
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported):

May 10, 2019 (May 10, 2019)

Arbor Realty Trust, Inc.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND

(STATE OF INCORPORATION)

001-32136

(COMMISSION FILE NUMBER)

20-0057959

(IRS EMPLOYER ID. NUMBER)

333 Earle Ovington Boulevard, Suite 900

Uniondale, New York

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

11553

(ZIP CODE)

(516) 506-4200

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

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

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

Emerging growth company

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

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

| <u>Title of each class</u> | <u>Trading symbols</u> | <u>Name of each exchange on which registered</u> |
|---|------------------------|--|
| Common Stock, par value \$0.01 per share | ABR | New York Stock Exchange |
| Preferred Stock, 8.25% Series A Cumulative Redeemable, par value \$0.01 per share | ABR-PA | New York Stock Exchange |
| Preferred Stock, 7.75% Series B Cumulative Redeemable, par value \$0.01 per share | ABR-PB | New York Stock Exchange |
| Preferred Stock, 8.50% Series C Cumulative Redeemable, par value \$0.01 per share | ABR-PC | New York Stock Exchange |

Item 2.02 Results of Operations and Financial Condition.

On May 10, 2019, Arbor Realty Trust, Inc. issued a press release announcing its earnings for the quarter ended March 31, 2019, a copy of which is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits*

| <u>Exhibit Number</u> | <u>Exhibit</u> |
|---------------------------|--|
| 99.1 | Press Release, dated May 10, 2019. |

EXHIBIT INDEX

Exhibit Number

99.1 [Press Release, dated May 10, 2019.](#)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ARBOR REALTY TRUST, INC.

By: /s/ Paul Elenio
Name: Paul Elenio
Title: Chief Financial Officer

Date: May 10, 2019



**Arbor Realty Trust Reports First Quarter Results and
Increases Quarterly Dividend to \$0.28 per Share**

Company Highlights:

- **GAAP net income of \$0.26 and AFFO of \$0.33 per diluted common share¹**
- **Declares a cash dividend on common stock of \$0.28 per share, a 4% increase in our dividend from last quarter and 12% higher than a year ago**
- **Issued \$90.0 million of 5.75% senior unsecured notes due in 2024**

Agency Business

- **Segment income of \$13.1 million**
- **Loan originations of \$845.9 million**
- **Servicing portfolio of \$18.88 billion, up 2% from 4Q18 and 13% from a year ago**

Structured Business

- **Segment income of \$15.0 million**
- **Portfolio growth of 4% on \$416.3 million of loan originations**

Uniondale, NY, May 10, 2019 — Arbor Realty Trust, Inc. (NYSE: ABR), today announced financial results for the first quarter ended March 31, 2019. Arbor reported net income for the quarter of \$22.7 million, or \$0.26 per diluted common share, compared to \$26.2 million, or \$0.42 per diluted common share for the quarter ended March 31, 2018. Adjusted funds from operations ("AFFO") for the quarter was \$35.5 million, or \$0.33 per diluted common share, compared to \$21.4 million, or \$0.25 per diluted common share for the quarter ended March 31, 2018.¹

Agency Business

Loan Origination Platform

| | Agency Loan Volume (in thousands) | |
|------------------------|-----------------------------------|----------------------|
| | Quarter Ended | |
| | March 31, 2019 | December 31, 2018 |
| Originations: | | |
| Fannie Mae | \$ 546,886 | \$ 1,067,230 |
| Freddie Mac | 192,492 | 527,502 |
| FHA | 1,110 | 15,549 |
| CMBS/Conduit | 105,425 | 14,025 |
| Total Originations | <u>\$ 845,913</u> | <u>\$ 1,624,306</u> |
| Total Loan Sales | <u>\$ 1,101,766</u> | <u>\$ 1,653,421</u> |
| Total Loan Commitments | <u>\$ 846,963</u> | <u>\$ 1,604,502</u> |

For the quarter ended March 31, 2019, the Agency Business generated revenues of \$47.2 million, compared to \$84.4 million for the fourth quarter of 2018. Gain on sales, including fee-based services, net was \$16.4 million for the quarter, reflecting a margin of 1.49% on loan sales, compared to \$18.7 million and 1.13% for the fourth quarter of 2018. Income from mortgage servicing rights was \$14.2 million for the quarter, reflecting a rate of 1.68% as a percentage of loan commitments, compared to \$36.1 million and 2.25% for the fourth quarter of 2018.

At March 31, 2019, loans held-for-sale was \$225.9 million which was primarily comprised of unpaid principal balances totaling \$222.9 million, with financing associated with these loans totaling \$222.7 million.

Fee-Based Servicing Portfolio

Our fee-based servicing portfolio totaled \$18.88 billion at March 31, 2019, an increase of 2% from December 31, 2018, primarily a result of \$845.9 million of new loan originations, net of \$458.4 million in portfolio runoff during the quarter. Servicing revenue, net was \$13.5 million for the quarter and consists of servicing revenue of \$25.8 million, net of amortization of mortgage servicing rights totaling \$12.3 million.

| | Fee-Based Servicing Portfolio (\$ in thousands) | | | | | |
|-------------|---|---------------|---------------------------|-------------------------|---------------|---------------------------|
| | As of March 31, 2019 | | | As of December 31, 2018 | | |
| | UPB | Wtd. Avg. Fee | Wtd. Avg. Life (in years) | UPB | Wtd. Avg. Fee | Wtd. Avg. Life (in years) |
| Fannie Mae | \$ 13,719,351 | 0.507% | 7.6 | \$ 13,562,667 | 0.513% | 7.4 |
| Freddie Mac | 4,515,829 | 0.303% | 10.8 | 4,394,287 | 0.308% | 10.8 |
| FHA | 648,583 | 0.155% | 19.6 | 644,687 | 0.155% | 19.6 |
| Total | \$ 18,883,763 | 0.446% | 8.7 | \$ 18,601,641 | 0.452% | 8.6 |

Loans sold under the Fannie Mae program contain an obligation to partially guarantee the performance of the loan (“loss-sharing obligations”). At March 31, 2019, the Company’s allowance for loss-sharing obligations was \$34.5 million, representing 0.25% of the Fannie Mae servicing portfolio.

Structured Business

Portfolio and Investment Activity

- Originated 28 loans totaling \$416.3 million, of which 23 were bridge loans for \$357.3 million
- Payoffs and pay downs on 26 loans totaling \$279.5 million

At March 31, 2019, the loan and investment portfolio’s unpaid principal balance, excluding loan loss reserves, was \$3.41 billion, with a weighted average current interest pay rate of 7.05%, compared to \$3.28 billion and 7.02% at December 31, 2018. Including certain fees earned and costs associated with the loan and investment portfolio, the weighted average current interest pay rate was 7.71% at March 31, 2019, compared to 7.66% at December 31, 2018.

The average balance of the Company’s loan and investment portfolio during the first quarter of 2019, excluding loan loss reserves, was \$3.34 billion with a weighted average yield of 7.84%, compared to \$3.23 billion and 7.76% for the fourth quarter of 2018. The increase in average yield was primarily due to an increase in LIBOR.

At March 31, 2019, the Company’s total loan loss reserves were \$71.1 million on five loans with an aggregate carrying value before loan loss reserves of \$131.3 million. The Company also had two non-performing loans with a carrying value of \$2.5 million, net of related loan loss reserves of \$1.7 million.

Financing Activity

The balance of debt that finances the Company's loan and investment portfolio at March 31, 2019 was \$3.13 billion with a weighted average interest rate including fees of 5.22% as compared to \$2.89 billion and a rate of 5.24% at December 31, 2018. The average balance of debt that finances the Company's loan and investment portfolio for the first quarter of 2019 was \$2.96 billion, as compared to \$2.90 billion for the fourth quarter of 2018. The average cost of borrowings for the first quarter was 5.24%, compared to 5.12% for the fourth quarter of 2018. The increase in average costs was primarily due to an increase in LIBOR.

The Company is subject to various financial covenants and restrictions under the terms of its collateralized securitization vehicles and financing facilities. The Company believes it was in compliance with all financial covenants and restrictions as of March 31, 2019 and as of the most recent collateralized securitization vehicle determination dates in April 2019.

Capital Markets

The Company issued \$90.0 million in aggregate principal amount of 5.75% senior unsecured notes in a private placement, generating net proceeds of \$88.2 million after deducting offering expenses. The notes are due in April 2024 and the proceeds were used to make investments and for general corporate purposes.

Dividends

The Company announced today that its Board of Directors has declared a quarterly cash dividend of \$0.28 per share of common stock for the quarter ended March 31, 2019, representing an increase of 4% over the prior quarter dividend of \$0.27 per share and 12% from a year ago. The dividend is payable on May 31, 2019 to common stockholders of record on May 23, 2019. The ex-dividend date is May 22, 2019.

As previously announced, the Board of Directors has declared cash dividends on the Company's Series A, Series B and Series C cumulative redeemable preferred stock reflecting accrued dividends from March 1, 2019 through May 31, 2019. The dividends are payable on May 31, 2019 to preferred stockholders of record on May 15, 2019. The Company will pay total dividends of \$0.515625, \$0.484375 and \$0.53125 per share on the Series A, Series B and Series C preferred stock, respectively.

Earnings Conference Call

The Company will host a conference call today at 10:00 a.m. Eastern Time. A live webcast of the conference call will be available at www.arbor.com in the investor relations area of the website. Those without web access should access the call telephonically at least ten minutes prior to the conference call. The dial-in numbers are (866) 516-5034 for domestic callers and (678) 509-7613 for international callers. Please use participant passcode 6079039.

After the live webcast, the call will remain available on the Company's website through May 31, 2019. In addition, a telephonic replay of the call will be available until May 17, 2019. The replay dial-in numbers are (855) 859-2056 for domestic callers and (404) 537-3406 for international callers. Please use passcode 6079039.

About Arbor Realty Trust, Inc.

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

Safe Harbor Statement

Certain items in this press release may constitute forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Arbor can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from Arbor's expectations include, but are not limited to, continued ability to source new investments, changes in interest rates and/or credit spreads, changes in the real estate markets, and other risks detailed in Arbor's Annual Report on Form 10-K for the year ended December 31, 2018 and its other reports filed with the SEC. Such forward-looking statements speak only as of the date of this press release. Arbor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Arbor's expectations with regard thereto or change in events, conditions, or circumstances on which any such statement is based.

1. Non-GAAP Financial Measures

During the quarterly earnings conference call, the Company may discuss non-GAAP financial measures as defined by SEC Regulation G. In addition, the Company has used non-GAAP financial measures in this press release. A supplemental schedule of non-GAAP financial measures and the comparable GAAP financial measure can be found on page 11 of this release.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME - (UNAUDITED)
(\$ in thousands—except share and per share data)

| | Quarter Ended | |
|--|--------------------|-------------------|
| | March 31, | |
| | 2019 | 2018 |
| Interest income | \$ 71,277 | \$ 51,612 |
| Interest expense | 41,865 | 33,387 |
| Net interest income | <u>29,412</u> | <u>18,225</u> |
| Other revenue: | | |
| Gain on sales, including fee-based services, net | 16,389 | 18,193 |
| Mortgage servicing rights | 14,232 | 19,634 |
| Servicing revenue, net | 13,552 | 9,547 |
| Property operating income | 2,803 | 2,910 |
| Other income, net | (2,128) | 2,878 |
| Total other revenue | <u>44,848</u> | <u>53,162</u> |
| Other expenses: | | |
| Employee compensation and benefits | 31,764 | 29,494 |
| Selling and administrative | 9,761 | 8,915 |
| Property operating expenses | 2,396 | 2,796 |
| Depreciation and amortization | 1,912 | 1,846 |
| Provision for loss sharing (net of recoveries) | 454 | 473 |
| Provision for loan losses (net of recoveries) | — | 325 |
| Total other expenses | <u>46,287</u> | <u>43,849</u> |
| Income before extinguishment of debt, income from equity affiliates and income taxes | 27,973 | 27,538 |
| Loss on extinguishment of debt | (128) | — |
| Income from equity affiliates | 2,151 | 746 |
| Benefit from income taxes | 10 | 8,784 |
| Net income | <u>30,006</u> | <u>37,068</u> |
| Preferred stock dividends | 1,888 | 1,888 |
| Net income attributable to noncontrolling interest | 5,468 | 8,991 |
| Net income attributable to common stockholders | <u>\$ 22,650</u> | <u>\$ 26,189</u> |
| Basic earnings per common share | <u>\$ 0.27</u> | <u>\$ 0.42</u> |
| Diluted earnings per common share | <u>\$ 0.26</u> | <u>\$ 0.42</u> |
| Weighted average shares outstanding: | | |
| Basic | <u>85,151,878</u> | <u>61,842,336</u> |
| Diluted | <u>107,869,511</u> | <u>84,699,735</u> |
| Dividends declared per common share | <u>\$ 0.27</u> | <u>\$ 0.21</u> |

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(\$ in thousands—except share and per share data)

| | March 31, 2019 (Unaudited) | December 31, 2018 |
|--|----------------------------------|----------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 124,505 | \$ 160,063 |
| Restricted cash | 291,865 | 180,606 |
| Loans and investments, net | 3,323,778 | 3,200,145 |
| Loans held-for-sale, net | 225,878 | 481,664 |
| Capitalized mortgage servicing rights, net | 277,639 | 273,770 |
| Securities held to maturity, net | 86,036 | 76,363 |
| Investments in equity affiliates | 28,444 | 21,580 |
| Real estate owned, net | 14,473 | 14,446 |
| Due from related party | 1,975 | 1,287 |
| Goodwill and other intangible assets | 114,764 | 116,165 |
| Other assets | 108,368 | 86,086 |
| Total assets | \$ 4,597,725 | \$ 4,612,175 |
| Liabilities and Equity: | | |
| Credit facilities and repurchase agreements | 1,032,495 | 1,135,627 |
| Collateralized loan obligations | 1,594,970 | 1,593,548 |
| Debt fund | 68,304 | 68,183 |
| Senior unsecured notes | 211,001 | 122,484 |
| Convertible senior unsecured notes, net | 252,229 | 254,768 |
| Junior subordinated notes to subsidiary trust issuing preferred securities | 140,434 | 140,259 |
| Due to related party | 261 | — |
| Due to borrowers | 76,396 | 78,662 |
| Allowance for loss-sharing obligations | 34,518 | 34,298 |
| Other liabilities | 109,734 | 118,780 |
| Total liabilities | 3,520,342 | 3,546,609 |
| Equity: | | |
| Arbor Realty Trust, Inc. stockholders' equity: | | |
| Preferred stock, cumulative, redeemable, \$0.01 par value: 100,000,000 shares authorized; special voting preferred shares; 20,487,544 and 20,653,584 shares issued and outstanding, respectively; 8.25% Series A, \$38,787,500 aggregate liquidation preference; 1,551,500 shares issued and outstanding; 7.75% Series B, \$31,500,000 aggregate liquidation preference; 1,260,000 shares issued and outstanding; 8.50% Series C, \$22,500,000 aggregate liquidation preference; 900,000 shares issued and outstanding | 89,501 | 89,502 |
| Common stock, \$0.01 par value: 500,000,000 shares authorized; 85,955,995 and 83,987,707 shares issued and outstanding, respectively | 860 | 840 |
| Additional paid-in capital | 893,471 | 879,029 |
| Accumulated deficit | (74,589) | (74,133) |
| Total Arbor Realty Trust, Inc. stockholders' equity | 909,243 | 895,238 |
| Noncontrolling interest | 168,140 | 170,328 |
| Total equity | 1,077,383 | 1,065,566 |
| Total liabilities and equity | \$ 4,597,725 | \$ 4,612,175 |

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
STATEMENT OF INCOME SEGMENT INFORMATION- (Unaudited)
(in thousands)

| | Quarter Ended March 31, 2019 | | | |
|---|------------------------------|--------------------|-----------------------------|------------------|
| | Structured Business | Agency Business | Other / Eliminations (1) | Consolidated |
| Interest income | \$ 65,809 | \$ 5,468 | \$ — | \$ 71,277 |
| Interest expense | 38,257 | 3,608 | — | 41,865 |
| Net interest income | <u>27,552</u> | <u>1,860</u> | <u>—</u> | <u>29,412</u> |
| Other revenue: | | | | |
| Gain on sales, including fee-based services, net | — | 16,389 | — | 16,389 |
| Mortgage servicing rights | — | 14,232 | — | 14,232 |
| Servicing revenue | — | 25,834 | — | 25,834 |
| Amortization of MSRs | — | (12,282) | — | (12,282) |
| Property operating income | 2,803 | — | — | 2,803 |
| Other income, net | 337 | (2,465) | — | (2,128) |
| Total other revenue | <u>3,140</u> | <u>41,708</u> | <u>—</u> | <u>44,848</u> |
| Other expenses: | | | | |
| Employee compensation and benefits | 8,464 | 23,300 | — | 31,764 |
| Selling and administrative | 4,421 | 5,340 | — | 9,761 |
| Property operating expenses | 2,396 | — | — | 2,396 |
| Depreciation and amortization | 512 | 1,400 | — | 1,912 |
| Provision for loss sharing (net of recoveries) | — | 454 | — | 454 |
| Total other expenses | <u>15,793</u> | <u>30,494</u> | <u>—</u> | <u>46,287</u> |
| Income before extinguishment of debt, income from equity affiliates and income taxes | 14,899 | 13,074 | — | 27,973 |
| Loss on extinguishment of debt | (128) | — | — | (128) |
| Income from equity affiliates | 2,151 | — | — | 2,151 |
| Benefit from income taxes | — | 10 | — | 10 |
| Net income | <u>\$ 16,922</u> | <u>\$ 13,084</u> | <u>\$ —</u> | <u>\$ 30,006</u> |
| Preferred stock dividends | 1,888 | — | — | 1,888 |
| Net income attributable to noncontrolling interest | — | — | 5,468 | 5,468 |
| Net income attributable to common stockholders | <u>\$ 15,034</u> | <u>\$ 13,084</u> | <u>\$ (5,468)</u> | <u>\$ 22,650</u> |

(1) Includes certain income or expenses not allocated to the two reportable segments. Amount reflects income attributable to the noncontrolling interest holders.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
BALANCE SHEET SEGMENT INFORMATION - (Unaudited)
(in thousands)

| | March 31, 2019 | | |
|--|--------------------------------|----------------------------|---------------------|
| | Structured Business | Agency Business | Consolidated |
| Assets: | | | |
| Cash and cash equivalents | \$ 53,006 | \$ 71,499 | \$ 124,505 |
| Restricted cash | 291,865 | — | 291,865 |
| Loans and investments, net | 3,323,778 | — | 3,323,778 |
| Loans held-for-sale, net | — | 225,878 | 225,878 |
| Capitalized mortgage servicing rights, net | — | 277,639 | 277,639 |
| Securities held to maturity, net | 10,000 | 76,036 | 86,036 |
| Investments in equity affiliates | 28,444 | — | 28,444 |
| Goodwill and other intangible assets | 12,500 | 102,264 | 114,764 |
| Other assets | 96,436 | 28,380 | 124,816 |
| Total assets | \$ 3,816,029 | \$ 781,696 | \$ 4,597,725 |
| Liabilities: | | | |
| Debt obligations | 3,076,716 | 222,717 | 3,299,433 |
| Allowance for loss-sharing obligations | — | 34,518 | 34,518 |
| Other liabilities | 143,022 | 43,369 | 186,391 |
| Total liabilities | \$ 3,219,738 | \$ 300,604 | \$ 3,520,342 |

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
 Supplemental Schedule of Non-GAAP Financial Measures - (Unaudited)
 Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO")
 (\$ in thousands—except share and per share data)

| | Quarter Ended March 31, | |
|---|----------------------------|------------|
| | 2019 | 2018 |
| Net income attributable to common stockholders | \$ 22,650 | \$ 26,189 |
| Adjustments: | | |
| Net income attributable to noncontrolling interest | 5,468 | 8,991 |
| Depreciation - real estate owned | 175 | 178 |
| Depreciation - investments in equity affiliates | 126 | 125 |
| Funds from operations (1) | \$ 28,419 | \$ 35,483 |
| Adjustments: | | |
| Income from mortgage servicing rights | (14,232) | (19,634) |
| Deferred tax benefit | (4,168) | (13,320) |
| Amortization and write-offs of MSRs | 16,739 | 16,676 |
| Depreciation and amortization | 2,564 | 2,255 |
| Net loss (gain) on changes in fair value of derivatives | 2,465 | (2,645) |
| Stock-based compensation | 3,756 | 2,545 |
| Adjusted funds from operations (1) | \$ 35,543 | \$ 21,360 |
| Diluted FFO per share (1) | \$ 0.26 | \$ 0.42 |
| Diluted AFFO per share (1) | \$ 0.33 | \$ 0.25 |
| Diluted weighted average shares outstanding (1) | 107,869,511 | 84,699,735 |

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

The Company is presenting FFO and AFFO because management believes they are important supplemental measures of the Company's operating performance in that they are frequently used by analysts, investors and other parties in the evaluation of REITs. The National Association of Real Estate Investment Trusts, or NAREIT, 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 real properties and real estate related depreciation and amortization, and after adjustments for unconsolidated ventures.

The Company defines AFFO as funds from operations adjusted for accounting items such as non-cash stock-based compensation expense, income from mortgage servicing rights ("MSRs"), changes in fair value of certain derivatives that temporarily flow through earnings, amortization and write-offs of MSRs, deferred tax (benefit) provision and the amortization of the convertible senior notes conversion option. The Company also adds back one-time charges such as acquisition costs and impairment losses on real estate and gains (losses) on sales of real estate. The Company is generally not in the business of operating real estate property and has obtained real estate by foreclosure or through partial or full settlement of mortgage debt related to the Company's loans to maximize the value of the collateral and minimize the Company's exposure. Therefore, the Company deems such impairment and gains (losses) on real estate as an extension of the asset management of its loans, thus a recovery of principal or additional loss on the Company's initial investment.

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