBS platforms, as well as the internalization of the management of our current business. Although there have been preliminary discussions between the Special Committee and representatives of our manager, we cannot provide any assurance regarding the timing, terms or form of any such transaction, including the amount or type of consideration (including the issuance of common stock) or related financing, or whether any transaction between us and our manager will occur at all. Also, in connection with evaluating a potential transaction with our manager, the Special Committee has engaged legal, financial and accounting advisors resulting in approximately $1.4 million of advisory fees to date.

In April 2013, we originated six bridge loans totaling $53.0 million for a portfolio of multifamily properties owned by a consortium of investors including Mr. Ivan Kaufman and his affiliates and Mr. Fred Weber, who together own an interest of approximately 19% in the borrowing entity. The loans had an interest rate of one-month LIBOR plus 7.25% and a maturity date of April 2015, which were paid off in the fourth quarter of 2013. In November 2013, we originated a new bridge loan for $2.0 million with an interest rate of one-month LIBOR plus 5.50%. Interest income recorded from these loans totaled approximately $3.1 million for the year ended December 31, 2013.

In April 2013, we also purchased, at par, a $6.4 million bridge loan from ACM who originated the loan in March 2013 to a third party entity that acquired a property from an entity owned by Mr. Ivan Kaufman and his affiliates and Mr. Fred Weber, who together also provided a $1.1 million preferred equity contribution to the overall transaction. Mr. Ivan Kaufman also provided a $1.0 million personal guaranty on the bridge loan. The bridge loan bears interest at a rate of one-month LIBOR plus 5.00% for the first year then one-month LIBOR plus 6.00% thereafter and has a maturity date of March 2015 with three one year extension options. Interest income recorded from this loan totaled approximately $0.2 million for the year ended December 31, 2013.

In January 2013, we originated a $7.5 million bridge loan for a multifamily property in Charlotte, North Carolina. William C. Green, who serves on our Board of Directors, holds a 6.6% partnership interest in the borrowing entity and is the chief financial officer of an affiliated entity that is a partner in, and the management company for, the borrowing entity. Mr. Green also provided a $0.4 million personal guaranty on the bridge loan. The loan bears interest at a rate of one-month LIBOR plus 6.00% and has a maturity date of January 2015. Interest income recorded from this loan totaled approximately $0.5 million for the year ended December 31, 2013.

In December 2012, ACM acquired a multifamily property in Detroit, Michigan and simultaneously sold the property to a third party, who received a $30.0 million bridge loan from us. ACM retained a $6.0 million preferred equity interest in the entity. The loan to us bears interest at a rate of one-month LIBOR plus 5.00% with a LIBOR cap of 1.00% and has a maturity date of November 2014 with three one year extension options. Interest income recorded from this loan totaled approximately $1.6 million and $0.2 million for the years ended December 31, 2013 and 2012, respectively.

In September 2012, we purchased, at par, a $5.1 million bridge loan from ACM. The loan was originated by ACM in May 2012 to a third party entity that acquired a multifamily property from ACM. The loan bears interest at a rate of one-month LIBOR plus 5.50% with a LIBOR floor of 0.24% and has a maturity date of May 2015. Interest income recorded from this loan totaled approximately $0.3 million and $0.1 million for the years ended December 31, 2013 and 2012, respectively.

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 multi-family 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, the Company's 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 now bears 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 matures in June 2020. Interest income recorded from the preferred equity investment totaled approximately $1.1 million, $1.3 million and $0.2 million for the years ended December 31, 2013, 2012 and 2011, respectively. The new preferred equity investment had a fixed interest rate of 12% and a maturity date in June 2020. 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 the fourth quarter of 2011, we recorded losses from the entity against the equity investment, reducing the balance to zero. We record this investment under the equity method of accounting. In addition, under the terms of the restructuring, Lexford's first mortgage lender required a change of property manager for the underlying assets. The new management company is an affiliate of Mr. Ivan Kaufman, our chairman and chief executive officer, and has a contract with the new entity for 7.5 years and will be entitled to 4.75% of gross revenues of the underlying properties, along with the potential to share in the proceeds of a sale or refinancing of the debt should the management company remain engaged by the new entity at the time of such capital event. In the first quarter of 2012, Mr. Fred Weber invested $250,000 in the new management company and currently owns a 23.5% ownership interest. Mr. Ivan Kaufman and his affiliates currently own a 53.9% ownership interest. We have provided limited ("bad boy") guarantees for certain 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, 2013, this debt had an aggregate outstanding balance of $703.6 million and is scheduled to mature between 2017 and 2023.

During the second quarter of 2011, we originated a mortgage loan to a third party borrower secured by property purchased from ACM. The loan had an unpaid principal balance of $6.2 million, a maturity date of May 2014 and a variable interest rate of LIBOR plus 6.00%. Upon approving the transaction, the independent directors committee of the Board of Directors required us to sell the loan in 90 days and ACM agreed to guarantee the loan until it was sold. In the third quarter of 2011, the loan was sold to an affiliated entity of Mr. Ivan Kaufman for $6.2 million. Interest income recorded from this loan for the year ended December 31, 2011 was approximately $0.2 million.

During the second quarter of 2011, we originated a loan to a third party borrower for a portfolio of properties with an unpaid principal balance of $24.4 million, of which, one property in the portfolio was previously financed with an $11.7 million loan that was purchased by ACM, our manager. The $11.7 million loan was repaid as part of the $24.4 million loan on the portfolio. The new loan had a variable interest rate of LIBOR plus 4.75% and was repaid in full in January 2013. Interest income recorded from this loan totaled approximately $0.1 million, $1.7 million and $0.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

During the first quarter of 2011, we originated four mortgage loans totaling $28.4 million to borrowers which were secured by property purchased from ACM, our manager, or its affiliate. Two of the loans totaling $22.4 million have maturity dates of March 2014 and a combined weighted average variable interest rate of 6.20% as of December 31, 2013 and were secured by the same property. The third was a $2.0 million bridge loan with a maturity date of February 2013 and an interest rate of one-month LIBOR plus 6.00%, which was paid off in the third quarter of 2012. The fourth was a $4.0 million bridge loan with an original maturity date in April 2013 which was extended to March 2014 and an interest rate of one-month LIBOR plus 6.00%. Interest income recorded from these loans totaled approximately $1.8 million, $1.9 million and $1.5 million for the years ended December 31, 2013, 2012 and 2011, respectively.

In October 2010, we purchased, at par, a $4.7 million bridge loan from ACM. The loan was originated by ACM in June 2010 to a joint venture that acquired a condo development property in Brooklyn, New York. The loan bore interest at a rate of one-month LIBOR plus 8% with a LIBOR floor of 0.5% and a LIBOR cap of 1.5% and had a maturity date of June 2012. In the second quarter of 2012, the loan matured and was paid off. In addition, ACM contributed $0.9 million for a 50% non-controlling interest in an entity, which owns 28% of this joint venture. In the third quarter of 2011, ACM sold its investment in this joint venture to an affiliated entity of Mr. Ivan Kaufman for $0.9 million. Interest income recorded from this loan totaled approximately $0.1 million and $0.4 million for the years ended December 31, 2012 and 2011, respectively.

Other Related Party Transactions

We and our operating partnership have entered into a management agreement with ACM pursuant to which ACM has agreed to provide us with structured finance investment opportunities and loan servicing as well as other services necessary to operate our business. As discussed above in "Management Agreement," we have agreed to pay our manager a base management fee monthly, based on an annual budget, and an incentive management fee when earned.

Under the terms of the management agreement, ACM has also granted us a right of first refusal with respect to all structured finance investment opportunities in the multi-family and commercial real estate markets that are identified by ACM or its affiliates.

In addition, Mr. Kaufman has entered into a non-competition agreement with us pursuant to which he has agreed not to pursue structured finance investment opportunities in the multi-family and commercial real estate markets, except as approved by our Board of Directors.

We are dependent upon our manager, ACM, with whom we have a conflict of interest, to provide services to us that are vital to our operations. Our chairman, chief executive officer and president, Mr. Ivan Kaufman, is also the chief executive officer and president of our manager, and, our chief financial officer and treasurer, Mr. Paul Elenio, is the chief financial officer of our manager. In addition, Mr. Kaufman and his affiliated entities (the "Kaufman Entities") together beneficially own approximately 92% of the outstanding membership interests of ACM and certain of our employees and directors, also hold an ownership interest in ACM. Furthermore, one of our former directors is general counsel to ACM and another of our directors also serves as the trustee of one of the Kaufman Entities that holds a majority of the outstanding membership interests in ACM and co-trustee of another Kaufman Entity that owns an equity interest in our manager. ACM currently holds approximately 5.3 million of our common shares, representing approximately 11% of the voting power of our outstanding stock as of December 31, 2013. Our Board ofDirectors approved a resolution under our charter allowing Ivan Kaufman and ACM, (which Mr. Kaufman has a controlling equity interest in), to own more than the ownership interest limit of our common stock as stated in our charter as amended. In May 2012, our charter was amended to lower each of the general aggregate stock ownership limit and the general common stock ownership limit from 7% to 5% unless an exemption is granted by our Board of Directors.

We and our operating partnership have also entered into a services agreement with ACM pursuant to which our asset management group provides asset management services to ACM. In the event the services provided by our asset management group pursuant to the agreement exceed by more than 15% per quarter the level of activity anticipated by our Board of Directors, we will negotiate in good faith with our manager an adjustment to our manager's base management fee under the management agreement, to reflect the scope of the services, the quantity of serviced assets or the time required to be devoted to the services by our asset management group. See "Management Agreement" above.

Significant Accounting Estimates and Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification™, the authoritative reference for accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that could affect the reported amounts in our consolidated financial statements. Actual results could differ from these estimates. A summary of our significant accounting policies is presented in Note 2 of the "Notes to Consolidated Financial Statements" set forth in Item 8 hereof. Set forth below is a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements included in this report. Certain of the accounting policies used in the preparation of these consolidated financial statements are particularly important for an understanding of the financial position and results of operations presented in the historical consolidated financial statements included in this report and require the application of significant judgment by management and, as a result, are subject to a degree of uncertainty.

Loans, Investments and Securities

At the time of purchase, we designate a security as available-for-sale, held-to-maturity, or trading depending on our ability and intent to hold it to maturity. We do not have any securities designated as held-to-maturity or trading as of December 31, 2013. Securities available-for-sale are reported at fair value with the net unrealized gains or losses reported as a component of accumulated other comprehensive loss, while securities held-to-maturity are reported at amortized cost. Unrealized losses that are determined to be other-than-temporary are recognized in earnings up to their credit component. The determination of other-than-temporary impairment is a subjective process requiring judgments and assumptions. The process may include, but is not limited to, assessment of recent market events and prospects for near-term recovery, assessment of cash flows, internal review of the underlying assets securing the investments, credit of the issuer and the rating of the security, as well as our ability and intent to hold the investment to maturity. Management closely monitors market conditions on which it bases such decisions.

We also assess certain of our securities, other than those of high credit quality, to determine whether significant changes in estimated cash flows or unrealized losses on these securities, if any, reflect a decline in value that is other-than-temporary and, accordingly, should be written down to their fair value against earnings. On a quarterly basis, we review these changes in estimated cash flows, which could occur due to actual prepayment and credit loss experience, to determine if an other-than-temporary impairment is deemed to have occurred. The determination of other-than-temporary impairment is a subjective process requiring judgments and assumptions and is not necessarily intended to indicate a permanent decline in value. We calculate a revised yield based on the current amortized cost of the investment, including any other-than-temporary impairments recognized to date, and the revised yield is then applied prospectively to recognize interest income.

Securities that are purchased at a discount and that are not of high credit quality at the time of purchase are accounted for as debt securities acquired with deteriorated credit quality. Interest income on these securities is recognized using the effective interest method based on our estimates of expected cash flows to be received, which include assumptions related to fluctuations in prepayment speeds and the timing and amount of credit losses, which are reviewed on an ongoing basis.

Loans held for investment are intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan origination costs and fees, loan purchase discounts, and net of the allowance for loan losses when such loan or investment is deemed to be impaired. We invest in preferred equity interests that, in some cases, allow us to participate in a percentage of the underlying property's cash flows from operations and proceeds from a sale or refinancing. At the inception of each such investment, management must determine whether such investment should be accounted for as a loan, joint venture or as real estate. To date, management has determined that all such investments are properly accounted for and reported as loans.

From time to time, we may enter into an agreement to sell a loan. These loans are considered held-for-sale and are valued at the lower of the loan's carrying amount or fair value less costs to sell. For the sale of loans, recognition occurs when ownership passes to the buyer.

Impaired Loans, Allowance for Loan Losses, Loss on Sale and Restructuring of Loans and Charge-offs

Loans are considered impaired when, based upon current information and events, it is probable that we will be unable to collect all amounts due for both principal and interest according to the contractual terms of the loan agreement. We evaluate each loan in our portfolio on a quarterly basis. Our loans are individually specific and unique as it relates to product type, geographic location, and collateral type, as well as to the rights and remedies and the position in the capital structure our loans and investments have in relation to the underlying collateral. We evaluate all of this information as well as general market trends related to specific classes of assets, collateral type and geographic locations, when determining the appropriate assumptions such as capitalization and market discount rates, as well as the asset's operating income and cash flows, in estimating the value of the underlying collateral when determining if a loan is impaired. We utilize internally developed valuation models and techniques primarily consisting of discounted cash flow and direct capitalization models in determining the fair value of the underlying collateral on an individual loan. We may also obtain a third party appraisal, which may value the collateral through an "as-is" or "stabilized value" methodology. Such appraisals may be used as an additional source of valuation information only and no adjustments are made to appraisals. Included in the evaluation of the capitalization and market discount rates, we consider not only assumptions specific to the collateral but also geographical and industry trends that could impact the collateral's value.

If upon completion of the valuation, the fair value of the underlying collateral securing the impaired loan is less than the net carrying value of the loan, an allowance is created with a corresponding charge to the provision for loan losses. The allowance for each loan is maintained at a level that is believed to be adequate by management to absorb probable losses.

Loan terms may be modified if we determine that based on the individual circumstances of a loan and the underlying collateral, a modification would more likely increase the total recovery of the combined principal and interest from the loan. Any loan modification is predicated upon a goal of maximizing the collection of the loan. Typical triggers for a modification would include situations where the projected cash flow is insufficient to cover required debt service, when asset performance is lagging the initial projections, where there is a requirement for rebalancing, where there is an impending maturity of the loan, and where there is an actual loan default. Loan terms that have been modified have included, but are not limited to interest rate, maturity date and in certain cases, principal amount. Length and amounts of each modification have varied based on individual circumstances and are determined on a case by case basis. If the loan modification constitutes a concession whereas we do not receive ample consideration in return for the modification, and the borrower is experiencing financial difficulties and cannot repay the loan under the current terms, then the modification is considered by us to be a troubled debt restructuring. If we receive a benefit, either monetary or strategic, and the above criteria are not met, the modification is not considered to be a troubled debt restructuring. We record interest on modified loans on an accrual basis to the extent that the modified loan is contractually current.

Loss on restructured loans is recorded when we grant a concession to a borrower in the form of principal forgiveness related to a payoff or the substitution or addition of a new debtor for the original borrower or when we incur costs on behalf of the borrower related to the modification, payoff or the substitution or addition of a new debtor for the original borrower. When a loan is restructured, we record the investment at net realizable value, taking into account the cost of all concessions at the date of restructuring. The reduction in the recorded investment is recorded as a charge to the Consolidated Statements of Operations in the period in which the loan is restructured. In addition, a gain or loss may be recorded upon the sale of a loan to a third party as a charge to the Consolidated Statements of Operations in the period in which the loan was sold.

Charge-offs to the allowance for loan losses occur when losses are confirmed through the receipt of cash or other consideration from the completion of a sale; when a modification or restructuring takes place in which we grant a concession to a borrower or agree to a discount in full or partial satisfaction of the loan; when we take ownership and control of the underlying collateral in full satisfaction of the loan; when loans are reclassified as other investments; or when significant collection efforts have ceased and it is highly likely that a loss has been realized.

Real Estate Owned and Held-For-Sale

Real estate owned, shown net of accumulated depreciation and impairment charges, is comprised of real property acquired by foreclosure or through partial or full settlement of mortgage debt. The real estate acquired is recorded at the estimated fair value at the time of acquisition.

Costs incurred in connection with the foreclosure of the properties collateralizing the real estate loans are expensed as incurred and costs subsequently incurred to extend the life or improve the assets subsequent to foreclosure are capitalized.

We allocate the purchase price of operating properties to land, building, tenant improvements, deferred lease cost for the origination costs of the in-place leases, intangibles for the value of the above or below market leases at fair value and to any other identified intangible assets or liabilities. We finalize the purchase price allocation on these assets within one year of the acquisition date. We amortize the value allocated to the in-place leases over the remaining lease term. The value allocated to the above or below market leases are amortized over the remaining lease term as an adjustment to rental income.

Real estate assets, including assets acquired by foreclosure or through partial or full settlement of mortgage debt, that are operated for the production of income are depreciated using the straight-line method over their estimated useful lives. Ordinary repairs and maintenance which are not reimbursed by the tenants are expensed as incurred. Major replacements and betterments which improve or extend the life of the asset are capitalized and depreciated over their estimated useful life.

Our properties are individually reviewed for impairment each quarter, if events or circumstances change indicating that the carrying amount of the assets may not be recoverable. We recognize impairment if the undiscounted estimated cash flows to be generated by the assets are less than the carrying amount of those assets. Measurement of impairment is based upon the estimated fair value of the assets. Upon evaluating a property for impairment, many factors are considered, including estimated current and expected operating cash flows from the property during the projected holding period, costs necessary to extend the life or improve the asset, expected capitalization rates, projected stabilized net operating income, selling costs, and the ability to hold and dispose of such real estate owned in the ordinary course of business. Valuation adjustments may be necessary in the event that effective interest rates, rent-up periods, future economic conditions, and other relevant factors vary significantly from those assumed in valuing the property. If future evaluations result in a diminution in the value of the property, the reduction will be recognized as an impairment charge at that time.

Real estate is classified as held-for-sale when management commits to a plan of sale, the asset is available for immediate sale, there is an active program to locate a buyer, and it is probable the sale will be complete within one year. Properties classified as held-for-sale are not depreciated and the results of their operations are shown in discontinued operations. Real estate assets that are expected to be disposed of are valued, on an individual asset basis, at the lower of their carrying amount or their fair value less costs to sell.

We recognize sales of real estate properties upon closing. Payments received from purchasers prior to closing are recorded as deposits. Profit on real estate sold is recognized upon closing using the full accrual method when the collectability of the sale price is reasonably assured and we are not obligated to perform significant activities after the sale. Profit may be deferred in whole or in part until collectability of the sales price is reasonably assured and the earnings process is complete.

Revenue Recognition

Interest income—Interest income is recognized on the accrual basis as it is earned from loans, investments and securities. In certain instances, the borrower pays an additional amount of interest at the time the loan is closed, an origination fee, a prepayment fee and/or deferred interest upon maturity. In some cases, interest income may also include the amortization or accretion of premiums and discounts arising from the purchase or origination of the loan or security. This additional income, net of any direct loan origination costs incurred, is deferred and accreted into interest income on an effective yield or "interest" method adjusted for actual prepayment activity over the life of the related loan or security as a yield adjustment. Income recognition is suspended for loans when, in the opinion of management a full recovery of all contractual principal is not probable. Income recognition is resumed when the loan becomes contractually current and performance is resumed. We record interest income on certain impaired loans to the extent cash is received, in which a loan loss reserve has been recorded, as the borrower continues to make interest payments. We recorded loan loss reserves related to these loans as it was deemed that full recovery of principal and interest was not probable.

Several of our loans provide for accrual of interest at specified rates, which differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest and outstanding principal are ultimately collectible, based on the underlying collateral and operations of the asset. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

Given the transitional nature of some of our real estate loans, we may require funds to be placed into an interest reserve, based on contractual requirements, to cover debt service costs. We will analyze these interest reserves on a periodic basis and determine if any additional interest reserves are needed. Recognition of income on loans with funded interest reserves are accounted for in the same manner as loans without funded interest reserves. We will not recognize any interest income on loans in which the borrower has failed to make the contractual interest payment due or has not replenished the interest reserve account. As of December 31, 2013, we had total interest reserves of $11.7 million on 48 loans with an aggregate unpaid principal balance of $598.6 million and had two non-performing loans with an aggregate unpaid principal balance of $4.7 million with a funded interest reserve of $0.1 million. Income from non-performing loans is generally recognized on a cash basis only to the extent it is received. Full income recognition will resume when the loan becomes contractually current and performance has recommenced.

Additionally, interest income is recorded when earned from equity participation interests, referred to as equity kickers. These equity kickers have the potential to generate additional revenues to us as a result of excess cash flow distributions and/or as appreciated properties are sold or refinanced.

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

Other income, net—Other income, net represents net interest income and gains and losses recorded on our linked transactions, as well as loan structuring, defeasance, and miscellaneous asset management fees associated with our loans and investments portfolio. We recognize these forms of income when the fees are fixed or determinable, are evidenced by an arrangement, collection is reasonably assured and the services under the arrangement have been provided.

Stock-Based Compensation

We have granted certain of our employees, directors, and employees of ACM, stock awards consisting of shares of our common stock that vest immediately or annually over a multi-year period, subject to the recipient's continued service to us. We record stock-based compensation expense at the grant date fair value of the related stock-based award with subsequent remeasurement for any unvested shares granted to non-employees. Such amounts are expensed against earnings, at the grant date (for the portion that vests immediately) or ratably over the respective vesting periods. Dividends are paid on restricted stock as dividends are paid on shares of our common stock whether or not they are vested. Stock-based compensation is disclosed in our Consolidated Statements of Operations under "employee compensation and benefits" for employees and under "selling and administrative" expense for non-employees.

Income Taxes

We are organized and conduct our operations to qualify as a REIT and to comply with the provisions of the Internal Revenue Code with respect thereto. A REIT is generally not subject to federal income tax on taxable income that is distributed to its stockholders, provided that at least 90% of its taxable income is distributed and provided that certain other requirements are met. Certain REIT income may be subject to state and local income taxes. Our assets or operations that would not otherwise comply with the REIT requirements, are owned or conducted by our taxable REIT subsidiaries, the income of which is subject to federal and state income tax. Under current federal tax law, the income and the tax on such income attributable to certain debt extinguishment transactions realized in 2009 and 2010 have been deferred to future periods at our election.

Current accounting guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This guidance also provides clarity on derecognition, classification, interest and penalties, accounting in interim periods and disclosure.

Hedging Activities and Derivatives

We recognize all derivatives as either assets or liabilities at fair value and these amounts are recorded in other assets or other liabilities on the Consolidated Balance Sheets. Additionally, the fair value adjustments will affect either accumulated other comprehensive income (loss) until the hedged item is recognized in earnings, or net income (loss) depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity. We use derivatives for hedging purposes rather than speculation. Fair values are approximated based on current market data received from financial sources that trade such instruments and are based on prevailing market data and derived from third party proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions.

We record all derivatives on the Consolidated Balance Sheets at fair value. Additionally, the accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether a company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of our risks, even though hedge accounting does not apply or we elect not to apply hedge accounting.

In the normal course of business, we may use a variety of derivative financial instruments to manage, or hedge, interest rate risk. These derivative financial instruments must be effective in reducing its interest rate risk exposure in order to qualify for hedge accounting. When the terms of an underlying transaction are modified, or when the underlying hedged item ceases to exist, all changes in the fair value of the instrument are marked-to-market with changes in value included in net income (loss) for each period until the derivative instrument matures or is settled. Any derivative instrument used for risk management that does not meet the hedging criteria is marked-to-market with the changes in value included in net income (loss). In cases where a derivative financial instrument is terminated early, any gain or loss is generally amortized over the remaining life of the hedged item.

During the year ended December 31, 2013, seven basis swaps matured with a combined notional value of approximately $499.4 million and two interest rate caps matured with a combined notional value of approximately $79.3 million. In addition, the notional value on a basis swap decreased by approximately $92.6 million pursuant to the contractual terms of the respective swap agreement and the notional value on an interest rate swap decreased by approximately $14.5 million pursuant to the contractual terms of the respective swap agreement. During the year ended December 31, 2012, one basis swap matured with a notional value of approximately $110.1 million, ten interest rate swaps matured with a combined notional value of approximately $196.4 million and one interest rate cap matured with a notional value of approximately $7.0 million. In addition, the notional value on four basis swaps decreased by approximately $140.4 million pursuant to the contractual terms of the respective swap agreements and the notional value on an interest rate swap decreased by approximately $6.4 million pursuant to the contractual terms of the respective swap agreement. Gains and losses on terminated swaps are deferred and recognized in interest expense over the original life of the hedged item. The fair value of our qualifying hedge portfolio has increased by approximately $13.0 million from December 31, 2012 as a result of the maturities and the amortized notional value of swaps, combined with a change in the projected LIBOR rates and credit spreads of both parties. In certain circumstances, we may finance the purchase of RMBS investments through a repurchase agreement with the same counterparty which may qualify as a linked transaction. If both transactions are entered into contemporaneously or in contemplation of each other, the transactions are presumed to be linked transactions and we account for the purchase of such securities and the repurchase agreement on a combined basis as a forward contract derivative at fair value which is reported in other assets on the Consolidated Balance Sheets with changes in the fair value of the assets and liabilities underlying linked transactions and associated interest income and expense reported in other income on the Consolidated Statements of Operations. The analysis of transactions under these rules requires management's judgment and experience. During the year ended December 31, 2013, we purchased nine RMBS investments and sold 11 RMBS investments which qualified as linked transactions. During the year ended December 31, 2012, we purchased 12 RMBS investments which qualified as linked transactions. The RMBS investments, net of their respective financing, had a total fair value at December 31, 2013 and 2012 of $6.4 million and $10.8 million, respectively, which is recorded in other assets on the Consolidated Balance Sheets.

Because the valuations of our derivatives are based on estimates, the fair value may change if our estimates are inaccurate. For the effect of hypothetical changes in market interest rates on our interest rate swaps, see "Interest Rate Risk" in "Quantitative and Qualitative Disclosures About Market Risk", set forth in Item 7A hereof.

Variable Interest Entities

We have evaluated our loans and investments, mortgage related securities, investments in equity affiliates, junior subordinated notes, CDOs and CLOs, in order to determine if they qualify as VIEs or as variable interests in VIEs. This evaluation resulted in our determination that our bridge loans, junior participation loans, mezzanine loans, preferred equity investments, investments in equity affiliates, junior subordinated notes, CDOs, CLOs and investments in debt securities were potential VIEs or variable interests in VIEs. A VIE is defined as an entity in which equity investors (i) do not have the characteristics of a controlling financial interest, and/or (ii) do not have sufficient equity at risk for the entity to finance its activities without additional financial support from other parties. A VIE is required to be consolidated by its primary beneficiary, which is defined as the party that (i) has the power to control the activities that most significantly impact the VIE's economic performance and (ii) has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

We consolidate our CDO and CLO subsidiaries, which qualify as VIEs, of which we are the primary beneficiary. These CDOs and CLOs invest in real estate and real estate-related securities and are financed by the issuance of CDO and CLO debt securities. We, or one of our affiliates, is named collateral manager, servicer, and special servicer for all CDO and CLO collateral assets which we believes gives us the power to direct the most significant economic activities of the entity. We also have exposure to CDO and CLO losses to the extent of our equity interests and also have rights to waterfall payments in excess of required payments to CDO and CLO bond investors. As a result of consolidation, equity interests in these CDOs and CLOs have been eliminated, and the Consolidated Balance Sheet reflects both the assets held and debt issued by the CDOs and CLOs to third parties. Our operating results and cash flows include the gross amounts related to CDO and CLO assets and liabilities as opposed to our net economic interests in the CDO and CLO entities.

As of December 31, 2013, we have determined that we are not the primary beneficiary of 40 VIEs in which we have a variable interest. These VIEs had an aggregate carrying amount of $645.0 million and exposure to real estate debt of approximately $3.7 billion at December 31, 2013. For all other investments, we have determined they are not VIEs or variable interests in VIEs. As such, we have continued to account for these loans and investments as a loan or joint venture, as appropriate. A summary of our identified VIEs or variable interests in VIEs is presented in Note 9 of the "Notes to Consolidated Financial Statements" set forth in Item 8 hereof.

Fair Value Measurements

Fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

Assets and liabilities disclosed at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

- Level 1—Inputs are unadjusted and quoted prices exist in active markets for identical assets or liabilities at the measurement date. The types of assets and liabilities carried at Level 1 fair value generally are government and agency securities, equities listed in active markets, investments in publicly traded mutual funds with quoted market prices and listed derivatives.

- Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life. Level 2 inputs include quoted market prices in markets that are not active for an identical or similar asset or liability, and quoted market prices in active markets for a similar asset or liability. Fair valued assets and liabilities that are generally included in this category are non-government securities, municipal bonds, certain hybrid financial instruments, certain mortgage and asset-backed securities, certain corporate debt, certain commitments and guarantees, certain private equity investments and certain derivatives.

- Level 3—Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. These valuations are based on significant unobservable inputs that require a considerable amount of judgment and assumptions. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Generally, assets and liabilities carried at fair value and included in this category are certain mortgage and asset-backed securities, certain corporate debt, certain private equity investments, certain municipal bonds, certain commitments and guarantees and certain derivatives.

Determining which category an asset or liability falls within the hierarchy requires significant judgment and we evaluate our hierarchy disclosures each quarter.

At December 31, 2013, we measured certain financial assets and financial liabilities at fair value on a recurring basis, including available-for-sale securities and derivative financial instruments. The fair values of certain available-for-sale securities are approximated based on current market quotes received from active markets or financial sources that trade such securities. The fair values of available-for-sale equity securities traded in active markets are approximated using Level 1 inputs, while the fair values of certain available-for-sale debt securities that are approximated using current, non-binding market quotes received from financial sources that trade such investments are valued using Level 3 inputs. The fair values of RMBS investments are approximated using Level 3 inputs that require significant judgments, and are used in internally developed valuation models, which are compared to current non-binding market quotes received from financial sources that trade such securities. The fair value of a CMBS security is estimated by us using Level 3 inputs that require significant judgments, which include assumptions regarding capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management. In addition, fair values of interest rate swap derivatives are approximated using Level 2 inputs based on current market data received from financial sources that trade such instruments and are based on prevailing market data and derived from third party proprietary models based on well recognized financial principles including counterparty risks, credit spreads and interest rate projections, as well as reasonable estimates about relevant future market conditions. These items are included in other assets and other liabilities on the Consolidated Balance Sheets. We incorporate credit valuation adjustments in the fair values of our derivative financial instruments to reflect counterparty nonperformance risk. The fair values of forward contract derivatives are approximated using Level 3 inputs in internally developed valuation models, which are compared to current non-binding market quotes for the underlying RMBS received from pricing services and financial sources that trade such investments.

At December 31, 2013, we measured certain financial assets and financial liabilities at fair value on a nonrecurring basis. Loans held for investment are intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan origination costs and fees, loan purchase discounts, and net of the allowance for loan losses when such loan or investment is deemed to be impaired. We consider a loan impaired when, based upon current information and events, it is probable that we will be unable to collect all amounts due for both principal and interest according to the contractual terms of the loan agreement. We perform evaluations of our loans to determine if the fair value of the underlying collateral securing the impaired loan is less than the net carrying value of the loan, which may result in an allowance and corresponding charge to the provision for loan losses. These valuations require significant judgments, which include assumptions regarding capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management. In addition, real estate investments held-for-sale are carried at the lower of cost or fair value, less costs to sell. Measurement of fair value requires significant judgments, which include assumptions regarding cash flows, capitalization rates, occupancy rates, availability of financing, exit plan, and other factors deemed necessary by management as well as discussions with active market participants.

Recently Issued Accounting Pronouncements

In July 2013, the FASB issued updated guidance that resolves the diversity in practice for the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This new accounting guidance requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of an uncertain tax position. This guidance is effective as of the first quarter of 2014 and we are currently evaluating the impact it may have on our Consolidated Financial Statements.

In June 2013, the FASB issued updated guidance on the definition and measurement of investment companies. The guidance does not address the applicability of investment company accounting for real estate entities and thus does not have a material effect on our Consolidated Financial Statements.

In February 2013, the FASB issued updated guidance on the disclosure of reclassification adjustments related to comprehensive income. The updated guidance requires us to disclose, either on the face of the financial statements or in the notes to the financial statements, the financial statement effects on earnings from items that are reclassified out of other comprehensive income, by component. This guidance was effective as of the first quarter of 2013 and its adoption did not have a material effect on our Consolidated Financial Statements.

In December 2011, the FASB issued updated guidance on disclosure about offsetting assets and liabilities that amends U.S. GAAP to conform more to the disclosure requirements of International Financial Reporting Standards ("IFRS"). Under the updated guidance, an entity is required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. In January 2013, the FASB issued further guidance clarifying the scope of disclosures about offsetting assets and liabilities. The scope applies to certain derivatives (including bifurcated embedded derivatives,) repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions. The guidance was effective as of the first quarter of 2013 and its adoption did not have a material effect on our Consolidated Financial Statements.

Non-GAAP Financial Measures

Funds from Operations

We present funds from operations ("FFO") because we believe it to be an important supplemental measure of our operating performance in that it is frequently used by analysts, investors and other parties in the evaluation of real estate investment trusts (REITs). The revised White Paper on FFO approved by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, in April 2002 defines FFO as net income (loss) attributable to common stockholders (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated real properties, plus impairments of depreciated properties and real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We consider gains and losses on the sales of undepreciated real estate investments to be a normal part of our recurring operating activities in accordance with GAAP and should not be excluded when calculating FFO. In accordance with the revised white paper, losses from discontinued operations are not excluded when calculating FFO.

FFO is not intended to be an indication of our cash flow from operating activities (determined in accordance with GAAP) or a measure of our liquidity, nor is it entirely indicative of funding our cash needs, including our ability to make cash distributions. Our calculation of FFO may be different from the calculation used by other companies and, therefore, comparability may be limited.

FFO for the years ended December 31, 2013, 2012 and 2011 are as follows:

	For the Year Ended December 31,		
	2013	2012	2011
Net income (loss) attributable to Arbor Realty Trust, Inc. common stockholders	$ 16,667,955	$ 21,500,888	$ (40,311,713)
Subtract:			
Gain on sale of real estate held-for-sale	—	(3,953,455)	—
Add:			
Impairment loss on real estate owned and held-for-sale	1,000,000	—	1,450,000
Depreciation—real estate owned and held-for-sale(1)	7,250,601	5,904,089	5,951,525
Depreciation—investments in equity affiliates	90,396	90,396	331,544
FFO	$ 25,008,952	$ 23,541,918	$ (32,578,644)
Diluted FFO per common share	$ 0.58	$ 0.87	$ (1.30)
Diluted weighted average shares outstanding	42,835,144	27,211,287	24,968,894

(1) Includes discontinued operations.

Adjusted Book Value per Common Share

We believe that adjusted book value per share is an additional appropriate measure given the magnitude and the deferral structure of the 450 West 33rd Street transaction from 2007, as well as the significance of the unrealized gain and/or loss position of our qualifying derivative instruments. Adjusted book value per share currently reflects the future impact of the 450 West 33rd Street transaction, as well as the removal of the temporary nature of unrealized gains or losses as a component of equity from qualifying interest rate swaps on our financial position. Over time, as these qualifying interest rate swaps reach their maturity, the fair value of these swaps will return to their original par value. We consider this non-GAAP financial measure to be an effective indicator of our financial condition for both us and our investors. We do not advocate that investors consider this non-GAAP financial measure in isolation from, or as a substitute for, financial measures prepared in accordance with GAAP. In addition, GAAP book value per share and adjusted book value per share calculations do not take into account any dilution from the potential exercise of the warrants issued to Wachovia as part of the 2009 debt restructuring.

GAAP book value per share and adjusted book value per share as of December 31, 2013, 2012 and 2011 is as follows:

	2013	2012	2011
GAAP Arbor Realty Trust, Inc. Stockholders' Equity	$ 437,596,282	$ 229,329,349	$ 171,126,405
Subtract: 8.25% Series A and 7.75% Series B cumulative redeemable preferred stock	(67,654,655)	—	—
GAAP Arbor Realty Trust, Inc. Common Stockholders' Equity	$ 369,941,627	$ 229,329,349	$ 171,126,405
Add: 450 West 33rd Street transaction—deferred revenue	77,123,133	77,123,133	77,123,133
Unrealized loss on derivative instruments	24,794,051	37,754,775	45,888,654
Subtract: 450 West 33rd Street transaction—prepaid management fee	(19,047,949)	(19,047,949)	(19,047,949)
Adjusted Arbor Realty Trust, Inc. Common Stockholders' Equity	$ 452,810,862	$ 325,159,308	$ 275,090,243
Adjusted book value per common share	$ 9.22	$ 10.41	$ 11.32
GAAP book value per common share	$ 7.53	$ 7.34	$ 7.04
Common shares outstanding	49,136,308	31,249,225	24,298,140

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and real estate values. The primary market risks that we are exposed to are real estate risk and interest rate risk.

Market Conditions

We are subject to market changes in the debt and secondary mortgage markets. These markets have experienced disruptions in the past, which have and may in the future have an adverse impact on our earnings and financial condition.

In general, credit markets have experienced difficulty over the past several years. However, of late, we have been able to access equity and debt markets through equity offerings and the issuance of CLOs. While there can be no assurance that we will continue to have access to the equity and debt markets, we will continue to pursue these and other available market opportunities as means to increase our liquidity and capital base.

Real Estate Risk

Commercial mortgage assets may be viewed as exposing an investor to greater risk of loss than residential mortgage assets since such assets are typically secured by larger loans to fewer obligors than residential mortgage assets. Multi-family and commercial property values and net operating income derived from such properties are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, events such as natural disasters including hurricanes and earthquakes, acts of war and/or terrorism and others that may cause unanticipated and uninsured performance declines and/or losses to us or the owners and operators of the real estate securing our investment; national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing, retail, industrial, office or other commercial space); changes or continued weakness in specific industry segments; construction quality, construction delays, construction cost, age and design; demographic factors; retroactive changes to building or similar codes; and increases in operating expenses (such as energy costs). In the event net operating income decreases, a borrower may have difficulty repaying our loans, which could result in losses to us. In addition, decreases in property values reducing the value of collateral, and a lack of liquidity in the market, could reduce the potential proceeds available to a borrower to repay our loans, which could also cause us to suffer losses. Even when the net operating income is sufficient to cover the related property's debt service, there can be no assurance that this will continue to be the case in the future.

Interest Rate Risk

Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

Our operating results will depend in large part on differences between the income from our loans and our borrowing costs. Most of our loans and borrowings are variable-rate instruments, based on LIBOR. The objective of this strategy is to minimize the impact of interest rate changes on our net interest income. In addition, we have various fixed rate loans in our portfolio, which are financed with variable rate LIBOR borrowings. We have entered into various interest swaps (as discussed below) to hedge our exposure to interest rate risk on our variable rate LIBOR borrowings as it relates to our fixed rate loans. Certain of these swaps are scheduled to mature on the original maturity dates of their corresponding loans. However, loans are sometimes extended and, consequently, do not pay off on their original maturity dates. If a loan is extended, whether it is through an existing extension option or a modification, our exposure to interest rate risk may be increased. In these instances, we could have a fixed rate loan in our portfolio financed with variable debt and, since the corresponding interest swap already matured, a portion of our debt is no longer protected against interest rate risk. Some of our loans and borrowings are subject to various interest rate floors. As a result, the impact of a change in interest rates may be different on our interest income than it is on our interest expense.

We have utilized interest rate swaps to limit interest rate risk. Derivatives are used for hedging purposes rather than speculation. We do not enter into financial instruments for trading purposes.

Also, in certain circumstances, we may finance the purchase of RMBS investments through a repurchase agreement with the same counterparty which may qualify as a linked transaction. If both transactions are entered into contemporaneously or in contemplation of each other, the transactions are presumed to be linked transactions unless certain criteria are met, and we account for the purchase of such securities and the repurchase agreement on a combined basis as a forward contract derivative.

One month LIBOR approximated 0.17% at December 31, 2013 and 0.21% at December 31, 2012.

Based on our loans, securities available-for-sale and liabilities as of December 31, 2013 and 2012, and assuming the balances of these loans, securities and liabilities remain unchanged for the subsequent twelve months, a 0.25% increase in LIBOR would decrease our annual net income and cash flows by approximately $0.2 million and $0.4 million, respectively. This is primarily due to a substantial portion of our portfolio having variable interest rates, partially offset by various interest rate floors that are in effect at a rate that is above a 0.25% increase in LIBOR which would limit the effect of a 0.25% increase, and increased expense on variable rate debt, partially offset by our interest rate swaps that effectively convert a portion of the variable rate LIBOR based debt, as it relates to certain fixed rate assets, to a fixed basis that is not subject to a 0.25% increase. Based on the loans, securities available-for-sale and liabilities as of December 31, 2013 and 2012, and assuming the balances of these loans, securities and liabilities remain unchanged for the subsequent twelve months, a 0.25% decrease in LIBOR would increase our annual net income and cash flows by approximately $0.7 million and $0.9 million, respectively. This is primarily due to our interest rate swaps that effectively converted a portion of the variable rate LIBOR based debt, as it relates to certain fixed rate assets, to a fixed basis that is not subject to a 0.25% decrease, combined with various interest rate floors which limit the effect of a decrease on interest income and decreased expense on variable rate debt.

In the event of a significant rising interest rate environment and/or economic downturn, defaults could increase and result in credit losses to us, which could adversely affect our liquidity and operating results. Further, such delinquencies or defaults could have an adverse effect on the spreads between interest-earning assets and interest-bearing liabilities.

In connection with our CDOs described in "Management's Discussion and Analysis of Financial Condition and Results of Operations," we entered into interest rate swap agreements to hedge the exposure to the risk of changes in the difference between three-month LIBOR and one-month LIBOR interest rates. These interest rate swaps became necessary due to the investor's return being paid based on a three-month LIBOR index while the assets contributed to the CDOs are yielding interest based on a one-month LIBOR index.

We had one of these interest rate swap agreements outstanding that had a notional value of $11.6 million as of December 31, 2013 compared to eight of these interest rate swap agreements that had a combined notional value of $603.5 million as of December 31, 2012. The market value of these interest rate swaps is dependent upon existing market interest rates and swap spreads, which change over time. If there were a 25 basis point increase in forward interest rates as of December 31, 2013 and 2012, respectively, the value of this interest rateswap would have decreased by approximately $0.1 million for both periods. If there were a 25 basis point decrease in forward interest rates as of

December 31, 2013 and 2012, the value of this interest rate swap would have increased by approximately $0.1 million for both periods.

We also have interest rate swap agreements outstanding to hedge current and outstanding LIBOR based debt relating to certain fixed rate loans within our portfolio. We had 14 of these interest rate swap agreements outstanding that had a combined notional value of $297.5 million as of December 31, 2013 compared to 14 interest rate swap agreements outstanding that had a combined notional value of $312.2 million as of December 31, 2012. The fair market value of these interest rate swaps is dependent upon existing market interest rates and swap spreads, which change over time. If there had been a 25 basis point increase in forward interest rates as of December 31, 2013 and 2012, respectively, the fair market value of these interest rate swaps would have increased by approximately $1.6 million and $2.4 million, respectively. If there were a 25 basis point decrease in forward interest rates as of December 31, 2013 and 2012, respectively, the fair market value of these interest rate swaps would have decreased by approximately $1.6 million and $2.4 million, respectively.

We had no LIBOR Caps as of December 31, 2013 compared to two LIBOR Caps with a combined notional value of $79.3 million as of December 2012. If there were a 25 basis point increase in forward interest rates as of December 31, 2012, the value of the LIBOR Caps would have increased by less than $0.1 million. If there were a 25 basis point decrease in forward interest rates as of December 31, 2012, the value of the LIBOR Caps would have decreased by less than $0.1 million.

We also had eight forward contracts due to the classification of eight RMBS investments as linked transactions on a combined basis with the related repurchase financing, with a combined fair value of $6.4 million as of December 31, 2013 compared to 12 forward contracts due to the classification of 12 RMBS investments as linked transactions on a combined basis with the related repurchase financing, with a combined fair value of $10.8 million as of December 31, 2012. As of December 31, 2013 and 2012, assuming the balances of thesecurities and liabilities remain unchanged for the subsequent twelve months, a 0.25% increase in LIBOR would decrease our annual net income and cash flows by approximately $0.1 million for both periods, and a 0.25% decrease in LIBOR would increase our annual net income and cash flows by approximately $0.1 million for both periods.

Certain of our interest rate swaps, which are designed to hedge interest rate risk associated with a portion of our loans and investments, could require the funding of additional cash collateral for changes in the market value of these swaps. Due to the prolonged volatility in the financial markets that began in 2007, the values of these interest rate swaps have declined. As a result, at December 31, 2013 and 2012, we funded approximately $14.2 million and $20.0 million, respectively, in cash related to these swaps. If we continue to experience significant changes in the outlook of interest rates, these contracts could continue to decline in value, which would require additional cash to be funded. However, at maturity the value of these contracts return to par and all cash will be recovered. If we do not have available cash to meet these requirements, this could result in the early termination of these interest rate swaps, leaving us exposed to interest rate risk associated with these loans and investments, which could adversely impact our financial condition.

Our hedging transactions using derivative instruments also involve certain additional risks such as counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. The counterparties to our derivative arrangements are major financial institutions with high credit ratings with which we and our affiliates may also have other financial relationships. As a result, we do not anticipate that any of these counterparties will fail to meet their obligations. There can be no assurance that we will be able to adequately protect against the foregoing risks and will ultimately realize an economic benefit that exceeds the related amounts incurred in connection with engaging in such hedging strategies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS OF ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Arbor Realty Trust, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Arbor Realty Trust, Inc. and Subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated February 14, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
February 14, 2014

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
Assets:		
Cash and cash equivalents	$ 60,389,552	$ 29,188,889
Restricted cash (includes $54,051,439 and $41,537,212 from consolidated VIEs, respectively)	54,962,316	42,535,514
Loans and investments, net (includes $1,196,434,032 and $1,113,745,356 from consolidated VIEs, respectively)	1,523,699,653	1,325,667,053
Available-for-sale securities, at fair value (includes $0 and $1,100,000 from consolidated VIEs, respectively)	37,315,652	3,552,736
Securities held-to-maturity, net	—	42,986,980
Investments in equity affiliates	4,680,306	59,581,242
Real estate owned, net (includes $80,787,215 and $80,787,215 from consolidated VIEs, respectively)	111,718,177	124,148,199
Real estate held-for-sale, net	11,477,676	—
Due from related party (includes $91,988 and $0 from consolidated VIEs, respectively)	98,058	24,094
Prepaid management fee—related party	19,047,949	19,047,949
Other assets (includes $19,861,310 and $11,709,103 from consolidated VIEs, respectively)	54,083,143	55,148,624
Total assets	$1,877,472,482	$1,701,881,280
Liabilities and Equity:		
Repurchase agreements and credit facilities	$ 159,125,023	$ 130,661,619
Collateralized debt obligations (includes $639,622,981 and $812,452,845 from consolidated VIEs, respectively)	639,622,981	812,452,845
Collateralized loan obligations (includes $264,500,000 and $87,500,000 from consolidated VIEs, respectively)	264,500,000	87,500,000
Junior subordinated notes to subsidiary trust issuing preferred securities	159,291,427	158,767,145
Notes payable	2,500,000	51,457,708
Mortgage note payable—real estate owned	42,745,650	53,751,004
Mortgage note payable—real estate held-for-sale	11,005,354	—
Due to related party	2,794,087	3,084,627
Due to borrowers (includes $0 and $1,320,943 from consolidated VIEs, respectively)	20,326,030	23,056,640
Deferred revenue	77,123,133	77,123,133
Other liabilities (includes $13,944,737 and $22,013,896 from consolidated VIEs, respectively)	60,842,515	72,765,437
Total liabilities	1,439,876,200	1,470,620,158
Commitments and contingencies	—	—
Equity:		
Arbor Realty Trust, Inc. stockholders' equity:		
Preferred stock, $0.01 par value: 100,000,000 shares authorized; 8.25% Series A cumulative redeemable preferred stock, $38,787,500 aggregate liquidation preference; 1,551,500 shares issued and outstanding at December 31, 2013, no shares issued and outstanding at December 31, 2012; 7.75% Series B cumulative redeemable preferred stock, $31,500,000 aggregate liquidation preference; 1,260,000 shares issued and outstanding at December 31, 2013, no shares issued and outstanding at December 31, 2012	67,654,655	—
Common stock, $0.01 par value: 500,000,000 shares authorized; 51,787,075 shares issued, 49,136,308 shares outstanding at December 31, 2013 and		

33,899,992 shares issued, 31,249,225 shares outstanding at December 31, 2012	517,870	339,000
Additional paid-in capital	623,993,245	493,211,222
Treasury stock, at cost—2,650,767 shares at December 31, 2013 and 2012	(17,100,916)	(17,100,916)
Accumulated deficit	(212,231,319)	(207,558,257)
Accumulated other comprehensive loss	(25,237,253)	(39,561,700)
Total Arbor Realty Trust, Inc. stockholders' equity	437,596,282	229,329,349
Noncontrolling interest in consolidated entity	—	1,931,773
Total equity	437,596,282	231,261,122
Total liabilities and equity	$1,877,472,482	$1,701,881,280

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2013	2012	2011
Interest income	$ 99,031,623	$ 79,998,762	$ 73,867,556
Interest expense	42,065,151	40,866,832	51,651,933
Net interest income	56,966,472	39,131,930	22,215,623
Other revenue:			
Property operating income	27,829,358	28,021,646	21,937,250
Other income, net	2,290,714	1,280,289	188,485
Total other revenue	30,120,072	29,301,935	22,125,735
Other expenses:			
Employee compensation and benefits	12,042,332	10,173,572	11,195,663
Selling and administrative	10,603,247	7,882,914	7,325,801
Property operating expenses	24,568,369	25,958,586	20,122,864
Depreciation and amortization	6,668,381	5,327,493	4,789,911
Impairment loss on real estate owned	1,000,000	—	—
Provision for loan losses (net of recoveries)	4,287,652	22,946,396	38,542,888
Loss on sale and restructuring of loans	—	—	5,710,000
Management fee—related party	10,900,000	10,000,000	8,300,000
Total other expenses	70,069,981	82,288,961	95,987,127
Income (loss) from continuing operations before gain on extinguishment of debt, (loss) income from equity affiliates and benefit from income taxes	17,016,563	(13,855,096)	(51,645,769)
Gain on extinguishment of debt	4,930,772	30,459,023	10,878,218
(Loss) income from equity affiliates	(204,475)	(697,856)	3,671,386
Income (loss) before benefit from income taxes	21,742,860	15,906,071	(37,096,165)
Benefit from income taxes	—	801,558	—
Income (loss) from continuing operations	21,742,860	16,707,629	(37,096,165)
Impairment loss on real estate held-for-sale	—	—	(1,450,000)
Gain on sale of real estate held-for-sale	—	3,953,455	—
(Loss) income from operations of real estate held-for-sale	(444,123)	1,055,371	(1,549,892)
(Loss) income from discontinued operations	(444,123)	5,008,826	(2,999,892)
Net income (loss)	21,298,737	21,716,455	(40,096,057)
Preferred stock dividends	4,506,583	—	—
Net income attributable to noncontrolling interest	124,199	215,567	215,656
Net income (loss) attributable to Arbor Realty Trust, Inc. common stockholders	$ 16,667,955	$ 21,500,888	$ (40,311,713)
Basic earnings (loss) per common share:			
Income (loss) from continuing operations, net of noncontrolling interest and preferred stock dividends	$ 0.40	$ 0.61	$ (1.49)
(Loss) income from discontinued operations	(0.01)	0.19	(0.12)
Net income (loss) attributable to Arbor Realty Trust, Inc. common stockholders	$ 0.39	$ 0.80	$ (1.61)
Diluted earnings (loss) per common share:			
Income (loss) from continuing operations, net of noncontrolling interest and preferred stock dividends	$ 0.40	$ 0.61	$ (1.49)
(Loss) income from discontinued operations	(0.01)	0.18	(0.12)
Net income (loss) attributable to Arbor Realty Trust, Inc. common stockholders	$ 0.39	$ 0.79	$ (1.61)
Weighted average number of shares of common stock outstanding:			
Basic	42,399,872	26,956,938	24,968,894
Diluted	42,835,144	27,211,287	24,968,894

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Year Ended December 31,		
	2013	2012	2011
Net income (loss)	$ 21,298,737	$ 21,716,455	$ (40,096,057)
Unrealized gain (loss) on securities available-for-sale, net	382,130	(723,632)	1,000,000
Net unrealized gain on securities transferred to available- for-sale from held-to-maturity	431,476	—	—
Reclassification of unrealized gain on securities available-for-sale realized into earnings	(100,000)	—	—
Unrealized loss on derivative financial instruments, net	(520,195)	(7,698,630)	(20,698,621)
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings	14,131,036	16,564,607	27,163,893
Comprehensive income (loss)	35,623,184	29,858,800	(32,630,785)
Less:			
Preferred stock dividends	4,506,583	—	—
Comprehensive income attributable to noncontrolling interest	124,199	215,567	215,656
Comprehensive income (loss) attributable to Arbor Realty Trust, Inc. common stockholders	$ 30,992,402	$ 29,643,233	$ (32,846,441)

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Preferred Stock Shares	Preferred Stock Value	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Arbor Realty Trust, Inc. Stockholders' Equity	Non-controlling Interest	Tota
Balance-December 31, 2010	—	$ —	25,756,810	$ 257,568	$450,686,382	(980,597)	$(10,669,585)	$(180,689,667)	$ (55,169,317)	$ 204,415,381	$ 1,999,862	$206,41
Issuance of common stock for management fee			666,927	6,669	3,968,213					3,974,882		3,97
Purchase of treasury stock						(1,500,000)	(5,746,567)			(5,746,567)		(5,74
Stock-based compensation			355,000	3,550	1,340,100					1,343,650		1,34
Distributions —preferred stock of private REIT								(14,500)		(14,500)		(1
Net (loss) income								(40,311,713)		(40,311,713)	215,656	(40,09
Distribution to non-controlling interest											(281,390)	(28
Unrealized gain on securities available-for-sale									1,000,000	1,000,000		1,00
Unrealized loss on derivative financial instruments									(20,698,621)	(20,698,621)		(20,69
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings									27,163,893	27,163,893		27,16
Balance-December 31, 2011	—	$ —	26,778,737	$ 267,787	$455,994,695	(2,480,597)	$(16,416,152)	$(221,015,880)	$ (47,704,045)	$ 171,126,405	$ 1,934,128	$173,06
Issuance of common stock			7,000,000	70,000	36,575,500					36,645,500		36,64
Purchase of treasury stock						(170,170)	(684,764)			(684,764)		(68
Stock-based compensation			121,255	1,213	641,027					642,240		64
Distributions —common stock								(8,031,029)		(8,031,029)		(8,03
Distributions —preferred stock of private REIT								(12,236)		(12,236)		(1
Net income								21,500,888		21,500,888	215,567	21,71
Distribution to non-controlling interest											(217,922)	(21
Unrealized loss on securities available-for-sale									(723,632)	(723,632)		(72
Unrealized loss on derivative financial instruments, net									(7,698,630)	(7,698,630)		(7,69
Reclassification of net realized loss on derivatives												

designated as cash flow hedges into earnings									16,564,607	16,564,607		16,56
Balance-December 31, 2012	—	$ —	33,899,992	$ 339,000	$493,211,222	(2,650,767)	$(17,100,916)	$(207,558,257)	$ (39,561,700)	$ 229,329,349	$ 1,931,773	$231,26
Issuance of common stock			17,625,000	176,250	129,184,501					129,360,751		129,36
Issuance of 8.25% Series A preferred stock	1,551,500	37,315,694								37,315,694		37,31
Issuance of 7.75% Series B preferred stock	1,260,000	30,338,961								30,338,961		30,33
Stock-based compensation			262,750	2,627	1,597,515					1,600,142		1,60
Forfeiture of unvested restricted stock			(667)	(7)	7					—		
Distributions—common stock								(21,326,517)		(21,326,517)		(21,32
Distributions—preferred stock								(4,506,583)		(4,506,583)		(4,50
Distributions—preferred stock of private REIT								(14,500)		(14,500)		(1
Net income								21,174,538		21,174,538	124,199	21,29
Decrease in non-controlling interest											(2,055,972)	(2,05
Unrealized gain on securities available-for-sale, net									382,130	382,130		38
Net unrealized gain on securities transferred to available-for-sale from held-to-maturity									431,476	431,476		43
Reclassification of unrealized gain on securities available-for-sale realized into earnings									(100,000)	(100,000)		(10
Unrealized loss on derivative financial instruments, net									(520,195)	(520,195)		(52
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings									14,131,036	14,131,036		14,13
Balance-December 31, 2013	2,811,500	$67,654,655	51,787,075	$ 517,870	$623,993,245	(2,650,767)	$(17,100,916)	$(212,231,319)	$ (25,237,253)	$ 437,596,282	$ —	$437,59

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,		
	2013	2012	2011
Operating activities:			
Net income (loss)	$ 21,298,737	$ 21,716,455	$ (40,096,057)
Adjustments to reconcile net income (loss) to net cash provided by / (used in) operating activities:			
Depreciation and amortization	7,250,601	5,904,089	5,951,525
Stock-based compensation	1,600,142	578,190	1,407,700
Gain on sale of securities	(1,100,000)	—	—
Gain on sale of real estate held-for-sale	—	(3,953,455)	—
Reversal of liabilities related to discontinued operations	—	(1,175,120)	—
Impairment loss on real estate owned	1,000,000	—	—
Impairment loss on real estate held-for-sale	—	—	1,450,000
Gain on extinguishment of debt	(4,930,772)	(30,459,023)	(10,878,218)
Provision for loan losses (net of recoveries)	4,287,652	22,946,396	38,542,888
Loss on sale and restructuring of loans	—	—	4,710,000
Amortization and accretion of interest, fees and intangible asset, net	(3,127,093)	1,634,410	10,167,955
Change in fair value of non-qualifying swaps and linked transactions	1,798,161	1,334,189	(246,284)
Loss (income) from equity affiliates	204,475	697,856	(3,671,386)
Changes in operating assets and liabilities:			
Other assets	(6,282,439)	835,678	(964,199)
Distributions of operations from equity affiliates	114,277	97,863	96,991
Other liabilities	685,682	(1,633,474)	3,324,496
Change in restricted cash	87,425	970,235	576,447
Due to/from related party	(364,504)	671,762	(10,761,480)
Net cash provided by / (used in) operating activities	$ 22,522,344	$ 20,166,051	$ (389,622)
Investing activities:			
Loans and investments funded, originated and purchased, net	(594,127,146)	(261,875,190)	(219,608,438)
Payoffs and paydowns of loans and investments	378,738,674	185,675,195	157,753,440
Proceeds from sale of loans	4,424,097	17,945,000	45,590,400
Due to borrowers and reserves	(585,143)	(505,093)	(1,397,413)
Change in restricted cash	—	—	(1,050,000)
Deferred fees	5,305,848	3,062,425	2,860,067
Purchases of securities, net	(29,024,327)	(69,041,570)	(36,464,628)
Principal collection on securities, net	38,614,122	55,895,146	6,515,800
Investment in real estate, net	(8,004,139)	(4,206,576)	(1,388,695)
Proceeds from sale of available-for-sale security	2,100,000	—	—
Redemption of investment in preferred shares, net	2,418,528	—	—
Proceeds from investments in real estate, net	—	—	1,497,278
Proceeds from sale of real estate, net	—	26,443,882	1,600,000
Contributions to equity affiliates	—	(257,505)	(793,500)
Distributions from equity affiliates	62,500	330,608	4,536,716
Net cash used in investing activities	$ (200,076,986)	$ (46,533,678)	$ (40,348,973)
Financing activities:			
Proceeds from repurchase agreements, loan participations, credit facilities and notes payable	235,145,560	162,922,840	110,763,000
Payoffs and paydowns of repurchase agreements, loan participations and credit facilities	(205,482,156)	(108,366,221)	(4,848,997)
Payoff and paydown of mortgage notes payable	—	(20,750,000)	(1,600,000)
Proceeds from collateralized debt obligations	—	—	7,800,000
Proceeds from collateralized loan obligations	177,000,000	87,500,000	—
Payoffs and paydowns of collateralized debt obligations	(167,154,040)	(158,956,432)	(64,413,892)
Change in restricted cash	(12,514,227)	23,820,781	(45,425,223)
Payments on financial instruments underlying linked transactions	(165,385,926)	(91,346,499)	—
Receipts on financial instruments underlying linked transactions	175,181,262	80,645,124	—
Payments on swaps and margin calls to counterparties	(75,139,934)	(61,541,697)	(15,930,000)
Receipts on swaps and margin calls to counterparties	80,653,523	61,478,418	15,280,000
Purchases of treasury stock	—	(684,764)	(5,746,567)
Distributions paid to noncontrolling interest	(175,559)	(217,922)	(281,390)
Proceeds from issuance of common stock	134,176,328	39,200,000	—
Expenses paid on issuance of common stock	(4,788,877)	(2,520,616)	—
Proceeds from issuance of preferred stock	70,287,500	—	—
Expenses paid on issuance of preferred stock	(2,632,845)	—	—
Distributions paid on common stock	(21,326,517)	(8,031,029)	—
Distributions paid on preferred stock	(4,036,481)	—	—
Distributions paid on preferred stock of private REIT	(14,500)	(12,236)	(14,500)
Payment of deferred financing costs	(5,037,806)	(2,819,710)	(731,921)
Net cash provided by / (used in) financing activities	$ 208,755,305	$ 320,037	$ (5,149,490)

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	For the Year Ended December 31,		
	2013	2012	2011
Net increase (decrease) in cash and cash equivalents	$31,200,663	$(26,047,590)	$ (45,888,085)
Cash and cash equivalents at beginning of period	29,188,889	55,236,479	101,124,564
Cash and cash equivalents at end of period	$60,389,552	$ 29,188,889	$ 55,236,479
Supplemental cash flow information:			
Cash used to pay interest	$46,717,669	$ 38,566,933	$ 41,559,813
Cash used for taxes	$ 462,356	$ 1,159,076	$ 161,185
Supplemental schedule of non-cash investing and financing activities:			
Distributions accrued on 8.25% Series A preferred stock	$ 266,664	$ —	$ —
Distributions accrued on 7.75% Series B preferred stock	$ 203,438	$ —	$ —
Accrued and unpaid expenses on common stock offerings	$ 26,700	$ —	$ —
Accrued and unpaid expenses on CLO offerings	$ 500,000	$ —	$ —
Investment transferred to real estate held-for-sale, net	$11,540,649	$ —	$ —
Mortgage note payable—real estate owned transferred to held-for-sale	$11,005,354	$ —	$ —
Transfer of held to maturity securities, net to available for sale, net	$34,049,310	$ —	$ —
Satisfaction of notes payable from real estate partnership	$33,438,472	$ —	$ —
Redemption of preferred investment from real estate partnership	$33,438,472	$ —	$ —
Deconsolidation of assets from real estate partnership	$18,662,363	$ —	$ —
Deconsolidation of liabilities from real estate partnership	$16,781,950	$ —	$ —
Deconsolidation of noncontrolling interest from real estate partnership	$ 1,880,413	$ —	$ —
Loan converted to other assets	$ 6,000,000	$ —	$ —
Transfer of real estate held-for-sale to first lien holder	$ —	$ 41,440,000	$ —
Release of mortgage note payable held-for-sale	$ —	$ 41,440,000	$ —
Satisfaction of participation loans	$ —	$ 34,000,000	$ —
Retirement of participation liabilities	$ —	$ 34,000,000	$ —

Loans converted to real estate owned, net	$ —	$ —	$ 83,099,540
Investment in real estate, net	$ —	$ —	$ 55,351,004
Assumption of mortgage notes payable—real estate owned	$ —	$ —	$ 55,351,004
Issuance of common stock for management incentive fee	$ —	$ —	$ 3,974,882
Investment transferred to real estate held-for-sale, net	$ —	$ —	$ 22,094,412
Acquisition of tangible asset through restructure of loan	$ —	$ —	$ 1,885,284

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

Note 1—Description of Business

Arbor Realty Trust, Inc. (the "Company") is a Maryland corporation that was formed in June 2003 to invest in a diversified portfolio of multi-family and commercial real estate related assets, primarily consisting of bridge loans, mezzanine loans, junior participating interests in first mortgage loans, and preferred and direct equity. The Company may also directly acquire real property and invest in real estate-related notes and certain mortgage-related securities. The Company conducts substantially all of its operations through its operating partnership, Arbor Realty Limited Partnership ("ARLP"), and ARLP's wholly-owned subsidiaries. The Company is externally managed and advised by Arbor Commercial Mortgage, LLC ("ACM").

The Company is organized and conducts its operations to qualify as a real estate investment trust ("REIT") for federal income tax purposes. A REIT is generally not subject to federal income tax on its REIT—taxable income that it distributes to its stockholders, provided that it distributes at least 90% of its REIT—taxable income and meets certain otherequirements. Certain assets of the Company that produce non-qualifying income are owned by its taxable REIT subsidiaries, the income of which is subject to federal and state income taxes.

The Company's charter provides for the issuance of up to 500 million shares of common stock, with a par value of $0.01 per share, and 100 million shares of preferred stock, with a par value of $0.01 per share. The Company was initially capitalized through the sale of 67 shares of common stock for $1,005.

On July 1, 2003, ACM contributed $213.1 million of structured finance assets and $169.2 million of borrowings supported by $43.9 million of equity in exchange for a commensurate equity ownership in ARLP. In addition, certain employees of ACM were transferred to ARLP. At that time, these assets, liabilities and employees represented a substantial portion of ACM's structured finance business. The Company is externally managed and advised by ACM and pays ACM a management fee in accordance with a management agreement. ACM also sources originations, provides underwriting services, and services all structured finance assets on behalf of ARLP and its wholly owned subsidiaries.

Note 2—Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of the Company, its wholly owned subsidiaries, and partnerships or other joint ventures in which the Company owns a voting interest of greater than 50 percent, and Variable Interest Entities ("VIEs") of which the Company is the primary beneficiary. VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE is required to be consolidated by its primary beneficiary, which is the party that (i) has the power to control the activities that most significantly impact the VIE's economic performance and (ii) has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Current accounting guidance requires the Company to present a) assets of a consolidated VIE that can be used only to settle obligations of the consolidated VIE, and b) liabilities of a consolidated VIE for which creditors (or beneficial interest holders) do not have recourse to the general credit of the primary beneficiary. As

Note 2—Summary of Significant Accounting Policies (Continued)

a result of this guidance, the Company has separately disclosed parenthetically the assets and liabilities of its three collateralized debt obligation ("CDO") and two collateralized loan obligation ("CLO") subsidiaries on its Consolidated Balance Sheets. Entities in which the Company owns a voting interest of 20 percent to 50 percent are accounted for primarily under the equity method. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All significant inter-company transactions and balances have been eliminated in consolidation.

The preparation of consolidated financial statements in conformity with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification™, the authoritative reference for accounting principles generally acceptable in the United States ("GAAP"), requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Further, in connection with preparation of the Consolidated Financial Statements, the Company evaluated events subsequent to the balance sheet date of December 31, 2013 through the issuance of the Consolidated Financial Statements.

Certain prior year amounts have been reclassified to conform to current period presentation. During the third quarter of 2013, the Company classified a real estate investment that was part of a portfolio of multifamily properties as held-for-sale and during the fourth quarter of 2012, the Company sold a real estate investment that was part of a portfolio of hotel properties, resulting in reclassifications of property operating activity and related depreciation to discontinued operations for all prior periods presented.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. The Company places its cash and cash equivalents in high quality financial institutions. The consolidated account balances at each institution periodically exceed Federal Deposit Insurance Corporation (FDIC) insurance coverage and the Company believes that this risk is not significant.

Restricted Cash

Restricted cash primarily represents proceeds from loan repayments on deposit with the trustees for the Company's CDOs which will be used for principal repayments, unfunded loan commitments and interest payments received from loans. All three of the CDOs have reached their replenishment dates and principal repayments are remitted quarterly to the bond holders and the Company in the month following the quarter. See Note 7—"Debt Obligations." Restricted cash is also held by the Company's CLOs which will be used to purchase underlying assets as well as by the Company's real estate owned assets due to escrow requirements.

Loans, Investments and Securities

At the time of purchase, the Company designates a security as available-for-sale, held-to-maturity, or trading depending on the Company's ability and intent to hold it to maturity. The Company does

Note 2—Summary of Significant Accounting Policies (Continued)

not have any securities designated as held-to-maturity or trading as of December 31, 2013. Securities available-for-sale are reported at fair value with the net unrealized gains or losses reported as a component of accumulated other comprehensive loss, while securities held-to-maturity are reported at amortized cost. Unrealized losses that are determined to be other-than-temporary are recognized in earnings up to their credit component. The determination of other-than-temporary impairment is a subjective process requiring judgments and assumptions. The process may include, but is not limited to, assessment of recent market events and prospects for near-term recovery, assessment of cash flows, internal review of the underlying assets securing the investments, credit of the issuer and the rating of the security, as well as the Company's ability and intent to hold the investment to maturity. Management closely monitors market conditions on which it bases such decisions.

The Company also assesses certain of its securities, other than those of high credit quality, to determine whether significant changes in estimated cash flows or unrealized losses on these securities, if any, reflect a decline in value that is other-than-temporary and, accordingly, should be written down to their fair value against earnings. On a quarterly basis, the Company reviews these changes in estimated cash flows, which could occur due to actual prepayment and credit loss experience, to determine if an other-than-temporary impairment is deemed to have occurred. The determination of other-than-temporary impairment is a subjective process requiring judgments and assumptions and is not necessarily intended to indicate a permanent decline in value. The Company calculates a revised yield based on the current amortized cost of the investment, including any other-than-temporary impairments recognized to date, and the revised yield is then applied prospectively to recognize interest income.

Securities that are purchased at a discount and that are not of high credit quality at the time of purchase are accounted for as debt securities acquired with deteriorated credit quality. Interest income on these securities is recognized using the effective interest method based on the Company's estimates of expected cash flows to be received, which include assumptions related to fluctuations in prepayment speeds and the timing and amount of credit losses, which are reviewed on an ongoing basis.

Loans held for investment are intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan origination costs and fees, loan purchase discounts, and net of the allowance for loan losses when such loan or investment is deemed to be impaired. The Company invests in preferred equity interests that, in some cases, allow the Company to participate in a percentage of the underlying property's cash flows from operations and proceeds from a sale or refinancing. At the inception of each such investment, management must determine whether such investment should be accounted for as a loan, joint venture or as real estate. To date, management has determined that all such investments are properly accounted for and reported as loans.

From time to time, the Company may enter into an agreement to sell a loan. These loans are considered held-for-sale and are valued at the lower of the loan's carrying amount or fair value less costs to sell. For the sale of loans, recognition occurs when ownership passes to the buyer.

Impaired Loans, Allowance for Loan Losses, Loss on Sale and Restructuring of Loans and Charge-offs

The Company considers a loan impaired when, based upon current information and events, it is probable that it will be unable to collect all amounts due for both principal and interest according to

Note 2—Summary of Significant Accounting Policies (Continued)

the contractual terms of the loan agreement. The Company evaluates each loan in its portfolio on a quarterly basis. The Company's loans are individually specific and unique as it relates to product type, geographic location, and collateral type, as well as to the rights and remedies and the position in the capital structure the Company's loans and investments have in relation to the underlying collateral. The Company evaluates all of this information as well as general market trends related to specific classes of assets, collateral type and geographic locations, when determining the appropriate assumptions such as capitalization and market discount rates, as well as the borrower's operating income and cash flows, in estimating the value of the underlying collateral when determining if a loan is impaired. The Company utilizes internally developed valuation models and techniques primarily consisting of discounted cash flow and direct capitalization models in determining the fair value of the underlying collateral on an individual loan. The Company may also obtain a third party appraisal, which may value the collateral through an "as-is" or "stabilized value" methodology. Such appraisals may be used as an additional source of valuation information only and no adjustments are made to appraisals. Included in the evaluation of the capitalization and market discount rates, the Company considers not only assumptions specific to the collateral but also considers geographical and industry trends that could impact the collateral's value.

If upon completion of the valuation, the fair value of the underlying collateral securing the impaired loan is less than the net carrying value of the loan, an allowance is created with a corresponding charge to the provision for loan losses. The allowance for each loan is maintained at a level that is believed to be adequate by management to absorb probable losses.

Loan terms may be modified if the Company determines that based on the individual circumstances of a loan and the underlying collateral, a modification would more likely increase the total recovery of the combined principal and interest from the loan. Any loan modification is predicated upon a goal of maximizing the collection of the loan. Typical triggers for a modification would include situations where the projected cash flow is insufficient to cover required debt service, when asset performance is lagging the initial projections, where there is a requirement for rebalancing, where there is an impending maturity of the loan, and where there is an actual loan default. Loan terms that have been modified have included, but are not limited to interest rate, maturity date and in certain cases, principal amount. Length and amounts of each modification have varied based on individual circumstances and are determined on a case by case basis. If the loan modification constitutes a concession whereas the Company does not receive ample consideration in return for the modification, and the borrower is experiencing financial difficulties and cannot repay the loan under the current terms, then the modification is considered by the Company to be a troubled debt restructuring. If the Company receives a benefit, either monetary or strategic, and the above criteria are not met, the modification is not considered to be a troubled debt restructuring. The Company records interest on modified loans on an accrual basis to the extent that the modified loan is contractually current.

Loss on restructured loans is recorded when the Company has granted a concession to the borrower in the form of principal forgiveness related to the payoff or the substitution or addition of a new debtor for the original borrower or when the Company incurs costs on behalf of the borrower related to the modification, payoff or the substitution or addition of a new debtor for the original borrower. When a loan is restructured, the Company records its investment at net realizable value,

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 2—Summary of Significant Accounting Policies (Continued)

taking into account the cost of all concessions at the date of restructuring. The reduction in the recorded investment is recorded as a charge to the Consolidated Statements of Operations in the period in which the loan is restructured. In addition, a gain or loss may be recorded upon the sale of a loan to a third party as a charge to the Consolidated Statements of Operations in the period in which the loan was sold.

Charge-offs to the allowance for loan losses occur when losses are confirmed through the receipt of cash or other consideration from the completion of a sale; when a modification or restructuring takes place in which the Company grants a concession to a borrower or agrees to a discount in full or partial satisfaction of the loan; when the Company takes ownership and control of the underlying collateral in full satisfaction of the loan; when loans are reclassified as other investments; or when significant collection efforts have ceased and it is highly likely that a loss has been realized.

Real Estate Owned and Held-For-Sale

Real estate owned, shown net of accumulated depreciation and impairment charges, is comprised of real property acquired by foreclosure or through partial or full settlement of mortgage debt. The real estate acquired is recorded at the estimated fair value at the time of acquisition.

Costs incurred in connection with the foreclosure of the properties collateralizing the real estate loans are expensed as incurred and costs subsequently incurred to extend the life or improve the assets subsequent to foreclosure are capitalized.

The Company allocates the purchase price of its operating properties to land, building, tenant improvements, deferred lease costs for the origination costs of the in-place leases, intangibles for the value of the above or below market leases at fair value and to any other identified intangible assets or liabilities. The Company finalizes its purchase price allocation on these assets within one year of the acquisition date. The Company amortizes the value allocated to the in-place leases over the remaining lease term. The value allocated to the above or below market leases are amortized over the remaining lease term as an adjustment to rental income.

Real estate assets, including assets acquired by foreclosure or through partial or full settlement of mortgage debt, that are operated for the production of income are depreciated using the straight-line method over their estimated useful lives. Ordinary repairs and maintenance which are not reimbursed by the tenants are expensed as incurred. Major replacements and betterments which improve or extend the life of the asset are capitalized and depreciated over their estimated useful life.

The Company's properties are individually reviewed for impairment each quarter, if events or circumstances change indicating that the carrying amount of the assets may not be recoverable. The Company recognizes impairment if the undiscounted estimated cash flows to be generated by the assets are less than the carrying amount of those assets. Measurement of impairment is based upon the estimated fair value of the asset. Upon evaluating a property for impairment, many factors are considered, including estimated current and expected operating cash flows from the property during the projected holding period, costs necessary to extend the life or improve the asset, expected capitalization rates, projected stabilized net operating income, selling costs, and the ability to hold and dispose of such real estate owned in the ordinary course of business. Valuation adjustments may be necessary in the event that effective interest rates, rent-up periods, future economic conditions, and other relevant

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 2—Summary of Significant Accounting Policies (Continued)

factors vary significantly from those assumed in valuing the property. If future evaluations result in a diminution in the value of the property, the reduction will be recognized as an impairment charge at that time.

Real estate is classified as held-for-sale when management commits to a plan of sale, the asset is available for immediate sale, there is an active program to locate a buyer, and it is probable the sale will be completed within one year. Properties classified as held-for-sale are not depreciated and the results of their operations are shown in discontinued operations. Real estate assets that are expected to be disposed of are valued, on an individual asset basis, at the lower of their carrying amount or their fair value less costs to sell.

The Company recognizes sales of real estate properties upon closing. Payments received from purchasers prior to closing are recorded as deposits. Profit on real estate sold is recognized upon closing using the full accrual method when the collectability of the sale price is reasonably assured and the Company is not obligated to perform significant activities after the sale. Profit may be deferred in whole or in part until collectability of the sales price is reasonably assured and the earnings process is complete.

Revenue Recognition

Interest income—Interest income is recognized on the accrual basis as it is earned from loans, investments and securities. In certain instances, the borrower pays an additional amount of interest at the time the loan is closed, an origination fee, a prepayment fee and/or deferred interest upon maturity. In some cases, interest income may also include the amortization or accretion of premiums and discounts arising from the purchase or origination of the loan or security. This additional income, net of any direct loan origination costs incurred, is deferred and accreted into interest income on an effective yield or "interest" method adjusted for actual prepayment activity over the life of the related loan or security as a yield adjustment. Income recognition is suspended for loans when, in the opinion of management, a full recovery of all contractual principal is not probable. Income recognition is resumed when the loan becomes contractually current and performance is resumed. The Company records interest income on certain impaired loans to the extent cash is received, in which a loan loss reserve has been recorded, as the borrower continues to make interest payments. The Company recorded loan loss reserves related to these loans as it was deemed that full recovery of principal and interest was not probable.

Several of the Company's loans provide for accrual of interest at specified rates, which differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest and outstanding principal are ultimately collectible, based on the underlying collateral and operations of the asset. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

Given the transitional nature of some of the Company's real estate loans, the Company may require funds to be placed into an interest reserve, based on contractual requirements, to cover debt service costs. The Company will analyze these interest reserves on a periodic basis and determine if any additional interest reserves are needed. Recognition of income on loans with funded interest reserves are accounted for in the same manner as loans without funded interest reserves. The Company will not

Note 2—Summary of Significant Accounting Policies (Continued)

recognize any interest income on loans in which the borrower has failed to make the contractual interest payment due or has not replenished the interest reserve account. Income from non-performing loans is generally recognized on a cash basis only to the extent it is received. Full income recognition will resume when the loan becomes contractually current and performance has recommenced.

Additionally, interest income is recorded when earned from equity participation interests, referred to as equity kickers. These equity kickers have the potential to generate additional revenues to the Company as a result of excess cash flow distributions and/or as appreciated properties are sold or refinanced.

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

Other income, net—Other income, net represents net interest income and gains and losses recorded on the Company's linked transactions, as well, as loan structuring, defeasance, and miscellaneous asset management fees associated with the Company's loans and investments portfolio. The Company recognizes these forms of income when the fees are fixed or determinable, are evidenced by an arrangement, collection is reasonably assured and the services under the arrangement have been provided.

Investments in Equity Affiliates

The Company invests in joint ventures that are formed to acquire, develop and/or sell real estate assets. These joint ventures are not majority owned or controlled by the Company, or are VIEs for which the Company is not the primary beneficiary, and are not consolidated in its financial statements. These investments are recorded under either the equity or cost method of accounting as deemed appropriate. The Company records its share of the net income and losses from the underlying properties of its equity method investments and any other-than-temporary impairment on these investments on a single line item in the Consolidated Statements of Operations as income or losses from equity affiliates.

Stock-Based Compensation

The Company has granted certain of its employees, directors, and employees of ACM, stock awards consisting of shares of the Company's common stock that vest immediately or annually over a multi-year period, subject to the recipient's continued service to the Company. The Company records stock-based compensation expense at the grant date fair value of the related stock-based award with subsequent remeasurement for any unvested shares granted to non-employees of the Company with such amounts expensed against earnings, at the grant date (for the portion that vests immediately) or ratably over the respective vesting periods. Dividends are paid on restricted stock as dividends are paid on shares of the Company's common stock whether or not they are vested. Stock-based compensation is disclosed in the Company's Consolidated Statements of Operations under "employee compensation and benefits" for employees and under "selling and administrative" expense for non-employees.

Note 2—Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company is organized and conducts its operations to qualify as a REIT and to comply with the provisions of the Internal Revenue Code with respect thereto. A REIT is generally not subject to federal income tax on taxable income that is distributed to its stockholders, provided that the Company distributes at least 90% of its taxable income and meets certain other requirements. Certain REIT income may be subject to state and local income taxes. The Company's assets or operations that would not otherwise comply with the REIT requirements are owned or conducted by the Company's taxable REIT subsidiaries, the income of which is subject to federal and state income tax. Under current federal tax law, the income and any tax on or distribution requirements attributable to certain debt extinguishment transactions realized in 2009 and 2010 have been deferred to future periods at the Company's election.

Current accounting guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This guidance also provides clarity on derecognition, classification, interest and penalties, accounting in interim periods and disclosure.

Other Comprehensive Income / (Loss)

The Company divides comprehensive income or loss into net income (loss) and other comprehensive income (loss), which includes unrealized gains and losses on available-for-sale securities. In addition, to the extent the Company's derivative instruments qualify as hedges, net unrealized gains or losses are reported as a component of accumulated other comprehensive income (loss).

Earnings (Loss) Per Share

The Company presents both basic and diluted earnings (loss) per share. Basic earnings (loss) per share excludes dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower per share amount.

Hedging Activities and Derivatives

The Company recognizes all derivatives as either assets or liabilities at fair value and these amounts are recorded in other assets or other liabilities on the Consolidated Balance Sheets. Additionally, the fair value adjustments will affect either accumulated other comprehensive income (loss) until the hedged item is recognized in earnings, or net income (loss) depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity. The Company uses derivatives for hedging purposes rather than speculation. Fair values are approximated based on current market data received from financial sources that trade such instruments and are based on prevailing market data and derived from third party proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions.

Note 2—Summary of Significant Accounting Policies (Continued)

The Company records all derivatives on the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or the Company elects not to apply hedge accounting. The ineffective portion of a derivative's change in fair value is recognized immediately in earnings.

In connection with the Company's interest rate risk management, the Company periodically hedges a portion of its interest rate risk by entering into derivative financial instrument contracts. Specifically, the Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of its expected cash receipts and its expected cash payments principally related to its investments and borrowings. The Company's objectives in using interest rate derivatives are to add stability to interest income and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The Company has entered into various interest rate swap agreements to hedge its exposure to interest rate risk on (i) variable rate borrowings as it relates to fixed rate loans; (ii) the difference between the CDO investor return being based on the three-month LIBOR index while the supporting assets of the CDO are based on the one-month LIBOR index; and (iii) use of LIBOR rate caps in loan agreements.

In the normal course of business, the Company may use a variety of derivative financial instruments to manage, or hedge, interest rate risk. The Company does not use derivatives for trading or speculative purposes. These derivative financial instruments must be effective in reducing its interest rate risk exposure in order to qualify for hedge accounting. When the terms of an underlying transaction are modified, or when the underlying hedged item ceases to exist, all changes in the fair value of the instrument are marked-to-market with changes in value included in net income (loss) for each period until the derivative instrument matures or is settled. Any derivative instrument used for risk management that does not meet the hedging criteria is marked-to-market with the changes in value included in net income (loss). In cases where a derivative financial instrument is terminated early, any gain or loss is generally amortized over the remaining life of the hedged item.

In certain circumstances, the Company may finance the purchase of Residential Mortgage Backed Securities ("RMBS") investments through a repurchase agreement with the same counterparty, which may qualify as a linked transaction. If both transactions are entered into contemporaneously or in

Note 2—Summary of Significant Accounting Policies (Continued)

contemplation of each other, the transactions are presumed to be linked transactions unless certain criteria are met, and the Company accounts for the purchase of such securities and the repurchase agreement on a combined basis as a forward contract derivative at fair value which is reported in other assets on the Consolidated Balance Sheets with changes in the fair value of the assets and liabilities underlying linked transactions and associated interest income and expense reported in other income on the Consolidated Statements of Operations. The analysis of transactions under these rules requires management's judgment and experience. The fair value of linked transactions reflect the value of the underlying RMBS, linked repurchase agreement borrowings and accrued interest receivable/payable on such instruments. The Company's linked transactions are not designated as hedging instruments and, as a result, the change in the fair value and net interest income from linked transactions is reported in other income on the Consolidated Statements of Operations.

The Company has no master netting or similar arrangements and does not offset derivatives.

Variable Interest Entities

The Company has evaluated its loans and investments, mortgage related securities, investments in equity affiliates, junior subordinated notes, CDOs and CLOs, in order to determine if they qualify as VIEs or as variable interests in VIEs. This evaluation resulted in the Company determining that its bridge loans, junior participation loans, mezzanine loans, preferred equity investments, investments in equity affiliates, junior subordinated notes, CDOs, CLOs, and investments in debt securities were potential VIEs or variable interests in VIEs. See Note 9—"Variable Interest Entities" for the Company's evaluation of the periods presented.

Recently Issued Accounting Pronouncements

In July 2013, the FASB issued updated guidance that resolves the diversity in practice for the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This new accounting guidance requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of an uncertain tax position. This guidance is effective as of the first quarter of 2014 and the Company is currently evaluating the impact it may have on its Consolidated Financial Statements.

In June 2013, the FASB issued updated guidance on the definition and measurement of investment companies. The guidance does not address the applicability of investment company accounting for real estate entities and thus does not have a material effect on the Company's Consolidated Financial Statements.

In February 2013, the FASB issued updated guidance on the disclosure of reclassification adjustments related to comprehensive income. The updated guidance requires the Company to disclose, either on the face of the financial statements or in the notes to the financial statements, the financial statement effects on earnings from items that are reclassified out of other comprehensive income, by component. This guidance was effective as of the first quarter of 2013 and its adoption did not have a material effect on the Company's Consolidated Financial Statements.

In December 2011, the FASB issued updated guidance on disclosure about offsetting assets and liabilities that amends U.S. GAAP to conform more to the disclosure requirements of IFRS. Under the

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 2—Summary of Significant Accounting Policies (Continued)

updated guidance, an entity is required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. In January 2013, the FASB issued further guidance clarifying the scope of disclosures about offsetting assets and liabilities. The scope applies to certain derivatives (including bifurcated embedded derivatives,) repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions. The guidance was effective as of the first quarter of 2013 and its adoption did not have a material effect on the Company's Consolidated Financial Statements.

Note 3—Loans and Investments

The following table sets forth the composition of the Company's loan and investment portfolio at December 31, 2013 and December 31, 2012:

	December 31, 2013	Percent of Total	Loan Count	Wtd. Avg. Pay Rate(1)	Wtd. Avg. Remaining Months to Maturity	First Dollar LTV Ratio(2)	Last Dollar LTV Ratio(3)
Bridge loans	$1,171,783,914	71%	95	5.11%	18.5	0%	76%
Mezzanine loans	118,550,172	7%	27	7.02%	58.2	56%	83%
Junior participation loans	248,337,542	15%	7	4.21%	19.6	60%	81%
Preferred equity investments	121,523,673	7%	15	7.20%	45.5	58%	79%
	1,660,195,301	100%	144	5.26%	23.5	17%	77%
Unearned revenue	(14,218,237)						
Allowance for loan losses	(122,277,411)						
Loans and investments, net	$1,523,699,653						

	December 31, 2012	Percent of Total	Loan Count	Wtd. Avg. Pay Rate(1)	Wtd. Avg. Remaining Months to Maturity	First Dollar LTV Ratio(2)	Last Dollar LTV Ratio(3)
Bridge loans	$1,006,726,838	67%	83	4.87%	25.0	0%	75%
Mezzanine loans	112,843,639	7%	24	4.94%	62.6	59%	88%
Junior participation loans	280,662,498	19%	9	3.90%	29.1	59%	79%
Preferred equity investments	100,823,672	7%	12	6.04%	72.2	77%	97%

investments	106,823,672	7%	12	6.64%	72.2	77%	97%
	1,501,056,647	100%	128	4.77%	31.8	21%	80%
Unearned revenue	(13,683,281)						
Allowance for loan losses	(161,706,313)						
Loans and investments, net	$1,325,667,053						

(1) "Weighted Average Pay Rate" is a weighted average, based on the unpaid principal balances of each loan in the Company's portfolio, of the interest rate that is required to be paid monthly as stated in the individual loan agreements. Certain loans and investments that require an additional

Note 3—Loans and Investments (Continued)

rate of interest "Accrual Rate" to be paid at the maturity are not included in the weighted average pay rate as shown in the table.

(2) The "First Dollar LTV Ratio" is calculated by comparing the total of the Company's senior most dollar and all senior lien positions within the capital stack to the fair value of the underlying collateral to determine the point at which the Company will absorb a total loss of its position.

(3) The "Last Dollar LTV Ratio" is calculated by comparing the total of the carrying value of the Company's loan and all senior lien positions within the capital stack to the fair value of the underlying collateral to determine the point at which the Company will initially absorb a loss.

Bridge loans are loans to borrowers who are typically seeking short-term capital to be used in an acquisition of a property and are predominantly secured by first mortgage liens on the property.

Mezzanine loans and junior participating interests in senior debt are loans that are subordinate to a conventional first mortgage loan and senior to the borrower's equity in a transaction. Mezzanine financing may take the form of loans secured by pledges of ownership interests in entities that directly or indirectly control the real property or subordinated loans secured by second mortgage liens on the property.

A preferred equity investment is another method of financing in which preferred equity investments in entities that directly or indirectly own real property are formed. In cases where the terms of a first mortgage prohibit additional liens on the ownership entity, investments structured as preferred equity in the entity owning the property serve as viable financing substitutes. With preferred equity investments, the Company typically becomes a member in the ownership entity.

Concentration of Credit Risk

The Company operates in one portfolio segment, commercial mortgage loans and investments. Commercial mortgage loans and investments can potentially subject the Company to concentrations of credit risk. The Company is subject to concentration risk in that, as of December 31, 2013, the unpaid principal balance related to 28 loans with five different borrowers represented approximately 30% of total assets. At December 31, 2012, the unpaid principal balance related to 23 loans with five different borrowers represented approximately 31% of total assets. In addition, in 2013 and 2012, no single loan or investment represented 10% of the Company's total assets. In 2013, the Company generated approximately 11% of revenue from the Chetrit Group L.L.C.

The Company measures its relative loss position for its mezzanine loans, junior participation loans, and preferred equity investments by determining the point where the Company will be exposed to losses based on its position in the capital stack as compared to the fair value of the underlying collateral. The Company determines its loss position on both a first dollar loan-to-value ("LTV") and a last dollar LTV basis. First dollar LTV is calculated by comparing the total of the Company's senior most dollar and all senior lien positions within the capital stack to the fair value of the underlying collateral to determine the point at which the Company will absorb a total loss of its position. Last dollar LTV is calculated by comparing the total of the carrying value of the Company's loan and all senior lien positions within the capital stack to the fair value of the underlying collateral to determine the point at which the Company will initially absorb a loss.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 3—Loans and Investments (Continued)

The Company assigns a credit risk rating to each loan and investment. Individual ratings range from one to five, with one being the lowest risk and five being the highest. Each credit risk rating has benchmark guidelines that pertain to debt-service coverage ratios, LTV ratios, borrower strength, asset quality, and funded cash reserves. Other factors such as guarantees, market strength, remaining loan term, and borrower equity are also reviewed and factored into determining the credit risk rating assigned to each loan. This metric provides a helpful snapshot of portfolio quality and credit risk. Given the Company's asset management approach, however, the risk rating process does not result in differing levels of diligence contingent upon credit rating. That is because all portfolio assets are subject to the level of scrutiny and ongoing analysis consistent with that of a 'high-risk" loan. All assets are subject to, at minimum, a thorough quarterly financial evaluation in which historical operating performance is reviewed, and forward-looking projections are created. Generally speaking, given the Company's typical loan and investment profile, a risk rating of three suggests that the Company expects the loan to make both principal and interest payments according to the contractual terms of the loan agreement, and is not considered impaired. A risk rating of four indicates the Company anticipates that the loan will require a modification of some kind. A risk rating of five indicates the Company expects the loan to underperform over its term, and that there could be loss of interest and/or principal. Ratings of 3.5 and 4.5 generally indicate loans that have characteristics of both the immediately higher and lower classifications. Further, while the above are the primary guidelines used in determining a certain risk rating, subjective items such as borrower strength, condition of the market of the underlying collateral, additional collateral or other credit enhancements, or loan terms, may result in a rating that is higher or lower than might be indicated by any risk rating matrix.

As a result of the loan review process, the Company identified loans and investments that it considers higher-risk loans that had a carrying value, before loan loss reserves, of approximately $187.5 million and a weighted average LTV ratio of 93% at December 31, 2013 compared to approximately $231.1 million and a weighted average LTV ratio of 90% atDecember 31, 2012.

A summary of the loan portfolio's weighted average internal risk ratings and LTV ratios by asset class as of December 31, 2013 and 2012 is as follows:

	December 31, 2013				
Asset Class	Unpaid Principal Balance	Percentage of Portfolio	Wtd. Avg. Internal Risk Rating	First Dollar LTV Ratio	Last Dollar LTV Ratio
Multi-family	$ 1,068,529,815	64.4%	3.3	14%	75%
Office	358,832,526	21.6%	3.2	32%	82%
Land	116,751,563	7.0%	4.0	3%	88%
Hotel	69,181,252	4.2%	3.8	26%	84%
Commercial	24,900,145	1.5%	3.0	3%	49%
Condo	15,250,000	0.9%	3.7	41%	65%
Retail	6,750,000	0.4%	2.5	0%	63%
Total	$ 1,660,195,301	100.0%	3.3	17%	77%

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 3—Loans and Investments (Continued)

	December 31, 2012				
Asset Class	Unpaid Principal Balance	Percentage of Portfolio	Wtd. Avg. Internal Risk Rating	First Dollar LTV Ratio	Last Dollar LTV Ratio
Multi-family	$ 771,140,021	51.4%	3.4	19%	79%
Office	415,162,338	27.6%	3.2	31%	81%
Land	140,745,980	9.4%	4.2	0%	86%
Hotel	105,613,791	7.0%	3.6	22%	78%
Commercial	23,794,517	1.6%	3.0	0%	50%
Condo	25,250,000	1.7%	4.2	58%	90%
Retail	19,350,000	1.3%	2.9	0%	61%
Total	$ 1,501,056,647	100.0%	3.4	21%	80%

Geographic Concentration Risk

As of December 31, 2013, 36% and 10% of the outstanding balance of the Company's loans and investments portfolio had underlying properties in New York and Texas, respectively. As of December 31, 2012, 34%, 11% and 10% of the outstanding balance of the Company's loans and investments portfolio had underlying properties in New York, California and Texas, respectively.

Impaired Loans and Allowance for Loan Losses

The Company performs an evaluation of the loan portfolio quarterly to assess the performance of its loans and whether a reserve for impairment should be recorded. The Company considers a loan impaired when, based upon current information and events, it is probable that it will be unable to collect all amounts due for both principal and interest according to the contractual terms of the loan agreement.

During the year ended December 31, 2013, the Company determined that the fair value of the underlying collateral securing five impaired loans with an aggregate carrying value of $31.5 million was less than the net carrying value of the loans, resulting in a $6.5 million provision for loan losses. In addition, during 2013, the Company recorded $2.2 million of net recoveries of previously recorded loan loss reserves resulting in a $4.3 million provision for loan losses. These recoveries were recorded in provision for loan losses on the Consolidated Statements of Operations. Of the $6.5 million of loan loss reserves recorded during the year ended December 31, 2013, $1.0 million was attributable to loans on which the Company had previously recorded reserves, while $5.5 million of reserves related to other loans in the Company's portfolio.

During the year ended December 31, 2012 the Company determined that the fair value of the underlying collateral securing eight impaired loans with an aggregate carrying value of $94.6 million was less than the net carrying value of the loans, resulting in a $23.8 million provision for loan losses. In addition, during 2012, the Company recorded $0.9 million of net recoveries of previously recorded loan loss reserves resulting in a provision for loan losses, net of recoveries, of $22.9 million. Of the $23.8 million of loan loss reserves recorded during the year ended December 31, 2012, $18.9 million

Note 3—Loans and Investments (Continued)

was attributable to loans on which the Company had previously recorded reserves, while $4.9 million of reserves related to other loans in the Company's portfolio.

The Company recorded a $44.8 million provision for loan losses during the year ended December 31, 2011 when it performed an evaluation of its loan portfolio and determined that the fair value of the underlying collateral securing 11 impaired loans with an aggregate carrying value of $109.5 million were less than the net carrying value of the loans. In addition, the Company recorded $6.3 million in net recoveries of previously recorded loan loss reserves. The effect of these recoveries resulted in a provision for loan losses, net of recoveries, of $38.5 million for the year ended December 31, 2011. Loss on sale and restructuring of loans of $5.7 million during the year ended December 31, 2011 represents $4.7 million from the sale of a $30.0 million portion of a $67.0 million loan to a third party for $25.3 million as well as $1.0 million from the execution of a forbearance agreement in the first quarter of 2011 on a loan modified in the second quarter of 2011.

There were no loans for which the collateral securing the loan was less than the carrying value of the loan for which the Company had not recorded a provision for loan loss as of December 31, 2013, 2012 and 2011.

At December 31, 2013, the Company had a total of 15 loans with an aggregate carrying value, before loan loss reserves, of $207.5 million for which impairment reserves have been recorded. At December 31, 2012, the Company had a total of 20 loans with an aggregate carrying value, before loan loss reserves, of $240.2 million for which impairment reserves have been recorded. Additionally, the Company has five loans with an unpaid principal balance totaling approximately $111.3 million at December 31, 2013, which mature in September 2014, thatare collateralized by a land development project. The loans do not carry a pay rate of interest, but four of the loans with an unpaid principal balance totaling approximately $101.9 million entitle the Company to a weighted average accrual rate of interest of approximately 9.60%. During the fourth quarter of 2010, the Company suspended the recording of the accrual rate of interest on these loans, as these loans were impaired and management deemed the collection of this interest to be doubtful. The Company has recorded cumulative allowances for loan losses of $43.7 million related to these loans as of December 31, 2013. The loans are subject to certain risks associated with a development project including, but not limited to, availability of construction financing, increases in projected construction costs, demand for the development's outputs upon completion of the project, and litigation risk. Additionally, these loans were not classified as non-performing as the borrower is in compliance with all of the terms and conditions of the loans.

Fiscal 2013 charge-off activity was comprised of a $23.2 million charge-off to previously recorded reserves from the write-off of several loans that had an aggregate carrying value of $23.2 million; a $19.0 million charge-off in connection with the transfer of land that was held as collateral for a $25.0 million loan to other assets at a fair value of $6.0 million; and a $1.5 million charge-off in connection with receiving proceeds of $4.4 million from the sale of a $5.9 million bridge loan. The land transferred to other assets is 20.5 acres of usable land and 2.3 acres of submerged land located on the banks of the St. John's River in downtown Jacksonville, Florida and is currently zoned for the development of up to 60 dwellings per acre. This land was held as collateral by a joint venture that the Company assumed full ownership of and the related loan was consolidated.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 3—Loans and Investments (Continued)

Fiscal 2012 charge-off activity was comprised of a $42.8 million charge-off to previously recorded reserves from the write-off of several loans that had an aggregate carrying value of $43.4 million; and a $3.8 million charge-off to previously recorded reserves as a result of the Company receiving principal payoffs of $1.6 million on two loans with a total carrying value of $5.5 million.

Fiscal 2011 charge-off activity was comprised of a $27.1 million charge-off to previously recorded reserves from the write-off of several loans that had an aggregate carrying value of $119.9 million. The Company also charged-off $31.7 million of loan loss reserves related to two loans with carrying values totaling approximately $77.2 million, net of reserves and assumed debt, on properties that were transferred to the Company by the owner, a creditor trust as well as purchased by the Company out of bankruptcy and recorded to real estate owned, net on the Company's Consolidated Balance Sheet in the first quarter of 2011.

A summary of the changes in the allowance for loan losses is as follows:

	Year Ended		
	December 31, 2013	December 31, 2012	December 31, 2011
Allowance at beginning of the period	$ 161,706,313	$ 185,381,855	$ 205,470,302
Provision for loan losses	6,500,000	23,828,224	44,810,000
Charge-offs	(24,713,459)	(46,585,800)	(27,062,564)
Charge-off on loan converted to other assets	(19,000,000)	—	—
Charge-off on loans converted to real estate owned, net	—	—	(31,710,929)
Recoveries of reserves	(2,215,443)	(917,966)	(6,124,954)
Allowance at end of the period	$ 122,277,411	$ 161,706,313	$ 185,381,855

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 3—Loans and Investments (Continued)

A summary of charge-offs and recoveries is as follows:

	Year Ended		
	December 31, 2013	December 31, 2012	December 31, 2012
Charge-offs:			
Multi-family	$ (4,789,815)	$ (10,773,141)	$ (38,308,816)
Office	(6,252,129)	(5,812,659)	(7,114,677)
Land	(19,000,000)	—	—
Hotel	(3,671,515)	(30,000,000)	(13,350,000)
Condo	(10,000,000)	—	—
Total	$ (43,713,459)	$ (46,585,800)	$ (58,773,493)
Recoveries:			
Multi-family	$ (1,510,949)	$ (121,898)	$ (2,243,197)
Office	(704,494)	(796,068)	(3,881,757)
Total	$ (2,215,443)	$ (917,966)	$ (6,124,954)
Net Charge-offs	$ (41,498,016)	$ (45,667,834)	$ (52,648,539)
Ratio of net charge-offs during the period to average loans and investments outstanding during the period	2.6%	3.0%	3.4%

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 3—Loans and Investments (Continued)

A summary of the Company's impaired loans by asset class is as follows:

	Year Ended December 31, 2013				
Asset Class	Unpaid Principal Balance	Carrying Value(1)	Allowance for Loan Losses	Average Recorded Investment(2)	Interest Income Recognized
Multi-family	$ 65,735,773	$ 65,186,623	$ 50,786,697	$ 62,602,118	$2,566,914
Office	36,086,582	29,474,065	23,972,444	37,224,695	1,585,520
Land	116,085,950	112,810,558	47,518,270	127,561,228	—
Total	$217,908,305	$207,471,246	$122,277,411	$227,388,042	$4,152,434

	Year Ended December 31, 2012				
Asset Class	Unpaid Principal Balance	Carrying Value(1)	Allowance for Loan Losses	Average Recorded Investment(2)	Interest Income Recognized
Multi-family	$ 59,468,463	$ 59,277,872	$ 53,587,461	$ 63,331,880	$ 794,633
Office	38,362,808	30,545,156	28,929,067	41,732,535	1,419,615
Land	139,036,505	136,716,617	65,518,270	136,185,941	—
Hotel	3,671,507	3,671,507	3,671,515	18,671,507	596,643
Condo	10,000,000	10,000,000	10,000,000	10,000,000	173,920
Total	$250,539,283	$240,211,152	$161,706,313	$269,921,863	$2,984,811

(1) Represents the unpaid principal balance of impaired loans less unearned revenue and other holdbacks and adjustments by asset class.

(2) Represents an average of the beginning and ending unpaid principal balance of each asset class.

As of December 31, 2013, five loans with an aggregate carrying value of approximately $10.7 million, net of related loan loss reserves of $39.6 million, were classified as non-performing, of which one loan with a carrying value of $0.6 million did not have a loan loss reserve. Income from non-performing loans is recognized on a cash basis only to the extent it is received. Full income recognition will resume when the loan becomes contractually current and performance has recommenced. As of December 31, 2012, nine loans with an aggregate carrying value of approximately $14.9 million, net of related loan loss reserves of $45.1 million, were classified as non-performing, of which one loan with a carrying value of $5.0 million did not have a loan loss reserve.

Note 3—Loans and Investments (Continued)

A summary of the Company's non-performing loans by asset class as of December 31, 2013 and 2012 is as follows:

	December 31, 2013			December 31, 2012		
Asset Class	Carrying Value	Less Than 90 Days Past Due	Greater Than 90 Days Past Due	Carrying Value	Less Than 90 Days Past Due	Greater Than 90 Days Past Due
Multi-family	$42,054,539	$32,000,000	$10,054,539	$10,951,549	$ —	$10,951,549
Office	8,277,844	—	8,277,844	10,373,229	—	10,373,229
Land	—	—	—	24,999,972	—	24,999,972
Hotel	—	—	—	3,671,507	—	3,671,507
Condo	—	—	—	10,000,000	—	10,000,000
Total	$50,332,383	$32,000,000	$18,332,383	$59,996,257	$ —	$59,996,257

At December 31, 2013, the Company did not have any loans contractually past due 90 days or more that are still accruing interest. During the year ended December 31, 2013, the Company refinanced and/or modified four loans with an aggregate unpaid principal balance of $52.5 million, which were not considered by the Company to be troubled debt restructurings; however, two loans with a combined unpaid principal balance of $14.6 million that were extended during 2013 were considered to be trouble debt restructurings. During the year ended December 31, 2012, the Company refinanced and/or modified two loans with a combined unpaid principal balance of $57.4 million, which were considered by the Company to be troubled debt restructurings and six loans with a combined unpaid principal balance of $144.9 million, which were not considered by the Company to be troubled debt restructurings. In addition, the Company had two loans with a combined unpaid principal balance of $37.8 million that were extended during 2012 which were considered troubled debt restructurings. The Company had no unfunded commitments on the modified and extended loans which were considered troubled debt restructurings as of December 31, 2013 and 2012.

A summary of loan modifications and extensions by asset class that the Company considered to be troubled debt restructurings during the year ended December 31, 2013 and 2012 wereas follows:

	Year Ended December 31, 2013				
Asset Class	Number of Loans	Original Unpaid Principal Balance	Original Weighted Average Rate of Interest	Modified Unpaid Principal Balance	Modified Weighted Average Rate of Interest
Multi-family	1	$ 6,192,666	5.96%	$ 6,192,666	5.96%
Office	1	8,400,000	8.24%	8,400,000	8.24%
Total	2	$ 14,592,666	7.27%	$ 14,592,666	7.27%

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 3—Loans and Investments (Continued)

	Year Ended December 31, 2012				
Asset Class	Number of Loans	Original Unpaid Principal Balance	Original Weighted Average Rate of Interest	Modified Unpaid Principal Balance	Modified Weighted Average Rate of Interest
Multi-family	1	$ 32,000,000	2.00%	$ 32,000,000	1.13%
Office	1	25,361,932	5.32%	25,332,451	4.00%
Land	1	2,818,270	—	2,818,270	—
Hotel	1	35,000,000	2.00%	35,000,000	2.00%
Total	4	$ 95,180,202	2.83%	$ 95,150,721	2.18%

There was one loan for $32.0 million in which the Company considered the modification to be troubled debt restructuring that was subsequently considered non-performing as of December 31, 2013 and 2012and no additional loans were considered to be impaired due to the Company's troubled debt restructuring analysis for the years ended December 31, 2013 and 2012. These loans were modified to increase the total recovery of the combined principal and interest from the loan.

As of December 31, 2013, the Company had total interest reserves of $11.7 million on 48 loans with an aggregate unpaid principal balance of $598.6 million and had two non-performing loans with an aggregate unpaid principal balance of $4.7 million with a funded interest reserve of $0.1 million.

Note 4—Securities

The following is a summary of the Company's securities classified as available-for-sale at December 31, 2013:

	Face Value	Amortized Cost	Cumulative Unrealized Gain	Cumulative Unrealized Loss	Carrying Value / Estimated Fair Value
Residential mortgage-backed security (RMBS)	$ 39,013,690	$ 34,049,310	$ 437,774	$ (6,298)	$ 34,480,786
Commercial mortgage-backed security (CMBS)	2,100,000	2,100,000	—	—	2,100,000
Common equity securities	—	58,789	676,077	—	734,866
Total available-for-sale securities	$ 41,113,690	$ 36,208,099	$ 1,113,851	$ (6,298)	$ 37,315,652

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 4—Securities (Continued)

The following is a summary of the Company's securities classified as available-for-sale at December 31, 2012:

	Face Value	Amortized Cost	Cumulative Unrealized Gain	Carrying Value / Estimated Fair Value
Collateralized debt obligation (CDO) bond	$ 10,000,000	$ 1,000,000	$ 100,000	$ 1,100,000
Commercial mortgage-backed security (CMBS)	2,100,000	2,100,000	—	2,100,000
Common equity securities	—	58,789	293,947	352,736
Total available-for-sale securities	$ 12,100,000	$ 3,158,789	$ 393,947	$ 3,552,736

The following is a summary of the underlying credit rating of the Company's available-for-sale debt securities at December 31, 2013 and 2012:

	December 31, 2013			December 31, 2012		
Rating(1)	#	Amortized Cost	Percent of Total	#	Amortized Cost	Percent of Total
AA+	1	$ 93,715	—	—	$ —	—
CCC	1	18,417,402	51%	—	—	—
CCC-	2	2,100,000	6%	2	3,100,000	100%
NR	7	15,538,193	43%	—	—	—
	11	$ 36,149,310	100%	2	$ 3,100,000	100%

(1) Based on the rating published by Standard & Poor's for each security. NR stands for "not rated."

During the fourth quarter of 2013, the Company's RMBS investments were reclassified as available-for-sale from held-to-maturity as a result of a change in intent to hold the securities to maturity due to management's decision to redeploy capital into the core lending business. Accordingly, the Company reclassified RMBS investments with a carrying amount of $34.0 million, to available-for-sale at their estimated fair value of $34.4 million, with a net unrealized gain of $0.4 million recorded in accumulated other comprehensive loss on the Company's Consolidated Balance Sheet. In the first quarter of 2014, the Company sold the majority of its RMBS investments with an aggregate carrying value of $32.9 million for approximately $33.4 million. These RMBS investments were financed with repurchase agreements totaling $24.8 million which were repaid with the proceeds.

The Company owns a CMBS investment, purchased at a premium in 2010 for $2.1 million, which is collateralized by a portfolio of hotel properties. The Company had two fully reserved mezzanine loans with a total carrying value before loan loss reserves of $30.0 million related to this portfolio that were charged off in the fourth quarter of 2012. The CMBS investment bears interest at a spread of 89 basis points over LIBOR, has a stated maturity of 6.5 years, but has an estimated life of 0.4 years based on the extended maturity of the underlying asset and a fair value of $2.1 million at December 31, 2013 and 2012.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 4—Securities (Continued)

The Company owns 2,939,465 shares of common stock of Realty Finance Corporation, formerly CBRE Realty Finance, Inc., a commercial real estate specialty finance company, which had a fair value of $0.7 million and $0.4 million at December 31, 2013 and 2012, respectively.

In May 2013, the Company sold a CDO bond investment that had a carrying value of $1.1 million for approximately $2.1 million and recorded a gain of approximately $1.1 million in other income in the Company's Consolidated Statements of Operations, which includes the realization of an unrealized gain of $0.1 million that was reclassified out of accumulated other comprehensive loss.

Available-for-sale securities are carried at their estimated fair value with unrealized gains and losses reported in accumulated other comprehensive loss. The Company evaluates these securities periodically to determine whether a decline in their value is other-than-temporary, though such a determination is not intended to indicate a permanent decline in value. The Company's evaluation is based on its assessment of cash flows which is supplemented by third-party research reports, internal review of the underlying assets securing the investments, levels of subordination and the ratings of the securities and the underlying collateral. The Company's estimation of cash flows expected to be generated by the securities portfolio is based upon an internal review of the underlying mortgage loans securing the investments both on an absolute basis and compared to the Company's initial underwriting for each investment and efforts are supplemented by third party research reports, third party market assessments and dialogue with market participants. Management closely monitors market conditions on which it bases such decisions. No impairment was recorded on the Company's available-for-sale securities for the years ended December 31, 2013, 2012 and 2011.

The following is a summary of the Company's securities classified as held-to-maturity at December 31, 2012:

	Face Value	Amortized Cost	Carrying Value	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Residential mortgage-backed securities (RMBS)	$44,431,768	$42,986,980	$42,986,980	$169,450	$ (3,306)	$43,153,124

The following is a summary of the underlying credit ratings of the Company's RMBS and CMBS investments held-to-maturity at December 31, 2012:

	December 31, 2012		
Rating(1)	#	Amortized Cost	Percent of Total
AAA	2	$ 407,514	1%
AA	1	167,196	1%
BB	3	8,742,011	20%
D	1	9,496,933	22%
NR	9	24,173,326	56%
	16	$ 42,986,980	100%

(1) Based on the rating published by Standard & Poor's for each security. NR stands for "not rated".

Note 4—Securities (Continued)

During the year ended December 31, 2013, the Company purchased three RMBS investments, at a discount of $4.7 million, for $25.8 million and two RMBS investments, at par, for a total of $3.2 million and received total principal paydowns of $38.6 million on the portfolio. The RMBS investments are collateralized by portfolios of residential properties, bear interest at a weighted average fixed rate of 2.72%, have a weighted average stated maturity of 19.0 years, but have weighted average estimated lives of 6.8 years based on the estimated maturity of the RMBS investments, at December 31, 2013. Approximately $8.7 million is estimated to mature after one year through five years, and $25.8 million is estimated to mature after ten years. The RMBS investments were financed with two repurchase agreements with financial institutions which generally finance between 80% to 90% of the value of each individual investment. During year ended December 31, 2013, the Company financed $22.0 million of the RMBS investments and paid down the total debt by $30.9 million due to the principal paydowns received on the RMBS investments. The total repurchase agreement debt balance was $26.9 million at December 31, 2013. See Note 7—"Debt Obligations" for further details. As described in more detail above, during the fourth quarter of 2013, the Company's RMBS investments were reclassified as available-for-sale from held-to-maturity.

During the year ended December 31, 2012, the Company purchased eight RMBS investments, at par, for a total of $31.8 million, eight RMBS investments, at a combined premium of $0.2 million, for a total of $22.9 million, and two RMBS investments, at a combined discount of $1.5 million, for $14.4 million, and received total principal paydowns of $55.2 million on the portfolio. During the year ended December 31, 2012, the Company financed $55.5 million of the RMBS investments and paid down the total debt by $45.9 million due to the principal paydowns received on the RMBS investments. The total repurchase agreement debt balance was $35.8 million at December 31, 2012. See Note 7—"Debt Obligations" for further details.

At December 31, 2013 and 2012, the Company owned two and one RMBS investments, respectively, with deteriorated credit quality that had a total aggregate carrying value of $25.8 million and $9.5 million, respectively. These investments were sold for $26.0 million in the first quarter of 2014.

For the years ended December 31, 2013 and 2012, approximately $0.1 million of premium was amortized and approximately $0.3 million of discount was accreted from the Company's held-to-maturity investments.

Securities held-to-maturity are carried at cost, net of unamortized premiums and discounts. The Company evaluates these securities periodically to determine whether a decline in their value is other-than-temporary, though such a determination is not intended to indicate a permanent decline in value. The Company's evaluation is based on its assessment of cash flows, which is supplemented by third-party research reports, internal review of the underlying assets securing the investments, levels of subordination and the ratings of the securities and the underlying collateral. The Company's estimation of cash flows expected to be generated by the securities portfolio is based upon an internal review of the underlying mortgage loans securing the investments both on an absolute basis and compared to the Company's initial underwriting for each investment and efforts are supplemented by third party research reports, third party market assessments and dialogue with market participants. Management closely monitors market conditions on which it bases such decisions. No impairment was recorded on the Company's securities held-to-maturity for the years ended December 31, 2013 and 2012.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 4—Securities (Continued)

The weighted average yield on the Company's CDO bond, CMBS and RMBS investments available-for-sale and held-to-maturity based on their face values was 4.29% and 4.51%, including the amortization of premium and the accretion of discount, for the years ended December 31, 2013 and 2012, respectively.

Note 5—Investments in Equity Affiliates

The following is a summary of the Company's investments in equity affiliates at December 31, 2013 and 2012:

Equity Affiliates	Investments in Equity Affiliates at December 31, 2013	Investments in Equity Affiliates at December 31, 2012	Unpaid Principal Balance of Loans to Equity Affiliates at December 31, 2013
Lightstone Value Plus REIT L.P	$ 1,894,727	$ 55,988,409	$ —
West Shore Café	1,690,280	1,821,536	—
Issuers of Junior Subordinated Notes	578,000	578,000	—
JT Prime	425,000	851,000	—
930 Flushing & 80 Evergreen	92,199	342,197	23,200,145
Lexford Portfolio	100	100	116,131,813
St. John's Development	—	—	—
450 West 33rd Street	—	—	—
Ritz-Carlton Club	—	—	—
Total	$ 4,680,306	$ 59,581,242	$ 139,331,958

The Company accounts for the Lightstone Value Plus REIT L.P. ("Lightstone") and 450 West 33rd Street investments under the cost method of accounting and the remaining investments under the equity method.

Lightstone Value Plus REIT L.P. / JT Prime—The Company owned approximately $56.0 million of preferred and common operating partnership units of Lightstone through a consolidated entity in which the Company has a two thirds interest. In addition, the consolidated entity had debt of approximately $50.2 million, which was secured by these operating partnership units. In September 2013, the Company's portion of the preferred operating partnership units were redeemed by Lightstone for cash, at par, and the note related to the Company's portion was repaid in full. As a result, the Company received cash of $2.0 million, reflecting the Company's equity in the preferred operating partnership units redeemed. In the fourth quarter of 2013, the entity's operating agreement was amended to provide joint control to the members of the entity, and therefore, the entity was deconsolidated. The investment balance of approximately $1.9 million reflects the carrying value of the remaining common operating partnership units of Lightstone. At the time of deconsolidation, the $1.9 million carrying value of the Company's remaining interest approximated its fair value. The fair value was determined by the latest issued tender offer by Lightstone for its common stock.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 5—Investments in Equity Affiliates (Continued)

The Company owns a 50% non-controlling interest in an unconsolidated joint venture, JT Prime, which holds preferred and common operating partnership units of Lightstone as well as a promissory note secured by these operating partnership units. In September 2013, the Company's portion of the preferred operating partnership units were redeemed by Lightstone for cash, at par, and the note related to the Company's portion was repaid in full. As a result, the Company received cash of $0.4 million and the carrying value of the Company's investment in JT Prime was reduced to $0.4 million, reflecting the Company's remaining interest in the common operating partnership units.

The preferred operating partnership units yielded 4.63% and the loan bore interest at a rate of 4.00%. During each of the years ended December 31, 2013, 2012 and 2011, the Companyrecorded $1.8 million, $2.7 million and $2.7 million, respectively, of dividends from the preferred and common operating partnership units which were reflected in interest income, and $1.3 million, $2.0 million and $2.0 million, respectively, of interest expense in the Company's Consolidated Statement of Operations.

West Shore Café—The Company owns a 50% noncontrolling interest with a 20% preferred return subject to certain conditions in the West Shore Lake Café, a restaurant/inn lakefront property in Lake Tahoe, California. For the years ended December 31, 2013 and 2012 the Company recorded $0.1 million of losses each year from the entity against the equity investment. For 2011, the Company received distributions of $0.1 million related to the preferred return, which were recorded as a return of investment. During the third quarter of 2013, the Company also received the payoff of a $5.5 million first mortgage loan that it provided to the equity affiliate which bore interest at a yield of 10.5%.

Issuers of Junior Subordinated Notes—The Company has invested a total of $0.6 million for 100% of the common shares of two affiliated entities of the Company. These entities pay dividends on both the common shares and preferred securities on a quarterly basis at variable rates based on three-month LIBOR. See Note 7—"Debt Obligations" for further details.

930 Flushing & 80 Evergreen—The Company has a 12.5% preferred interest in a joint venture that owns and operates two commercial properties. The Company has a bridge loan outstanding to affiliated entities of the joint venture with a scheduled maturity of August 2017, has a variable rate of LIBOR plus 3.23%, and has an outstanding principal balance of $22.7 million at December 31, 2013. During 2012, the Company originated a $0.5 million mezzanine loan to the joint venture that matures in 2017, has a variable rate of LIBOR plus 4.23% with a LIBOR floor of 0.24% and has an outstanding principal balance of $0.5 million at December 31, 2013. Also during 2012, the Company contributed $0.2 million of capital to the entity. For the years ended December 31, 2013, 2012 and 2011, the Company recorded losses from the entity against the equity investment of $0.2 million, $0.1 million and $0.3 million, respectively.

Lexford Portfolio—The Company, along with third party investors, made a $0.1 million equity investment into Lexford, a portfolio of multi-family assets. The Company's portion of this investment is a $44,000 noncontrolling interest. The Company also had a $10.5 million interest in a $25.0 million preferred equity investment in Lexford with the same third party investors that was repaid during 2013. See Note 15—"Related Party Transactions" for further details about this investment.

St. John's Development—The Company owned a 50% noncontrolling interest in a joint venture that owned more than 20 acres of land in Jacksonville, Florida that was used as collateral for a

Note 5—Investments in Equity Affiliates (Continued)

$25.0 million loan originated and held by the Company with an interest rate of LIBOR plus 6.48% and a LIBOR floor of 4.50%. Ownership of the remaining 50% interest in the joint venture was transferred to Company during the fourth quarter of 2013 and as a result the land was transferred to other assets at its fair value of $6.0 million. See Note 3—"Loans and Investments" for further details.

450 West 33rd Street—The Company is a participant in an investor group that owns a non-controlling interest in an office building at 450 West 33rd Street in Manhattan, New York. The investor group as a whole has a 2% retained ownership interest in the property and 50% of the property's air rights. The Company has a 29% interest in the 2% retained ownership interest. In accordance with this transaction, the joint venture members agreed to guarantee $258.1 million of the $517.0 million of new debt outstanding on the property. The guarantee expires at the earlier of maturity or prepayment of the debt and was allocated to the members in accordance with their ownership percentages. The guarantee is callable, on a pro-rata basis, if the market value of the property declines below the $258.1 million of guaranteed debt. The Company's portion of the guarantee is $76.3 million. As a result of recording an other-than-temporary impairment during 2010, the balance of the Company's investment was reduced to $0. During 2012, the Company sold a $50.0 million mezzanine loan that had been entered into in a prior year to a third party, which relieved the Company of its liability on this loan. See Note 17—"Management Agreement" for details of the Company recording $77.1 million of deferred revenue and $19.0 million of prepaid management fees during 2007 related to this investment.

Ritz-Carlton Club—The Company owns a 19.41% non-controlling interest with a 10% return subject to certain conditions in the Ritz-Carlton Club, a condominium project in Lake Tahoe, California. During 2012, the Company recorded $0.8 million of losses from the entity against the equity investment reducing the balance of the Company's investment to $0 at December 31, 2012.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 5—Investments in Equity Affiliates (Continued)

Summarized Financial Information

The condensed combined balance sheets for the Company's unconsolidated investments in equity affiliates accounted for under the equity method at December 31, 2013 and 2012 are as follows (amounts in thousands):

Condensed Combined Balance Sheets	December 31, 2013	December 31, 2012
Assets:		
Cash and cash equivalents	$ 13,101	$ 4,727
Real estate assets	697,484	699,474
Other assets	19,618	22,473
Total assets	$ 730,203	$ 726,674
Liabilities:		
Notes payable	$ 734,693	$ 737,350
Other liabilities	19,607	23,796
Total liabilities	754,300	761,146
Stockholders' equity Arbor(1)	4,102	3,015
Stockholders' (deficit) equity	(28,199)	(37,487)
Total stockholders' (deficit) equity	(24,097)	(34,472)
Total liabilities and deficit	$ 730,203	$ 726,674

(1) Combined with $0.6 million of equity relating to the issuance of junior subordinated notes, equals $4.7 million of investments in equity affiliates, at December 31, 2013. Combined with $56.0 million of cost method investments and $0.6 million of equity relating to the issuance of junior subordinated notes, equals $59.6 million of investments in equity affiliates, at December 31, 2012.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 5—Investments in Equity Affiliates (Continued)

The condensed combined statements of operations for the Company's unconsolidated investments in equity affiliates accounted for under the equity method for the years ended December 31, 2013, 2012 and 2011, are as follows (amounts in thousands):

Statements of Operations:	Year Ended 2013	2012(1)	2011
Revenue:			
Rental income	$ 85,551	$ 80,472	$ 10,626
Interest income	478	813	814
Operating income	5,709	8,619	13,299
Reimbursement income	6,653	5,427	461
Other income	6,686	6,436	3,268
Total revenues	105,077	101,767	28,468
Expenses:			
Operating expenses	58,265	60,257	16,749
Interest expense	36,061	36,315	6,944
Depreciation and amortization	23,345	22,283	2,725
Other expenses	493	27	619
Total expenses	118,164	118,882	27,037
Net (loss) income	$ (13,087)	$ (17,115)	$ 1,431
Arbor's Share of net (loss) income	$ (204)	$ (698)	$ (218)(2)

(1) The increase in revenues, expenses and net loss was due to the Lexford investment. See Note 15—"Related Party Transactions" for more details.

(2) Combined with a $3.9 million gain on the sale of an equity method investment, equals $3.7 million of income from equity affiliates for the year ended December 31, 2011.

Note 6—Real Estate Owned and Held-For-Sale

Real Estate Owned

	December 31, 2013 Multifamily Portfolio	Hotel Portfolio	Total	December 31, 2012 Multifamily Portfolio	Hotel Portfolio	Total
Land	$11,382,579	$10,893,651	$ 22,276,230	$15,651,047	$10,893,651	$ 26,544,698
Building and intangible assets	46,115,430	61,632,645	107,748,075	52,747,149	56,946,750	109,693,899
Less:						
Accumulated depreciation and amortization	(8,598,915)	(9,707,213)	(18,306,128)	(6,216,409)	(5,873,989)	(12,090,398)
Real estate						

owned, net	$48,899,094	$62,819,083	$111,718,177	$62,181,787	$61,966,412	$124,148,199

As of December 31, 2013, the Company's six multifamily properties ("Multifamily Portfolio") classified as real estate owned had a weighted average occupancy rate of approximately 85%. At December 31, 2012 and 2011, seven multifamily properties classified as real estate owned had a weighted average occupancy rate of approximately 85% and 79%, respectively. In the third quarter of 2013, one of the properties in this portfolio with a carrying value of $11.5 million, as well as an

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 6—Real Estate Owned and Held-For-Sale (Continued)

$11.0 million portion of a first lien mortgage, was classified as held-for-sale and its results of operations were reclassified as discontinued operations. During the fourth quarter of 2013, through site visits and discussion with market participants, the Company determined that one of the properties exhibited indicators of impairment and performed an impairment analysis. As a result of the impairment analysis based on the indicators of value from the market participants, the Company recorded an impairment loss of $1.0 million in the Consolidated Statement of Operations.

The Multifamily Portfolio had a mortgage note payable of $42.7 million and $53.8 million as of December 31, 2013 and 2012, respectively.

For the years ended December 31, 2013 and 2012, the Company's five hotel properties in Florida ("Hotel Portfolio") classified as real estate owned had a weighted average occupancy rate of approximately 48%, respectively, a weighted average daily rate of approximately $79 and $86, respectively, and a weighted average revenue per available room of approximately $38 and $41,respectively. For the year ended December 31, 2011, six hotel properties classified as real estate owned had a weighted average occupancy rate of approximately 46%, a weighted average daily rate of approximately $88 and a weighted average revenue per available room of approximately $40.

The Company's real estate assets had restricted cash balances totaling $0.9 million and $1.0 million as of December 31, 2013 and 2012, respectively, due to escrow requirements.

Real Estate Held-For-Sale

The results of operations for properties classified as held-for-sale or that have been sold and with which the Company has no continuing involvement are reflected on the consolidated financial statements as discontinued operations and are summarized as follows:

	Year Ended December 31,		
	2013	2012	2011
Revenue:			
Property operating income	$ 2,297,902	$ 3,420,885	$ 5,011,311
Expenses:			
Property operating expense	2,159,805	2,964,038	5,399,589
Depreciation	582,220	576,596	1,161,614
Impairment loss on real estate held-for-sale	—	—	(1,450,000)
Gain on reversal of accrued liabilities	—	1,175,120	—
Gain on sale of real estate held-for-sale	—	3,953,455	—
(Loss) income from discontinued operations	$ (444,123)	$ 5,008,826	$ (2,999,892)

In the third quarter of 2013, a property in the Multifamily Portfolio was classified as held-for-sale due to a proposed sale transaction. The corresponding results of operations were reclassified as discontinued operations for all prior periods presented. The Multifamily Portfolio property had a mortgage note payable of $11.0 million at December 31, 2013.

During the year ended December 31, 2012, the Company sold an apartment building in Tucson, Arizona and a hotel in St. Louis, Missouri and recorded a net gain on sale of real estate held-for-sale of $3.5 million in its Consolidated Statements of Operations. Additionally, one of the properties in the Hotel Portfolio was sold to a third party and the Company recorded a gain on sale of $0.5 million, and the Company surrendered an office building in Indianapolis, Indiana to the first mortgage lender in full

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 6—Real Estate Owned and Held-For-Sale (Continued)

satisfaction of the mortgage note payable and recorded income from discontinued operations of $1.2 million related to the reversal of accrued liabilities which were not incurred.

During the year ended December 31, 2011, through site visits and discussion with market participants, the Company determined that a hotel in St. Louis, Missouri exhibited indicators of impairment and performed an impairment analysis. As a result of the impairment analysis based on the indicators of value from the market participants, the Company recorded a total impairment loss of $1.5 million in the Consolidated Statements of Operations. The Company sold the property in the first quarter of 2012 and recorded a gain on sale of real estate held-for-sale of less than $0.1 million in its Consolidated Statements of Operations.

Note 7—Debt Obligations

The Company utilizes various forms of short-term and long-term financing agreements to finance certain of its loans and investments. Borrowings underlying these arrangements are primarily secured by a significant amount of the Company's loans and investments.

Repurchase Agreements and Credit Facilities

The following table outlines borrowings under the Company's repurchase agreements and credit facilities as of December 31, 2013 and 2012:

	December 31, 2013			December 31, 2012		
	Debt Carrying Value	Collateral Carrying Value	Weighted Average Note Rate	Debt Carrying Value	Collateral Carrying Value	Weighted Average Note Rate
Repurchase agreement	$ 12,497,000	$ 15,536,049	1.75%	$ 35,072,000	$ 43,604,281	1.75%
Repurchase agreement	14,425,553	18,944,735	2.00%	689,619	827,488	1.73%
$75.0 million warehousing credit facility	33,300,540	45,705,813	2.46%	50,000,000	70,075,000	3.00%
$50.0 million warehousing credit facility	30,838,180	46,774,000	2.70%	—	—	—
$40.0 million warehousing credit facility	15,063,750	21,800,000	2.20%	—	—	—
$33.0 million warehousing credit facility	33,000,000	55,000,000	2.45%	—	—	—
$17.3 million warehousing credit facility	—	—	—	17,300,000	30,000,000	3.00%
$12.6 million warehousing credit facility	—	—	—	12,600,000	18,000,000	3.00%
$20.0 million revolving credit facility	20,000,000	—	8.50%	15,000,000	—	8.50%
Total repurchase agreements and credit facilities	$ 159,125,023	$ 203,760,597	3.16%	$ 130,661,619	$ 162,506,769	3.25%

At December 31, 2013 and 2012, the weighted average note rate for the Company's repurchase agreements and credit facilities was 3.16% and 3.25%, respectively. There were no interest rate swaps on these facilities at December 31, 2013 and 2012. Including certain fees and costs, the weighted average note rate was 3.57% and 3.82% at December 31, 2013 and 2012,respectively.

In July 2011, the Company entered into a repurchase agreement with a financial institution to finance the purchase of RMBS investments. During the year ended December 31, 2013, the Company financed the purchase of four RMBS investments with this repurchase agreement for a total of

$6.4 million and paid down the total debt by $29.0 million due to principal paydowns received on the RMBS investments. During the year ended December 31, 2012, the Company financed the purchase of 17 RMBS investments with this repurchase agreement for a total of $54.7 million and paid down the total debt by $45.7 million due to principal paydowns received on the RMBS investments. See Note 4—"Securities" for further detailsThe total debt balance was $12.5 million at December 31, 2013. The facility generally finances between 60% and 90% of the value of each investment, has a rolling monthly

Note 7—Debt Obligations (Continued)

term, and bears interest at a rate of 125 to 200 basis points over LIBOR. The facility also includes a minimum net worth covenant of $100.0 million.

In June 2012, the Company entered into another repurchase agreement with a financial institution to finance the purchase of RMBS investments. During year ended December 31, 2013, the Company financed the purchase of an RMBS investment with this repurchase agreement for $15.6 million and paid down the total debt by $1.9 million due to principal paydowns received on the RMBS investments. During the year ended December 31, 2012, the Company financed the purchase of an RMBS investment for $0.8 million and paid down the debt by $0.1 million due to principal paydowns received on the RMBS investment. The total debt balance was $14.4 million at December 31, 2013. See Note 4—"Securities" for further details. The facility generally finances between 75% and 80% of the value of the investment, has a rolling monthly term, and bears interest at a rate of 180 to185 basis points over LIBOR.

In July 2011, the Company entered into a two year, $50.0 million warehouse facility with a financial institution to finance first mortgage loans on multifamily properties. In January 2013, the Company amended the facility, increasing the committed amount to $75.0 million. In April 2013, the facility was amended to bear interest at a rate of 225 basis points over LIBOR which was originally 275 basis points over LIBOR, require a 0.25% commitment fee, which was originally 1.0%, upon closing, matures in April 2015 with a one year extension option on outstanding advances that requires two 5% paydowns and has warehousing and non-use fees. The facility also has a maximum advance rate of 75% and contains several restrictions including full repayment of an advance if a loan becomes 60 days past due, is in default or is written down by the Company. The facility also includes various financial covenants including a minimum liquidity requirement of $20.0 million, minimum tangible net worth which includes junior subordinated notes as equity of $150.0 million, maximum total liabilities less subordinate debt of $2.0 billion, as well as certain other debt service coverage ratios and debt to equity ratios. The facility also has a compensating balance requirement of $50.0 million to be maintained by the Company and its affiliates. At December 31, 2013, the outstanding balance of this facility was $33.3 million.

In February 2013, the Company entered into a one year, $50.0 million warehouse facility with a financial institution to finance first mortgage loans on multifamily properties. The facility bears interest at a rate of 250 basis points over LIBOR, requires a 12.5 basis point commitment fee upon closing, had an original maturity in February 2014 that was extended to May 2014, has warehousing and non-use fees and allows for an original warehousing period of up to 24 months from the initial advance on an asset. The facility has a maximum advance rate of 75% and contains certain restrictions including partial prepayment of an advance if a loan becomes 90 days past due or in the process of foreclosure, subject to certain conditions. The facility also includes various financial covenants including a minimum liquidity requirement of $20.0 million, minimum tangible net worth which includes junior subordinated notes as equity of $150.0 million, maximum total liabilities less subordinate debt of $2.0 billion, as well as certain other debt service coverage ratios and debt to equity ratios. At December 31, 2013, the outstanding balance of this facility was $30.8 million.

In June 2013, the Company entered into a one year, $40.0 million warehouse facility with a financial institution to finance first mortgage loans on multifamily properties, including a $10.0 million sublimit to finance retail and office properties. The facility bears interest at a rate of 200 basis points over LIBOR, matures in June 2014, has warehousing fees and allows for an original warehousing

Note 7—Debt Obligations (Continued)

period of up to 24 months from the initial advance on an asset. The facility also has a maximum advance rate of 70% or 75%, depending on the property type, and contains certain restrictions including prepayment of an advance if a loan becomes 60 days past due or in the process of foreclosure, subject to certain conditions. The facility also includes various financial covenants including a minimum liquidity requirement of $20.0 million, minimum tangible net worth of $150.0 million, as well as a minimum debt service coverage ratio. At December 31, 2013, the outstanding balance of this facility was $15.1 million.

In December 2013, the Company entered into a $33.0 million warehouse facility with a financial institution to finance the first mortgage loan on a multifamily property. The facility bears interest at a rate of 225 basis points over LIBOR which increases to 250 basis points over LIBOR in February 2014, requires up to a 45 basis point commitment fee and matures in November 2015 with a one year extension option. The facility also includes various financial covenants including a minimum liquidity requirement of $20.0 million, minimum tangible net worth which includes junior subordinated notes as equity of $150.0 million, maximum total liabilities less subordinate debt of $2.0 billion, as well as certain other debt service coverage ratios and debt to equity ratios. At December 31, 2013, the outstanding balance of this facility was $33.0 million.

In December 2012, the Company entered into a $17.3 million warehouse facility with a financial institution to finance the first mortgage loan on a multifamily property. The facility bore interest at a rate of 275 basis points over LIBOR or Prime at the Company's election, required a 1% commitment fee upon closing and had a maturity of December 2017. In January 2013, the facility was repaid in full as part of the issuance of a second CLO.

In June 2012, the Company entered into a $12.6 million warehouse facility with a financial institution to finance the first mortgage loan on a multifamily property. The facility bore interest at a rate of 275 basis points over LIBOR or Prime at the Company's election, required a 1% commitment fee upon closing, had a maturity of December 2013 and had a non-use fee. In January 2013, the facility was repaid in full as part of the issuance of a second CLO.

In May 2012, the Company entered into a $15.0 million committed revolving line of credit with a one year term maturing in May 2013, which is secured by a portion of the bonds originally issued by the Company's CDO entities that have been repurchased by the Company. This facility has a 1% commitment fee, a 1% non-use fee and pays interest at a fixed rate of 8% on any drawn portion of the line. The facility also includes a debt service coverage ratio requirement for the posting of collateral. In January 2013, the Company amended the facility, increasing the committed amount to $20.0 million and a fixed rate of interest of 8.5% on any drawn portion of the $20.0 million commitment. The amendment also included a one year extension option upon maturity in May 2013 and required a 1% commitment fee and a 1% non-use fee. In May 2013, the Company extended the facility to a maturity in May 2014 with a one year extension option and a 1% extension fee, as well as amended the facility to have an 8.5% non-use fee on the first $5.0 million not borrowed and a 1% non-use fee on the remaining funds not borrowed. If not extended in May 2014, there will be $0.1 million fee. At December 31, 2013, the outstanding balance of this facility was $20.0 million.

Note 7—Debt Obligations (Continued)

Collateralized Debt Obligations

The following table outlines borrowings and the corresponding collateral under the Company's collateralized debt obligations as of December 31, 2013:

	Debt		Collateral						
			Loans		Securities			Cash	
	Face Value	Carrying Value	Unpaid Principal(1)	Carrying Value(1)	Face Value	Carrying Value	Fair Value	Restricted Cash(3)	Collateral At-Risk(4)
CDO I	$126,753,077	$132,399,560	$ 284,758,473	$237,194,618	$ —	$ —	$ —	$ 79,986	$179,466,954
CDO II	196,046,587	201,847,417	362,150,693	312,859,875	—	—	—	1,719,760	187,213,841
CDO III	296,754,194	305,376,004	395,783,494	365,236,505	—	—	—	23,607,813	240,503,823
Total CDOs	$619,553,858	$639,622,981	$1,042,692,660	$915,290,998	$ —	$ —	$ —	$25,407,559	$607,184,618

CDO I—Issued four investment grade tranches in January 2005 with a reinvestment period through April 2009 and a stated maturity date of February 2040. Interest is variable based on three-month LIBOR; the weighted average note rate was 3.12%.

CDO II—Issued nine investment grade tranches in January 2006 with a reinvestment period through April 2011 and a stated maturity date of April 2038. Interest is variable based on three-month LIBOR; the weighted average note rate was 3.74%.

CDO III—Issued ten investment grade tranches in December 2006 with a reinvestment period through January 2012 and a stated maturity date of January 2042. Interest is variable based on three-month LIBOR; the weighted average note rate was 0.75%.

The following table outlines borrowings and the corresponding collateral under the Company's collateralized debt obligations as of December 31, 2012:

	Debt		Collateral						
			Loans		Securities			Cash	
	Face Value	Carrying Value	Unpaid Principal(1)	Carrying Value(1)	Face Value	Carrying Value	Fair Value(2)	Restricted Cash(3)	Collateral At-Risk(4)
CDO I	$133,994,136	$139,856,472	$ 299,881,599	$ 238,852,726	$ —	$ —	$ —	$ 1,036,155	$207,772,049
CDO II	231,186,301	237,209,429	395,266,909	345,919,525	10,000,000	1,100,000	1,100,000	470,952	188,271,174
CDO III	426,458,233	435,386,944	515,403,735	485,235,214	—	—	—	24,819,361	244,697,945
Total CDOs	$791,638,670	$812,452,845	$1,210,552,243	$1,070,007,465	$10,000,000	$1,100,000	$1,100,000	$26,326,468	$640,741,168

(1) Amounts include loans to real estate assets consolidated by the Company that were reclassified to real estate owned and held-for-sale, net on the Consolidated Financial Statements.

(2) The security with a fair value of $1.1 million was rated a CCC- at December 31, 2012 by Standard & Poor's and was sold in May 2013.

(3) Represents restricted cash held for principal repayments in the CDOs. Does not include restricted cash related to interest payments, delayed fundings and expenses.

(4) Amounts represent the face value of collateral in default, as defined by the CDO indenture, as well as assets deemed to be "credit risk." Credit risk assets are reported by each of the CDOs and are generally defined as one that, in the CDO collateral manager's reasonable business judgment, has a significant risk of declining in credit quality or, with a passage of time, becoming a defaulted asset.

At December 31, 2013 and 2012, the aggregate weighted average note rate for the Company's CDOs, including the cost of interest rate swaps on assets financed in these facilities, was 2.18% and 1.87%, respectively. Excluding the effect of swaps, the weighted average note rate at December 31, 2013 and 2012 was 0.83% and 0.86%, respectively. Including certain fees and costs, the weighted average note rate was 3.26% and 2.77% at December 31, 2013 and 2012, respectively.

Note 7—Debt Obligations (Continued)

On January 19, 2005, the Company completed its first CDO vehicle, issuing to third party investors four tranches of investment grade collateralized debt obligations ("CDO I") through a newly-formed wholly-owned subsidiary, Arbor Realty Mortgage Securities Series 2004-1, Ltd. ("the Issuer"). At inception, the Issuer held assets, consisting primarily of bridge loans, mezzanine loans and cash totaling approximately $469.0 million, which serve as collateral for CDO I. The Issuer issued investment grade notes with an initial principal amount of approximately $305.0 million and a wholly-owned subsidiary of the Company purchased the preferred equity interests of the Issuer. The four investment grade tranches were issued with floating rate coupons with an initial combined weighted average rate of three-month LIBOR plus 0.77%. The outstanding debt balance is reduced as loans are repaid. The Company incurred approximately $7.2 million of issuance costs which is amortized on a level yield basis over the average estimated life of CDO I. Investor capital is repaid quarterly from proceeds received from loan repayments held as collateral in accordance with the terms of the CDO. Proceeds distributed are recorded as a reduction of the CDO liability. Proceeds of $7.2 million and $26.4 million were distributed in 2013 and 2012, respectively. The CDO liability is also reduced as the investment grade notes are purchased by the Company—see below.

On January 11, 2006, the Company completed its second CDO vehicle, issuing to third party investors nine tranches of investment grade collateralized debt obligations ("CDO II") through a newly-formed wholly-owned subsidiary, Arbor Realty Mortgage Securities Series 2005-1, Ltd. ("the Issuer II"). At inception, the Issuer II held assets, consisting primarily of bridge loans, mezzanine loans and cash totaling approximately $475.0 million, which serve as collateral for CDO II. The Issuer II issued investment grade notes with an initial principal amount of approximately $356.0 million and a wholly-owned subsidiary of the Company purchased the preferred equity interests of the Issuer II. The nine investment grade tranches were issued with floating rate coupons with an initial combined weighted average rate of three-month LIBOR plus 0.74%. The outstanding debt balance is reduced as loans are repaid. The Company incurred approximately $6.2 million of issuance costs which is being amortized on a level yield basis over the average estimated life of CDO II. Investor capital is repaid quarterly from proceeds received from loan repayments held as collateral in accordance with the terms of the CDO. Proceeds distributed are recorded as a reduction of the CDO liability. Proceeds of $34.1 million and $46.0 million were distributed and recorded as a reduction of the CDO II liability during both 2013 and 2012, respectively. The CDO liability is also reduced as the investment grade notes are purchased by the Company—see below.

On December 14, 2006, the Company completed its third CDO vehicle, issuing to third party investors ten tranches of investment grade collateralized debt obligations ("CDO III") through a newly-formed wholly-owned subsidiary, Arbor Realty Mortgage Securities Series 2006-1, Ltd. ("the Issuer III"). At inception, the Issuer III held assets, consisting primarily of bridge loans, mezzanine loans, junior participation loans, preferred equity investments and cash totaling approximately $500.0 million, which serve as collateral for CDO III. The Issuer III issued investment grade notes with an initial principal amount of approximately $547.5 million, including a $100.0 million revolving note class that provides a revolving note facility and a wholly-owned subsidiary of the Company purchased the preferred equity interests of the Issuer III. The ten investment grade tranches were issued with floating rate coupons with an initial combined weighted average rate of three-month LIBOR plus 0.44% and the revolving note facility has a commitment fee of 0.22% per annum on the undrawn portion of the facility. The outstanding debt balance will be reduced as loans are repaid. Investor

Note 7—Debt Obligations (Continued)

capital will be repaid quarterly from proceeds received from loan repayments held as collateral in accordance with the terms of the CDO. Proceeds distributed are recorded as a reduction of the CDO liability. Proceeds of $120.8 million and $50.7 million were distributed and recorded as a reduction of the CDO III liability during both 2013 and 2012, respectively. The CDO liability is also reduced as the investment grade notes are purchased by the Company—see below. The Company incurred approximately $9.7 million of issuance costs which is being amortized on a level yield basis over the average estimated life of CDO III. The outstanding note balance for CDO III was $257.4 million and $350.8 million at December 31, 2013 and 2012, respectively. CDO III has $100.0 million revolving note class that provides a revolving note facility. The outstanding revolving note facility for CDO III was $48.0 million and $84.6 million at December 31, 2013 and 2012, respectively.

Proceeds from the sale of the 23 investment grade tranches issued in CDO I, CDO II and CDO III were used to repay outstanding debt under the Company's repurchase agreements and notes payable. The assets pledged as collateral were contributed from the Company's existing portfolio of assets. Each CDO has reached the end of their replenishment period.

The Company accounts for these transactions on its Consolidated Balance Sheet as financing facilities. The Company's CDOs are VIEs for which the Company is the primary beneficiary and are consolidated in the Company's Financial Statements accordingly. The investment grade tranches are treated as secured financings, and are non-recourse to the Company.

In 2010, the Company re-issued its own CDO bonds it had acquired throughout 2009 with an aggregate face amount of approximately $42.8 million as part of an exchange for the retirement of $114.1 million of its junior subordinated notes. This transaction resulted in the recording of $65.2 million of additional CDO debt, of which $42.3 million represents the portion of the Company's CDO bonds that were exchanged and $22.9 million represents the estimated interest due on the reissued bonds through their maturity, of which $20.1 million remains at December 31, 2013.

The following table sets forth the face amount and gain on extinguishment of the Company's CDO bonds repurchased in the following periods by bond class:

	Year Ended December 31,					
	2013		2012		2011	
Class:	Face Amount	Gain	Face Amount	Gain	Face Amount	Gain
B	$ —	$ —	$13,000,000	$ 4,615,000	$ 5,654,540	$ 2,086,799
C	—	—	3,329,509	1,200,182	7,005,291	3,502,815
D	—	—	13,350,000	5,819,066	2,433,912	1,428,950
E	—	—	13,765,276	6,445,033	2,291,855	1,403,761
F	—	—	9,708,556	5,048,417	3,918,343	2,455,892
G	—	—	8,672,039	4,777,138	—	—
H	9,935,088	4,930,772	4,403,771	2,554,187	—	—
Total	$9,935,088	$4,930,772	$66,229,151	$30,459,023	$21,303,941	$10,878,217

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 7—Debt Obligations (Continued)

Collateralized Loan Obligations

The following table outlines borrowings and the corresponding collateral under the Company's CLOs as of December 31, 2013:

	Debt		Collateral			
			Loans		Cash	
	Face Value	Carrying Value	Unpaid Principal	Carrying Value	Restricted Cash(1)	Collateral At-Risk(2)
CLO I	$ 87,500,000	$ 87,500,000	$114,414,154	$113,940,857	$10,672,496	$ —
CLO II	177,000,000	177,000,000	255,016,564	253,989,391	4,621,675	—
Total CLOs	$264,500,000	$264,500,000	$369,430,718	$367,930,248	$15,294,171	$ —

CLO I—Issued two investment grade tranches in September 2012 with a replacement period through September 2014 and a stated maturity date of October 2022. Interest is variable based on three-month LIBOR; the weighted average note rate was 3.61%.

CLO II—Issued two investment grade tranches in January 2013 with a replacement period through January 2015 and a stated maturity date of February 2023. Interest is variable based on three-month LIBOR; the weighted average note rate was 2.56%.

(1) Represents restricted cash held for principal repayments in the CLOs. Does not include restricted cash related to interest payments, delayed fundings and expenses.

(2) Amounts represent the face value of collateral in default, as defined by the CLO indenture, as well as assets deemed to be "credit risk." Credit risk assets are reported by each of the CLOs and are generally defined as one that, in the CLO collateral manager's reasonable business judgment, has a significant risk of declining in credit quality or, with a passage of time, becoming a defaulted asset.

The following table outlines borrowings and the corresponding collateral under the Company's CLOs as of December 31, 2012:

	Debt		Collateral		
			Loans		Cash
	Face Value	Carrying Value	Unpaid Principal	Carrying Value	Restricted Cash
CLO I	$ 87,500,000	$ 87,500,000	$ 125,086,650	$ 124,525,103	$ —

In September 2012, the Company completed its first collateralized loan obligation, or CLO, issuing to third party investors two tranches of investment grade collateralized loan obligations through newly-formed wholly-owned subsidiaries, Arbor Realty Collateralized Loan Obligation 2012-1, Ltd. and Arbor Realty Collateralized Loan Obligation 2012-1, LLC. Initially, the notes are secured by a portfolio of loan obligations with a face value of approximately $125.1 million, consisting primarily of bridge loans and a senior participation interest in a first mortgage loan that were contributed from the Company's existing loan portfolio. The financing has a two-year replacement period that allows the principal proceeds and sale proceeds (if any) of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the indenture. Thereafter, the outstanding debt balance will be reduced as loans are repaid. The aggregate principal amounts of

Note 7—Debt Obligations (Continued)

the two classes of notes were $75.0 million of Class A senior secured floating rate notes and $12.5 million of Class B secured floating rate notes. The Company retained a residual interest in the portfolio with a notional amount of $37.6 million. The notes have an initial weighted average interest rate of approximately 3.39% plus one-month LIBOR and interest payments on the notes are payable monthly, beginning on November 15, 2012, to and including October 15, 2022, the stated maturity date of the notes. The Company incurred approximately $2.4 million of issuance costs which is being amortized on a level yield basis over the average estimated life of the CLO. Including certain fees and costs, the initial weighted average note rate was 4.35%. The Company accounts for this transaction on its balance sheet as a financing facility.

In January 2013, the Company completed its second CLO, issuing to third party investors two tranches of investment grade collateralized loan obligations through newly-formed wholly-owned subsidiaries, Arbor Realty Collateralized Loan Obligation 2013-1, Ltd. and Arbor Realty Collateralized Loan Obligation 2013-1, LLC. As of the CLO closing date, the notes are secured by a portfolio of loan obligations with a face value of approximately $210.0 million, consisting primarily of bridge loans and a senior participation interest in a first mortgage loan that were contributed from the Company's existing loan portfolio. The financing has a two-year replacement period that allows the principal proceeds and sale proceeds (if any) of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the indenture. Thereafter, the outstanding debt balance will be reduced as loans are repaid. Initially, the proceeds of the issuance of the securities also included $50.0 million for the purpose of acquiring additional loan obligations for a period of up to 90 days from the closing date of the CLO. Subsequently, the issuer owns loan obligations with a face value of approximately $260.0 million. The aggregate principal amounts of the two classes of notes were $156.0 million of Class A senior secured floating rate notes and $21.0 million of Class B secured floating rate notes. The Company retained a residual interest in the portfolio with a notional amount of approximately $83.0 million. The notes have an initial weighted average interest rate of approximately 2.36% plus one-month LIBOR and interest payments on the notes are payable monthly, beginning on March 15, 2013, to and including February 15, 2023, the stated maturity date of the notes. The Company incurred approximately $3.2 million of issuance costs which is being amortized on a level yield basis over the average estimated life of the CLO. Including certain fees and costs, the initial weighted average note rate was 3.00%. The Company accounts for this transaction on its balance sheet as a financing facility.

The Company's CLO vehicles are VIEs for which the Company is the primary beneficiary and are consolidated in the Company's Financial Statements. The two investment grade tranches are treated as a secured financing, and are non-recourse to the Company.

At December 31, 2013 and 2012, the aggregate weighted average note rate for the Company's collateralized loan obligations was 2.91% and 3.65%, respectively. Including certain fees and costs, the weighted average note rate was 3.49% and 4.33% at December 31, 2013 and 2012, respectively.

Junior Subordinated Notes

The carrying value of borrowings under the Company's junior subordinated notes was $159.3 million and $158.8 million at December 31, 2013 and 2012, respectively, which is net of a deferred amount of $16.6 million and $17.1 million, respectively. These notes have maturities ranging

Note 7—Debt Obligations (Continued)

from March 2034 through April 2037 and pay interest quarterly at a fixed or floating rate of interest based on three-month LIBOR and, absent the occurrence of special events, were not redeemable for the first two years. The current weighted average note rate was 3.01% and 3.08% at December 31, 2013 and 2012, respectively, however, based upon the accounting treatment for the restructuringmentioned below, the effective rate was 3.06% and 3.12%, at December 31, 2013 and 2012, respectively. Including certain fees and costs, the weighted average note rate was 3.18% and 3.35%, respectively. The impact of these variable interest entities with respect to consolidation is discussed in Note 9—"Variable Interest Entities."

In 2009, the Company retired $265.8 million of its then outstanding trust preferred securities, primarily consisting of $258.4 million of junior subordinated notes issued to third party investors and $7.4 million of common equity issued to the Company in exchange for $289.4 million of newly issued unsecured junior subordinated notes, representing 112% of the original face amount. The notes bore a fixed interest rate of 0.50% per annum until March 31, 2012 or April 30, 2012 (the "Modification Period"). Thereafter, interest is to be paid at the rates set forth in the existing trust agreements until maturity, equal to three month LIBOR plus a weighted average spread of 2.77% for the years ended 2013, 2012 and 2011. The 12% increase tothe face amount due upon maturity, which had a balance of $16.6 million at December 31, 2013, is being amortized into interest expense over the life of the notes. The Company also paid transaction fees of approximately $1.3 million to the issuers of the junior subordinated notes related to this restructuring which is being amortized over the life of the notes. The terms of the Modification Period expired in April 2012.

Notes Payable

The following table outlines borrowings under the Company's notes payable as of December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	Debt Carrying Value	Collateral Carrying Value	Debt Carrying Value	Collateral Carrying Value
Note payable relating to investment in equity affiliate, expiration July 2016, interest is fixed, the weighted average note rate was 4.06%	$ —	$ —	$ 50,157,708	$ 55,988,411
Junior loan participation, secured by the Company's interest in a first mortgage loan with a principal balance of $1.3 million, participation interest was based on a portion of the interest received from the loan which has a fixed rate of 9.57%	1,300,000	1,300,000	1,300,000	1,300,000
Junior loan participation, maturity of March 2014, secured by the Company's interest in a mezzanine loan with a principal balance of $3.0 million, participation interest is a fixed rate of 15.00%	450,000	450,000	—	—
Junior loan participation, maturity of October 2018, secured by the Company's interest in a mezzanine loan with a principal balance of $3.0 million, participation interest is a fixed rate of 13.00%	750,000	750,000	—	—
Total notes payable	$ 2,500,000	$ 2,500,000	$ 51,457,708	$ 57,288,411

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 7—Debt Obligations (Continued)

At December 31, 2013 and 2012, the aggregate weighted average note rate for the Company's notes payable was 4.26% and 3.91%, respectively. There were no interest rate swaps on the notes payable at December 31, 2013 and 2012.

In September 2013, the $50.2 million outstanding balance of a note payable related to the Company's interest in Lightstone was paid off upon the redemption of the preferred operating partnership units in Lightstone. The note payable originated in 2008 after the Company received cash related to a transaction with Lightstone to exchange the Company's profits interest in Prime Outlets Member, LLC ("POM") for operating partnership units in Lightstone. In addition, during the fourth quarter of 2013, the Company deconsolidated the entity that held the remaining portion of the note payable. See Note 5—"Investments in equity affiliates" for further details.

In October 2013, the Company entered into a non-recourse junior loan participation for approximately $0.8 million on a $3.0 million mezzanine loan. In September 2013, the Company entered into a non-recourse junior loan participation for approximately $0.5 million on another $3.0 million mezzanine loan. Interest expense is based on the portion of the interest received from the loan that is paid to the junior participant. The Company's obligation to pay interest on the participation is based on the performance of the related loan.

Mortgage Note Payable—Real Estate Owned and Held-For-Sale

During 2011, the Company assumed a $55.4 million interest-only first lien mortgage in connection with the acquisition of real property pursuant to bankruptcy proceedings for an entity in which the Company had a $29.8 million loan secured by the Multifamily Portfolio. The mortgage bears interest at a variable rate of one-month LIBOR plus 1.23% and has a maturity date of March 2014 with a one year and three month extension option, subject to certain conditions. In 2011, one of the properties in the Multifamily Portfolio was sold to a third party for $1.6 million and the proceeds were used to pay down the first lien mortgage to a balance of $53.8 million. In September 2013, one of the properties in the Multifamily Portfolio was classified as held-for-sale and thus $11.0 million of the first lien mortgage was classified as held-for-sale and the balance of $42.7 million was classified as real estate owned at December 31, 2013.

Debt Covenants

The Company's debt facilities contain various financial covenants and restrictions, including minimum net worth, minimum liquidity and maximum debt balance requirements, as well as certain other debt service coverage ratios and debt to equity ratios. The Company was in compliance with all financial covenants and restrictions at December 31, 2013.

The Company's CDO and CLO vehicles contain interest coverage and asset overcollateralization covenants that must be met as of the waterfall distribution date in order for the Company to receive such payments. If the Company fails these covenants in any of its CDOs or CLOs, all cash flows from the applicable CDO or CLO would be diverted to repay principal and interest on the outstanding CDO or CLO bonds and the Company would not receive any residual payments until that CDO or CLO regained compliance with such tests. The Company's CDOs and CLOs were in compliance with all such covenants as of December 31, 2013, as well as on the most recent determination date in January 2014. In the event of a breach of the CDO or CLO covenants that could not be cured in the near-term, the

Note 7—Debt Obligations (Continued)

Company would be required to fund its non-CDO or non-CLO expenses, including management fees and employee costs, distributions required to maintain REIT status, debt costs, and other expenses with (i) cash on hand, (ii) income from any CDO or CLO not in breach of a covenant test, (iii) income from real property and loan assets, (iv) sale of assets, or (v) accessing the equity or debt capital markets, if available. The Company has the right to cure covenant breaches which would resume normal residual payments to it by purchasing non-performing loans out of the CDOs or CLOs. However, the Company may not have sufficient liquidity available to do so at such time.

The chart below is a summary of the Company's CDO and CLO compliance tests as of the most recent determination dates in January 2014:

Cash Flow Triggers	CDO I	CDO II	CDO III	CLO I	CLO II
Overcollateralization(1)					
Current	167.15%	137.87%	107.80%	142.96%	146.89%
Limit	145.00%	127.30%	105.60%	137.86%	144.25%
Pass / Fail	Pass	Pass	Pass	Pass	Pass
Interest Coverage(2)					
Current	547.23%	430.96%	779.18%	289.34%	325.74%
Limit	160.00%	147.30%	105.60%	120.00%	120.00%
Pass / Fail	Pass	Pass	Pass	Pass	Pass

(1) The overcollateralization ratio divides the total principal balance of all collateral in the CDO and CLO by the total principal balance of the bonds associated with the applicable ratio. To the extent an asset is considered a defaulted security, the asset's principal balance for purposes of the overcollateralization test is the lesser of the asset's market value or the principal balance of the defaulted asset multiplied by the asset's recovery rate which is determined by the rating agencies. Rating downgrades of CDO and CLO collateral will generally not have a direct impact on the principal balance of a CDO and CLO asset for purposes of calculating the CDO and CLO overcollateralization test unless the rating downgrade is below a significantly low threshold (e.g. CCC-) as defined in each CDO and CLO vehicle.

(2) The interest coverage ratio divides interest income by interest expense for the classes senior to those retained by the Company.

The chart below is a summary of the Company's CDO and CLO overcollateralization ratios as of the following determination dates:

Determination Date	CDO I	CDO II	CDO III	CLO I	CLO II
January 2014	167.15%	137.87%	107.80%	142.96%	146.89%
October 2013	166.88%	133.77%	106.64%	142.96%	146.89%
July 2013	176.69%	139.10%	106.61%	142.96%	146.89%
April 2013	174.76%	138.97%	106.56%	142.96%	146.89%
January 2013	172.73%	138.89%	105.90%	142.96%	—

The ratio will fluctuate based on the performance of the underlying assets, transfers of assets into the CDOs and CLOs prior to the expiration of their respective replenishment dates, purchase or disposal of other investments, and loan payoffs. No payment due under the Junior Subordinated Indentures may be paid if there is a default under any senior debt and the senior lender has sent notice to the trustee. The Junior Subordinated Indentures are also cross-defaulted with each other.

Note 8—Noncontrolling Interest

Noncontrolling interest of $1.9 million as of December 31, 2012 represents a third party's one third interest in the equity of a consolidated subsidiary that owns an investment that carried a note payable related to the exchange of POM profits interest transaction discussed in Note 7—"Debt Obligations." In September 2013, a portion of the investment was redeemed by Lightstone and the related note payable was repaid. In the fourth quarter of 2013, the entity's operating agreement was amended to provide joint control to the members of the entity, and therefore, the entity was deconsolidated. Upon completion of this transaction, the Company deconsolidated the entity and noncontrolling interest was reduced to zero. See Note 5—"Investments in equity affiliates" for further details. For the years ended December 31, 2013 and 2012, the Company recorded income of $0.1 million and $0.2 million, respectively, as well as distributions of $2.1 million which included a distribution of $0.9 million related to the transaction discussed above, and $0.2 million, respectively, attributable to the noncontrolling interest.

Note 9—Variable Interest Entities

The Company has evaluated its loans and investments, mortgage related securities, investments in equity affiliates, junior subordinated notes, CDOs and CLOs, in order to determine if they qualify as VIEs or as variable interests in VIEs. This evaluation resulted in the Company determining that its bridge loans, junior participation loans, mezzanine loans, preferred equity investments, investments in equity affiliates, junior subordinated notes, CDOs, CLOs and investments in mortgage related securities are potential VIEs.

The Company's involvement with VIEs primarily affects its financial performance and cash flows through amounts recorded in interest income, interest expense, provision for loan losses and through activity associated with its derivative instruments.

Consolidated VIEs

The Company consolidates its three CDO and two CLO subsidiaries, which qualify as VIEs, of which the Company is the primary beneficiary. These CDOs and CLOs invest in real estate and real estate-related securities and are financed by the issuance of CDO and CLO debt securities. The Company, or one of its affiliates, is named collateral manager, servicer, and special servicer for all CDO and CLO collateral assets which the Company believes gives it the power to direct the most significant economic activities of the entity. The Company also has exposure to CDO and CLO losses to the extent of its equity interests and also has rights to waterfall payments in excess of required payments to CDO and CLO bond investors. As a result of consolidation, equity interests in these CDOs and CLOs have been eliminated, and the Consolidated Balance Sheet reflects both the assets held and debt issued by the CDOs and CLOs to third parties. The Company's operating results and cash flows include the gross amounts related to CDO and CLO assets and liabilities as opposed to the Company's net economic interests in the CDO and CLO entities.

Assets held by the CDOs and CLOs are restricted and can be used only to settle obligations of the CDOs and CLOs. The liabilities of the CDOs and CLOs are non-recourse to the Company and can only be satisfied from each CDOs and CLOs respective asset pool. Assets and liabilities related to the CDOs and CLOs are disclosed parenthetically, in the aggregate, in the Company's Consolidated Balance Sheets. See Note 7—"Debt Obligations" for further details.

Note 9—Variable Interest Entities (Continued)

The Company is not obligated to provide, has not provided, and does not intend to provide financial support to any of the consolidated CDOs and CLOs.

Unconsolidated VIEs

The Company determined that it is not the primary beneficiary of 40 VIEs in which it has a variable interest as of December 31, 2013 because it does not have the ability to direct the activities of the VIEs that most significantly impact each entity's economic performance. VIEs, of which the Company is not the primary beneficiary, have an aggregate carrying amount of $645.0 million and exposure to real estate debt of approximately $3.7 billion at December 31, 2013.

The following is a summary of the Company's variable interests in identified VIEs, of which the Company is not the primary beneficiary, as of December 31, 2013:

Type	Carrying Amount(1)	Maximum Exposure to Loss(2)
Loans	$ 417,998,101	$ 417,998,101
Loans and equity investments	115,253,740	115,253,740
RMBS	109,041,129	109,041,129
CMBS	2,100,000	2,100,000
Junior subordinated notes(3)	578,000	578,000
Total	$ 644,970,970	$ 644,970,970

(1) Represents the carrying amount of loans and investments before reserves. At December 31, 2013, $185.0 million of loans to VIEs had corresponding loan loss reserves of approximately $110.9 million and $44.3 million of loans to VIEs were related to loans classified as non-performing. See Note 3—"Loans and Investments" for further details.

(2) The Company's maximum exposure to loss as of December 31, 2013 would not exceed the carrying amount of its investment.

(3) These entities that issued the junior subordinated notes are VIEs. It is not appropriate to consolidate these entities as equity interests are variable interests only to the extent that the investment is considered to be at risk. Since the Company's investments were funded by the entities that issued the junior subordinated notes, it is not considered to be at risk.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 10—Derivative Financial Instruments

The following is a summary of the derivative financial instruments held by the Company as of December 31, 2013 and 2012 (dollars in thousands):

		Notional Value						Fair Value	
Designation\Cash Flow	**Derivative**	**Count**	**December 31, 2013**	**Count**	**December 31, 2012**	**Expiration Date**	**Balance Sheet Location**	**December 31, 2013**	**December 31, 2012**
Non-Qualifying	Basis Swaps	1	$ 11,600	8	$ 603,524	2015	Other Assets	$ 5	$ 128
Non-Qualifying	LIBOR Caps	—	$ —	1	$ 6,000	—	Other Assets	$ —	$ —
Qualifying	LIBOR Cap	—	$ —	1	$ 73,301	—	Other Assets	$ —	$ —
Qualifying	Interest Rate Swaps	14	$ 297,532	14	$ 312,227	2014 - 2017	Other Liabilities	$ (24,794)	$ (37,755)
Non-Qualifying	Forward Contracts	8	$ —	12	$ —	2016 - 2036	Other Assets	$ 6,397	$ 10,800

The Non-Qualifying Basis Swaps Hedges are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet hedge accounting requirements. The Company is exposed to changes in the fair value of certain of its fixed rate obligations due to changes in benchmark interest rates and uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the benchmark interest rate. These interest rate swaps designated as fair value hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. During the year ended December 31, 2013, seven basis swaps matured with a combined notional value of approximately $499.4 million and the notional value of one basis swap decreased by approximately $92.6 million pursuant to the contractual terms of the respective swap agreement. The Non-Qualifying LIBOR Cap Hedge with a notional value of approximately $6.0 million at December 31, 2012 also matured during the year ended December 31, 2013. The Company entered into these hedges in the fourth quarter of 2010 and the first quarter of 2011 due to loan agreements which required LIBOR Caps of 1% to 2%. During the year ended December 31, 2012, a basis swap matured with a notional value of approximately $110.1 million and the notional value of four basis swaps decreased by approximately $140.4 million pursuant to the contractual terms of the respective swap agreements. For the years ended December 31, 2013, 2012 and 2011, the change in fair value of the Non-QualifyingSwaps was $(0.1) million, $(1.4) million and $0.2 million, respectively, and was recorded in interest expense on the Consolidated Statements of Operations.

The change in the fair value of Qualifying Interest Rate Swap Cash Flow Hedges was recorded in accumulated other comprehensive loss on the Consolidated Balance Sheets. These interest rate swaps are used to hedge the variable cash flows associated with existing variable-rate debt, and amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the year ended December 31, 2013, the notional value on an interest rate swap decreased by approximately $14.5 million pursuant to the contractual terms of the respective swap agreement. The Qualifying LIBOR Cap Hedge with a notional value of approximately $73.3 million at December 31, 2012 also

Note 10—Derivative Financial Instruments (Continued)

matured during the year ended December 31, 2013. During the year ended December 31, 2012, ten interest rate swaps matured with a combined notional value of approximately $196.4 million and the notional value on an interest rate swap decreased by approximately $6.4 million pursuant to the contractual terms of the respective swap agreement. As of December 31, 2013, the Company expects to reclassify approximately $(12.3) million of other comprehensive loss from Qualifying Cash Flow Hedges to interest expense over the next twelve months assuming interest rates on that date are held constant. Gains and losses on terminated swaps are being deferred and recognized in earnings over the original life of the hedged item. These swap agreements must be effective in reducing the variability of cash flows of the hedged items in order to qualify for the aforementioned hedge accounting treatment. As of December 31, 2013 and 2012, the Company has a net deferred loss of $1.6 million and $2.2 million, respectively, in accumulated other comprehensive loss. The Company recorded $0.9 million, $0.9 million and $1.8 million as additional interest expense related to the amortization of the loss for the years ended December 31, 2013, 2012 and 2011, respectively, and $0.2 million as a reduction to interest expense related to the accretion of the net gains for each of the years ended December 31, 2013, 2012 and 2011. The Company expects to record approximately $0.5 million of net deferred loss to interest expense over the next twelve months.

The fair value of Non-Qualifying Forward Contracts was $6.4 million as of December 31, 2013 and was recorded in other assets on the Consolidated Balance Sheets and consisted of $66.0 million of RMBS investments, which is net of $1.5 million of net losses in fair value, and $59.6 million of repurchase financing. The fair value of Non-Qualifying Forward Contracts was $10.8 million as of December 31, 2012 and was recorded in other assets on the Consolidated Balance Sheets and consisted of $75.3 million of RMBS investments, net of $64.6 million of repurchase financing. During the year ended December 31, 2013, the Company purchased nine RMBS investments for $85.3 million and financed the purchases with repurchase agreements totaling $73.7 million, which are accounted for as linked transactions and considered forward contracts. The repurchase agreements generally finance 80%—90% of the purchase and bear interest at a rate of 125 to 175 basis points over LIBOR. The Company received total principal paydowns on the RMBS of $31.9 million and paid down the associated repurchase agreement by $27.7 million. During the year ended December 31, 2013, the Company sold 11 RMBS investments, which were accounted for as linked transactions, with an aggregate carrying value of $61.0 million for approximately $61.4 million and recorded a net gain of $0.4 million related to the settlement of these linked transactions. The 11 RMBS investments were financed with repurchase agreements totaling $52.4 million which were repaid with the proceeds. During the year ended December 31, 2012, the Company purchased 12 RMBS investments for $84.6 million and financed 80%—90% of the purchases with repurchase agreements totaling $71.3 million that bear interest at a rate of 125 to 175 basis points over LIBOR and that are accounted for as linked transactions and considered forward contracts. The Company received total principal paydowns on the RMBS of $9.3 million and paid down the associated repurchase agreement by $6.7 million. For the year ended December 31, 2013, $1.9 million of net interest income and a $1.7 million decrease in fair value was recorded to other income on the Consolidated Statements of Operations. For the year ended December 31, 2012, $1.1 million of net interest income and a $0.2 million increase in fair value was recorded to other income in the Consolidated Statements of Operations. The RMBS investments bear interest at a weighted average fixed rate of 3.34%, have a weighted average stated maturity of 23.1 years, but have weighted average estimated lives of 9.0 years

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 10—Derivative Financial Instruments (Continued)

based on the estimated maturities of the RMBS investments. In the first quarter of 2014, the Company sold the majority of its RMBS investments accounted for as linked transactions with an aggregate carrying value of $48.3 million for approximately $48.5 million. These RMBS investments were financed with repurchase agreements totaling $36.0 million which were repaid with the proceeds.

The following table presents the effect of the Company's derivative financial instruments on the Statements of Operations as of December 31, 2013, 2012 and 2011 (dollars inthousands):

		Amount of Loss Recognized in Other Comprehensive Loss (Effective Portion) For the Year Ended December 31,			Amount of Loss Reclassified from Accumulated Other Comprehensive Loss into Interest Expense (Effective Portion) For the Year Ended December 31,			Amount of (Loss) Gain Recognized in Interest Expense (Ineffective Portion) For the Year Ended December 31,			Amount of (Loss) Gain Recognized in Other Income For the Year Ended December 31,		
Designation\Cash Flow	Derivative	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Non-Qualifying	Basis Swaps / Caps	$ —	$ —	$ —	$ —	$ —	$ —	$ (12)	$ (22)	$827	$ —	$ —	$ —
Qualifying	Interest Rate Swaps / Cap	$520	$7,699	$20,698	$(14,131)	$(16,565)	$(27,164)	$ —	$ —	$ —	$ —	$ —	$ —
Non-Qualifying	Forward Contracts	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$(1,676)	$167	$ —

The cumulative amount of other comprehensive loss related to net unrealized losses on derivatives designated as qualifying hedges as of December 31, 2013 and 2012 of approximately$(26.3) million and $(40.0) million, respectively, is a combination of the fair value of qualifying cash flow hedges of $(24.8) million and $(37.8) million, respectively, deferred losses on terminated interest swaps of $(1.9) million and $(2.7) million as of December 31, 2013 and 2012, respectively, and deferred net gains on termination of interest swaps of $0.3 million and $0.5 million as of December 31, 2013 and 2012, respectively.

The Company has agreements with certain of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. As of December 31, 2013 and 2012, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk related to these agreements, was $(13.8) million and $(19.2) million, respectively. As of December 31, 2013 and 2012, the Company had minimum collateral posting thresholds with certain of its derivative counterparties and had posted collateral of $14.2 million and $20.0 million, respectively, which is recorded in other assets in the Company's Consolidated Balance Sheets.

Note 11—Fair Value

Fair Value of Financial Instruments

Fair value estimates are dependent upon subjective assumptions and involve significant uncertainties resulting in variability in estimates with changes in assumptions. The following table

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 11—Fair Value (Continued)

summarizes the carrying values and the estimated fair values of the Company's financial instruments as of December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Loans and investments, net	$ 1,523,699,653	$ 1,550,248,793	$ 1,325,667,053	$ 1,316,001,339
Available-for-sale securities	37,315,652	37,315,652	3,552,736	3,552,736
Securities held-to-maturity, net	—	—	42,986,980	43,153,124
Derivative financial instruments	6,402,336	6,402,336	10,927,551	10,927,551
Financial liabilities:				
Repurchase agreements and credit facilities.	$ 159,125,023	$ 158,735,570	$ 130,661,619	$ 130,363,126
Collateralized debt obligations	639,622,981	521,938,885	812,452,845	590,901,757
Collateralized loan obligations	264,500,000	266,436,250	87,500,000	87,500,000
Junior subordinated notes	159,291,427	101,240,185	158,767,145	99,984,066
Notes payable	2,500,000	2,487,287	51,457,708	46,743,406
Mortgage note payable—real estate owned and held-for-sale	53,751,004	52,943,305	53,751,004	50,005,874
Derivative financial instruments	24,794,051	24,794,051	37,754,775	37,754,775

The following methods and assumptions were used by the Company in estimating the fair value of each class of financial instrument:

Loans and investments, net: Fair values of loans and investments that are not impaired are estimated using discounted cash flow methodology, using discount rates, which, in the opinion of management, best reflect current market interest rates that would be offered for loans with similar characteristics and credit quality. Fair values of loans and investments that are impaired are estimated by the Company using significant judgments, which include assumptions regarding discount rates, capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management.

Available-for-sale securities: Fair values are approximated based on current market quotes received from active markets or financial sources that trade such securities and are based on prevailing market data and, in some cases, are derived from third party proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions. Fair values of RMBS investments are approximated based on internally developed valuation models, which are compared to current non-binding market quotes received from financial sources that trade such securities. The fair values of certain CMBS securities are estimated by the Company using significant judgments, which include assumptions regarding capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management.

Note 11—Fair Value (Continued)

Held-to-maturity securities: Fair values are approximated based on internally developed valuation models, which are compared to current non-binding market quotes received from financial sources that trade such securities.

Derivative financial instruments: Fair values of interest rate swap derivatives are approximated based on current market data received from financial sources that trade such instruments and are based on prevailing market data and derived from third party proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions. These items are included in other assets and other liabilities on the Consolidated Balance Sheets. The Company incorporates credit valuation adjustments in the fair values of its derivative financial instruments to reflect counterparty nonperformance risk. The fair values of RMBS underlying linked transactions are estimated based on internally developed valuation models, which are compared to broker quotations. The value of the underlying RMBS is then netted against the carrying amount (which approximates fair value) of the repurchase agreement borrowing at the valuation date. The fair value of linked transactions also includes accrued interest receivable on the RMBS and accrued interest payable on the underlying repurchase agreement borrowings.

Repurchase agreements, credit facilities, notes payable and mortgage notes payable: Fair values are estimated using discounted cash flow methodology, using discount rates, which, in the opinion of management, best reflect current market interest rates for financing with similar characteristics and credit quality.

Collateralized debt obligations and collateralized loan obligations: Fair values are estimated based on broker quotations, representing the discounted expected future cash flows at a yield that reflects current market interest rates and credit spreads.

Junior subordinated notes: Fair values are estimated based on broker quotations, representing the discounted expected future cash flows at a yield that reflects current market interest rates and credit spreads.

Fair Value Measurement

Fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

Assets and liabilities disclosed at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the

Note 11—Fair Value (Continued)

amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

- Level 1—Inputs are unadjusted and quoted prices exist in active markets for identical assets or liabilities at the measurement date. The types of assets and liabilities carried at Level 1 fair value generally are government and agency securities, equities listed in active markets, investments in publicly traded mutual funds with quoted market prices and listed derivatives.

- Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life. Level 2 inputs include quoted market prices in markets that are not active for an identical or similar asset or liability, and quoted market prices in active markets for a similar asset or liability. Fair valued assets and liabilities that are generally included in this category are non-government securities, municipal bonds, certain hybrid financial instruments, certain mortgage and asset-backed securities, certain corporate debt, certain commitments and guarantees, certain private equity investments and certain derivatives.

- Level 3—Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. These valuations are based on significant unobservable inputs that require a considerable amount of judgment and assumptions. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Generally, assets and liabilities carried at fair value and included in this category are certain mortgage and asset-backed securities, certain corporate debt, certain private equity investments, certain municipal bonds, certain commitments and guarantees and certain derivatives.

Determining which category an asset or liability falls within the hierarchy requires significant judgment and the Company evaluates its hierarchy disclosures each quarter.

The Company measures certain financial assets and financial liabilities at fair value on a recurring basis, including available—for—sale securities and derivative financial instruments. The fair value of these financial assets and liabilities was determined using the following inputs as of December 31, 2013:

	Carrying Value	Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
Financial assets:					
Available-for-sale securities(1)	$ 37,315,652	$ 37,315,652	$ 734,866	$ —	$ 36,580,786
Derivative financial instruments(2)	6,402,336	6,402,336	—	5,483	6,396,853
Financial liabilities:					
Derivative financial instruments	24,794,051	24,794,051	—	24,794,051	—

(1) The Company's equity securities available-for-sale were measured using Level 1 inputs and the Company's RMBS and CMBS investments available-for-sale were measured using Level 3 inputs.

Note 11—Fair Value (Continued)

(2) The Company's basis swap derivatives were measured using Level 2 inputs and the Company's forward contract derivatives were measured using Level 3 inputs.

Available-for-sale securities: Fair values are approximated based on current market quotes received from active markets or financial sources that trade such securities. The fair values of available-for-sale equity securities traded in active markets are approximated using Level 1 inputs, while the fair values of available-for-sale debt securities that are approximated using current, non-binding market quotes received from financial sources that trade such investments are valued using Level 3 inputs. The fair values of RMBS investments are approximated using Level 3 inputs that require significant judgments, and are used in internally developed valuation models, which are compared to current non-binding market quotes received from financial sources that trade such securities. The fair value of a CMBS security is estimated by the Company using Level 3 inputs that require significant judgments, which include assumptions regarding capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management.

Derivative financial instruments: Fair values of interest rate swap derivatives are approximated using Level 2 inputs based on current market data received from financial sources that trade such instruments and are based on prevailing market data and derived from third party proprietary models based on well recognized financial principles including counterparty risks, credit spreads and interest rate projections, as well as reasonable estimates about relevant future market conditions. These items are included in other assets and other liabilities on the Consolidated Balance Sheet. The Company incorporates credit valuation adjustments in the fair values of its derivative financial instruments to reflect counterparty nonperformance risk. The fair values of forward contract derivatives are approximated using Level 3 inputs in internally developed valuation models, which are compared to current non-binding market quotes for the underlying RMBS received from pricing services and financial sources that trade such investments.

The following roll forward table reconciles the beginning and ending balances of financial assets measured at fair value on a recurring basis using Level 3 inputs:

	Available-for-sale Securities	Derivative Financial Instruments
Balance as of December 31, 2012	$ 3,200,000	$ 10,799,536
Adjustments to fair value:		
Additions(1)	34,480,786	10,285,729
Paydowns(2)	—	(4,468,205)
Net changes in fair value(3)	—	(1,675,629)
Sales and settlements(4)	(1,100,000)	(8,544,578)
Balance as of December 31, 2013	$ 36,580,786	$ 6,396,853

(1) Represents RMBS investments transferred from held-to-maturity to available-for-sale and forward contract derivatives recorded at fair value in the year ended December 31, 2013.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 11—Fair Value (Continued)

(2) Represents the paydowns on the forward contracts during the year ended December 31, 2013.

(3) Represents the net change in fair value recorded to other income during the year ended December 31, 2013.

(4) Represents the sale of a CDO bond investment and the settlement of forward contract derivatives during the year ended December 31, 2013.

The Company measures certain financial and non-financial assets at fair value on a nonrecurring basis, such as impaired loans, impaired real estate owned and land investments. The fair value of these assets was determined using the following inputs as of December 31, 2013:

	Net Carrying Value	Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
Financial assets:					
Impaired loans, net(1)	$ 85,193,835	$ 103,951,397	$ —	$ —	$ 103,951,397
Non-financial assets:					
Impaired real estate owned(2)	3,437,152	3,437,152	—	—	3,437,152
Land investment(3)	6,061,498	6,061,498	—	—	6,061,498

(1) The Company had an allowance for loan losses of $122.3 million relating to 15 loans with an aggregate carrying value, before loan loss reserves, of approximately $207.5 million at December 31, 2013.

(2) The Company recorded an impairment loss on one of the properties in its multifamily portfolio in the fourth quarter of 2013.

(3) The Company recorded land held as collateral for a loan that was transferred to other assets at fair value in the fourth quarter of 2013.

Loan impairment assessments: Loans held for investment are intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan origination costs and fees, loan purchase discounts, and net of the allowance for loan losses when such loan or investment is deemed to be impaired. The Company considers a loan impaired when, based upon current information and events, it is probable that it will be unable to collect all amounts due for both principal and interest according to the contractual terms of the loan agreement. The Company performs evaluations of its loans to determine if the value of the underlying collateral securing the impaired loan is less than the net carrying value of the loan, which may result in an allowance and corresponding charge to the provision for loan losses. These valuations require significant judgments, which include assumptions regarding capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management. The table above includes all impaired loans, regardless of the period in which an impairment was recognized.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 11—Fair Value (Continued)

Real estate owned and land investments: The Company performs evaluations of its real estate owned and land investments to determine if the fair value of the property is less than the net carrying value, which may result in impairment. These valuations require significant judgments, which include assumptions regarding capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, comparable sales and other factors deemed necessary by management.

Quantitative information about Level 3 Fair Value Measurements on a recurring and non-recurring basis:

	December 31, 2013			
	Fair Value	Valuation Technique(s)	Unobservable Inputs	Range (Weighted Average)
Financial assets:				
Impaired loans(1):				
Multi-family	$24,472,539	Direct capitalization analysis	Discount rate	7.50% to 8.00% (6.30%)
		and discounted cash flows	Capitalization rate	6.00% to 8.25% (6.98%)
			Revenue growth rate	2.00% to 3.00% (1.73%)
Office	7,330,000	Discounted cash flows	Discount rate	9.25% to 10.00% (9.45%)
			Capitalization rate	8.00% to 8.50% (8.16)%
			Revenue growth rate	2.50% to 3.00% (2.96)%
Land	72,148,858	Discounted cash flows	Discount rate	15.00%
			Capitalization rate	7.25%
			Revenue growth rate	3.00%
CMBS	2,100,000	Discounted cash flows	Discount rate	17.17%
RMBS	34,480,786	Valuation models	Discount rate	(2)
			Loss severity	(2)
Forward				

Contract Derivatives	6,396,853	Valuation models	Cumulative default rate	(2)
			Voluntary prepayment rate	(2)
Non-financial assets:				
Impaired real estate owned	3,437,152	Discounted cash flows	Discount rate	10.00%
			Capitalization rate	8.00%
			Revenue growth rate	2.35%
Land	6,061,498	Comparable sales and discounted cash flows	Dollar per acre	$293K/Acre
			Discount rate	11.00%

(1) Includes all impaired loans regardless of the period in which provision was recorded.

(2) Each RMBS and forward contract derivative is associated with an underlying security that is individually modeled and valued based on the security's specific characteristics, which include current collateral composition, collateral performance projections, tranche credit enhancement and other market factors. Accordingly, as the range of the unobservable inputs used to value each individual security varies greatly, disclosing a range or weighted average of such inputs would not be meaningful. In the first quarter of 2014, the Company sold the majority of these RMBS investments and forward contract derivatives.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 11—Fair Value (Continued)

Impaired Loans and CMBS: The Company analyzes valuation policies and procedures and analyzes changes in fair value from period to period through its quarterly impairment analysis. Many methods are used to develop and substantiate unobservable inputs such as analyzing discount and capitalization rates as well as researching revenue and expense growth. Significant increases in discount or capitalization rates in isolation would result in a significantly lower fair value measurement while significant increases in revenue growth rates in isolation would result in a significantly higher fair value measurement. Significant decreases in discount or capitalization rates in isolation would result in a significantly higher fair value measurement while significant decreases in revenue growth rates in isolation would result in a significantly lower fair value measurement.

RMBS and Forward Contract Derivatives: Fair value is approximated based on internally developed valuation models, which are compared to current non-binding market quotes received from financial sources that trade such securities. Significant unobservable inputs used to calculate the quotes are not readily available to the Company.

Real estate owned and land investment: The Asset Management department is responsible for the Company's valuation policies and procedures and analyzes changes in fair value from period to period through its quarterly impairment analysis. Many methods are used to develop and substantiate unobservable inputs such as analyzing discount and capitalization rates as well as researching revenue and expense growth. Significant increases in discount or capitalization rates and comparable sales in isolation would result in a significantly lower fair value measurement while significant increases in revenue growth rates in isolation would result in a significantly higher fair value measurement. Significant decreases in discount or capitalization rates and comparable sales in isolation would result in a significantly higher fair value measurement while significant decreases in revenue growth rates in isolation would result in a significantly lower fair value measurement.

The Company measures certain assets and liabilities for which fair value is only disclosed. The fair value of these assets and liabilities was determined using the following inputs as of December 31, 2013:

			Fair Value Measurements Using Fair Value Hierarchy		
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Loans and investments, net	$ 1,523,699,653	$ 1,550,248,793	$ —	$ —	$ 1,550,248,793
Financial liabilities:					
Repurchase agreements and credit facilities	$ 159,125,023	$ 158,735,570	$ —	$ —	$ 158,735,570
Collateralized debt obligations	639,622,981	521,938,885	—	—	521,938,885
Collateralized loan obligations	264,500,000	266,436,250	—	—	266,436,250
Junior subordinated notes	159,291,427	101,240,185	—	—	101,240,185
Notes payable	2,500,000	2,487,287	—	—	2,487,287
Mortgage note payable —real estate					

owned and held-for-sale	53,751,004	52,943,305	—	—	52,943,305

Note 11—Fair Value (Continued)

Loans and investments, net: Fair values of loans and investments that are not impaired are estimated using Level 3 inputs in a discounted cash flow model, using discount rates, which, in the opinion of management, best reflect current market interest rates that would be offered for loans with similar characteristics and credit quality. Fair values of loans and investments that are impaired are estimated at Level 3 by the Company using significant judgments, which include assumptions regarding capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management.

Repurchase agreements, credit facilities, notes payable and mortgage notes payable: Fair values are estimated at Level 3 using discounted cash flow methodology, using discount rates, which, in the opinion of management, best reflect current market interest rates for financing with similar characteristics and credit quality.

Collateralized debt obligations and collateralized loan obligation: Fair values are estimated at Level 3 based on broker quotations, representing the discounted expected future cash flows at a yield that reflects current market interest rates and credit spreads.

Junior subordinated notes: Fair values are estimated at Level 3 based on discounted expected future cash flows at a yield that reflects current market interest rates and credit spreads.

Note 12—Commitments and Contingencies

Contractual Commitments

The Company's debt facilities which include repurchase agreements, credit facilities, CDOs, CLOs, junior subordinated notes, notes payable and mortgage notes payable have approximate maturities of $531.4 million in 2014, $203.4 million in 2015, $194.2 in 2016, $106.3 million in 2017, $84.2 million in 2018 and $175.9 million thereafter.

In accordance with certain loans and investments, the Company has outstanding unfunded commitments of $5.8 million as of December 31, 2013 that the Company is obligated to fund as the borrowers meet certain requirements. Specific requirements include, but are not limited to, property renovations, building construction, and building conversions based on criteria met by the borrower in accordance with the loan agreements. In relation to the $5.8 million outstanding balance at December 31, 2013, the Company's restricted cash balance contained approximately $5.8 million available to fund the portion of the unfunded commitments for loans financed by the Company's CDO vehicles.

Litigation

The Company currently is neither subject to any material litigation nor, to management's knowledge, is any material litigation currently threatened against the Company other than the following:

On June 15, 2011, three related lawsuits were filed by the Extended Stay Litigation Trust (the "Trust"), a post-bankruptcy litigation trust alleged to have standing to pursue claims that previously had

Note 12—Commitments and Contingencies (Continued)

been held by Extended Stay, Inc. and the Homestead Village L.L.C. family of companies (together "ESI") (formerly Chapter 11 debtors, together the "Debtors") that have emerged from bankruptcy. Two of the lawsuits were filed in the United States Bankruptcy Court for the Southern District of New York, and the third in the Supreme Court of the State of New York, New York County.There are 73 defendants in the three lawsuits, including 55 corporate and partnership entities and 18 individuals. A subsidiary of the Company and certain other entities that are affiliates of the Company are included as defendants. The New York State Court action has been removed to the Bankruptcy Court. The Company's affiliates filed a motion to dismiss the three lawsuits.

The lawsuits all allege, as a factual basis and background certain facts surrounding the June 2007 leveraged buyout of ESI from affiliates of Blackstone Capital. The Company's subsidiary, Arbor ESH II, LLC, had a $115.0 million investment in the Series A1 Preferred Units of a holding company of Extended Stay, Inc. The New York State Court action and one of the two federal court actions name as defendants, Arbor ESH II, LLC, Arbor Commercial Mortgage, LLC and ABT-ESI LLC, an entity in which the Company has a membership interest, among the broad group of defendants. These two actions were commenced by substantially identical complaints. The defendants are alleged in these complaints, among other things, to have breached fiduciary and contractual duties by causing or allowing the Debtors to pay illegal dividends or other improper distributions of value at a time when the Debtors were insolvent. These two complaints also allege that the defendants aided and abetted, induced, or participated in breaches of fiduciary duty, waste, and unjust enrichment ("Fiduciary Duty Claims") and name a director of the Company, and a former general counsel of Arbor Commercial Mortgage, LLC, each of whom had served on the Board of Directors of ESI for a period of time. The Company is defending these two defendants and paying the costs of such defense. On the basis of the foregoing allegations, the Trust has asserted claims under a number of common law theories, seeking the return of assets transferred by the Debtors prior to the Debtors' bankruptcy filing.

In the third action, filed in Bankruptcy Court, the same plaintiff, the Trust, has named Arbor Commercial Mortgage, LLC and ABT-ESI LLC, together with a number of other defendants and asserts claims, including constructive and fraudulent conveyance claims under state and federal statutes, as well as a claim under the Federal Debt Collection Procedure Act.

On June 28, 2013, the Trust filed a motion to amend the lawsuits, to, among other things, (i) consolidate the lawsuits into one lawsuit, (ii) remove 47 defendants, none of whom are related to the Company, from the lawsuits so that there are 26 remaining defendants, including 16 corporate and partnership entities and 10 individuals, and (iii) reduce the counts within the lawsuits from over 100 down to 17. The remaining counts in the amended complaint against affiliates of the Company are principally state law claims for breach of fiduciary duties, waste, unlawful dividends and unjust enrichment, and claims under the Bankruptcy Code for avoidance and recovery actions, among others. The bankruptcy court granted the motion and the amended complaint has been filed. The amended complaint seeks $139 million in the aggregate from director designees and affiliates of the Company. The Company has moved to dismiss the referenced actions and intends to vigorously defend against the claims asserted therein. A hearing date for the motion to dismiss has not been set yet.

The Company has not made a loss accrual for this litigation because it believes that it is not probable that a loss has been incurred and an amount cannot be reasonably estimated.

Note 13—Equity

Preferred Stock

In February 2013, the Company completed an underwritten public offering of 1,400,000 shares of 8.25% Series A cumulative redeemable preferred stock with a liquidation preference of $25.00 per share, generating net proceeds of approximately $33.6 million after deducting the underwriting discount and other offering expenses. Also in February 2013, the underwriters exercised a portion of their over-allotment option for 151,500 shares providing additional net proceeds of approximately $3.7 million.

In May 2013, the Company completed an underwritten public offering of 1,200,000 shares of 7.75% Series B cumulative redeemable preferred stock generating net proceeds of approximately $28.9 million after deducting the underwriting discount and other offering expenses. Also in May 2013, the underwriters exercised a portion of their over-allotment option for 60,000 shares providing additional net proceeds of approximately $1.5 million.

Common Stock

In June 2012, the Company completed a public offering in which it sold 3,500,000 shares of its common stock for $5.40 per share, and received net proceeds of approximately $17.5 million after deducting the underwriting discount and other offering expenses.

In October 2012, the Company completed another public offering in which it sold 3,500,000 shares of its common stock for $5.80 per share, and received net proceeds of approximately $19.2 million after deducting the underwriting discount and other offering expenses.

In December 2012, the Company entered into an "At-The-Market" ("ATM") equity offering sales agreement with JMP Securities LLC ("JMP") whereby, in accordance with the terms of the agreement, from time to time the Company could issue and sell through JMP up to 6,000,000 shares of its common stock. Sales of the shares were made by means of ordinary brokers' transactions or otherwise at market prices prevailing at the time of sale, or at negotiated prices. As of March 15, 2013, JMP sold all of the 6,000,000 shares for net proceeds of $45.6 million.

In March 2013, the Company completed another public offering in which it sold 5,625,000 shares of its common stock for $8.00 per share, and received net proceeds of approximately $43.0 million after deducting the underwriting discount and other offering expenses.

In June 2013, the Company filed a shelf registration statement on Form S-3 with the SEC under the 1933 Act with respect to an aggregate of $500.0 million of debt securities, common stock, preferred stock, depositary shares and warrants that may be sold by the Company from time to time pursuant to Rule 415 of the 1933 Act. On August 5, 2013, the SEC declared this shelf registration statement effective.

In September 2013, the Company completed another public offering in which it sold 6,000,000 shares of its common stock for $7.08 per share, and received net proceeds of approximately $40.9 million after deducting the underwriting discount and other offering expenses.

The Company used the net proceeds from its preferred and common offerings to make investments, to repurchase or pay liabilities and for general corporate purposes.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 13—Equity (Continued)

In February 2014, we entered into an ATM equity offering sales agreement with JMP whereby, in accordance with the terms of the agreement, from time to time we may issue and sell through JMP up to 7,500,000 shares of our common stock. Sales of the shares, if any, will be made by means of ordinary brokers' transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. As of February 14, 2014, no shares have been sold.

As of February 14, 2014, the Company has $457.5 million available under its $500.0 million shelf registration statement that was declared effective by the SEC in August 2013.

Deferred Compensation

The Company has a stock incentive plan under which the Board of Directors has the authority to issue shares of stock to certain directors, officers of the Company and employees of the Company and ACM. On May 1, 2013, the Company issued 70,000 shares of fully vested common stock to the independent members of the Board of Directors under the 2003 Stock Incentive Plan, as amended and restated in 2009 (the "Plan"), and recorded $0.5 million to selling and administrative expense in its Consolidated Statements of Operations in the second quarter of 2013. On February 28, 2013, the Company issued 192,750 shares of restricted common stock under the Plan to certain employees of the Company and ACM with a total grant date fair value of $1.5 million and recorded $0.2 million to employee compensation and benefits and $0.4 million to selling and administrative expense in the Company's Consolidated Statements of Operations in the first quarter of 2013. One third of the shares vested as of the date of grant, one third will vest in February 2014, and the remaining third will vest in February 2015. During the third quarter of 2013, a total of 667 shares of unvested restricted stock with a grant date fair value of less than $0.1 million were forfeited. As of December 31, 2013, unvested restricted stock consisted of 82,500 shares granted to non-employees with a grant date fair value of $0.7 million, which is subject to remeasurement each reporting period, and 45,333 shares granted to employees of the Company with a grant date fair value of $0.4 million. Expense is recognized ratably over the vesting period in the Company's Consolidated Statements of Operations in selling and administrative expense and employee compensation and benefits expense, respectively. During the year ended December 31, 2013, the Company recorded the ratable portion of the unvested restricted stock to employee compensation and benefits for $0.2 million and to selling and administrative expense for $0.3 million in its Consolidated Statements of Operations.

On April 3, 2012, the Company issued an aggregate of 90,000 shares of fully vested common stock to the non-management members of the Board of Directors, as well as 6,255 shares of fully vested common stock to a former director who was also the corporate secretary, under the 2003 Stock Incentive Plan, as amended and restated in 2009 (the "Plan"), and recorded approximately $0.5 million to selling and administrative expense in its Consolidated Statement of Operations for the year ended December 31, 2012. On March 19, 2012, the Company issued 10,000 shares of fully vested common stock under the Plan to a director who is also an officer of the managing member of ACM, and recorded approximately $0.1 million to selling and administrative expense in the Company's Consolidated Statement of Operations for the year ended December 31, 2012. On January 22, 2012, the Company issued 15,000 shares of fully vested common stock under the Plan to a director who was re-appointed to the Board of Directors on December 19, 2011, and accrued approximately $0.1 million to selling and administrative expense in the Company's Consolidated Statement of Operations for the

Note 13—Equity (Continued)

year ended December 31, 2011. In February 2013, the Board of Directors authorized the issuance of approximately 200,000 shares of restricted common stock under the Plan to certain employees of the Company and ACM. The effective date of the grant will be February 28, 2013 and will vest over a two year period. One third of the shares will vest as of the date of grant, one third will vest in February 2014, and the remaining third will vest in February 2015.

On December 12, 2011, the Company issued an aggregate of 250,000 shares of common stock under the Plan to certain employees of the Company and ACM. The 250,000 common shares underlying the stock awards granted were fully vested as of the date of grant and the Company recorded approximately $0.4 million to employee compensation and benefits and approximately $0.5 million to selling and administrative expense in its Consolidated Statement of Operations for the year ended December 31, 2011. On July 22, 2011, the Company issued anaggregate of 105,000 shares of common stock under the Plan to the non-management members of the Board of Directors. The 105,000 common shares underlying the stock awards granted were fully vested as of the date of grant and the Company recorded approximately $0.5 million to selling and administrative expense in its Consolidated Statement of Operations for the year ended December 31, 2011. On April 1, 2010, the Company issued an aggregate of 90,000 shares of common stock under the Plan to the independent members of the Board of Directors. The 90,000 common shares underlying the stock awards granted were fully vested as of the date of grant and the Company recorded $0.3 million to selling and administrative expense in its Consolidated Statement of Operations for the year ended December 31, 2010. In May 2009, the Company's stockholders approved an amendment to the Plan to authorize the grant of stock options, as well as the authorization of an additional 1,250,000 shares of the Company's common stock to be reserved for issuance under the Plan.

Vesting is dependent on a service requirement. Dividends paid on restricted shares are recorded as dividends on shares of the Company's common stock whether or not they are vested. For accounting purposes, the Company measures the compensation costs for these shares as of the date of the grant, with subsequent remeasurement for any unvested shares granted to non-employees of the Company with such amounts expensed against earnings, at the grant date (for the portion that vest immediately) or ratably over the respective vesting periods.

Warrants

In connection with a debt restructuring with Wachovia Bank in 2009, the Company issued Wachovia 1.0 million warrants at an average strike price of $4.00. Of such warrants, 500,000 warrants are exercisable at a price of $3.50, 250,000 warrants are exercisable at a price of $4.00 and 250,000 warrants are exercisable at a price of $5.00. As of December 31, 2013, all of the warrants were exercisable, expire on July 23, 2015 and no warrants have been exercised to date.

Accumulated Other Comprehensive Loss

At December 31, 2013, accumulated other comprehensive loss was $25.2 million and consisted of $26.3 million of net unrealized losses on derivatives designated as cash flow hedges and a $1.1 million unrealized gain related to available-for-sale securities. At December 31, 2012, accumulated other comprehensive loss was $39.6 million and consisted of $40.0 million of net unrealized losses on

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 13—Equity (Continued)

derivatives designated as cash flow hedges and a $0.4 million unrealized gain related to available-for-sale securities.

Reclassifications out of accumulated other comprehensive loss for the years ended December 31, 2013 and 2012 were as follows (in thousands):

	Year Ended December 31,		Statement of
	2013	2012	Operations Caption
Net realized losses on derivatives designated as cash flow hedges:			
Interest Rate Swaps / Cap	$ (14,131)	$ (16,565)	Interest expense(1)
Net realized gain on sale of available-for-sale investments:			
CDO bond investment	$ 100	$ —	Other income(2)

(1) See Note 10—"Derivative Financial Instruments" for additional details.

(2) See Note 4—"Securities" for additional details.

Note 14—Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing net income (loss) attributable to Arbor Realty Trust, Inc. by the weighted average number of shares of common stock outstanding during each period inclusive of unvested restricted stock with full dividend participation rights. Diluted EPS is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding plus the additional dilutive effect of common stock equivalents during each period using the treasury stock method. The Company's common stock equivalents include the dilutive effect of warrants outstanding.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 14—Earnings Per Share (Continued)

The following is a reconciliation of the numerator and denominator of the basic and diluted earnings per share computations for the years ended December 31, 2013, 2012, and 2011, respectively.

	Year Ended December 31,					
	2013		2012		2011	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Income (loss) from continuing operations, net of noncontrolling interest and preferred stock dividends	$17,112,078	$17,112,078	$16,492,062	$16,492,062	$(37,311,821)	$(37,311,821)
(Loss) income from discontinued operations	(444,123)	(444,123)	5,008,826	5,008,826	(2,999,892)	(2,999,892)
Net income (loss) attributable to Arbor Realty Trust, Inc. common stockholders(1)	$16,667,955	$16,667,955	$21,500,888	$21,500,888	$(40,311,713)	$(40,311,713)
Weighted average number of common shares outstanding	42,399,872	42,399,872	26,956,938	26,956,938	24,968,894	24,968,894
Dilutive effect of warrants(2)	—	435,272	—	254,349	—	—
Weighted average number of common shares outstanding	42,399,872	42,835,144	26,956,938	27,211,287	24,968,894	24,968,894
Income (loss) from continuing operations, net of noncontrolling interest and preferred stock						

dividends, per common share	$ 0.40	$ 0.40	$ 0.61	$ 0.61	$ (1.49)	$ (1.49)
Income (loss) from discontinued operations per common share	(0.01)	(0.01)	0.19	0.18	(0.12)	(0.12)
Net income (loss) attributable to Arbor Realty Trust, Inc. per common share(1)	$ 0.39	$ 0.39	$ 0.80	$ 0.79	$ (1.61)	$ (1.61)

(1) Net of noncontrolling interest and preferred stock dividends.

(2) In connection with a debt restructuring with Wachovia Bank in the third quarter of 2009, the Company issued Wachovia 1.0 million warrants at an average strike price of $4.00. For the year ended December 31, 2011, the Company had a net loss and thus did not have a dilutive effect from the warrants.

Note 15—Related Party Transactions

Due from related party was approximately $0.1 million at both December 31, 2013 and 2012 and consisted primarily of escrows held by ACM and its affiliates related to real estate transactions.

Due to related party was $2.8 million and $3.1 million at December 31, 2013 and December 31, 2012, respectively, and consisted primarily of base management fees due to ACM that were remitted by the Company in the following quarter.

In October 2013, the Company purchased, at par, a $3.0 million mezzanine loan from ACM who originated the loan in September 2013 to a third party entity. The loan has a fixed interest rate of 13.00% and a maturity date of October 2018. Interest income recorded from this loan was approximately $0.1 million for the year ended December 31, 2013.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 15—Related Party Transactions (Continued)

In June 2013, the Company's board of directors formed a Special Committee consisting of independent directors in connection with the exploration and evaluation of a potential transaction with the Company's manager involving the acquisition of its manager's Fannie Mae, DUS, FHA and CMBS platforms, as well as the internalization of the management of its current business. Although there have been preliminary discussions between the Special Committee and representatives of the Company's manager, it cannot provide any assurance regarding the timing, terms or form of any such transaction, including the amount or type of consideration (including the issuance of common stock) or related financing, or whether any transaction between the Company and its manager will occur at all. Also, in connection with evaluating a potential transaction with the Company's manager, the Special Committee has engaged legal, financial and accounting advisors resulting in approximately $1.4 million of advisory fees to date.

In April 2013, the Company originated six bridge loans totaling $53.0 million for a portfolio of multifamily properties owned by a consortium of investors including Mr. Ivan Kaufman and his affiliates and Mr. Fred Weber, who together own an interest of approximately 19% in the borrowing entity. The loans had an interest rate of one-month LIBOR plus 7.25% and a maturity date of April 2015, which were paid off in the fourth quarter of 2013. In November 2013, we originated a new bridge loan for $2.0 million with an interest rate of one-month LIBOR plus 5.50%. Interest income recorded from these loans totaled approximately $3.1 million for the year ended December 31, 2013.

In April 2013, the Company also purchased, at par, a $6.4 million bridge loan from ACM who originated the loan in March 2013 to a third party entity that acquired a property from an entity owned by Mr. Ivan Kaufman and his affiliates and Mr. Fred Weber, who together also provided a $1.1 million preferred equity contribution to the overall transaction. Mr. Ivan Kaufman also provided a $1.0 million personal guaranty on the bridge loan. The bridge loan bears interest at a rate of one-month LIBOR plus 5.00% for the first year then one-month LIBOR plus 6.00% thereafter and has a maturity date of March 2015 with three one year extension options. Interest income recorded from this loan totaled approximately $0.2 million for the year ended December 31, 2013.

In January 2013, the Company originated a $7.5 million bridge loan for a multifamily property in Charlotte, North Carolina. William C. Green, who serves on the Company's Board of Directors, holds a 6.6% partnership interest in the borrowing entity and is the chief financial officer of an affiliated entity that is a partner in, and the management company for, the borrowing entity. Mr. Green also provided a $0.4 million personal guaranty on the bridge loan. The loan bears interest at a rate of one-month LIBOR plus 6.00% and has a maturity date of January 2015. Interest income recorded from this loan totaled approximately $0.5 million for the year ended December 31, 2013.

In December 2012, ACM acquired a multifamily property in Detroit, Michigan and simultaneously sold the property to a third party, who received a $30.0 million bridge loan from the Company. ACM retained a $6.0 million preferred equity interest in the entity. The loan to the Company bears interest at a rate of one-month LIBOR plus 5.00% with a LIBOR cap of 1.00% and has a maturity date of November 2014 with three one year extension options. Interest income recorded from this loan totaled approximately $1.6 million and $0.2 million for the years ended December 31, 2013 and 2012, respectively.

Note 15—Related Party Transactions (Continued)

In September 2012, the Company purchased, at par, a $5.1 million bridge loan from ACM. The loan was originated by ACM in May 2012 to a third party entity that acquired a multifamily property from ACM. The loan bears interest at a rate of one-month LIBOR plus 5.50% with a LIBOR floor of 0.24% and has a maturity date of May 2015. Interest income recorded from this loan totaled approximately $0.3 million and $0.1 million for the years ended December 31, 2013 and 2012, respectively.

In December 2011, the Company completed a restructuring of a $67.6 million preferred equity investment on the Lexford Portfolio ("Lexford"), which is a portfolio of multi-family assets. The Company, along with a consortium of independent outside investors, made an additional preferred equity investment of $25.0 million in Lexford of which the Company held a $10.5 million interest, and Mr. Fred Weber, the Company's 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 now bears 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 matures in June 2020. Interest income recorded from the preferred equity investment totaled approximately $1.1 million, $1.3 million and $0.2 million for the years ended December 31, 2013, 2012 and 2011, respectively.The new preferred equity investment had a fixed interest rate of 12% and a maturity date in June 2020. The Company, along with the same outside investors, also made a $0.1 million equity investment into Lexford, of which the Company held a $44,000 noncontrolling interest, and does not have the power to control the significant activities of the entity. During the fourth quarter of 2011, the Company recorded losses from the entity against the equity investment, reducing the balance to zero. The Company records this investment under the equity method of accounting. In addition, under the terms of the restructuring, Lexford's first mortgage lender required a change of property manager for the underlying assets. The new management company is an affiliate of Mr. Ivan Kaufman, the Company's chairman and chief executive officer, and has a contract with the new entity for 7.5 years and will be entitled to 4.75% of gross revenues of the underlying properties, along with the potential to share in the proceeds of a sale or refinancing of the debt should the management company remain engaged by the new entity at the time of such capital event. In the first quarter of 2012, Mr. Fred Weber invested $250,000 in the new management company and currently owns a 23.5% ownership interest. Mr. Ivan Kaufman and his affiliates currently own a 53.9% ownership interest. The Company has provided limited ("bad boy") guarantees for certain debt controlled by Lexford. The bad boy guarantees may become a liability for the Company upon standard "bad" acts such as fraud or a material misrepresentation by Lexford or the Company. At December 31, 2013, this debt had an aggregate outstanding balance of $703.6 million and is scheduled to mature between 2017 and 2023.

During the second quarter of 2011, the Company originated a mortgage loan to a third party borrower secured by property purchased from ACM. The loan had an unpaid principal balance of $6.2 million, a maturity date of May 2014 and a variable interest rate of LIBOR plus 6.00%. Upon approving the transaction, the independent directors committee of the Board of Directors required the Company to sell the loan in 90 days and ACM agreed to guarantee the loan until it was sold. In the third quarter of 2011, the loan was sold to an affiliated entity of Mr. Ivan Kaufman for $6.2 million. Interest income recorded from this loan for the year ended December 31, 2011 was approximately $0.2 million.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 15—Related Party Transactions (Continued)

During the second quarter of 2011, the Company originated a loan to a third party borrower for a portfolio of properties with an unpaid principal balance of $24.4 million, of which one property in the portfolio was previously financed with an $11.7 million loan that was purchased by ACM. The $11.7 million loan was repaid as part of the $24.4 million loan on the portfolio. The new loan had a variable interest rate of LIBOR plus 4.75% and was repaid in full in January 2013. Interest income recorded from this loan totaled approximately $0.1 million, $1.7 million and $0.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

During the first quarter of 2011, the Company originated four mortgage loans totaling $28.4 million to borrowers which were secured by property purchased from ACM or its affiliate. Two of the loans totaling $22.4 million have maturity dates of March 2014 and a combined weighted average variable interest rate of 6.20% as of December 31, 2013 and were secured by the same property. The third was a $2.0 million bridge loan with a maturity date of February 2013 and an interest rate of one-month LIBOR plus 6.00%, which was paid off in the third quarter of 2012. The fourth was a $4.0 million bridge loan with an original maturity date in April 2013 which was extended to March 2014 and an interest rate of one-month LIBOR plus 6.00%. Interest income recorded from these loans totaled approximately $1.8 million, $1.9 million and $1.5 million for the years ended December 31, 2013, 2012 and 2011, respectively.

In October 2010, the Company purchased, at par, a $4.7 million bridge loan from ACM. The loan was originated by ACM in June 2010 to a joint venture that acquired a condo development property in Brooklyn, New York. The loan bore interest at a rate of one-month LIBOR plus 8% with a LIBOR floor of 0.5% and a LIBOR cap of 1.5% and had a maturity date of June 2012. In the second quarter of 2012, the loan matured and was paid off. In addition, ACM contributed $0.9 million for a 50% non-controlling interest in an entity, which owns 28% of this joint venture. In the third quarter of 2011, ACM sold its investment in this joint venture to an affiliated entity of Mr. Ivan Kaufman for $0.9 million. Interest income recorded from this loan totaled approximately $0.1 million and $0.4 million for the years ended December 31, 2012 and 2011, respectively.

The Company is dependent upon its manager, ACM, with whom it has a conflict of interest, to provide services to the Company that are vital to its operations. The Company's chairman, chief executive officer and president, Mr. Ivan Kaufman, is also the chief executive officer and president of ACM, and, the Company's chief financial officer and treasurer, Mr. Paul Elenio, is the chief financial officer of ACM. In addition, Mr. Kaufman and his affiliated entities ("the Kaufman Entities") together beneficially own approximately 92% of the outstanding membership interests of ACM and certain of the Company's employees and directors also hold an ownership interest in ACM. Furthermore, one of the Company's former directors is general counsel to ACM and another of the Company's directors also serves as the trustee of one of the Kaufman Entities that holds a majority of the outstanding membership interests in ACM and co-trustee of another Kaufman Entity that owns an equity interest in ACM. ACM currently holds approximately 5.3 million of the Company's common shares, representing approximately 11% of the voting power of the Company's outstanding stock as of December 31, 2013. The Company's Board of Directors approved a resolution under the Company's charter allowing Ivan Kaufman and ACM, (which Mr. Kaufman has a controlling equity interest in), to own more than the ownership interest limit of the Company's common stock stated in the Company's charter as amended. In May 2012, the Company's charter was amended to lower each of the general aggregate stock

Note 15—Related Party Transactions (Continued)

ownership limit and the general common stock ownership limit from 7% to 5% unless an exemption is granted by the Company's Board of Directors.

Note 16—Distributions

The following table presents dividends declared by the Board of Directors on the Company's common stock from January 1, 2013 through December 31, 2013:

Declaration Date	For Quarter Ended	Record Date	Payment Date	Dividend Per Share
November 6, 2013	September 30, 2013	November 20, 2013	December 2, 2013	$ 0.13
July 31, 2013	June 30, 2013	August 14, 2013	September 3, 2013	$ 0.13
May 1, 2013	March 31, 2013	May 15, 2013	May 31, 2013	$ 0.12
February 12, 2013	December 31, 2012	March 5, 2013	March 12, 2013	$ 0.12

On February 12, 2014, the Board of Directors declared a cash dividend of $0.13 for the quarter ended December 31, 2013. The dividend is payable on February 28, 2014 to common stockholders of record on February 25, 2014.

The following table presents dividends declared by the Board of Directors on the Company's 8.25% Series A preferred stock from February 1, 2013 (date of issuance) through December 31, 2013:

Declaration Date	For Period Beginning	For Period Ended	Record Date	Payment Date	Dividend Per Share
October 25, 2013	September 1, 2013	November 30, 2013	November 15, 2013	December 2, 2013	$0.515625
July 31, 2013	June 1, 2013	August 31, 2013	August 14, 2013	September 3, 2013	$0.515625
May 1, 2013	February 1, 2013	May 31, 2013	May 15, 2013	May 31, 2013	$ 0.6875

On February 3, 2014, the Board of Directors declared a cash dividend of $0.515625 per share of 8.25% Series A cumulative redeemable preferred stock reflecting dividends from December 1, 2013, through February 28, 2014. The dividend is payable on February 28, 2014 to preferred stockholders of record on February 15, 2014. The Company accrued dividends of $0.3 million in the fourth quarter of 2013.

The following table presents dividends declared by the Board of Directors on the Company's 7.75% Series B preferred stock from May 9, 2013 (date of issuance) through December 31, 2013:

Declaration Date	For Period Beginning	For Period Ended	Record Date	Payment Date	Dividend Per Share
October 25, 2013	September 1, 2013	November 30, 2013	November 15, 2013	December 2, 2013	$ 0.484375
July 31, 2013	May 9, 2013	August 31, 2013	August 14, 2013	September 3, 2013	$ 0.6028

On February 3, 2014, the Board of Directors also declared a cash dividend of $0.484375 per share of 7.75% Series B cumulative redeemable preferred stock reflecting dividends from December 1, 2013, through February 28, 2014. The dividend is payable on February 28, 2014 to preferred stockholders of record on February 15, 2014. The Company accrued dividends of $0.2 million in the fourth quarter of 2013.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 16—Distributions (Continued)

The Company declared and paid distributions of $14,500, $12,236 and $14,500 for the years ended December 31, 2013, 2012 and 2011, respectively, representing the 12.5% return on the preferred shares issued to third parties by its subsidiary REIT.

The Company must currently distribute at least 90% of its taxable income in order to qualify as a REIT and must distribute 100% of its taxable income in order not to be subject to corporate federal income taxes on retained income. The Company anticipates it will distribute all of its taxable income to its stockholders. Because taxable income differs from cash flow from operations due to non-cash revenues or expenses (such as depreciation or provision for loan losses), in certain circumstances, the Company may generate operating cash flow in excess of its distributions or, alternatively, may be required to borrow to make sufficient distribution payments. The Company was in compliance with all REIT requirements as of December 31, 2013, 2012 and 2011.

The following table presents dividends paid by the Company on its common and preferred stock for the years ended December 31, 2013 and 2012:

			For Tax Purposes						
			Dividend Classified as Ordinary Income			Capital Gain Distribution		Dividend Classified as Return of Capital	
Year	Total Dividends Paid(1) (In Thousands)	Dividend Paid Per Share	Percent	Dividend Paid Per Share	Qualified Dividend Income(2)	Percent	Dividend Paid Per Share	Percent	Dividend Paid Per Share
Common Stock:									
2013	$ 21,327	$ 0.500	100%	$ 0.500	—	—	—	—	—
2012	$ 8,031	$ 0.285	100%	$ 0.285	—	—	—	—	—
8.25% Series A Preferred Stock:									
2013	$ 2,667	$ 1.719	100%	$ 1.719	—	—	—	—	—
7.75% Series B Preferred Stock:									
2013	$ 1,370	$ 1.087	100%	$ 1.087	—	—	—	—	—

(1) The Company did not pay dividends on its common stock in 2011 and 2013 is the initial year for the preferred stock dividends.

(2) Qualified dividend income is eligible for reduced dividend rates.

Note 17—Management Agreement

The Company, ARLP and Arbor Realty SR, Inc. have a management agreement with ACM, pursuant to which ACM provides certain services and the Company pays ACM a base management fee and under certain circumstances, an annual incentive fee.

The Company's chief executive officer is also ACM's chief executive officer and controlling equity owner and the Company's chief financial officer and treasurer is also ACM's chief financial officer.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 17—Management Agreement (Continued)

ACM has agreed to provide the Company with structured finance investment opportunities and loan servicing as well as other services necessary to operate its business. The Company relies to a significant extent on the facilities and resources of ACM to conduct its operations. ACM's management of the Company is under the direction or supervision of the Company's Board of Directors. The management agreement requires ACM to manage the business affairs in conformity with the policies and the general investment guidelines that are approved and monitored by the Company's Board of Directors.

The Company and its operating partnership have also entered into a services agreement with ACM pursuant to which its asset management group provides asset management services to ACM. In the event the services provided by its asset management group pursuant to the agreement exceed by more than 15% per quarter the level of activity anticipated by the Board of Directors, it will negotiate in good faith with its manager an adjustment to the manager's base management fee under the management agreement, to reflect the scope of the services, the quantity of serviced assets or the time required to be devoted to the services by its asset management group.

The base management fee is an arrangement whereby the Company reimburses ACM for its actual costs incurred in managing the Company's business based on the parties' agreement in advance on an annual budget with subsequent quarterly true-ups to actual costs. All origination fees on investments are retained by the Company.

The incentive fee is calculated as (1) 25% of the amount by which (a) the Company's funds from operations per share, adjusted for certain gains and losses including gains from the retirement and restructuring of debt and 60% of any loan loss reserve recoveries (spread over a three year period), exceeds (b) the product of (x) 9.5% per annum or the Ten Year U.S. Treasury Rate plus 3.5%, whichever is greater, and (y) the greater of $10.00 or the weighted average of book value of the net assets contributed by ACM to ARLP per ARLP partnership unit, the offering price per share of the Company's common equity in the private offering on July 1, 2003 and subsequent offerings and the issue price per ARLP partnership unit for subsequent contributions to ARLP, multiplied by (2) the weighted average of the Company's outstanding shares.

The minimum return, or incentive fee hurdle to be reached before an incentive fee is earned, is a percentage applied on a per share basis to the greater of $10.00 or the average gross proceeds per share. In addition, 60% of any loan loss and other reserve recoveries are eligible to be included in the incentive fee calculation, which recoveries are spread over a three year period.

The management agreement also allows the Company to consider, from time to time, the payment of additional "success-based" fees to ACM for accomplishing certain specified corporate objectives; has a termination fee of $10.0 million; and is renewable automatically for successive one-year terms, unless terminated with six months prior written notice. If the Company terminates or elects not to renew the management agreement without cause, it is required to pay the termination fee of $10.0 million.

The incentive fee is measured on an annual basis. However, when applicable, the Company will pay the annual incentive fee in quarterly installments, each within 60 days of each fiscal quarter. The quarterly installments are calculated based on the results for the period of twelve months ending on the last day of each quarter with respect to which such installment is payable. Each quarterly installment payment is deemed to be an advance of a portion of the incentive fee payable for the year, with an adjustment at year end to reflect the full year's results. At least 25% of any incentive fee is paid to

Note 17—Management Agreement (Continued)

ACM in shares of the Company's common stock, subject to ownership limitations in the Company's charter. For purposes of determining the number of shares that are paid to ACM to satisfy the common stock portion of the incentive fee from and after the date the Company's common shares are publicly traded, each common share shall have a value equal to the average closing price per common share based on the last twenty days of the fiscal quarter with respect to which the incentive fee is being paid.

The incentive fee is accrued as it is earned. The expense incurred for incentive fee paid in common stock is determined using the amount of stock calculated as noted above and the quoted market price of the stock on the last day of each quarter. At December 31 of each year, the Company remeasures the incentive fee expense paid to ACM in shares of the Company's common stock in accordance with current accounting guidance, which discusses how to determine the expense when certain terms are not known prior to the measurement date. Accordingly, any expense recorded related to common stock issued as a portion of incentive fee is adjusted to reflect the fair value of the stock on the measurement date when the final calculation of the total incentive fee is determined. In the event the calculated incentive fee for the full year is an amount less than the total of the installment payments made to ACM for the year, ACM will refund to the Company the amount of such overpayment in cash regardless of whether such installments were paid in cash or common stock. In such a case, the Company would record a negative incentive fee expense in the quarter when such overpayment is determined.

ACM is responsible for all costs incident to the performance of its duties under the management agreement, including compensation of its employees, rent for facilities and other "overhead" expenses. The Company is required to pay ACM management fees as well as reimburse ACM for all expenses incurred on behalf of the Company in connection with the raising of capital or the incurrence of debt, interest expenses, taxes and license fees, litigation and extraordinary or non recurring expenses.

ACM, pursuant to the management agreement with the Company, and Mr. Kaufman, pursuant to his non-competition agreement with the Company, have granted the Company a right of first refusal to pursue all opportunities identified by them or their affiliates to invest in multifamily and commercial mortgage loans and customized financing transactions, including bridge loans, mezzanine loans, preferred equity investments, note acquisitions and participation interests in owners of real properties (collectively, "Structured Finance Investments") as long as such investment opportunities are consistent with the Company's investment objectives and guidelines and such investments would not adversely affect the Company's status as a REIT. These agreements also provide that ACM or Mr. Kaufman, as the case may be, may pursue any opportunity in Structured Finance Investments if the opportunity is rejected by both the Company's credit committee and a majority of the Company's independent directors.

Pursuant to the management agreement and Mr. Kaufman's non-competition agreement, the Company has agreed not to pursue, and to allow ACM and its affiliates, including Mr. Kaufman, to pursue opportunities to invest in multi-family and commercial mortgage loans that meet the underwriting and approval guidelines of Fannie Mae, the Federal Housing Administration and conduit commercial lending programs secured by first liens on real property (collectively, the "Manager Target Investments"). In addition to its exclusive right to pursue Manager TargetInvestments, ACM and its

Note 17—Management Agreement (Continued)

affiliates may pursue any other type of investment (except Structured Finance Investments) without the Company's consent.

The following table sets forth the Company's base management fees and incentive fees for the periods indicated:

	Year Ended December 31,		
Management Fees:	**2013**	**2012**	**2011**
Base(1)	$ 10,900,000	$ 10,000,000	$ 8,300,000
Incentive	—	—	—
Total management fee	$ 10,900,000	$ 10,000,000	$ 8,300,000

(1) Included in base management fees at December 31, 2013 and 2012 was $2.8 million and $3.1 million, respectively, which was included in due to related party. These amounts are paid in the quarters subsequent to each respective year end.

For the years ended December 31, 2013, 2012 and 2011, no "success-based" payments were made.

Installments of the annual incentive fee are subject to quarterly recalculation and potential reconciliation at the end of the fiscal year, and any overpayments are required to be repaid in accordance with the management agreement. For the years ended December 31, 2013, 2012 and 2011, ACM did not earn an incentive management fee.

Additionally, in 2007, ACM, received an incentive fee installment totaling $19.0 million which was recorded as a prepaid management fee related to the incentive fee on $77.1 million of deferred revenue recognized on the transfer of control of the 450 West 33rd Street property, which is one of the Company's equity affiliates.

Note 18—Income Taxes

The Company is organized and conducts its operations to qualify as a REIT and to comply with the provisions of the Internal Revenue Code with respect thereto. A REIT is generally not subject to federal income tax on taxable income which is distributed to its stockholders, provided that at least 90% of taxable income is distributed and provided that certain other requirements are met. The Company did not have REIT—federal taxable income net of dividends paid and net operating loss deductions for the years ended December 31, 2013, 2012 and 2011, andtherefore, has not provided for federal income tax expense, except for $0.4 million of federal alternative minimum tax recorded in 2012.

Certain of the Company's assets or operations that would not otherwise comply with the REIT requirements, are owned or conducted by its taxable REIT subsidiaries, the income of which is subject to federal and state income taxes. The Company did not record a provision for current income taxes related to the assets that are held in taxable REIT subsidiaries for the years ended December 31, 2013, 2012 and 2011 as they were in a net loss position. However, during the year ended December 31, 2012, the Company recorded a $1.4 million benefit from income taxes for the receipt of a refund of federal income taxes paid by a taxable REIT subsidiary in a prior year.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 18—Income Taxes (Continued)

In 2012, the Company recorded $0.2 million of estimated state income taxes incurred in those states that did not adopt the federal tax law that allows the Company to elect to defer income generated from certain debt extinguishment transactions. There were no such estimated income taxes for the years ended December 31, 2013 and 2011. For the 2009 and 2010 tax years,the income and the tax on certain debt extinguishment transactions was, at the Company's election, deferred to future periods.

The Company's (benefit) provision for income taxes was comprised as follows:

	Year Ended December 31,		
	2013	2012	2011
Current tax (benefit) provision:			
Federal	$ —	$ (1,025,508)	$ —
State	—	245,517	—
Total current tax (benefit) provision	—	(779,991)	—
Deferred tax (benefit) provision:			
Federal—net of valuation allowance	—	(13,695)	—
State—net of valuation allowance	—	(7,872)	—
Total deferred tax (benefit) provision	—	(21,567)	—
Total (benefit) provision	$ —	$ (801,558)	$ —

The Company's effective income tax rate as a percentage of pretax income or loss differed from the U.S. federal statutory rate was as follows:

	Year Ended December 31,		
	2013	2012	2011
U.S. federal statutory rate	35.0%	35.0%	35.0%
REIT non-taxable income	(35.7)	(41.0)	(41.9)
State and local income taxes, net of federal tax benefit	(1.1)	(1.1)	(0.9)
Change in valuation allowance	1.8	9.8	7.8
Refund	—	(6.5)	—
Effective income tax rate	—%	(3.8)%	—%

Note 18—Income Taxes (Continued)

The significant components of deferred tax assets (liabilities) were as follows:

	December 31,	
	2013	2012
Deferred tax assets (liabilities):		
Expenses not currently deductible	$ 1,585,723	$ 1,705,929
Net operating and capital loss carryforwards	5,534,018	3,180,736
Interest in equity affiliates—net	(1,489,269)	(1,034,317)
Deferred tax assets	5,630,472	3,852,348
Valuation allowance	(5,608,905)	(3,830,781)
Net deferred tax asset	$ 21,567	$ 21,567

Deferred tax assets, net of deferred tax liabilities, are included in other assets in the Consolidated Balance Sheet. At December 31, 2013, the Company had approximately $7.1 million of deferred tax assets consisting of expenses not currently deductible, net operating loss carryforwards and capital loss carryforwards. The Company's deferred tax assets are offset by approximately $1.5 million in deferred tax liabilities consisting of timing differences from investments in equity affiliates, and a valuation allowance of approximately $5.6 million.

At December 31, 2012, the Company had approximately $4.8 million of deferred tax assets consisting of expenses not currently deductible, net operating loss carryforwards and capital loss carryforwards. The Company's deferred tax assets are offset by approximately $1.0 million of deferred tax liabilities resulting from timing differences relating to investments in equity affiliates, and a valuation allowance of approximately $3.8 million.

The taxable REIT subsidiaries have federal and state net operating loss carryforwards as of December 31, 2013 and 2012 of approximately $13.0 million and $17.5 million, respectively, which will expire through 2034 and 2033, respectively. The taxable REIT subsidiaries also have a federal and state capital loss carryover as of December 31, 2013 of approximately $2.4 million, of which $2.0 million will expire in 2017 and $0.4 million will expire in 2019. The Company has concluded that it is more likely than not that the net operating and capital loss carryforwards will not be utilized during the carryforward period, and as such, net of deferred tax liabilities, the Company has established a valuation allowance against substantially all of these net deferred tax assets.

As of December 31, 2013, the Company (excluding the taxable REIT subsidiaries) will have approximately $182.0 million of federal and state net operating loss carryforwards and approximately $90.0 million of capital loss carryforwards. The net operating losses will expire through 2034 and the capital losses will expire through 2018. In 2013, the Company recorded $113.0 million in capital gain from the redemption of preferred stock in Lightstone. The Capital gain was fully offset by available capital loss carryforwards.

The Company has assessed its tax positions for all open tax years, which includes 2011 to 2013, and concluded there were no material uncertainties to be recognized. The Company's accounting policy with respect to interest and penalties related to tax uncertainties is to classify these amounts as provision for income taxes. The Company has not recognized any interest and penalties related to tax uncertainties for the years ended December 31, 2013, 2012 and 2011.

Note 19—Due to Borrowers

Due to borrowers represents borrowers' funds held by the Company to fund certain expenditures or to be released at the Company's discretion upon the occurrence of certain pre-specified events, and to serve as additional collateral for borrowers' loans. While retained, these balances earn interest in accordance with the specific loan terms they are associated with.

Note 20—Summary Quarterly Consolidated Financial Information—Unaudited

The following tables represent summarized quarterly financial data of the Company for the years ended December 31, 2013 and 2012 which, in the opinion of management, reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company's results of operations.

Net income (loss) shown agrees with the Company's quarterly report(s) on Form 10-Q as filed with the Securities and Exchange Commission. However, individual line items vary from such reports due to the presentation of discontinued operations being retroactively reclassified from property operating activity and related depreciation due to the classification of a real estate investment that was part of a

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 20—Summary Quarterly Consolidated Financial Information—Unaudited (Continued)

portfolio of multifamily properties as held-for-sale sale in 2013 and the sale of a real estate investment that was part of a portfolio of hotel properties in 2012.

	Three Months Ended			
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Net interest income	$ 15,526,603	$ 15,097,248	$ 13,996,043	$ 12,346,578
Total other revenue	5,465,819	6,688,523	8,251,944	9,713,786
Total other expenses	16,083,239	17,700,377	17,873,676	18,412,689
Income from continuing operations before gain on extinguishment of debt and income (loss) from equity affiliates	4,909,183	4,085,394	4,374,311	3,647,675
Gain on extinguishment of debt	—	1,167,772	—	3,763,000
Income (loss) from equity affiliates	40,937	(81,723)	(81,804)	(81,885)
Income from continuing operations	4,950,120	5,171,443	4,292,507	7,328,790
Loss from discontinued operations	(172,644)	(79,716)	(90,191)	(101,572)
Net income	4,777,476	5,091,727	4,202,316	7,227,218
Preferred stock dividends	1,410,305	1,410,333	1,152,617	533,328
Net income attributable to noncontrolling interest	—	16,715	53,833	53,651
Net income attributable to Arbor Realty Trust, Inc. common stockholders	$ 3,367,171	$ 3,664,679	$ 2,995,866	$ 6,640,239
Basic earnings per common share(1):				
Income from continuing operations, net of noncontrolling interest and preferred stock dividends	$ 0.07	$ 0.08	$ 0.07	$ 0.20
Loss from discontinued operations	—	—	—	—
Net income attributable to Arbor Realty Trust, Inc. common stockholders	$ 0.07	$ 0.08	$ 0.07	$ 0.20

Diluted earnings per common share(1):				
Income from continuing operations, net of noncontrolling interest and preferred stock dividends	$ 0.07	$ 0.08	$ 0.07	$ 0.19
Loss from discontinued operations	—	—	—	—
Net income attributable to Arbor Realty Trust, Inc. common stockholders	$ 0.07	$ 0.08	$ 0.07	$ 0.19

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013

Note 20—Summary Quarterly Consolidated Financial Information—Unaudited (Continued)

	Three Months Ended			
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Net interest income	$ 11,034,505	$ 10,520,512	$ 9,731,906	$ 7,845,007
Total other revenue	5,580,252	7,477,408	7,931,963	8,312,312
Total other expenses	17,473,474	19,439,955	23,310,912	22,064,620
Loss from continuing operations before gain on extinguishment of debt, income (loss) from equity affiliates and benefit (provision) for income taxes	(858,717)	(1,442,035)	(5,647,043)	(5,907,301)
Gain on extinguishment of debt	—	4,144,688	20,968,214	5,346,121
Income (loss) from equity affiliates	2,347	(225,493)	(224,136)	(250,574)
(Loss) income before benefit (provision) for income taxes	(856,370)	2,477,160	15,097,035	(811,754)
Benefit (provision) for income taxes	275,000	(275,000)	(600,000)	1,401,558
(Loss) income from continuing operations	(581,370)	2,202,160	14,497,035	589,804
Gain on sale of real estate held-for-sale	466,310	—	—	3,487,145
(Loss) income from operations of real estate held-for-sale	(98,210)	(87,855)	1,102,794	138,642
Income (loss) from discontinued operations	368,100	(87,855)	1,102,794	3,625,787
Net (loss) income	(213,270)	2,114,305	15,599,829	4,215,591
Net income attributable to noncontrolling interest	53,969	53,976	53,811	53,811
Net (loss) income attributable to Arbor Realty Trust, Inc. common stockholders	$ (267,239)	$ 2,060,329	$ 15,546,018	$ 4,161,780
Basic (loss) earnings per common share(1):				
(Loss) income from continuing operations, net of noncontrolling				

interest and preferred stock dividends	$ (0.02)	$ 0.07	$ 0.58	$ 0.02
Income (loss) from discontinued operations	0.01	—	0.04	0.15
Net (loss) income attributable to Arbor Realty Trust, Inc. common stockholders	$ (0.01)	$ 0.07	$ 0.62	$ 0.17
Diluted (loss) earnings per common share(1):				
(Loss) income from continuing operations, net of noncontrolling interest and preferred stock dividends	$ (0.02)	$ 0.07	$ 0.58	$ 0.02
Income (loss) from discontinued operations	0.01	—	0.04	0.15
Net (loss) income attributable to Arbor Realty Trust, Inc. common stockholders	$ (0.01)	$ 0.07	$ 0.62	$ 0.17

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

SCHEDULE IV—LOANS AND OTHER LENDING INVESTMENTS

DECEMBER 31, 2013

Type	Location	Periodic Payment Terms(1)	Maturity Date(2)	Interest Pay Rate Index(3)	Prior Liens	Face Amount(4)	Carrying Amount(5)	Carrying Amount Subject to Delinquent Interest
Bridge Loans:								
Bridge loans in excess of 3% of carrying amount of total loans:								
Multi-family	Various	IO	2014 - 2017	LIBOR + 3.49% - 5.60% Floor 0.25% - 0.48%	$ —	$ 219,930,532	$ 214,377,554	$ —
Bridge loans less than 3% of carrying amount of total loans(6):								
Multi-family	Various	IO	2014 - 2020	LIBOR + 2.60% - 15.64% Floor 0.17% - 1.50% Fixed 10.00% - 15.00%	11,000,000	624,059,592	616,544,218	4,006,693
Office	Various	IO	2014 - 2020	LIBOR + 3.10% - 8.00% Floor 0.24% - 4.25% Fixed 4.00% - 6.30%	—	156,715,698	152,482,970	6,277,844
Land	Various	IO	2014 - 2016	LIBOR + 4.50% Fixed 7.00% - 11.64%	2,855,000	107,418,594	69,233,293	—
Hotel	Various	IO / PI	2017	LIBOR + 7.25% Floor 0.50%	—	34,181,252	34,181,252	—
Commercial	NY	PI	2017	LIBOR + 3.23% Floor 0.24%	—	22,728,245	22,728,245	—
Retail	NJ	IO	2014	LIBOR + 5.75% Floor 0.29%	—	6,750,000	6,750,000	—
					13,855,000	951,853,382	901,919,978	10,284,537
Total Bridge Loans					13,855,000	1,171,783,914	1,116,297,532	10,284,537
Mezzanine Loans:								
Mezzanine loans less than 3% of carrying amount of total loans(6):								
Multi-family	Various	IO / PI	2014 - 2045	LIBOR + 3.51% - 12.00% Fixed 4.00% - 15.00%	493,840,977	89,966,018	75,832,439	447,846
Office	Various	IO / PI	2015	Fixed 9.39% - 10.00%	142,020,551	18,779,285	18,735,412	—
Land	CA	IO	2014	—	—	9,332,969	—	—
Commercial	NY	PI	2017	LIBOR + 4.23% Floor 0.24%	—	471,900	469,618	—
Total Mezzanine Loans					635,861,528	118,550,172	95,037,469	447,846

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

SCHEDULE IV—LOANS AND OTHER LENDING INVESTMENTS (Continued)

DECEMBER 31, 2013

Type	Location	Periodic Payment Terms(1)	Maturity Date(2)	Interest Pay Rate Index(3)	Prior Liens	Face Amount(4)	Carrying Amount(5)	Carrying Amount Subject to Delinquent Interest
Junior Participations:								
Junior participation loans in excess of 3% of carrying amount of total loans:								
Office	Various	IO	2016	LIBOR + 2.00% - 6.71%	88,500,000	95,000,000	95,000,000	—
Junior participation loans less than 3% of carrying amount of total loans(6):								
Multi-family	Various	IO	2014	LIBOR + 1.25%	185,000,000	32,000,000	—	—
Office	Various	IO / PI	2014 - 2017	LIBOR + 5.29% Fixed 4.00% - 10.07%	1,334,319,803	86,337,542	61,050,989	—
Hotel	Various	IO / PI	2014	LIBOR + 1.79%	46,347,139	35,000,000	35,000,000	—
Total Junior Participations					1,654,166,942	248,337,542	191,050,989	—
Preferred Equity Loans:								
Preferred equity loans less than 3% of carrying amount of total loans(6):								
Multi-family	Various	IO	2014 - 2020	LIBOR + 9.85% Fixed 2.36% - 15.00%	557,207,083	102,573,673	102,389,316	—
Office	NY	IO	2014	LIBOR + 6.75% Floor 0.25%	—	2,000,000	2,000,000	—
Commercial	NY	IO	2017	Fixed 12.00%	22,750,000	1,700,000	1,700,000	—
Condo	NY	IO	2014	Fixed 17.00%	25,603,873	15,250,000	15,224,347	—
Total Preferred Equity Loans					605,560,956	121,523,673	121,313,663	—
Total Loans					$2,909,444,426	$1,660,195,301	$1,523,699,653	$10,732,383

(1) IO = Interest Only, PI = Principal and Interest.

(2) Maturity date does not include possible extensions.

(3) References to LIBOR are to one-month LIBOR unless specifically stated otherwise.

(4) During 2013, $52.5 million of loans were modified to $51.7 million and $189.5 million of loans were extended.

(5) The federal income tax basis is approximately $1.5 billion.

(6) Individual loans each have a carrying value less than 3% of total loans.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

SCHEDULE IV—LOANS AND OTHER LENDING INVESTMENTS (Continued)

DECEMBER 31, 2013

The following table reconciles the Company's loans and investments carrying amounts for the periods indicated:

	Year Ended December 31,		
	2013	2012	2011
Balance at beginning of year	$ 1,325,667,053	$ 1,302,440,660	$ 1,414,225,388
Additions during period:			
New loan originations	591,537,200	275,633,168	206,477,919
Funding of unfunded loan commitments(1)	322,926	7,271,166	3,660,638
Accretion of unearned revenue	5,385,999	2,794,627	2,203,739
Loan charge-offs	24,713,459	46,585,800	27,062,564
Recoveries of reserves	2,215,443	917,966	6,124,954
Charge-off on loan converted to other assets	19,000,000	—	—
Charge-off on loans converted to real estate owned	—	—	31,710,929
Deductions during period:			
Loan payoffs	(324,358,463)	(171,822,185)	(108,668,220)
Proceeds and receivables from sale of loans	(4,424,097)	(17,945,000)	(31,450,000)
Proceeds used against junior loan participations	—	(34,000,000)	—
Loan paydowns	(54,261,753)	(13,889,148)	(55,307,130)
Loss on sale and restructuring of loans	—	—	(4,710,000)
Use of loan charge-offs	(24,713,459)	(46,585,800)	(27,062,564)
Loans converted to real estate owned	—	—	(114,810,469)
Loan converted to other assets	(25,000,000)	—	—
Provision for loan losses	(6,500,000)	(23,828,224)	(44,810,000)
Unearned revenue and costs	(5,884,655)	(1,905,977)	(2,207,088)
Balance at end of year	$ 1,523,699,653	$ 1,325,667,053	$ 1,302,440,660

(1) In accordance with certain loans and investments, the Company has outstanding unfunded commitments that it is obligated to fund as the borrowers meet certain requirements. Specific requirements include but are not limited to property renovations, building construction, and building conversions based on criteria met by the borrower in accordance with the loan agreements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures at December 31, 2013. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2013.

No change in internal control over financial reporting occurred during the quarter ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatement. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting at December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (1992 Framework). Based on this assessment, management concluded that, as of December 31, 2013, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm has issued a report on management's assessment of the Company's internal control over financial reporting. This report appears on the following page of this annual report on Form 10-K.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Arbor Realty Trust, Inc. and Subsidiaries

We have audited Arbor Realty Trust, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). Arbor Realty Trust, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Arbor Realty Trust, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Arbor Realty Trust, Inc. and Subsidiaries as of December 31, 2013 and 2012 and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2013 of Arbor Realty Trust, Inc. and Subsidiaries and our report dated February 14, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
February 14, 2014

ITEM 9B. OTHER INFORMATION

On February 13, 2014, we entered into an Equity Distribution Agreement (the "Sales Agreement") with JMP Securities LLC ("Sales Agent") through which we may sell up to 7.5 million shares of our common stock from time to time in an At-The-Market ("ATM") equity offering program. The offering of common stock through the ATM program will be made pursuant to the registration statement on Form S-3 (No. 333-189532), made effective on August 5, 2013 by the Securities and Exchange Commission and the prospectus supplement dated February 14, 2014, filed by the Company with the Securities and Exchange Commission.

This Annual Report on Form 10-K shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of common stock in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

We are filing as Exhibit 10.25 the Sales Agreement. The description of the Sales Agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the Sales Agreement filed herewith as an exhibit. On February 14, 2014, Venable LLP delivered an opinion to us in connection with the ATM program. We are filing as Exhibit 5.1 the opinion of Venable LLP.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding our directors and executive officers set forth under the captions "Board of Directors" and "Executive Officers" of the 2014 Proxy Statement is incorporated herein by reference.

The information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the 2014 Proxy Statement is incorporated herein by reference.

The information regarding our code of ethics for our chief executive and other senior financial officers under the caption "Senior Officer Code of Ethics and Code of Business Conduct and Ethics" in the 2014 Proxy Statement is incorporated herein by reference.

The information regarding our audit committee under the caption "Audit Committee" in the 2014 Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the section captioned "Executive Compensation" of the 2014 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained in the section captioned "Security Ownership of Certain Beneficial Owners and Management" of the 2014 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information contained in the section captioned "Certain Relationships and Related Transactions" and "Director Independence" of the 2014 Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information regarding our independent accountant's fees and services in the sections captioned "Independent Accountants' Fees" and "Audit Committee Pre-Approval Policy" of the 2014 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) and (c) Financial Statements and Schedules.

See the "Index to the Consolidated Financial Statements of Arbor Realty Trust, Inc. and Subsidiaries" included in Item 8 of this report.

(b) Exhibits.

Exhibit Number	Description
3.1	Articles of Incorporation of Arbor Realty Trust, Inc.*
3.2	Articles of Amendment to Articles of Incorporation of Arbor Realty Trust, Inc. /*\
3.3	Articles Supplementary of Arbor Realty Trust, Inc.*
3.4	Articles Supplementary of 8.250% Series A Cumulative Redeemable Preferred Stock. ♣
3.5	Articles Supplementary of 7.75% Series B Cumulative Redeemable Preferred Stock. /*/
3.6	Amended and Restated Bylaws of Arbor Realty Trust, Inc. /*\/*\
4.1	Form of Certificate for Common Stock.*
4.2	Common Stock Purchase Warrant, Certificate No. W-1, dated July 23, 2009, issued to Wachovia Bank, National Association. •
4.3	Common Stock Purchase Warrant, Certificate No. W-2, dated July 23, 2009, issued to Wachovia Bank, National Association. •
4.4	Common Stock Purchase Warrant, Certificate No. W-3, dated July 23, 2009, issued to Wachovia Bank, National Association. •
4.5	Specimen 8.250% Series A Cumulative Redeemable Preferred Stock Certificate. ♣
4.6	Specimen 7.75% Series B Cumulative Redeemable Preferred Stock Certificate. /*/
5.1	Opinion of Venable LLP with respect to the validity of the up to 7.5 million shares of common stock to be sold from time to time under the Equity Distribution Agreement, dated as of February 13, 2014, between Arbor Realty Trust, Inc. and JMP Securities LLC.
10.1	Second Amended and Restated Management Agreement, dated August 6, 2009, by and among Arbor Realty Trust, Inc., Arbor Commercial Mortgage, LLC, Arbor Realty Limited Partnership and Arbor Realty SR, Inc. ♣♣♣
10.2	Services Agreement, dated July 1, 2003, by and among Arbor Realty Trust, Inc., Arbor Commercial Mortgage, LLC and Arbor Realty Limited Partnership.*
10.3	Non-Competition Agreement, dated July 1, 2003, by and among Arbor Realty Trust, Inc., Arbor Realty

Limited Partnership and Ivan Kaufman.*

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Exhibit Number	Description
10.4	Second Amended and Restated Agreement of Limited Partnership of Arbor Realty Limited Partnership, dated January 18, 2005, by and among Arbor Commercial Mortgage, LLC, Arbor Realty Limited Partnership, Arbor Realty LPOP, Inc. and Arbor Realty GPOP, Inc.†
10.5	Registration Rights Agreement, dated July 1, 2003, between Arbor Realty Trust, Inc. and Arbor Commercial Mortgage, LLC.*
10.6	Form of Restricted Stock Agreement.*
10.7	Benefits Participation Agreement, dated July 1, 2003, between Arbor Realty Trust, Inc. and Arbor Management, LLC.*
10.8	Form of Indemnification Agreement.*
10.9	Indenture, dated January 19, 2005, by and between Arbor Realty Mortgage Securities Series 2004-1, Ltd., Arbor Realty Mortgage Securities Series 2004-1 LLC, Arbor Realty SR, Inc. and LaSalle Bank National Association.†
10.10	Indenture, dated January 11, 2006, by and between Arbor Realty Mortgage Securities Series 2005-1, Ltd., Arbor Realty Mortgage Securities Series 2005-1 LLC, Arbor Realty SR, Inc. and LaSalle Bank National Association.‡
10.11	Indenture, dated December 14, 2006, by and between Arbor Realty Mortgage Securities Series 2006-1, Ltd., Arbor Realty Mortgage Securities Series 2006-1 LLC, Arbor Realty SR, Inc. and Wells Fargo Bank, National Association. ♦
10.12	Junior Subordinated Indenture, dated May 6, 2009, between Arbor Realty SR, Inc. and The Bank of New York Mellon Trust Company, National Association, as Trustee relating to $29,400,000 aggregate principal amount of Junior Subordinated Notes due 2034. ♣♣
10.13	Junior Subordinated Indenture, dated May 6, 2009, between Arbor Realty SR, Inc. and The Bank of New York Mellon Trust Company, National Association, as Trustee relating to $168,000,000 aggregate principal amount of Junior Subordinated Notes due 2034. ♣♣
10.14	Junior Subordinated Indenture, dated May 6, 2009, among Arbor Realty SR, Inc. Arbor Realty Trust, Inc., as Guarantor, and Wilmington Trust Company, as Trustee, relating to $21,224,000 aggregate principal amount of Junior Subordinated Notes due 2035. ♣♣
10.15	Junior Subordinated Indenture, dated May 6, 2009, among Arbor Realty SR, Inc. Arbor Realty Trust, Inc., as Guarantor, and Wilmington Trust Company, as Trustee, relating to $2,632,000 aggregate principal amount of Junior Subordinated Notes due 2036. ♣♣
10.16	Junior Subordinated Indenture, dated May 6, 2009, among Arbor Realty SR, Inc. Arbor Realty Trust, Inc., as Guarantor, and Wilmington Trust Company, as Trustee, relating to $47,180,000 aggregateprincipal amount of Junior Subordinated Notes due 2037. ♣♣
10.17	Exchange Agreement, dated May 6, 2009, among Arbor Realty Trust, Inc., Arbor Realty SR, Inc., Kodiak CDO II, Ltd., Attentus CDO I, Ltd. and Attentus CDO III, Ltd. ♣♣
10.18	Exchange Agreement, dated May 6, 2009, among Arbor Realty SR, Inc., Arbor Realty Trust, Inc., Taberna Preferred Funding I, Ltd., Taberna Preferred Funding II, Ltd., Taberna Preferred Funding III, Ltd., Taberna Preferred Funding IV, Ltd., Taberna Preferred Funding V, Ltd., Taberna Preferred Funding VII, Ltd. and Taberna Preferred Funding VIII, Ltd. ♣♣

10.19 Exchange Agreement, dated as of February 26, 2010, among Arbor Realty SR, Inc. and Taberna Preferred Funding I, Ltd., Taberna Preferred Funding V, Ltd., Taberna Preferred Funding VII, Ltd. and Taberna Preferred Funding VIII, Ltd. •

Exhibit Number	Description
10.20	Revolving Bridge Loan and Security Agreement dated as of July 22, 2011, by and between Capital One, National Association as lender and Arbor Realty SR, Inc. as borrower, and Arbor Realty Trust, Inc. as guarantor. ••
10.21	Indenture, dated September 24, 2012, by and between Arbor Realty Collateralized Loan Obligation 2012-1, Ltd., Arbor Realty Collateralized Loan Obligation 2012-1, LLC, Arbor Realty SR, Inc. and U.S. Bank, National Association. ♠
10.22	Loan Obligation Purchase Agreement, dated September 24, 2012, by and between Arbor Realty SR, Inc. and Arbor Realty Collateralized Loan Obligation 2012-1, Ltd. ♠
10.23	Indenture, dated January 28, 2013, by and between Arbor Realty Collateralized Loan Obligation 2013-1, Ltd., Arbor Realty Collateralized Loan Obligation 2013-1, LLC, Arbor Realty SR, Inc. and U.S. Bank National Association. ♠♠
10.24	Loan Obligation Purchase Agreement, dated January 28, 2013, by and between Arbor Realty SR, Inc. and Arbor Realty Collateralized Loan Obligation 2013-1, Ltd. ♠♠
10.25	Equity Distribution Agreement, dated February 13, 2014, by and among Arbor Realty Trust, Inc., Arbor Realty Limited Partnership and JMP Securities LLC.
21.1	List of Subsidiaries of Arbor Realty Trust, Inc.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm.
23.2	Consent of Venable LLP, relating to our At-The-Market equity program (included in Exhibit 5.1)
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14.
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1	Financial statements from the Annual Report on Form 10-K of Arbor Realty Trust, Inc. for the year ended December 31, 2013, filed on February 14, 2014, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Changes in Equity, (v) the Consolidated Statements of Cash Flows, (vi) the Notes to Consolidated Financial Statements and (vii) Schedule IV.

Exhibit Index

/*\ Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

/*\/*\ Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K (No. 001-32136) which was filed with the Securities and Exchange Commission on December 11, 2007.

* Incorporated by reference to the Registrant's Registration Statement on Form S-11 (Registration No. 333-110472), as amended. Such registration statement was originally filed with the Securities and Exchange Commission on November 13, 2003.

† Incorporated by reference to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2004.

‡	Incorporated by reference to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2005.
♦	Incorporated by reference to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2006.
♣	Incorporated by reference to the Registrant's Form 8-A which was filed with the Securities and Exchange Commission on February 1, 2013.
♣♣	Incorporated by reference to the Registrant's Quarterly Report of Form 10-Q for the quarter ended March 31, 2009.
♣♣♣	Incorporated by reference to the Registrant's Quarterly Report of Form 10-Q for the quarter ended June 30, 2009.
•	Incorporated by reference to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2009.
••	Incorporated by reference to the Registrant's Quarterly Report of Form 10-Q for the quarter ended June 30, 2011.
♠	Incorporated by reference to the Registrant's Quarterly Report of Form 10-Q for the quarter ended September 30, 2012.
♠♠	Incorporated by reference to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2012.
/*/	Incorporated by reference to the Registrant's Form 8-A which was filed with the Securities and Exchange Commission on May 8, 2013.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on February 14, 2014.

ARBOR REALTY TRUST, INC.

By: /s/ IVAN KAUFMAN

Name: Ivan Kaufman

Title: *Chief Executive Officer*

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ IVAN KAUFMAN Ivan Kaufman	Chairman of the Board of Directors, Chief Executive Officer and President (Principal Executive Officer)	February 14, 2014
/s/ PAUL ELENIO Paul Elenio	Chief Financial Officer (Principal Financial Officer)	February 14, 2014
/s/ ARCHIE R. DYKES Archie R. Dykes	Director	February 14, 2014
/s/ KAREN K. EDWARDS Karen K. Edwards	Director	February 14, 2014
/s/ WILLIAM HELMREICH William Helmreich	Director	February 14, 2014
/s/ WILLIAM C. GREEN William C. Green	Director	February 14, 2014
/s/ C. MICHAEL KOJAIAN C. Michael Kojaian	Director	February 14, 2014

Signature	Title	Date
/s/ MELVIN F. LAZAR Melvin F. Lazar	Director	February 14, 2014
/s/ JOSEPH MARTELLO Joseph Martello	Director	February 14, 2014
/s/ STANLEY KREITMAN Stanley Kreitman	Director	February 14, 2014

Exhibit 5.1

[Letterhead of Venable LLP]

February 14, 2014

Arbor Realty Trust, Inc.
333 Earle Ovington Boulevard, Suite 900
Uniondale, New York 11553

Re: Registration Statement on Form S-3 (File No. 333-189532)

Ladies and Gentlemen:

We have served as Maryland counsel to Arbor Realty Trust, Inc., a Maryland corporation (the "Company"), in connection with certain matters of Maryland law arising out of the sale and issuance of up to 7,500,000 shares (the "Shares") of common stock, $0.01 par value per share (the "Common Stock"), of the Company, covered by the above-referenced Registration Statement, and all amendments related thereto (the "Registration Statement"), filed by the Company with the U.S. Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "1933 Act"). The Shares are to be issued from time to time in at-the-market offerings pursuant to the Equity Distribution Agreement, dated as of February 13, 2014 (the "ED Agreement"), by and between the Company and JMP Securities LLC.

In connection with our representation of the Company, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The Registration Statement and the related form of prospectus included therein and the supplement thereto, in the form transmitted to the Commission under the 1933 Act;

2. The charter of the Company (the "Charter"), certified by the State Department of Assessments and Taxation of Maryland (the "SDAT");

3. The Bylaws of the Company, certified as of the date hereof by an officer of the Company;

4. A certificate of the SDAT as to the good standing of the Company, dated as of a recent date;

5. Resolutions adopted by the Board of Directors of the Company (the "Resolutions"), authorizing the registration, sale and issuance of the Shares, certified as of the date hereof by an officer of the Company;

6. The ED Agreement;

7. A certificate executed by an officer of the Company, dated as of the date hereof; and

8. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or another person, is legally competent to do so.

2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so.

3. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.

4. All Documents submitted to us as originals are authentic. The form and content of all Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All representations, warranties, statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no waiver of any provision of any of the Documents, by action or omission of the parties or otherwise.

5. The Shares will not be issued or transferred in violation of the restrictions on transfer and ownership of shares of stock of the Company set forth in Article VII of the Charter.

6. Upon the issuance of any Shares, the total number of shares of Common Stock issued and outstanding will not exceed the total number of shares of Common Stock that the Company is then authorized to issue under the Charter.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

1. The Company is a corporation duly incorporated and existing under the laws of the State of Maryland and is in good standing with the SDAT.

2. The issuance of the Shares has been duly authorized and, when and if issued and delivered against payment therefor in accordance with the Resolutions, the ED Agreement and the Registration Statement, the Shares will be validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to the applicability or effect of federal or state securities laws, including the securities laws of the State of Maryland, or as to federal or state laws regarding fraudulent transfers. To the extent that any matter as to which our opinion is expressed herein would be governed by the laws of any jurisdiction other than the State of Maryland, we do not express any opinion on such matter. The opinion expressed herein is subject to the effect of any judicial decision which may permit the introduction of parol evidence to modify the terms or the interpretation of agreements.

The opinion expressed herein is limited to the matters specifically set forth herein and no other opinion shall be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you for submission to the Commission as an exhibit to the Company's Current Report on Form 8-K relating to the Offering (the "Current Report"). We hereby consent to the filing of this opinion as an exhibit to the Current Report and to the use of the name of our firm therein. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,

/s/ Venable LLP

Exhibit 10.25

EXECUTION COPY

ARBOR REALTY TRUST, INC.

7,500,000 Shares of Common Stock

EQUITY DISTRIBUTION AGREEMENT

Dated: February 13, 2014

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ARBOR REALTY TRUST, INC.

7,500,000 Shares of Common Stock

EQUITY DISTRIBUTION AGREEMENT

February 13, 2014

JMP Securities LLC
600 Montgomery Street, Suite 1100
San Francisco, California 94111

Ladies and Gentlemen:

Each of Arbor Realty Trust, Inc., a Maryland corporation (the "Company") and Arbor Realty Limited Partnership, a Delaware limited partnership (the "Operating Partnership") confirms its agreement (this "Agreement") with JMP Securities LLC (the "Placement Agent"), as follows:

SECTION 1. Description of Securities.

The Company agrees that, from time to time during the term of this Agreement, on the terms and subject to the conditions set forth herein, it may issue and sell through the Placement Agent, acting as agent and/or principal, up to 7,500,000 shares (the "Securities") of the Company's common stock, par value $0.01 per share (the "Common Stock"). Notwithstanding anything to the contrary contained herein, except as set forth in a Placement Notice (as defined below) the parties hereto agree that compliance with the limitations set forth in this Section 1 on the number of the Securities issued and sold under this Agreement shall be the sole responsibility of the Company, and the Placement Agent shall have no obligation in connection with such compliance. The issuance and sale of the Securities through the Placement Agent will be effected pursuant to the Registration Statement (as defined below) filed by the Company and declared effective by the Securities and Exchange Commission (the "Commission"), although nothing in this Agreement shall be construed as requiring the Company to use the Registration Statement to offer, sell or issue the Securities.

The Company has filed, in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the "Securities Act"), with the Commission a registration statement on Form S-3 (File No. 333-189532), including a base prospectus, relating to certain securities, including the Securities to be issued from time to time by the Company, and which incorporates by reference documents that the Company has filed or will file in accordance with the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively, the "Exchange Act"). The Company has prepared a prospectus supplement specifically relating to the Securities (the "Prospectus Supplement") to the base prospectus included as part of such registration statement. The Company will furnish to the Placement Agent, for use by the Placement Agent, copies of the prospectus included as part of such registration statement, as supplemented by the Prospectus Supplement, relating to the Securities. Except where the context otherwise requires, such registration statement, as amended when it became effective, including all documents filed as part thereof or incorporated by reference therein, and including any information contained in a Prospectus (as defined below) subsequently filed with the Commission pursuant to Rule 424(b) under the Securities Act or deemed to be a part of such registration statement pursuant to Rule 430B of the Securities Act, is herein called the "Registration Statement." The base prospectus, including all documents incorporated therein by reference, included in the Registration Statement, as it may be supplemented by the Prospectus Supplement, in the form in which such prospectus and/or Prospectus Supplement have most recently been filed by the Company with the Commission pursuant to Rule 424(b) under the Securities Act is herein called the "Prospectus." Any reference herein to the Registration Statement, the Prospectus or any amendment or supplement thereto shall be deemed to refer to and include the documents incorporated by reference therein, and any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include the filing after the execution hereof of any document with the Commission deemed to be incorporated by reference therein. Any reference herein to financial statements and schedules and other information that is "contained," "included" or "stated" in the Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information that is incorporated by reference in the Registration Statement or the Prospectus, as the case may be. Any reference herein to the Registration Statement, any Rule 462(b) Registration Statement, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to the Commission's Electronic Data Gathering, Analysis and Retrieval system ("EDGAR"); all references in this Agreement to any Issuer Free Writing Prospectus (other than any Issuer Free Writing Prospectuses that, pursuant to Rule 433 under the Securities Act, are not required to be filed with the Commission) shall be deemed to include the copy thereof filed with the Commission pursuant to EDGAR.

SECTION 2. Placements.

Each time that the Company wishes to issue and sell the Securities hereunder (each, a " Placement"), it will notify the Placement Agent by email notice (or other method mutually agreed to in writing by the parties) containing the parameters in accordance with which it desires the Securities to be sold, which shall at a minimum include the number of Securities to be issued (the " Placement Securities"), the time period during which sales are requested to be made, any limitation on the number of Securities that may be sold in any one day and any minimum price below which sales may not be made (a " Placement Notice"), a form of which containing such minimum sales parameters necessary is attached hereto as Exhibit A. The Placement Notice shall originate from any of the individuals from the Company set forth on Exhibit B (with a copy to each of the other individuals from the Company listed on such schedule), and shall be addressed to each of the individuals from the Placement Agent set forth on Exhibit B, as such Exhibit B may be amended from time to time. If the Placement Agent wishes to accept such proposed terms included in the Placement Notice (which it may decline to do so for any reason in its sole discretion) or, following discussion with the Company, wishes to accept amended terms, the Placement Agent will, prior to 4:30 p.m. (Eastern time) on the Business Day (as defined below) following the Business Day on which such Placement Notice is delivered to the Placement Agent, issue to the Company a notice by email (or other method mutually agreed to in writing by the parties) addressed to all of the individuals from the Company and the Placement Agent set forth on Exhibit B) setting forth the terms that the Placement Agent is willing to accept. Where the terms provided in the Placement Notice are amended as provided for in the immediately preceding sentence, such terms will not be binding on the Company or the Placement Agent until the Company delivers to the Placement Agent an acceptance by email (or other method mutually agreed to in writing by the parties) of all of the terms of such Placement Notice, as amended (the "Acceptance"), which email shall be addressed to all of the individuals from the Company and the Placement Agent set forth on Exhibit B. The Placement Notice (as amended by the corresponding Acceptance, if applicable) shall be effective upon receipt by the Company of the Placement Agent's acceptance of the terms of the Placement Notice or upon receipt by the Placement Agent of the Company's Acceptance, as the case may be, unless and until (i) the entire amount of the Placement Securities have been sold, (ii) in accordance with the Placement Notice requirements set forth in the second sentence of this paragraph, the Company terminates the Placement Notice, (iii) the Company issues a subsequent Placement Notice with parameters superseding those on the earlier dated Placement Notice, (iv) the Agreement has been terminated under the provisions of Section 9 or Section 12 or (v) either party shall have suspended the sale of the Placement Securities in accordance with Section 3 below. The amount of any discount, commission or other compensation to be paid by the Company to the

Placement Agent in connection with the sale of the Placement Securities shall be calculated in accordance with the terms set forth in Exhibit C. It is expressly acknowledged and agreed that neither the Company nor the Placement Agent will have any obligation whatsoever with respect to a Placement or any Placement Securities unless and until the Company delivers a Placement Notice to the Placement Agent and either (i) the Placement Agent accepts the terms of such Placement Notice or (ii) where the terms of such Placement Notice are amended, the Company accepts such amended terms by means of an Acceptance pursuant to the terms set forth above, and then only upon the terms specified in the Placement Notice (as amended by the corresponding Acceptance, if applicable) and herein. In the event of a conflict between the terms of this Agreement and the terms of a Placement Notice (as amended by the corresponding Acceptance, if applicable), the terms of the Placement Notice (as amended by the corresponding Acceptance, if applicable) will control. The term " Business Day" means each Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

SECTION 3. Sale of Placement Securities by the Placement Agent .

Subject to the provisions of Section 6(a), the Placement Agent, for the period specified in the Placement Notice, will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell the Placement Securities up to the amount specified, and otherwise in accordance with the terms of such Placement Notice (as amended by the corresponding Acceptance, if applicable). The Placement Agent will provide written confirmation to the Company no later than the opening of the Trading Day (as defined below) immediately following the Trading Day on which it has made sales of Placement Securities hereunder setting forth the number of Placement Securities sold on such day, the compensation payable by the Company to the Placement Agent pursuant to Section 2 with respect to such sales, and the Net Proceeds (as defined below) payable to the Company, with an itemization of the deductions made by the Placement Agent (as set forth in Section 6(b)) from the gross proceeds that it receives from such sales. Subject to the terms of the Placement Notice (as amended by the corresponding Acceptance, if applicable), the Placement Agent may sell Placement Securities by any method permitted by law deemed to be an "at the market" offering as defined in Rule 415 of the Securities Act, including without limitation sales made directly on the New York Stock Exchange ("NYSE"), on any other existing trading market for the Common Stock or to or through a market maker. If specified in a Placement Notice (as amended by the corresponding Acceptance, if applicable), the Placement Agent may also sell Placement Securities by any other method permitted by law, including but not limited to in privately negotiated transactions. For the purposes hereof, " Trading Day" means any day on which shares of Common Stock are purchased and sold on the principal market on which the Common Stock is listed or quoted and during which there has been no market disruption of, unscheduled closing of or suspension of trading on such principal market.

SECTION 4. Suspension of Sales. The Company or the Placement Agent may, upon notice to the other party in writing (including by email correspondence to each of the individuals of the other party set forth on Exhibit B, if receipt of such correspondence is actually acknowledged by any of the individuals to whom the notice is sent, other than via auto-reply) or by telephone (confirmed immediately by verifiable facsimile transmission or email correspondence to each of the individuals of the other party set forth on Exhibit B), suspend any sale of Placement Securities; provided, however, that such suspension shall not affect or impair either party's obligations with respect to any Placement Securities sold hereunder prior to the receipt of such notice. Each of the parties agrees that no such notice under this Section 4 shall be effective against the other unless it is made to one of the individuals named on Exhibit B hereto, as such Exhibit may be amended from time to time.

SECTION 5. <u>Representations and Warranties</u>.

(a) *Representations and Warranties by the Company and the Operating Partnership*. The Company and the Operating Partnership, jointly and severally, represent and warrant to the Placement Agent as of the date hereof and as of each Representation Date (as defined herein) on which a certificate is required to be delivered pursuant to Section 7(o) of this Agreement and as of the time of each sale of any Securities or any securities pursuant to this Agreement (the "<u>Applicable Time</u>"), and agrees with the Placement Agent, as follows:

(1) <u>Compliance with Registration Requirements</u>. The Securities have been duly registered under the Securities Act pursuant to the Registration Statement. The Registration Statement has become effective under the Securities Act, and no stop order preventing or suspending the use of any base prospectus, the Prospectus Supplement, the Prospectus or any Permitted Free Writing Prospectus (as defined below), or the effectiveness of the Registration Statement and no proceedings for such purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times each of the Registration Statement, any registration statement filed by the Company to register the offer and sale of the Securities pursuant to Rule 462(b) under the Securities Act (a "<u>Rule 462(b) Registration Statement</u>") and any post-effective amendments thereto became or becomes effective and as of the date hereof, the Registration Statement, any Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the Securities Act. The conditions for the use of Form S-3, as set forth in the General Instructions thereto, have been complied with and the Registration Statement meets, and the offering and sale of the Securities as contemplated hereby complies with, the requirements of Rule 415(a)(1)(x) under the Securities Act (including without limitation, Rule 415(a)(5)). The Registration Statement, as of the date hereof and each effective date with respect thereto, did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Neither the Prospectus nor any amendments or supplements thereto, as of their respective dates, and at each Applicable Time and Settlement Date (as defined below), as the case may be, included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The representations and warranties set forth in the immediately preceding paragraph shall not apply to statements in or omissions from the Registration Statement or the Prospectus, as amended or supplemented, made in reliance upon and in conformity with the Agent Information (as hereinafter defined).

The copies of the Registration Statement and any Rule 462(b) Registration Statement and any amendments thereto, any other preliminary prospectus, each Issuer Free Writing Prospectus (as defined below) that is required to be filed with the Commission pursuant to Rule 433 under the Securities Act and the Prospectus and any amendments or supplements thereto delivered and to be delivered to the Placement Agent (electronically or otherwise) in connection with the offering of the Securities were and will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T. "<u>Issuer Free Writing Prospectus</u>" means any "issuer free writing prospectus," as defined in Rule 433 under the Securities Act, relating to the Securities that (i) is required to be filed with the Commission by the Company, (ii) is a "road show" that is a "written communication" within the meaning of Rule 433(d)(8)(i) under the Securities Act whether or not required to be filed with the Commission, or (iii) is exempt from filing pursuant to Rule 433(d)(5)(i) under the Securities Act because it contains a description of the Securities or of the offering that does not reflect the final terms, and all free writing prospectuses that are listed in Exhibit H hereto, in each case in the form furnished (electronically or otherwise) to the Placement Agent for use in connection with the offering of the Securities.

Each Issuer Free Writing Prospectus relating to the Securities, as of its issue date and as of each Applicable Time and Settlement Date (as defined below), did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Prospectus, including any incorporated document deemed to be a part thereof that has not been superseded or modified; each Issuer Free Writing Prospectus, as supplemented by and taken together with the Prospectus, as of the Applicable Time and Settlement Date (as defined below), will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances, prevailing at that time, not misleading. The foregoing sentence does not apply to statements in or omissions from any issuer free writing prospectus based upon and in conformity with the Agent Information.

Each document incorporated by reference in the Registration Statement or the Prospectus heretofore filed, when it was filed (or, if any amendment with respect to any such document was filed, when such amendment was filed), conformed in all material respects with the requirements of the Exchange Act, and any further documents so filed and incorporated after the date of this Agreement will, when they are filed, conform in all material respects with the requirements of the Exchange Act; no such document when it was filed (or, if an amendment with respect to any such document was filed, when such amendment was filed), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and no such document, when it is filed, will contain an untrue statement of a material fact or will omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(2) Company Not Ineligible Issuer. As of the date of the execution and delivery of this Agreement (with such date being used as the determination date for purposes of this clause), the Company was not and is not an "ineligible issuer" (as defined in Rule 405 under the Securities Act), without taking account of any determination by the Commission pursuant to Rule 405 Under the Securities Act that it is not necessary that the Company be considered an ineligible issuer (as defined in Rule 405 under the Securities Act).

(3) Issuer Free Writing Prospectuses. Each Issuer Free Writing Prospectus relating to the Securities, as of its issue date and as of each Applicable Time and Settlement Date (as defined below), did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement, including any document incorporated by reference therein that has not been superseded or modified. The foregoing sentence does not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with the Agent Information.

(4) Company Authorization of Agreement. This Agreement and the transactions contemplated herein have been duly and validly authorized by the Company and this Agreement has been duly and validly executed and delivered by the Company.

(5) Operating Partnership Authorization of Agreement. This Agreement and the transactions contemplated herein have been duly and validly authorized by the Operating Partnership and this Agreement has been duly and validly executed and delivered by the Operating Partnership.

(6) Authorization of Management Agreement and Services Agreement. The second amended and restated management and advisory agreement (the "Management Agreement"), dated as of August 6, 2009, among the Company, the Operating Partnership, Arbor Commercial Mortgage, LLC (the "Manager") and Arbor Realty SR, Inc., a Maryland corporation and a wholly-owned subsidiary of the Company, has been duly authorized, executed and delivered by each of the Company and the Operating Partnership and constitutes a valid and binding agreement of each of the Company and the Operating Partnership enforceable in accordance with its terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization or other laws affecting enforcement of creditors' rights or by general equitable principles. The services agreement (the "Services Agreement"), dated as of July 1, 2003, among the Company, the Operating Partnership and the Manager has been duly authorized, executed and delivered by each of the Company and the Operating Partnership and constitutes a valid and binding agreement of each of the Company and the Operating Partnership enforceable in accordance with its terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization or other laws affecting enforcement of creditors' rights or by general equitable principles.

(7) Distribution of Offering Material by the Company. The Company and its affiliates have not distributed and will not distribute, prior to the completion of the Placement Agent's distribution of the Securities, any written offering material in connection with the offering and sale of the Securities other than the Prospectus, the Registration Statement or any Issuer Free Writing Prospectus.

(8) Independent Accountants. Ernst & Young LLP, who certified the financial statements and supporting schedules incorporated by reference in the Registration Statement and the Prospectus, is an independent registered public accounting firm as required by the Securities Act, the Exchange Act and the Public Company Accounting Oversight Board (United States).

(9) Financial Statements; Non-GAAP Financial Measures. The financial statements of the Company and its subsidiaries, together with the related schedules (if any) and notes (the "Company Financial Statements"), incorporated by reference in the Registration Statement and the Prospectus, and any financial statements required by Rule 3-14 of Regulation S-X (the "Acquisition Financial Statements"), incorporated by reference in the Registration Statement and the Prospectus present fairly the financial position of the Company and its consolidated subsidiaries at the dates indicated, or, if applicable, with respect to the Acquisition Financial Statements, the respective property or tenant; and all such financial statements have been prepared in conformity with United States generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved and comply with all applicable accounting requirements under the Securities Act. The supporting schedules, if any, incorporated by reference in the Registration Statement and the Prospectus present fairly, in accordance with GAAP, the information required to be stated therein. The selected financial data and the summary financial information included or incorporated by reference in the Registration Statement and the Prospectus present fairly in all material respects the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included therein. There are no financial statements or schedules required to be included in the

Registration Statement or the Prospectus under the Securities Act, which are not so included. If applicable, the unaudited pro forma financial information (including the related notes) incorporated by reference in the Registration Statement or the Prospectus complies as to form in all material respects with the applicable accounting requirements of the Securities Act, and management of the Company believes that the assumptions underlying the pro forma adjustments are reasonable. If applicable, such pro forma adjustments have been properly applied to the historical amounts in the compilation of the information and such information fairly presents with respect to the Company and its consolidated subsidiaries, the financial position, results of operations and other information purported to be shown therein at the respective dates and for the respective periods specified. No pro forma financial information is required to be included in the Registration Statement or the Prospectus, which is not so included. All disclosures contained in the Registration Statement or the Prospectus regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) comply in all material respects with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Securities Act, to the extent applicable. The interactive data in eXtensible Business Reporting Language incorporated by reference in the Registration Statement and the Prospectus fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto.

(10) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Registration Statement and the Prospectus (in each case exclusive of any amendments or supplements thereto subsequent to the date of this Agreement), except as otherwise stated therein, (A) there has been no material adverse change or any development involving a prospective material adverse change in the operations, condition (financial or otherwise), or in the earnings, business affairs or business prospects of the Company and its subsidiaries, including, without limitation, the Operating Partnership, considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its subsidiaries that are material with respect to the Company and its subsidiaries considered as one enterprise, (C) since the date of the latest balance sheet incorporated by reference in the Registration Statement and the Prospectus, neither the Company nor any of its subsidiaries has incurred or undertaken any liabilities or obligations, direct or contingent, which are material to the Company and its subsidiaries, including without limitation the Operating Partnership, considered as one enterprise, except for liabilities or obligations which are described in the Registration Statement and the Prospectus, and (D) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its stock.

(11) Good Standing of the Company and the Operating Partnership. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Maryland and has power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and to enter into and perform its obligations under this Agreement; and the Operating Partnership has been duly formed and is validly existing as a limited partnership in good standing under the laws of the State of Delaware and has authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus. Each of the Company and the Operating Partnership is duly qualified as a foreign corporation to transact business and is in good standing in the State of New York and in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except (solely in the case of jurisdictions other than the State of New York) where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(12) The Partnership Agreement. The Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership (the "Partnership Agreement"), dated as of January 18, 2005, among Arbor Realty GPOP, Inc., a Delaware corporation, Arbor Realty LPOP, Inc., a Delaware corporation, the Manager and the Company, has been duly and validly authorized, executed and delivered by the Company (through its direct subsidiaries) and is a valid and binding agreement, enforceable against the Company in accordance with its terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization or other laws affecting enforcement of creditors' rights or by general equitable principles.

(13) Good Standing of Subsidiaries. Each subsidiary of the Company has been duly organized and is validly existing as a corporation, limited or general partnership or limited liability company, as the case may be, in good standing under the laws of the jurisdiction of its organization, has power and authority to conduct its business as described in the Registration Statement and the Prospectus and is duly qualified as a foreign corporation, limited or general partnership or limited liability company, as the case may be, to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement and the Prospectus, all of the issued and outstanding stock of each such subsidiary that is a corporation, all of the issued and outstanding partnership interests of each such subsidiary that is a limited or general partnership and all of the issued and outstanding limited liability company interests, membership interests or other similar interests of each such subsidiary that is a limited liability company have been duly authorized and validly issued, and, in the case of each subsidiary that is a corporation, are fully paid and nonassessable and are owned by the Company or the Operating Partnership, directly or indirectly, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity (each, a "Lien"); and none of the outstanding shares of stock, partnership interests or limited liability company interests, membership interests or other similar interests of any such subsidiary was issued in violation of any preemptive rights, rights of first refusal or other similar rights of any securityholder of such subsidiary or any other person. The only Significant Subsidiaries (as defined below) of the Company are the subsidiaries listed on Schedule I hereto and Schedule I accurately sets forth whether each such Significant Subsidiary is a corporation, limited or general partnership or limited liability company and the jurisdiction of organization of each such Significant Subsidiary and, in the case of any Significant Subsidiary which is a partnership or limited liability company, its general partners and managing members, respectively. For purposes of this Agreement "Significant Subsidiaries" means "significant subsidiaries" as defined by Rule 1-02 of Regulation S-X, each of which are listed on Schedule I hereto.

(14) Capitalization. The authorized, issued and outstanding stock of the Company is as set forth in the Company's

quarterly report on Form 10-Q for the nine months ended September 30, 2013. The issued and outstanding shares of stock of the Company have been duly authorized and are validly issued, fully paid and nonassessable; and none of the outstanding shares of stock of the Company was issued in violation of any preemptive rights, rights of first refusal or other similar rights of any securityholder of the Company or any other person. The authorized, issued and outstanding units of partnership interest in the Operating Partnership (the " OP Units"), have been duly authorized and validly issued; and all of such OP Units have been sold in compliance with applicable laws (including, without limitation, federal and state securities laws).

(15) Authorization of Securities. The Securities have been duly authorized for issuance and sale to the Placement Agent pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued, fully paid and nonassessable; no holder of the Securities is or will be subject to personal liability by reason of being such a holder; and the issuance of the Securities is not subject to any preemptive right, right of first refusal or other similar right of any securityholder of the Company or any other person.

(16) Description of Securities. The Securities conform in all material respects to the description thereof contained in the section of the Prospectus entitled "Description of Capital Stock—Common Stock" and such description conforms to the rights set forth in the Company's Articles of Incorporation and Bylaws.

(17) Absence of Defaults and Conflicts. Neither the Company, the Operating Partnership nor any of their respective subsidiaries is in violation of its Organizational Documents (as defined below) or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any Company Document (as defined below), except for such defaults that would not result in a Material Adverse Effect. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Registration Statement and the Prospectus (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption "Use of Proceeds") and compliance by each of the Company and the Operating Partnership with its obligations under this Agreement do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any Lien upon any property or assets of the Company, the Operating Partnership or any of their respective subsidiaries pursuant to any Company Documents, nor will such action result in any violation of the provisions of the Organizational Documents of the Company, the Operating Partnership or any of their respective subsidiaries or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any of its subsidiaries or any of their respective assets, properties or operations. The term " Company Documents" as used herein means any contracts, indentures, mortgages, deeds of trust, loan or credit agreements, bonds, notes, debentures, evidences of indebtedness, leases or other instruments or agreements to which the Company, the Operating Partnership or any of their respective subsidiaries is a party or by which the Company, the Operating Partnership or any of their respective subsidiaries is bound or to which any of the property or assets of the Company, the Operating Partnership or any of their respective subsidiaries is subject. The term " Organizational Documents" as use herein means (a) in the case of a corporation, its charter and by-laws; (b) in the case of a limited or general partnership, its partnership certificate, certificate of formation or similar organizational document and its partnership agreement; (c) in the case of a limited liability company, its articles of organization, certificate of formation or similar organizational documents and its operating agreement, limited liability company agreement, membership agreement or other similar agreement; (d) in the case of a trust, its certificate of trust, certificate of formation or similar organizational document and its trust agreement or other similar agreement; and (e) in the case of any other entity, the organizational and governing documents of such entity.

(18) Absence of Labor Dispute. No labor dispute with the employees of the Company or any subsidiary of the Company exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of the principal suppliers, manufacturers, customers or contractors of the

Company or any of its subsidiaries which, in any such case, may reasonably be expected to result in a Material Adverse Effect.

(19) Absence of Proceedings. Except as described in the Registration Statement and the Prospectus, there is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, against or affecting the Company, the Operating Partnership or any of their respective subsidiaries or which has as a subject thereof, any officer or director of the Company in their capacity as such or as would otherwise be required to be disclosed in the Prospectus. To the knowledge of the Company or the Operating Partnership, there is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, threatened, against or affecting the Company, the Operating Partnership or any of their respective subsidiaries except as would not have a Material Adverse Effect or which has as a subject thereof, any officer or director of the Company in their capacity as such or as would otherwise be required to be disclosed in the Prospectus.

(20) Accuracy of Descriptions and Exhibits. The information in the Prospectus under the captions "Description of Debt Securities," "Description of Capital Stock," "Description of Depositary Shares," "Description of Warrants" and "Federal Income Tax Considerations" is correct in all material respects; all descriptions in the Registration Statement and the Prospectus of any Company Documents are accurate in all material respects; and there are no franchises, contracts, indentures, mortgages, deeds of trust, loan or credit agreements, bonds, notes, debentures, evidences of indebtedness, leases or other instruments or agreements required to be described or referred to in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement which have not been so described and filed as required.

(21) Possession of Intellectual Property. The Company and its subsidiaries own or possess or have the right to use on reasonable terms all patents, patent rights, patent applications, licenses, inventions, copyrights, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names, service names and other intellectual property (collectively, "Intellectual Property") necessary to carry on their respective businesses as described in the Prospectus and as proposed to be conducted; and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interests of the Company or any of its subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, individually or in the aggregate, might result in a Material Adverse Effect.

(22) Absence of Further Requirements. (A) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign, (B) no authorization, approval, vote or other consent of any stockholder or creditor of the Company or the Operating Partnership, (C) no waiver or consent under any Company Document, and (D) no authorization, approval, vote or other consent of any other person or entity, is necessary or required for the performance by the Company or the Operating Partnership of their respective obligations under this Agreement, for the offering, issuance, sale or delivery of the Securities hereunder, or for the consummation of any of the other transactions contemplated by this Agreement, in each case on the terms contemplated by this Agreement and the Prospectus, except such as have been already obtained

under the Securities Act, the rules of the NYSE, state securities laws or the rules of the Financial Industry Regulatory Authority, Inc. ("FINRA").

(23) Possession of Licenses and Permits. The Company, the Operating Partnership and their respective subsidiaries possess such permits, licenses, approvals, consents and other authorizations issued by the appropriate federal, state, local or foreign regulatory agencies or bodies (collectively, "Governmental Licenses") as are necessary to conduct the business now operated by them; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, individually or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company, the Operating Partnership nor any of their respective subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(24) Investment Company Act. The Company is not, and upon the issuance and sale of the Securities as herein contemplated and the application of the net proceeds therefrom as described in the Prospectus, will not be, an "investment company" or an entity "controlled" by an "investment company" as such terms are defined the Investment Company Act of 1940, as amended (the "1940 Act").

(25) Absence of Registration Rights. Except as disclosed in the Registration Statement and the Prospectus, there are no persons with registration rights or other similar rights to have any securities (debt or equity) (A) registered pursuant to the Registration Statement or included in the offering contemplated by this Agreement or (B) otherwise registered by the Company under the Securities Act.

(26) Joint Ventures. All of the joint ventures in which the Company or any subsidiary owns any interest (the "Joint Ventures") are listed on Schedule II hereto. The Company's or subsidiary's ownership interest in such Joint Venture is set forth in Schedule II.

(27) Exchange Act Registration; New York Stock Exchange. The Securities have been registered pursuant to Section 12(b) of the Exchange Act. The outstanding shares of Common Stock have been, and the Securities being sold hereunder will have been, approved for listing, subject only to official notice of issuance, on the NYSE.

(28) FINRA Matters. All of the information (including, but not limited to, information regarding affiliations, security ownership and trading activity) provided to the Placement Agent or to counsel for the Placement Agent by the Company, its officers and directors and the holders of any securities (debt or equity) or options to acquire any securities of the Company in connection with letters, filings or other supplemental information provided to FINRA is true, complete and correct.

(29) Insurance. The Company, the Operating Partnership and each of their respective subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; all policies of insurance and any fidelity or surety bonds insuring the Company, the Operating Partnership or any of their respective subsidiaries or their respective businesses,

assets, employees, officers and directors are in full force and effect; the Company, the Operating Partnership and their respective subsidiaries are in compliance with the terms of such policies and instruments in all material respects; there are no claims by the Company, the Operating Partnership or any of their respective subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; neither the Company, the Operating Partnership nor any such subsidiary has been refused any insurance coverage sought or applied for; and neither the Company, the Operating Partnership nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect. Without limitation to the foregoing provisions of this Section 5(a)(29), and such exceptions as would not, individually or in the aggregate, have a Material Adverse Effect, the Company, the Operating Partnership and their respective subsidiaries have title insurance on any real property currently leased or owned or controlled by them or to be leased or owned or to be controlled by them (collectively, the "Real Property"), in each case in an amount at least equal to the original cost of acquisition, and the Company, the Operating Partnership and their respective subsidiaries are entitled to all benefits of the insured thereunder, and each such Real Property is insured by extended coverage hazard and casualty insurance in amounts and on such terms as are customarily carried by lessors of properties similar to those owned by the Company, the Operating Partnership and their respective subsidiaries (in the markets in which the Company's and subsidiaries' respective Real Properties are located), and the Company, the Operating Partnership and their respective subsidiaries carry comprehensive general liability insurance and such other insurance as is customarily carried by lessors of properties similar to those owned by the Company, the Operating Partnership and their respective subsidiaries in amounts and on such terms as are customarily carried by lessors of properties similar to those owned by the Company, the Operating Partnership and their respective subsidiaries (in the markets in which the Company's, the Operating Partnership's and their respective subsidiaries' respective Real Properties are located) and the Company, the Operating Partnership or one of their respective subsidiaries is named as an additional insured on all policies required under the leases for such properties. With respect to mortgage loans extended by the Company and its subsidiaries, the Company or its subsidiary has one or more lender's title insurance policies insuring the lien of the mortgages encumbering the real property underlying such loans with coverages, in the aggregate, equal to at least the maximum aggregate principal amount of such loan.

(30) Disclosure Controls and Procedures. The Company and the Operating Partnership have established and maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that (i) are designed to ensure that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, particularly during the preparation of the reports that it files or submits under the Exchange Act; and (ii) are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

(31) Accounting Controls. The Company, the Operating Partnership and each of their respective subsidiaries maintain a system of internal control over financial reporting sufficient to provide reasonable assurance that financial reporting is reliable and financial statements for external purposes are prepared in accordance with GAAP and includes policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide

reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) interactive data in eXtensible Business Reporting Language included or incorporated by reference in the Registration Statement fairly presents the information called for in all material respects and is prepared in accordance with the Commission's rules and guidelines applicable thereto. Except as described in the Registration Statement and the Prospectus, since the end of the Company's most recent audited fiscal year, there has been (i) no material weakness in the Company's internal control over financial reporting (whether or not remediated) and (ii) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(32) Absence of Manipulation. Each of the Company and the Operating Partnership has not taken and will not take, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security to facilitate the sale or resale of the Securities.

(33) Statistical and Market-Related Data. The statistical and market-related data included in the Registration Statement and the Prospectus are based on or derived from sources that the Company believes to be reliable and accurate as of the respective dates of such documents, and the Company has obtained the written consent to the use of such data from such sources to the extent required.

(34) Foreign Corrupt Practices Act. Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that has resulted or would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (collectively, the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA, and the Company and its subsidiaries and, to the knowledge of the Company, its other affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(35) Money Laundering Laws. The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar applicable rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any

of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(36) OFAC. Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or person acting on behalf of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Company will not directly or indirectly use any of the proceeds received by the Company from the sale of Securities contemplated by this Agreement, or lend, contribute or otherwise make available any such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(37) Lending Relationship. Except as disclosed in the Registration Statement, and the Prospectus, neither the Company nor any of its subsidiaries has any outstanding borrowings from, or is a party to any line of credit, credit agreement or other credit facility or otherwise has a borrowing relationship with, any bank or other lending institution affiliated with the Placement Agent, and the Company does not intend to use any of the proceeds from the sale of the Securities to repay any debt owed to the Placement Agent or any affiliate of the Placement Agent.

(38) Transfer Taxes. There are no stock or other transfer taxes, stamp duties, capital duties or other similar duties, taxes or charges payable in connection with the execution or delivery of this Agreement by the Company or the issuance or sale by the Company of the Securities to be sold by the Company to the Placement Agent hereunder.

(39) ERISA. Except as set forth in the Company's financial statements, each of the Company and the Operating Partnership does not have any material liabilities under the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended from time to time.

(40) REIT Status. Commencing with the Company's taxable year ended December 31, 2003, and the taxable year ended December 31, 2005 of Arbor Realty SR, Inc., a Maryland real estate investment trust (the "Private REIT"), each of the Company and the Private REIT has been organized and operated in conformity with the requirements for qualification and taxation as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (collectively, the "Code"), and each of the Company's and the Private REIT's current and proposed method of operations as described in the Registration Statement and the Prospectus will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code for its taxable year ending December 31, 2014 and thereafter. The Company does not know of any event that would cause or is likely to cause either the Company or the Private REIT to fail to qualify as a REIT under the Code at any time.

(41) Tax Opinion. With respect to the legal opinion as to federal income tax matters provided to the Placement Agent pursuant to Section 7(p) hereof, the Company's representatives have discussed with its tax counsel, Skadden, Arps, Slate, Meagher & Flom LLP, the officer's certificate supporting such opinion, and where representations in such officer's certificate involve terms defined in the Code, the Treasury regulations thereunder, published rulings of the Internal Revenue Service or other relevant authority, the Company's representatives

are satisfied after their discussions with their counsel in their understanding of such terms and are capable of making such representations.

(42) Tax Returns. All tax returns required to be filed as of the date hereof by the Company and each of its subsidiaries have been timely filed (or valid extensions to such filings have been obtained), all such tax returns are true, correct and complete in all material respects, and all material taxes and other assessments of a similar nature (whether imposed directly or through withholding) including any interest, additions to tax or penalties applicable thereto due or claimed to be due from such entities have been paid, other than those being contested in good faith and for which adequate reserves have been provided.

(43) Related Party Transactions. There are no business relationships or related-party transactions involving the Company or the Operating Partnership required to be described in the Registration Statement and the Prospectus which have not been so described as required.

(44) No Unlawful Contributions or Other Payments. Neither the Company, the Operating Partnership nor any subsidiary nor, to the best of the Company's knowledge, any employee or agent of the Company, the Operating Partnership or any subsidiary, has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of the character required to be disclosed in the Prospectus.

(45) Brokers and Finders. Neither the Company, the Operating Partnership nor any subsidiary has incurred any liability for a fee, commission or other compensation on account of the employment of a broker or finder in connection with the transactions contemplated by this Agreement other than as contemplated hereby.

(46) No Prohibition on Subsidiaries from Paying Dividends or Making Other Distributions. No subsidiary is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock or other equity interests, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or assets to the Company or any other Subsidiary.

(47) Title to Real and Personal Property. (i) The Company and its subsidiaries, including the Operating Partnership, have (or in the case of a Joint Venture, such limited partnership, limited liability company or other joint venture entity has) good and marketable title in fee simple to, or a valid leasehold interest in, the Real Property and good and marketable title to any and all personal property owned by the Company or any of its Subsidiaries that is material to the business of the Company or the Operating Partnership, in each case free and clear of all Liens, except as described in the Prospectus or such as would not reasonably be expected to result in a Material Adverse Effect; and any real property, buildings and equipment held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases (the "Leases") with such exceptions as are disclosed in the Prospectus or such as would not reasonably be expected to result in a Material Adverse Effect; (ii) neither the Company nor any of its Subsidiaries has received notice of any claim that has been or may be asserted by anyone adverse to the rights of the Company or any subsidiary with respect to any such Real Properties, personal property or Leases or affecting or questioning the rights of the Company to the continued ownership, lease, possession or occupancy of such Real Properties, personal property or Leases, except for such claims that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; (iii) no person or entity,

including, without limitation, any tenant under the leases, if any, for the Real Properties has an option or right of first refusal or any other right to purchase any of such Real Properties, except as disclosed in the Prospectus; (iv) each of the Real Properties has access to public rights of way, either directly or through insured easements, except where the failure to have such access would not, individually or in the aggregate, have a Material Adverse Effect; (v) each of the Real Properties is served by all public utilities necessary for the current operations on such property in sufficient quantities for such operations, except where the failure to have such public utilities would not, individually or in the aggregate, have a Material Adverse Effect; (vi) each of the Real Properties complies with all applicable codes and zoning and subdivision laws and regulations, except for such failure to comply which would not, either individually or in the aggregate, have a Material Adverse Effect; (vii) all of the Leases are in full force and effect, except where the failure to be in full force or effect would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and neither the Company nor any of its subsidiaries is in default in the payment of any amounts due under any such Leases or in any other default thereunder and neither the Company nor any of its subsidiaries knows or an event which, with the passage of time or the giving of notice or both, would constitute a default under any such Lease, except such defaults that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (viii) there is no pending or, to the knowledge of the Company or its subsidiaries, threatened condemnation, zoning change, or other proceeding or action that would in any manner affect the size of, use of, improvements on, construction on or access to any Real Property, except such proceedings or actions that, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(48) Compliance with Environmental Laws. Except as otherwise disclosed in the Registration Statement and the Prospectus: (i) neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any other owners of the Real Property at any time, or to the knowledge of the Company, any other party has at any time, handled, stored, treated, transported, manufactured, spilled, leaked, or discharged, dumped, transferred or otherwise disposed of or dealt with, Hazardous Materials (as hereinafter defined) on, to or from any Real Property, other than by any such action taken in material compliance with all applicable Environmental Statutes (as hereinafter defined) or by the Company, any of its subsidiaries or any other party in connection with the ordinary use of residential, retail or commercial properties owned by the Company or any subsidiary; (ii) the Company and its subsidiaries do not intend to use the Real Property or any subsequently acquired properties for the purpose of handling, storing, treating, transporting, manufacturing, spilling, leaking, discharging, dumping, transferring or otherwise disposing of or dealing with Hazardous Materials other than by any such action taken in material compliance with all applicable Environmental Statues or by the Company, any of its subsidiaries or, to the knowledge of the Company, any other party in connection with the ordinary use of residential, retail or commercial properties owned by the Company or any subsidiary; (iii) the Company and the Operating Partnership do not know of any seepage, leak, discharge, release, emission, spill, or dumping of Hazardous Materials from the Real Property into waters on or adjacent to the Real Property or from the Real Property onto any real property owned or occupied by any other party, or onto lands from which Hazardous Materials might seep, flow or drain into such waters other than in material compliance with Environmental Statutes; (iv) neither the Company nor any of its subsidiaries has received any notice of, or has knowledge of, any occurrence or circumstance which, with notice or passage of time or both, would give rise to a claim under or pursuant to any U.S. federal, state or local environmental statute or regulation or under common law, pertaining to Hazardous Materials on or originating from any of the Real Property or arising out of the conduct of the Company or any of its subsidiaries, including without limitation a claim under or pursuant to any Environmental Statute (as hereinafter defined); and (v) neither the Real Property is included nor, to the

Company's or the Operating Partnership's knowledge, is proposed for inclusion on the National Priorities List issued pursuant to CERCLA (as hereinafter defined) by United States Environmental Protection Agency (the "EPA") or, to the Company's or to the Operating Partnership's knowledge, proposed for inclusion on any similar list or inventory issued pursuant to any other Environmental Statute or issued by any other governmental authority. As used herein, "Hazardous Materials" shall include, without limitation, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, toxic substances, or related materials, asbestos or any hazardous material as defined by any U.S. federal, state or local environmental law, ordinance, rule or regulation including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601-9675 ("CERCLA"), the Hazardous Materials Transportation Act, as amended, 49 U.S.C. Sections 1801-1819, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Sections 6901-6992K, the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Sections 11001-11050, the Toxic Substances Control Act, 15 U.S.C. Sections 2601-2671, the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Sections 136-136y, the Clean Air Act, 42 U.S.C. Sections 7401-7642, the Clean Water Act (Federal Water Pollution Control Act), 33 U.S.C. Sections 1251-1387, the Safe Drinking Water Act, 42 U.S.C. Sections 300f-330j-26, and the Occupational Safety and Health Act, 29 U.S.C. Sections 651-678, as any of the above statutes may be amended from time to time, and in the regulations promulgated pursuant to each of the foregoing (individually, an "Environmental Statute") or by any governmental authority.

(49) Compliance with ADA. The Company and its subsidiaries and each Real Property are currently in compliance with all presently applicable provisions of the Americans with Disabilities Act, as amended, except for any such non-compliance that would not, individually or in aggregate, reasonably be expected to have a Material Adverse Effect.

(50) No Breach or Default under Loans. To the Company's knowledge, there is no breach of, or default under (nor has any event occurred which with notice, lapse of time, or both would constitute a breach of, or default under) the loan documents relating to the debt instruments acquired or originated by the Company as described in the Prospectus (collectively, the "Loans") which breach or default, if uncured, would result in a Material Adverse Effect. To the Company's knowledge without due inquiry, there is no breach or default under (nor has any event occurred which with notice, lapse of time, or both would constitute a breach of, or default under) the loan documents relating to any loans senior to the Loans, which breach or default, if uncured, would result in a Material Adverse Effect.

(51) Compliance with Sarbanes-Oxley Act. There is and has been no failure on the part of the Company or any of the Company's directors or officers, in their capacities as such, to comply with any provision of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith (the "Sarbanes-Oxley Act"), including Section 402 related to loans and Sections 302 and 906 related to certifications.

(52) Proprietary Trading by the Placement Agent. The Company acknowledges and agrees that the Placement Agent has informed the Company that the Placement Agent may, to the extent permitted under the Securities Act and the Exchange Act, purchase and sell shares of Common Stock for its own account while this Agreement is in effect, and shall be under no obligation to purchase Securities on a principal basis pursuant to this Agreement, except as otherwise agreed by the Placement Agent in the Placement Notice (as amended by the corresponding Acceptance, if applicable); provided, that no such purchase or sales shall take place while a Placement Notice is in effect (except (i) as agreed by the Placement Agent in the

Placement Notice (as amended by the corresponding Acceptance, if applicable) or (ii) to the extent the Placement Agent may engage in sales of Placement Securities purchased or deemed purchased from the Company as a "riskless principal" or in a similar capacity).

(b) *Certificates*. Any certificate signed by any officer of the Company or the Operating Partnership delivered to the Placement Agent or to counsel for the Placement Agent pursuant to the terms or provisions of this Agreement shall be deemed a representation and warranty by the Company to the Placement Agent as to the matters covered thereby.

SECTION 6. Sale and Delivery to the Placement Agent; Settlement.

(a) *Sale of Placement Securities*. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, upon the Placement Agent's acceptance of the terms of a Placement Notice or upon receipt by the Placement Agent of an Acceptance, as the case may be, and unless the sale of the Placement Securities described therein has been declined, suspended, or otherwise terminated in accordance with the terms of this Agreement, the Placement Agent, for the period specified in the Placement Notice, will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell such Placement Securities up to the amount specified, and otherwise in accordance with the terms of such Placement Notice. The Company acknowledges and agrees that (i) there can be no assurance that the Placement Agent will be successful in selling Placement Securities, (ii) the Placement Agent will incur no liability or obligation to the Company or any other person or entity if it does not sell Placement Securities for any reason other than a failure by the Placement Agent to use its commercially reasonable efforts consistent with its normal trading and sales practices to sell such Placement Securities as required under this Section 6, and (iii) the Placement Agent shall be under no obligation to purchase Securities on a principal basis pursuant to this Agreement, except as otherwise agreed by the Placement Agent in the Placement Notice (as amended by the corresponding Acceptance, if applicable).

(b) *Settlement of Placement Securities*. Unless otherwise specified in the applicable Placement Notice, settlement for sales of Placement Securities will occur on the third (3rd) Trading Day (or such earlier day as is industry practice for regular-way trading) following the date on which such sales are made (each, a "Settlement Date"). The amount of proceeds to be delivered to the Company on a Settlement Date against receipt of the Placement Securities sold (the "Net Proceeds") will be equal to the aggregate sales price received by the Placement Agent at which such Placement Securities were sold, after deduction for (i) the Placement Agent's commission, discount or other compensation for such sales payable by the Company pursuant to Section 2 hereof and

(ii) any other amounts due and payable by the Company to the Placement Agent hereunder pursuant to Section 8(a) hereof.

(c) *Delivery of Placement Securities*. On or before each Settlement Date, concurrently with the receipt by the Company of the Net Proceeds due to the Company in respect of such Settlement Date, the Company will, or will cause its transfer agent to, electronically transfer the Placement Securities being sold by crediting the Placement Agent's or its designee's account (provided the Placement Agent shall have given the Company written notice of such designee prior to the Settlement Date) at The Depository Trust Company through its Deposit and Withdrawal at Custodian System or by such other means of delivery as may be mutually agreed upon by the parties hereto which in all cases shall be freely tradable, transferable, registered shares in good deliverable form. On each Settlement Date, the Placement Agent will deliver the related Net Proceeds in same day funds to an account designated by the Company on, or prior to, the Settlement Date. The Company agrees that if the Company, or its transfer agent (if applicable), defaults in its obligation to deliver Placement Securities on a Settlement Date, the Company agrees that, in addition to and in no way limiting the rights and obligations set forth in Section 10(a) hereto, it will (i) hold the Placement Agent harmless against any loss, claim, damage, or expense (including reasonable legal fees and expenses), as incurred, arising out of or in connection with such default by the Company and (ii) pay to the Placement Agent any commission, discount, or other compensation to which it would otherwise have been entitled absent such default.

(d) *Denominations; Registration*. If requested by the Placement Agent at least two Business Days prior to the Settlement Date, then in lieu of electronic transfer, certificates for the Securities shall be in such denominations and registered in such names as the Placement Agent shall have specified in such request. The certificates for the Securities will be made available for examination and packaging by the Placement Agent in The City of New York not later than noon (New York time) on the Business Day prior to the Settlement Date.

SECTION 7. Covenants.

The Company covenants with the Placement Agent as follows:

(a) *Registration Statement Amendment*. After the date of this Agreement and during any period in which a Prospectus relating to any Placement Securities is required to be delivered by the Placement Agent under the Securities Act (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), (i) the Company will notify the Placement Agent promptly of the time when any subsequent amendment to the Registration Statement, other than documents incorporated by reference, has been filed with the Commission and/or has become effective or any subsequent supplement to the Prospectus has been filed and of any comment letter from the Commission or any request by the Commission for any amendment or supplement to the Registration Statement or Prospectus or for additional information; (ii) the Company will prepare and file with the Commission, promptly upon the Placement Agent's request, any amendments or supplements to the Registration Statement or Prospectus that, in the Placement Agent's reasonable opinion, may be necessary or advisable in connection with the distribution of the Placement Securities by the Placement Agent (*provided, however*, that the failure of the Placement Agent to make such request shall not relieve the Company of any obligation or liability hereunder, or affect the Placement Agent's right to rely on the representations and warranties made by the Company in this Agreement); (iii) the Company will not file any amendment or supplement to the Registration Statement or Prospectus, other than documents incorporated by reference, relating to the Placement Securities or a security convertible into the Placement Securities unless a copy thereof has been submitted to the Placement Agent within a reasonable period of time before the filing and the Placement Agent has not reasonably objected thereto (*provided, however*, that the failure of the Placement Agent to make such objection shall not relieve the Company of any obligation or liability hereunder, or affect the Placement Agent's right to rely on the representations and warranties made by the Company in this Agreement) and the Company will furnish to the Placement Agent at the time of filing thereof a copy of any document that upon filing is deemed to be incorporated by reference into the Registration Statement or Prospectus, except for those documents available via EDGAR; and (iv) the Company will cause each amendment or supplement to the Prospectus, other than documents incorporated by reference, to be filed with the Commission as required pursuant to the applicable paragraph of Rule 424(b) of the Securities Act (without reliance on Rule 424(b)(8) of the Securities Act).

(b) *Notice of Commission Stop Orders*. The Company will advise the Placement Agent, promptly after it receives notice or obtains knowledge thereof, of the issuance or threatened issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any other order preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus, or of the suspension of the qualification of the Placement Securities for offering or sale in any jurisdiction or of the loss or suspension of any exemption from any such qualification, or of the initiation or threatening of any proceedings for any of such purposes, or of any examination pursuant to Section 8(e) of the

Securities Act concerning the Registration Statement or if the Company becomes the subject of a proceeding under Section 8A of the Securities Act in connection with the offering of the Securities. The Company will make every reasonable effort to prevent the issuance of any stop order, the suspension of any qualification of the Securities for offering or sale and any loss or suspension of any exemption from any such qualification, and if any such stop order is issued or any such suspension or loss occurs, to obtain the lifting thereof at the earliest possible moment.

(c) *Delivery of Registration Statement and Prospectus.* Except to the extent such documents have been publicly filed with the Commission pursuant to EDGAR, the Company will furnish to the Placement Agent and its counsel (at the expense of the Company) copies of the Registration Statement, the Prospectus (including all documents incorporated by reference therein) and all amendments and supplements to the Registration Statement or Prospectus, and any Issuer Free Writing Prospectuses, that are filed with the Commission during any period in which a Prospectus relating to the Placement Securities is required to be delivered under the Securities Act (including all documents filed with the Commission during such period that are deemed to be incorporated by reference therein), in each case as soon as reasonably practicable and in such quantities and at such locations as the Placement Agent may from time to time reasonably request.

(d) *Continued Compliance with Securities Laws.* If at any time when a Prospectus is required by the Securities Act or the Exchange Act to be delivered in connection with a pending sale of the Placement Securities (including, without limitation, pursuant to Rule 172 under the Securities Act), any event shall occur or condition shall exist as a result of which it is necessary to amend the Registration Statement together with the Prospectus in order that the Prospectus will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary at any such time to amend the Registration Statement together with the Prospectus in order to comply with the requirements of the Securities Act, the Company will promptly notify the Placement Agent to suspend the offering of Placement Securities during such period and the Company will promptly prepare and file with the Commission such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement and the Prospectus comply with such requirements, and the Company will furnish to the Placement Agent such number of copies of such amendment or supplement as the Placement Agent may reasonably request. If at any time following the issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted, conflicts or would conflict with the information contained in the Registration Statement or the Prospectus or included, includes or would include an untrue statement of a material fact or together with the Prospectus omitted, omits or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances, prevailing at that subsequent time, not misleading, the Company will promptly notify the Placement Agent to suspend the offering of Placement Securities during such period and the Company will, subject to Section 7(a) hereof, promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(e) *Blue Sky and Other Qualifications*. The Company will use its best efforts, in cooperation with the Placement Agent, to qualify the Placement Securities for offering and sale, or to obtain an exemption for the Securities to be offered and sold, under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Placement Agent may designate and to maintain such qualifications and exemptions in effect for so long as required for the distribution of the Securities (but in no event for less than one year from the date of this Agreement); *provided*, *however*, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Placement Securities have been so qualified or exempt, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification or exemption, as the case may be, in effect for so long as required for the distribution of the Placement Securities (but in no event for less than one year from the date of this Agreement).

(f) *Rule 158*. The Company will timely file such reports pursuant to the Exchange Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide to the Placement Agent the benefits contemplated by, the last paragraph of Section 11(a) of the Securities Act.

(g) *Use of Proceeds*. The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Prospectus under "Use of Proceeds."

(h) *Listing*. During any period in which the Prospectus relating to the Placement Securities is required to be delivered by the Placement Agent under the Securities Act with respect to a pending sale of the Placement Securities (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), the Company will use its commercially reasonable efforts to cause the Placement Securities to be listed on the NYSE.

(i) *Filings with the Exchange*. The Company will timely seek to file with the NYSE all material documents and notices required by the NYSE of companies that have securities traded on the NYSE.

(j) *Reporting Requirements*. The Company, during any period when the Prospectus is required to be delivered under the Securities Act and the Exchange Act (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), will file all documents required to be filed with the Commission pursuant to the Exchange Act within the time periods required by the Exchange Act.

(k) *Notice of Other Sales*. During the pendency of any Placement Notice given hereunder, the Company shall provide the Placement Agent notice as promptly as reasonably possible before it offers to sell, contracts to sell, sells, grants any option to sell or otherwise disposes of any shares of Common Stock (other than Placement Securities offered pursuant to the provisions of this Agreement) or securities convertible into or exchangeable for Common Stock, warrants or any rights to purchase or acquire Common Stock; *provided*, that such notice shall not be required in connection with the (i) issuance, grant or sale of restricted stock, Common Stock, LTIP units, options to purchase Common Stock, or Common Stock issuable upon the exercise of options or other equity awards pursuant to any stock option, stock bonus or other stock or compensatory plan or arrangement described in the Prospectus, (ii) the issuance of securities in connection with an acquisition, merger or sale or purchase of assets described in the Prospectus, or (iii) the issuance or sale of Common Stock pursuant to any dividend reinvestment plan that the Company has in effect or may adopt from time to time, *provided* the implementation of such new plan is disclosed to the Placement Agent in advance.

(l) *Change of Circumstances*. The Company will, at any time during a fiscal quarter in which the Company intends to tender a Placement Notice or sell Placement Securities, advise the Placement Agent promptly after it shall have received notice or obtained knowledge thereof, of any information or fact that would alter or affect in any material respect any opinion, certificate, letter or other document provided to the Placement Agent pursuant to this Agreement during such fiscal quarter.

(m) *Due Diligence Cooperation*. The Company will cooperate with any reasonable due diligence review conducted by the Placement Agent or its agents in connection with the transactions contemplated hereby, including, without limitation, providing information and making available documents and senior officers, during regular business hours and at the Company's principal offices, as the Placement Agent may reasonably request.

(n) *Disclosure of Sales*. The Company will, if applicable, disclose in its quarterly reports on Form 10-Q and in its annual report on Form 10-K the number of Placement Securities sold through the Placement Agent during the most recent fiscal quarter, the Net Proceeds to the Company and the compensation paid or payable by the Company to the Placement Agent with respect to such Placement Securities. The Company shall also prepare and file with the Commission pursuant to Rule 424(b) under the Securities Act not later than 40 days after the completion of such quarter a prospectus supplement disclosing such sales information, if any.

(o) *Representation Dates; Certificate*. On or prior to the date that the Securities are first sold pursuant to the terms of this Agreement and:

(i) each time the Company files the Prospectus relating to the Placement Securities or amends or supplements the Registration Statement or the Prospectus relating to the Placement Securities (other than amendments or supplements that are filed solely to report sales of the Placement Securities pursuant to this Agreement) by means of a post-effective amendment, sticker, or supplement but not by means of incorporation of documents by reference into the Registration Statement or the Prospectus relating to the Placement Securities;

(ii) each time the Company files an annual report on Form 10-K under the Exchange Act (each date of filing of the Company's annual report on Form 10-K shall be a "10-K Representation Date");

(iii) each time the Company files its quarterly reports on Form 10-Q under the Exchange Act; or

(iv) each time the Company files a report on Form 8-K containing amended financial information (other than an earnings release, to "furnish" information pursuant to Items 2.02 or 7.01 of Form 8-K or to provide disclosure pursuant to Item 8.01 of Form 8-K relating to the reclassifications of certain properties as discontinued operations in accordance with Statement of Financial Accounting Standards No. 144) under the Exchange Act (each date of filing of one or more of the documents referred to in clauses (i) through (iv) shall be a " Representation Date");

the Company and the Operating Partnership shall furnish the Placement Agent with a certificate, in the form attached hereto as Exhibit G, within three (3) Trading Days of any Representation Date. The requirement to provide a certificate under this Section 7(o) shall be waived for any Representation Date occurring at a time at which no Placement Notice is pending, which waiver shall continue until the earlier to occur of the date the Company delivers a Placement Notice hereunder (which for such calendar quarter shall be considered a Representation Date) and the next occurring Representation Date; *provided, however*, that such waiver shall not apply for any 10-K Representation Date. Notwithstanding the foregoing, if the Company subsequently decides to sell Placement Securities following a Representation Date when the Company relied on such waiver and did not provide the Placement Agent with a certificate under this Section 7(o), then before the Company delivers the Placement Notice or the Placement Agent sells any Placement Securities, the Company and the Operating Partnership shall provide the Placement Agent with a certificate, in the form attached hereto as Exhibit G, dated the date of the Placement Notice.

(p) *Legal Opinions*. On or prior to the date that the Securities are first sold pursuant to the terms of this Agreement and within three (3) Trading Days after each 10-K Representation Date with respect to which the Company and the Operating Partnership is obligated to deliver a certificate in the form attached hereto as Exhibit G for which no waiver is applicable, the Company shall cause to be furnished to the Placement Agent (i) a written opinion of Venable LLP, Maryland counsel to the Company ("Company Maryland Counsel"), or other counsel satisfactory to the Placement Agent, in form and substance reasonably satisfactory to the Placement Agent and its counsel, dated the date that the opinion is required to be delivered, substantially similar to the form attached hereto as Exhibit D, (ii) written opinions of Skadden, Arps, Slate Meagher and Flom LLP, special counsel to the Company ("Company Special Counsel"), or other counsel satisfactory to the Placement Agent, in form and substance reasonably satisfactory to the Placement Agent and its counsel, dated the date that the opinions are required to be delivered, substantially similar to the forms attached hereto as Exhibit E-1 and Exhibit E-2, (iii) the written opinion of Allen & Overy LLP regarding certain matters pursuant to the 1940 Act, or other counsel satisfactory to the Placement Agent, in form and substance reasonably satisfactory to the Placement Agent and its counsel, dated the date that the opinion is required to be delivered, substantially similar to the form attached hereto as Exhibit F (iv) unless waived by the Placement Agent, a written opinion of Hunton & Williams LLP, counsel to the Placement Agent ("Counsel to the Placement Agent"), or other counsel satisfactory to the Placement Agent, in form and substance reasonably satisfactory to the Placement Agent, dated the date that the opinion is required to be delivered; *provided, however*, that in lieu of such opinions for subsequent 10-K Representation Dates, counsel may furnish the Placement Agent with a letter (a "Reliance Letter") to the effect that the Placement Agent may rely on a prior opinion delivered under this Section 7(p) to the same extent as if it were dated the date of such letter (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented at such 10-K Representation Date).

(q) *Comfort Letter*. On or prior to the date that the Securities are first sold pursuant to the terms of this Agreement and within three (3) Trading Days after each 10-K Representation Date with respect to which the Company is obligated to deliver a certificate in the form attached hereto as Exhibit F for which no waiver is applicable, the Company shall cause its independent accountants (and any other independent accountants whose report is included in the Prospectus) to furnish the Placement Agent letters (the "Comfort Letters"), dated the date of the Comfort Letter is delivered, in form and substance satisfactory to the Placement Agent, (i) confirming that they are an independent registered public accounting firm within the meaning of the Securities Act, the Exchange Act and the PCAOB, (ii) stating, as of such date, the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(r) *Market Activities*. The Company will not, directly or indirectly, (i) take any action designed to cause or result in, or that constitutes or might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities or (ii) sell, bid for, or purchase the Securities to be issued and sold pursuant to this Agreement, or pay anyone any compensation for soliciting purchases of the Securities to be issued and sold pursuant to this Agreement other than the Placement Agent; *provided, however*, that the Company may bid for and purchase its Common Stock in accordance with Rule 10b-18 under the Exchange Act.

(s) *Investment Company Act*. The Company is familiar with the Investment Company Act, and the rules and regulations thereunder, and will in the future conduct its and the Operating Partnership's affairs, in such a manner and will use its commercially reasonable best efforts to ensure that the Company and the Operating Partnership will not be an "investment company" within the meaning of the Investment Company Act and the rules and regulations thereunder.

(t) *Securities Act and Exchange Act*. The Company will use its best efforts to comply with all requirements imposed upon it by the Securities Act and the Exchange Act as from time to time in force, so far as necessary to permit the continuance of sales of, or dealings in, the Placement Securities as contemplated by the provisions hereof and the Prospectus.

(u) *No Offer to Sell*. Other than a free writing prospectus (as defined in Rule 405 under the Securities Act) approved in advance in writing by the Company and the Placement Agent in its capacity as principal or agent hereunder, the Company (including its agents and representatives, other than the Placement Agent in its capacity as such) will not, directly or indirectly, make, use, prepare, authorize, approve or refer to any free writing prospectus relating to the Securities to be sold by the Placement Agent as principal or agent hereunder.

(v) *Sarbanes-Oxley Act*. The Company and its subsidiaries will use their best efforts to comply with all effective applicable provisions of the Sarbanes-Oxley Act of 2002.

(w) *Regulation M*. If following the date hereof the Common Stock qualifies for the exemptive provisions set forth in Rule 101(c)(1) of Regulation M under the Exchange Act, and subsequent to such date, the Company has reason to believe that the exemptive provisions set forth in Rule 101(c)(1) of Regulation M under the Exchange Act are not satisfied with respect to the Common Stock, it shall promptly notify the Placement Agent and sales of the Placement Securities under this Agreement shall be suspended until that or other exemptive provisions have been satisfied in the judgment of each party.

(x) *REIT Qualification*. Each of the Company and the Private REIT will use its best efforts to continue to meet the requirements to qualify as a "real estate investment trust" under the Code, until the Board of Directors of the Company determines that it is no longer in the best interests of the Company to qualify as a REIT.

SECTION 8. Payment of Expenses.

(a) *Expenses*. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment and supplement thereto, (ii) the word processing, printing and delivery to the Placement Agent of this Agreement and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Placement Securities, (iii) the preparation, issuance and delivery of the certificates for the Placement Securities to the Placement Agent, including any stock or other transfer taxes and any capital duties, stamp duties or other duties or taxes payable upon the sale, issuance or delivery of the Placement Securities to the Placement Agent, (iii) the fees and disbursements of the counsel, accountants and other advisors to the Company and the Operating Partnership, (iv) the qualification or exemption of the Placement Securities under securities laws in accordance with the provisions of Section 7(e) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Placement Agent in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplements thereto, (v) the printing and delivery to the Placement Agent of copies of any permitted Free Writing Prospectus and the Prospectus and any amendments or supplements thereto and any costs associated with electronic delivery of any of the foregoing by the Placement Agent to investors, (vi) the fees and expenses of the transfer agent and registrar for the Securities, (vii) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Placement Agent in connection with, the review by FINRA of the terms of the sale of the Securities and (viii) the fees and expenses incurred in connection with the listing of the Placement Securities on the NYSE.

(b) *Termination of Agreement.* If this Agreement is terminated by the Placement Agent in accordance with the provisions of Section 9 or Section 12(a)(i) hereof or by the Company pursuant to Section 12(b) hereof, the Company shall reimburse the Placement Agent for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Placement Agent.

SECTION 9. Conditions of the Placement Agent's Obligations. The obligations of the Placement Agent hereunder with respect to a Placement will be subject to the continuing accuracy and completeness of the representations and warranties of the Company and the Operating Partnership contained in this Agreement or in certificates of any officer of the Company, the Operating Partnership or any of their respective subsidiaries delivered pursuant to the provisions hereof, to the performance by the Company and the Operating Partnership of their respective covenants and other obligations hereunder, and to the following further conditions:

(a) *Opinions of Company Maryland Counsel, Company Special Counsel and Counsel to the Placement Agent*. On or prior to the date that Securities are first sold pursuant to the terms of this Agreement the Company shall furnish to the Placement Agent the opinions, each addressed to the Placement Agent, of (i) Venable LLP, Maryland counsel for the Company, or other counsel satisfactory to the Placement Agent, in form and substance reasonably satisfactory to the Placement Agent and its counsel, dated the date that the opinion is required to be delivered, substantially similar to the form attached hereto as Exhibit D; (ii) Skadden, Arps, Slate, Meagher and Flom LLP, special counsel for the Company, the Subsidiaries, the Operating Partnership or other counsel satisfactory to the Placement Agent, in form and substance reasonably satisfactory to the Placement Agent and its counsel, dated the date that the opinions are required to be delivered, substantially similar to the forms attached hereto as Exhibit E-1 and Exhibit E-2; (iii) Allen & Overy LLP, special 1940 Act counsel for the Company and the Subsidiaries, or other counsel satisfactory to the Placement Agent, in form and substance reasonably satisfactory to the Placement Agent and its counsel, dated the date that the opinions are required to be delivered, substantially similar to the forms attached hereto as Exhibit F; (iv) unless waived by the Placement Agent, Hunton & Williams LLP, counsel to the Placement Agent, or other counsel satisfactory to the Placement Agent, in form and substance reasonably satisfactory to the Placement Agent, dated the date that the opinion is required to be delivered.

(b) *Effectiveness of Registration Statement*. The Registration Statement and any Rule 462(b) Registration Statement shall have become effective and shall be available for (i) all sales of Placement Securities issued pursuant to all prior Placement Notices and (ii) the sale of all Placement Securities contemplated to be issued by any Placement Notice.

(c) *No Material Notices*. None of the following events shall have occurred and be continuing: (i) receipt by the Company or any of its subsidiaries of any request for additional information from the Commission or any other federal or state governmental authority during the period of effectiveness of the Registration Statement, the response to which would require any post-effective amendments or supplements to the Registration Statement or the Prospectus; (ii) the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose; (iii) receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Placement Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; (iv) the occurrence of any event that makes any material statement made in the Registration Statement or the Prospectus, or any Issuer Free Writing Prospectus, or any material document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in the Registration Statement, the Prospectus, or any Issuer Free Writing Prospectus, or such documents so that, in the case of the Registration Statement, it will not contain any materially untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and, that in the case of the Prospectus and any Issuer Free Writing Prospectus, it will not contain any materially untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) *No Misstatement or Material Omission*. The Placement Agent shall not have advised the Company that the Registration Statement or Prospectus, or any Issuer Free Writing Prospectus, or any amendment or supplement thereto, contains an untrue statement of fact that in the Placement Agent's reasonable opinion is material, or omits to state a fact that in the Placement Agent's opinion is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(e) *Material Changes*. Except as contemplated in the Prospectus, or disclosed in the Company's reports filed with the Commission, there shall not have been any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business.

(f) *Representation Certificate*. The Placement Agent shall have received the certificate required to be delivered pursuant to Section 7(o) on or before the date on which delivery of such certificate is required pursuant to Section 7(o).

(g) *Accountant's Comfort Letter.* The Placement Agent shall have received the Comfort Letter required to be delivered pursuant Section 7(q) on or before the date on which such delivery of such opinion is required pursuant to Section 7(q).

(h) *Approval for Listing*. The Placement Securities shall either have been (i) approved for listing on the NYSE, subject only to notice of issuance, or (ii) the Company shall have filed an application for listing of the Placement Securities on the NYSE at, or prior to, the issuance of any Placement Notice.

(i) *No Suspension*. Trading in the Securities shall not have been suspended on the NYSE.

(j) *Additional Documents*. On each date on which the Company is required to deliver a certificate pursuant to Section 7(o), counsel for the Placement Agent shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, contained in this Agreement.

(k) *Securities Act Filings Made*. All filings with the Commission required by Rule 424 under the Securities Act to have been filed prior to the issuance of any Placement Notice hereunder shall have been made within the applicable time period prescribed for such filing by Rule 424 under the Securities Act.

(l) *Termination of Agreement.* If any condition specified in this Section 9 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Placement Agent by notice to the Company, and such termination shall be without liability of any party to any other party except as provided in Section 7 hereof and except that, in the case of any termination of this Agreement, Sections 5, 10, 11 and 19 hereof shall survive such termination and remain in full force and effect.

SECTION 10. Indemnity and Contribution by the Company, the Operating Partnership and the Placement Agent .

(a) *Indemnification by the Company and the Operating Partnership* . The Company and the Operating Partnership, jointly and severally, agree to indemnify, defend and hold harmless the Placement Agent and any person who controls the Placement Agent within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, expense, liability, damage or claim (including the reasonable cost of investigation) as incurred which, jointly or severally, the Placement Agent or any controlling person may incur under the Securities Act, the Exchange Act or otherwise, insofar as such loss, expense, liability, damage or claim arises out of or is based upon (1) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereof), any Issuer Free Writing Prospectus that the Company has filed or was required to file with the Commission or the Prospectus (the term Prospectus for the purpose of this Section 10 being deemed to include the Prospectus as of its date and as amended or supplemented by the Company), (2) any omission or alleged omission to state a material fact required to be stated in any such Registration Statement, or necessary to make the statements made therein not misleading, or (3) any omission or alleged omission from any such Issuer Free Writing Prospectus or Prospectus of a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; *except*, in the case of each of clauses (1), (2) and (3), insofar as any such loss, expense, liability, damage or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus and any Issuer Free Writing Prospectus, in the light of the circumstances under which they were made) not misleading, in each such case, to the extent contained in and in conformity with the Agent Information. The indemnity agreement set forth in this Section 10(a) shall be in addition to any liability which the Company and the Operating Partnership may otherwise have. If any action is brought against the Placement Agent or any controlling person in respect of which indemnity may be sought against the Company or the Operating Partnership pursuant to the foregoing paragraph of this Section 10(a), the Placement Agent shall promptly notify the Company or the Operating Partnership, as the case may be, in writing of the institution of such action, and the Company or the Operating Partnership, as the case may be, shall if it so elects, assume the defense of such action, including the employment of counsel and payment of expenses; *provided*, *however*, that any failure or delay to so notify the Company or the Operating Partnership, as the case may be, will not relieve the Company or the Operating Partnership of any obligation hereunder, except to the extent that their ability to defend is materially prejudiced by such failure or delay. The Placement Agent or such controlling person shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of the Placement Agent or such controlling person unless the employment of such counsel shall have been authorized in writing by the Company or the Operating Partnership, as the case may be, in connection with the defense of such action, or the Company or the Operating Partnership, as the case may be, shall not have employed counsel reasonably satisfactory to the Placement Agent or such controlling person, as the case maybe, to have charge of the defense of such action within a reasonable time or such indemnified party or parties shall have reasonably concluded (based on the advice of counsel) that there may be defenses available to it or them which are different from or additional to those available to the Company or the Operating Partnership (in which case neither the Company nor the Operating Partnership shall have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the Company or the Operating Partnership, as the case may be, and paid as incurred (it being understood, however, that neither the Company nor the Operating Partnership shall be liable for the expenses of more than one separate firm of attorneys for the Placement Agent or such controlling persons in any one action or series of related actions in the same jurisdiction (other than local counsel in any such jurisdiction) representing the indemnified parties who are parties to such action). Anything in this

paragraph to the contrary notwithstanding, neither the Company nor the Operating Partnership shall be liable for any settlement of any such claim or action effected without its consent.

(b) *Indemnification by the Placement Agent.* The Placement Agent agrees to indemnify, defend and hold harmless the Company, the Operating Partnership, the Company's directors, the Company's officers that signed the Registration Statement, any person who controls the Company and the Operating Partnership within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, expense, liability, damage or claim (including the reasonable cost of investigation) as incurred which, jointly or severally, the Company, the Operating Partnership or any such person may incur under the Securities Act, the Exchange Act or otherwise, insofar as such loss, expense, liability, damage or claim arises out of or is based upon (1) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereof), any Issuer Free Writing Prospectus that the Company has filed or was required to file with the Commission, the Prospectus, (2) any omission or alleged omission to state a material fact required to be stated in any such Registration Statement, or necessary to make the statements made therein not misleading, or (3) any omission or alleged omission from any such Issuer Free Writing Prospectus or the Prospectus of a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, but in each case only insofar as such untrue statement or alleged untrue statement or omission or alleged omission was made in such Registration Statement, Issuer Free Writing Prospectus or Prospectus in reliance upon and in conformity with information furnished in writing by the Placement Agent to the Company expressly for use therein. The statements set forth in the sixth paragraph under the caption "Plan of Distribution" in the Prospectus Supplement (to the extent such statements relate to the Placement Agent) constitute the only information furnished by or on behalf of the Placement Agent to the Company or the Operating Partnership for the purposes of Section 5(a)(1) and this Section 10 (the "Agent Information"). The indemnity agreement set forth in this Section 10(b) shall be in addition to any liabilities that the Placement Agent may otherwise have.

If any action is brought against the Company, the Operating Partnership, or any such person in respect of which indemnity may be sought against the Placement Agent pursuant to the foregoing paragraph, the Company, the Operating Partnership or such person shall promptly notify the Placement Agent in writing of the institution of such action and the Placement Agent shall if it so elects assume the defense of such action, including the employment of counsel and payment of expenses; *provided*, *however*, that any failure or delay to so notify the Placement Agent will not relieve the Placement Agent of any obligation hereunder, except to the extent that their ability to defend is materially prejudiced by such failure or delay. The Company, the Operating Partnership or such person shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of the Company, the Operating Partnership or such person unless the employment of such counsel shall have been authorized in writing by the Placement Agent in connection with the defense of such action or the Placement Agent shall not have employed counsel reasonably satisfactory to the Company, the Operating Partnership or such person, as the case may be, to have charge of the defense of such action within a reasonable time or such indemnified party or parties shall have reasonably concluded (based on the advice of counsel) that there may be defenses available to it or them which are different from or additional to those available to (in which case the Placement Agent shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the Placement Agent and paid as incurred (it being understood, however, that the Placement Agent shall not be liable for the expenses of more than one separate firm of attorneys in any one action or series of related actions in the same jurisdiction (other than local counsel in any such jurisdiction) representing the indemnified parties who are parties to such action). Anything in this paragraph to the contrary notwithstanding, the Placement Agent shall not be liable for any settlement of any such claim or action effected without its written consent.

(c) *Contribution*. If the indemnification provided for in this Section 10 is unavailable or insufficient to hold harmless an indemnified party under subsections (a) and (b) of this Section 10 in respect of any losses, expenses, liabilities, damages or claims referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, expenses, liabilities, damages or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Operating Partnership and by the Placement Agent, each from the offering of the Securities, or (ii) if (but only if) the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, the Operating Partnership and the Placement Agent in connection with the statements or omissions which resulted in such losses, expenses, liabilities, damages or claims, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Operating Partnership shall be deemed to be equal to the gross proceeds from the offering of Securities (before deducting discounts and expenses) received by each of them and benefits received by the Placement Agent shall be deemed to be equal to the underwriting discounts and commissions received the Placement Agent. The relative fault of the Company, the Operating Partnership and of the Placement Agent shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Company and/or Operating Partnership or by the Placement Agent and the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages and liabilities referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any claim or action.

(d) The Company, the Operating Partnership and the Placement Agent agree that it would not be just and equitable if contribution pursuant to this Section 10 were determined by *pro rata* allocation or by any other method of allocation which does not take account of the equitable considerations referred to in clause (i) and, if applicable, clause (ii) of subsection (c) above. Notwithstanding the provisions of this Section 10, the Placement Agent shall not be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Securities purchased by the Placement Agent and the liability of the Company and/or the Operating Partnership pursuant to this Section 10 shall not exceed the gross proceeds received by the Company and/or the Operating Partnership in the offering. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The provisions of this Section shall not affect any agreement among the Company and/or the Operating Partnership with respect to indemnification.

SECTION 11. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or the Operating Partnership or any of their respective subsidiaries submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Placement Agent or controlling person, or by or on behalf of the Company or the Operating Partnership and shall survive delivery of the Securities to the Placement Agent.

SECTION 12. Termination of Agreement.

(a) *Termination; General.* The Placement Agent may terminate this Agreement, by notice to the Company, as hereinafter specified at any time (i) if there has been, since the time of execution of this Agreement or since the date as of which information is given in the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Placement Agent, impracticable or inadvisable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in the Placement Securities has been suspended or limited by the Commission or the NYSE, or if trading generally on the NYSE MKT, the NYSE or the Nasdaq Global Market has been suspended or limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by order of the Commission, the FINRA or any other governmental authority, or a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or in Europe, or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) *Termination by the Company*. The Company shall have the right, by giving one (1) day notice as hereinafter specified to terminate this Agreement in its sole discretion at any time after the date of this Agreement. Upon termination of this Agreement pursuant to this Section 12(b), any outstanding Placement Notices shall also be terminated.

(c) *Termination by the Placement Agent.* The Placement Agent shall have the right, by giving one (1) day notice as hereinafter specified to terminate this Agreement in its sole discretion at any time after the date of this Agreement.

(d) *Automatic Termination*. Unless earlier terminated pursuant to this Section 12, this Agreement shall automatically terminate upon the issuance and sale of all of the Placement Securities through the Placement Agent on the terms and subject to the conditions set forth herein.

(e) *Continued Force and Effect*. This Agreement shall remain in full force and effect unless terminated pursuant to Sections 12(a), (b), (c), or (d) above or otherwise by mutual agreement of the parties.

(f) *Effectiveness of Termination*. Any termination of this Agreement shall be effective on the date specified in such notice of termination; *provided*, *however*, that such termination shall not be effective until the close of business on the date of receipt of such notice by the Placement Agent or the Company, as the case may be. If such termination shall occur prior to the Settlement Date for any sale of Placement Securities, such Placement Securities shall settle in accordance with the provisions of this Agreement.

(g) *Liabilities*. If this Agreement is terminated pursuant to this Section 12, such termination shall be without liability of any party to any other party except as provided in Section 8 hereof, and except that, in the case of any termination of this Agreement, Section 5, Section 10, Section 11 and Section 19 hereof shall survive such termination and remain in full force and effect.

SECTION 13. <u>Notices</u>. Except as otherwise provided in this Agreement, all notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Placement Agent shall be directed to the Placement Agent at JMP Securities LLC, 600 Montgomery Street, Suite 1100, San Francisco, California 94111, Facsimile: (415) 835-8920, Attention: Equity Securities, with a copy (which shall not constitute notice) to Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia, 23219-4074, Attention: Daniel M. LeBey, and notices to the Company and the Operating Partnership shall be directed to them c/o Arbor Realty Trust, Inc., 333 Earle Ovington

Boulevard, Suite 900, Uniondale, New York 11553, Attention: Paul Elenio, Chief Financial Officer and Treasurer, with a copy (which shall not constitute notice) to Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036, Attention: David J. Goldschmidt.

SECTION 14. Parties. This Agreement shall inure to the benefit of and be binding upon the Placement Agent, the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Placement Agent, the Company and their respective successors and the controlling persons and officers and directors referred to in Section 10 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Placement Agent, the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from the Placement Agent shall be deemed to be a successor by reason merely of such purchase.

SECTION 15. Adjustments for Stock Splits. The parties acknowledge and agree that all stock-related numbers contained in this Agreement shall be adjusted to take into account any stock split, stock dividend or similar event effected with respect to the Securities.

SECTION 16. Governing Law and Time. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 17. Effect of Headings. The Section and Exhibit headings herein are for convenience only and shall not affect the construction hereof.

SECTION 18. Permitted Free Writing Prospectuses. The Company represents, warrants and agrees that, unless it obtains the prior consent of the Placement Agent, and the Placement Agent represents, warrants and agrees that, unless it obtains the prior consent of the Company, it has not made and will not make any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus, or that would otherwise constitute a "free writing prospectus," as defined in Rule 405 under the Securities Act, required to be filed with the Commission. Any such free writing prospectus consented to by the Placement Agent or by the Company, as the case may be, is hereinafter referred to as a "Permitted Free Writing Prospectus." The Company represents and warrants that it has treated and agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433 under the Securities Act, and has complied and will comply with the requirements of Rule 433 under the Securities Act applicable to any Permitted Free Writing Prospectus, including timely filing with the Commission where required, legending and record keeping. For the purposes of clarity, the parties hereto agree that all free writing prospectuses, if any, listed in Exhibit H hereto are Permitted Free Writing Prospectuses.

SECTION 19. Absence of Fiduciary Relationship. Each of the Company and the Operating Partnership acknowledge and agree that:

(a) The Placement Agent is acting solely as agent and/or principal in connection with the public offering of the Securities and in connection with each transaction contemplated by this Agreement and the process leading to such transactions, and no fiduciary or advisory relationship between the Company, the Operating Partnership or any of their respective affiliates, stockholders (or other equity holders), creditors or employees or any other party, on the one hand, and the Placement Agent, on the other hand, has been or will be created in respect of any of the transactions contemplated by this

Agreement, irrespective of whether or not the Placement Agent has advised or is advising the Company, or the Operating Partnership on other matters, and the Placement Agent has no obligation to the Company or the Operating Partnership with respect to the transactions contemplated by this Agreement, except the obligations expressly set forth in this Agreement;

(b) the public offering price of the Securities was not established by the Placement Agent; it is capable of evaluating and understanding, and understands and accepts, the terms, risks and conditions of the transactions contemplated by this Agreement;

(c) the Placement Agent has not provided any legal, accounting, regulatory or tax advice with respect to the transactions contemplated by this Agreement and it has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate;

(d) it is aware that the Placement Agent and its respective affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and the Operating Partnership and the Placement Agent has no obligation to disclose such interests and transactions to the Company or the Operating Partnership by virtue of any fiduciary, advisory or agency relationship or otherwise; and

(e) it waives, to the fullest extent permitted by law, any claims it may have against the Placement Agent for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Placement Agent shall not have any liability (whether direct or indirect, in contract, tort or otherwise) to it in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on its behalf or in right of it or the Company, the Operating Partnership, or employees or creditors of the Company or the Operating Partnership.

[*Signature Page Follows.*]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement by and among the Placement Agent, the Company and the Operating Partnership in accordance with its terms.

Very truly yours,

ARBOR REALTY TRUST, INC.

By: /s/ Paul Elenio
Name: Paul Elenio
Title: CFO

ARBOR REALTY LIMITED PARTNERSHIP

By: Arbor Realty GPOP, Inc., its General Partner

By: /s/ Paul Elenio
Name: Paul Elenio
Title: CFO

CONFIRMED AND ACCEPTED, as of the date first above written:

JMP SECURITIES LLC

By: /s/ Kent Ledbetter
Authorized Signatory
Kent Ledbetter
Director of Investment Banking

SCHEDULE I
Significant Subsidiaries of the Company

Name	Jurisdiction of Organization	Type Of Entity
SIGNIFICANT SUBSIDIARIES		
Arbor Realty GPOP, Inc.	Delaware	Corporation
Arbor Realty Limited Partnership	Delaware	Limited Partnership (general partner is Arbor Realty GPOP, Inc.)
Arbor Realty SR, Inc.	Maryland	Corporation
Arbor Realty Funding LLC	Delaware	Limited Liability Company
Arbor Realty Member LLC	Delaware	Limited Liability Company
Arbor Realty Mortgage Securities Series 2004-1, Ltd.	Cayman Islands	Exempted Limited Liability Company
Arbor Realty Mortgage Securities Series 2005-1 Ltd.	Cayman Islands	Exempted Limited Liability Company
Arbor Realty Mortgage Securities Series 2006-1, Ltd.	Cayman Islands	Exempted Limited Liability Company
Arbor Realty Collateralized Loan Obligation 2012-1 Ltd.	Cayman Islands	Exempted Limited Liability Company
Arbor Realty Collateralized Loan Obligation 2013-1 Ltd.	Cayman Islands	Exempted Limited Liability Company
ARSR Alpine, LLC	Delaware	Limited Liability Company (TRS)

SCHEDULE II

Joint Ventures of the Company

Name	Jurisdiction of Organization	Type of Entity	Percentage Ownership
ATM 450 LLC	Delaware	Limited Liability Company	57.92%
AC Flushing, LLC	New York	Limited Liability Company	50%
Richland Terrace Apartments, LLC	South Carolina	Limited Liability Company	25%
ABT ESI, LLC	Delaware	Limited Liability Company	23.75%
420 Fifth Associates, LLC	Delaware	Limited Liability Company	80%
Legacy Equity Investments Group LLC	Delaware	Limited Liability Company	51.33%
PE 25 LLC	Delaware	Limited Liability Company	43.44%
AR Prime	Delaware	Limited Liability Company	66.67%
JT Prime	Delaware	Limited Liability Company	33.37%
WSC Investors, LLC	Delaware	Limited Liability Company	50%
Lexford Pools 1/3 LLC	Delaware	Limited Liability Company	49%
HHC II LLC	Delaware	Limited Liability Company	50%
78 Bowery Realty LLC	Delaware	Limited Liability Company	50%

EXHIBIT A

FORM OF PLACEMENT NOTICE

JMP Securities LLC
600 Montgomery Street, Suite 1100
San Francisco, California 94111

Subject: Equity Distribution—Placement Notice

Gentlemen:

Pursuant to the terms and subject to the conditions contained in the Equity Distribution Agreement among Arbor Realty Trust, Inc., a Maryland corporation (the "Company"), Arbor Realty Limited Partnership, a Delaware limited partnership (the " Operating Partnership") and Arbor Commercial Mortgage, LLC, a New York limited liability company and JMP Securities LLC (the "Placement Agent") dated February 13, 2014 (the " Agreement"), I hereby request on behalf of the Company that the Placement Agent sell up to [•] shares of the Company's common stock, par value $0.01 per share, at a minimum market price of $[•] per share.

[ADDITIONAL SALES PARAMETERS MAY BE ADDED, SUCH AS THE MAXIMUM AGGREGATE OFFERING PRICE, THE TIME PERIOD IN WHICH SALES ARE REQUESTED TO BE MADE, SPECIFIC DATES THE SHARES MAY NOT BE SOLD ON, THE MANNER IN WHICH SALES ARE TO BE MADE BY THE PLACEMENT AGENT, AND/OR THE CAPACITY IN WHICH THE PLACEMENT AGENT MAY ACT IN SELLING SHARES (AS PRINCIPAL, AGENT, OR BOTH)]

EXHIBIT B

AUTHORIZED INDIVIDUALS FOR PLACEMENT NOTICES AND ACCEPTANCES

[INTENTIONALLY OMITTED]

EXHIBIT C

COMPENSATION

The Placement Agent shall be paid compensation which will not exceed, but may be lower than, 2.0% of the gross proceeds from the sale of Securities pursuant to the terms of this Agreement.

EXHIBIT D

FORM OF OPINION OF COMPANY MARYLAND COUNSEL

[INTENTIONALLY OMITTED]

EXHIBIT E-1

FORM OF OPINION OF COMPANY SPECIAL COUNSEL

[INTENTIONALLY OMITTED]

EXHIBIT F

<u>FORM OF OPINION OF ALLEN & OVERY LLP</u>

[INTENTIONALLY OMITTED]

EXHIBIT G

OFFICERS' CERTIFICATE

The undersigned and are the [CFO/Treasurer] and [General Counsel/Secretary], respectively, of Arbor Realty Trust, Inc., a Maryland corporation (the "Company"). The Company is the sole general partner of Arbor Realty Limited Partnership, a Delaware limited partnership (the "Operating Partnership"), and as such, each of the undersigned is authorized to execute and deliver this Certificate in the name of and on behalf of the Company, in its own capacity, and as the general partner of the Operating Partnership. The undersigned hereby execute this Certificate in connection with the closing held as of the date hereof pursuant to the terms of that certain Equity Distribution Agreement, dated February 13, 2014 (the " Equity Distribution Agreement"), among the Company, the Operating Partnership and JMP Securities LLC. Capitalized terms used herein without definition shall have the meanings given to such terms in the Equity Distribution Agreement.

The undersigned each hereby further certifies, in their respective capacities as officers of the Company, in its own capacity, and as the general partner of the Operating Partnership that:

1. The representations and warranties of the Company and the Operating Partnership in the Equity Distribution Agreement are true and correct, as if made on and as of the date hereof, and the Company and the Operating Partnership have complied with all of their respective obligations thereunder and satisfied all of the conditions on their part to be performed or satisfied at or prior to the date hereof;

2. No stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued and no proceedings for that purpose have been instituted or are pending or threatened under the Securities Act of 1933, as amended;

3. Subsequent to the respective dates as of which information is given in the Registration Statement or the Prospectus, there has not been (A) any Material Adverse Change, (B) any transaction that is material to the Company and its subsidiaries taken as a whole, (C) any obligation, direct or contingent, that is material to the Company and its subsidiaries, taken as a whole, incurred by the Company or the Subsidiaries, (D) any change in the capital stock or outstanding indebtedness of the Company or any Subsidiary that is material to the Company and its subsidiaries, taken as a whole, or (E) any loss or damage (whether or not insured) to the Properties which has been sustained or will have been sustained which could reasonably be expected to have a Material Adverse Effect; and

4. Each of Skadden, Arps, Slate, Meagher & Flom LLP and Hunton & Williams LLP is entitled to rely on this Officers' Certificate in connection with the opinion that each firm is rendering pursuant to the Equity Distribution Agreement.

[Signature Page Follows.]

IN WITNESS WHEREOF, the undersigned have signed their names on this ____ day of ____________, 20__.

ARBOR REALTY TRUST, INC.

By: ______________________________
Name:
Title:

ARBOR REALTY LIMITED PARTNERSHIP

By: Arbor Realty GPOP, Inc., its General Partner

By: ______________________________
Name:
Title:

EXHIBIT H

ISSUER FREE WRITING PROSPECTUSES

None.

EXHIBIT 21.1

SUBSIDIARIES OF ARBOR REALTY TRUST, INC.

Arbor Realty GPOP, Inc., a Delaware corporation

Arbor Realty LPOP, Inc., a Delaware corporation

Arbor Realty Limited Partnership, a Delaware limited partnership

Arbor Realty SR, Inc., a Maryland corporation

Arbor Realty Funding, LLC, a Delaware limited liability company

Arbor Realty Member LLC, a Delaware limited liability company

ART 450 LLC, a Delaware limited liability company

ARMS 2004-1 Equity Holdings LLC, a Delaware limited liability company

Arbor Realty Mortgage Securities Series 2004-1 LLC, a Delaware limited liability company

Arbor Realty Mortgage Securities Series 2004-1, Ltd., a Cayman Islands exempted company with limited liability

Arbor Realty Collateral Management, LLC, a Delaware limited liability company

AC Flushing, LLC, a New York limited liability company

AR Prime Holdings LLC, a Delaware limited liability company

Arbor Realty Mortgage Securities Series 2005-1 Ltd., a Cayman Islands exempted company with limited liability

Arbor Realty Mortgage Securities Series 2005-1 LLC, a Delaware limited liability company

ARMS 2005-1 Equity Holdings LLC, a Delaware limited liability company

ARSR TRS Holdings LLC (formerly Arbor Toy LLC), a Delaware limited liability company (TRS)

ARMS 2006-1 Equity Holdings LLC, a Delaware limited liability company

Arbor Realty Mortgage Securities Series 2006-1 LLC, a Delaware limited liability company

Arbor Realty Mortgage Securities Series 2006-1, Ltd., a Cayman Islands exempted company with limited liability

Arbor Realty Participation LLC, a Delaware limited liability company

ART 823 LLC, a Delaware limited liability company (TRS)

ARSR Jacksonville LLC, a Delaware limited liability company

ARSR Alpine LLC, a Delaware limited liability company (TRS)

ARSR Alpine II LLC, a Delaware limited liability company

Arbor ESH Holdings LLC, a Delaware limited liability company

ARSR Grand Reserve LLC, a Delaware limited liability company

Richland Terrace Apts. LLC, a South Carolina limited liability company

Arbor Capital Trust III, a Delaware Statutory Trust

Arbor Capital Trust VII, a Delaware Statutory Trust

JT Prime LLC, a Delaware limited liability company

ABT ESI LLC, a Delaware limited liability company

Arbor CM LLC, a Delaware limited liability company

ARSR Solutions LLC, a Delaware limited liability company

Harwood New Venture LLC, a Delaware limited liability company

Heritage Partners Holding LLC, a Delaware limited liability company

420 Fifth Associates LLC, a Delaware limited liability company

Daytona Beach Six, LLC, a Delaware limited liability company

ARSR West Shore LLC, a Delaware limited liability company

BR Norwich Unit Owner LLC, a Delaware limited liability company

ART 323 LLC, a Delaware limited liability company

Arbor Water Street Properties LLC, a Delaware limited liability company

GA Portfolio LLC, a Delaware limited liability company

Arbor Park Row, LLC, a Delaware limited liability company

Arbor Realty Holdings, LLC, a Delaware limited liability company

ARSR RCC TRS LLC, a Delaware limited liability company (TRS)

ARSR Vintage, LLC, a Delaware limited liability company

Basket 1 Preferred SPE, LLC, a Delaware limited liability company

Basket 2 Preferred SPE, LLC, a Delaware limited liability company

Basket 3 Preferred SPE, LLC, a Delaware limited liability company

Basket 4 Preferred SPE, LLC, a Delaware limited liability company

Basket 5 Preferred SPE, LLC, a Delaware limited liability company

Basket 6 Preferred SPE, LLC, a Delaware limited liability company

Basket 7 Preferred SPE, LLC, a Delaware limited liability company

Basket 8 Preferred SPE, LLC, a Delaware limited liability company

Northwest Freeway Holding, LLC, a Delaware limited liability company (TRS)

PE 25, LLC, a Delaware limited liability company

Arbor 30 Henry PE LLC, a Delaware limited liability company (TRS)

Arbor 545 West 48th LLC, a Delaware limited liability company (TRS)

Arbor Realty Collateralized Loan Obligation 2012-1 LLC, a Delaware limited liability company

Arbor Realty Collateralized Loan Obligation 2012-1 Ltd, a Cayman Islands exempted company with limited liability

Arbor Realty Collateralized Loan Obligation 2013-1 LLC, a Delaware limited liability company

Arbor Realty Collateralized Loan Obligation 2013-1 Ltd, a Cayman Islands exempted company with limited liability

Arbor Realty Investments LLC, a Delaware limited liability company

ARMS 2012-1 Equity Holdings LLC, a Delaware limited liability company

ARMS 2013-1 Equity Holdings LLC, a Delaware limited liability company

Arbor FE LLC a Delaware limited liability company

ERFG Holdings, LLC, a Delaware limited liability company

Legacy Equity Investment Group LLC, a Delaware limited liability company

Arbor-North 9th PE LLC, a Delaware limited liability company (TRS)

ARLP 930 Flushing LLC, a Delaware limited liability company

Arbor 151 Maiden PE, LLC, Delaware limited liability company

Indiana Multifamily Realty Sponsor, LLC, Delaware limited liability company

Interstate Realty Sponsor, LLC, Delaware limited liability company

Metropolis Capital, LLC, Delaware limited liability company

Metropolis Capital II, LLC, Delaware limited liability company

FBR SI, LLC, Delaware, Corporation, limited liability company (TRS)

Arbor 212 North 9th PE, LLC, Delaware limited liability company

ARSR Willow Lake I, LLC, Delaware limited liability company

ART Acquisition 2, LLC, Delaware limited liability company

Arbor TD Funding, LLC, Delaware limited liability company

Bowery New Venture Holdings, LLC, Delaware limited liability company

HHC II Investors, LLC, Delaware limited liability company

QuickLinks

EXHIBIT 21.1

SUBSIDIARIES OF ARBOR REALTY TRUST, INC.

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EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-189532 and 333-165408) of Arbor Realty Trust, Inc. and in the related Prospectuses of our reports dated February 14, 2014, with respect to the consolidated financial statements and schedule of Arbor Realty Trust, Inc. and Subsidiaries, and the effectiveness of internal control over financial reporting of Arbor Realty Trust, Inc. and Subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2013.

/s/ Ernst & Young LLP

New York, New York
February 14, 2014

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Ivan Kaufman, certify that:

1. I have reviewed this annual report on Form 10-K of Arbor Realty Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2014	By: /s/ IVAN KAUFMAN
	Name: Ivan Kaufman
	Title: *Chief Executive Officer*

QuickLinks

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Paul Elenio, certify that:

1. I have reviewed this annual report on Form 10-K of Arbor Realty Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2014	By:	/s/ PAUL ELENIO
		Name: Paul Elenio
		Title: *Chief Financial Officer*

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EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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EXHIBIT 32.1

CERTIFICATION OF CEO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Arbor Realty Trust, Inc. (the "Company") for the annual period ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ivan Kaufman, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ IVAN KAUFMAN

Name: Ivan Kaufman
Title: *Chief Executive Officer*

Date: February 14, 2014

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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EXHIBIT 32.2

CERTIFICATION OF CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Arbor Realty Trust, Inc. (the "Company") for the annual period ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Paul Elenio, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ PAUL ELENIO

Name: Paul Elenio
Title: *Chief Financial Officer*

Date: February 14, 2014

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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EXHIBIT 32.2

CERTIFICATION OF CFO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002