

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

or

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

Commission file number: 001-32136

Arbor Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation)

20-0057959

(I.R.S. Employer
Identification No.)

**333 Earle Ovington Boulevard, Suite 900
Uniondale, NY**

(Address of principal executive offices)

11553

(Zip Code)

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

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Smaller reporting company

Non-accelerated filer (Do not check if a smaller reporting company) 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common stock, \$0.01 par value per share: 75,390,813 outstanding as of July 27, 2018.

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Forward-Looking Statements

The information contained in this quarterly report on Form 10-Q is not a complete description of our business or the risks associated with an investment in Arbor Realty Trust, Inc. We urge you to carefully review and consider the various disclosures made by us in this report.

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. We use words such as “anticipate,” “expect,” “believe,” “intend,” “should,” “will,” “may” and similar expressions to identify forward-looking statements, although not all forward-looking statements include these words. 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. 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 our status with government-sponsored enterprises affecting our ability to originate loans through such programs; 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; changes in federal and state laws and regulations, including changes in tax laws; the availability and cost of capital for future investments; and competition. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our 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.

Additional information regarding these and other risks and uncertainties we face is contained in our annual report on Form 10-K for the year ended December 31, 2017 (the “2017 Annual Report”) filed with the Securities and Exchange Commission (“SEC”) on February 23, 2018 and in our other reports and filings with the SEC.

Although we believe 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.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2018 (Unaudited)	December 31, 2017
Assets:		
Cash and cash equivalents	\$ 106,968	\$ 104,374
Restricted cash	173,686	139,398
Loans and investments, net	3,064,798	2,579,127
Loans held-for-sale, net	311,487	297,443
Capitalized mortgage servicing rights, net	257,021	252,608
Securities held-to-maturity, net	50,342	27,837
Investments in equity affiliates	24,144	23,653
Real estate owned, net	14,650	16,787
Due from related party	10,162	688
Goodwill and other intangible assets	118,965	121,766
Other assets	72,097	62,264
Total assets	\$ 4,204,320	\$ 3,625,945
Liabilities and Equity:		
Credit facilities and repurchase agreements	\$ 910,504	\$ 528,573

Collateralized loan obligations	1,590,644	1,418,422
Debt fund	68,270	68,084
Senior unsecured notes	122,343	95,280
Convertible senior unsecured notes, net	235,431	231,287
Junior subordinated notes to subsidiary trust issuing preferred securities	139,909	139,590
Related party financing	—	50,000
Due to related party	335	—
Due to borrowers	78,159	99,829
Allowance for loss-sharing obligations	31,402	30,511
Other liabilities	83,811	99,813
Total liabilities	3,260,808	2,761,389

Commitments and contingencies (Note 14)

Equity:

Arbor Realty Trust, Inc. stockholders' equity:		
Preferred stock, cumulative, redeemable, \$0.01 par value: 100,000,000 shares authorized; special voting preferred shares; 21,230,769 shares issued and outstanding; 8.25% Series A, \$38,788 aggregate liquidation preference; 1,551,500 shares issued and outstanding; 7.75% Series B, \$31,500 aggregate liquidation preference; 1,260,000 shares issued and outstanding; 8.50% Series C, \$22,500 aggregate liquidation preference; 900,000 shares issued and outstanding	89,508	89,508
Common stock, \$0.01 par value: 500,000,000 shares authorized; 68,570,617 and 61,723,387 shares issued and outstanding, respectively	686	617
Additional paid-in capital	766,933	707,450
Accumulated deficit	(87,128)	(101,926)
Accumulated other comprehensive income	—	176
Total Arbor Realty Trust, Inc. stockholders' equity	769,999	695,825
Noncontrolling interest	173,513	168,731
Total equity	943,512	864,556
Total liabilities and equity	\$ 4,204,320	\$ 3,625,945

See Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income	\$ 59,295	\$ 34,468	\$ 110,908	\$ 67,993
Interest expense	37,884	20,411	71,271	39,848
Net interest income	21,411	14,057	39,637	28,145
Other revenue:				
Gain on sales, including fee-based services, net	15,622	18,830	33,815	38,001
Mortgage servicing rights	17,936	17,254	37,571	37,284
Servicing revenue, net	10,871	6,609	20,418	11,403
Property operating income	2,964	2,863	5,874	6,086
Other income, net	(470)	(821)	2,408	(1,707)
Total other revenue	46,923	44,735	100,086	91,067
Other expenses:				
Employee compensation and benefits	26,815	21,825	56,309	41,666
Selling and administrative	8,873	7,835	17,789	15,529
Property operating expenses	2,856	2,622	5,652	5,260
Depreciation and amortization	1,845	1,816	3,691	3,713
Impairment loss on real estate owned	2,000	1,500	2,000	2,700
Provision for loss sharing (net of recoveries)	348	532	821	2,212
Provision for loan losses (net of recoveries)	(2,127)	(1,760)	(1,802)	(2,456)
Management fee - related party	—	2,673	—	6,673
Total other expenses	40,610	37,043	84,460	75,297
Income before gain on extinguishment of debt, income (loss) from equity affiliates and income taxes	27,724	21,749	55,263	43,915
Gain on extinguishment of debt	—	—	—	7,116
Income (loss) from equity affiliates	1,387	(3)	2,132	760
(Provision for) benefit from income taxes	(4,499)	(3,435)	4,285	(9,536)
Net income	24,612	18,311	61,680	42,255
Preferred stock dividends	1,888	1,888	3,777	3,777
Net income attributable to noncontrolling interest	5,557	4,494	14,547	10,935
Net income attributable to common stockholders	\$ 17,167	\$ 11,929	\$ 43,356	\$ 27,543
Basic earnings per common share	\$ 0.26	\$ 0.21	\$ 0.68	\$ 0.51

Diluted earnings per common share	\$ 0.25	\$ 0.21	\$ 0.66	\$ 0.50
Weighted average shares outstanding:				
Basic	65,683,057	56,652,334	63,773,306	54,071,085
Diluted	90,055,170	79,064,503	87,420,543	76,365,118
Dividends declared per common share	\$ 0.25	\$ 0.18	\$ 0.46	\$ 0.35

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 24,612	\$ 18,311	\$ 61,680	\$ 42,255
Unrealized loss on securities available-for-sale, at fair value	—	(147)	—	(118)
Reclassification of net unrealized gains on available-for-sale securities into accumulated deficit (Note 2)	—	—	(176)	—
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings	—	—	—	238
Comprehensive income	24,612	18,164	61,504	42,375
Less:				
Comprehensive income attributable to noncontrolling interest	5,557	4,453	14,504	10,972
Preferred stock dividends	1,888	1,888	3,777	3,777
Comprehensive income attributable to common stockholders	\$ 17,167	\$ 11,823	\$ 43,223	\$ 27,626

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
(\$ in thousands, except shares)

Six Months Ended June 30, 2018

	Preferred Stock Shares	Preferred Stock Value	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Arbor Realty Trust, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance —										
December 31, 2017	24,942,269	\$ 89,508	61,723,387	\$ 617	\$ 707,450	\$ (101,926)	\$ 176	\$ 695,825	\$ 168,731	\$ 864,556
Issuance of common stock, net			6,452,700	65	55,842			55,907		55,907
Stock-based compensation			396,030	4	3,641			3,645		3,645
Forfeiture of unvested restricted stock			(1,500)					—		—
Distributions - common stock						(28,727)		(28,727)		(28,727)
Distributions - preferred stock						(3,777)		(3,777)		(3,777)
Distributions - preferred stock of private REIT						(7)		(7)		(7)
Distributions - noncontrolling interest									(9,765)	(9,765)
Net income						47,133		47,133	14,547	61,680
Reclassification of net unrealized gains on available-for-sale securities into accumulated deficit						176	(176)	—		—
Balance — June 30, 2018	24,942,269	\$ 89,508	68,570,617	\$ 686	\$ 766,933	\$ (87,128)	\$ —	\$ 769,999	\$ 173,513	\$ 943,512

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

	<u>Six Months Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Operating activities:		
Net income	\$ 61,680	\$ 42,255
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,691	3,713
Stock-based compensation	3,645	2,986
Amortization and accretion of interest and fees, net	7,658	1,842
Amortization of capitalized mortgage servicing rights	23,802	23,716
Originations of loans held-for-sale	(2,080,393)	(2,288,694)
Proceeds from sales of loans held-for-sale, net of gain on sale	2,064,486	2,569,203
Payoffs and paydowns of loans held-for-sale	22	73
Mortgage servicing rights	(37,571)	(37,284)
Write-off of capitalized mortgage servicing rights from payoffs	10,078	6,497
Impairment loss on real estate owned	2,000	2,700
Provision for loan losses (net of recoveries)	(1,802)	(2,456)
Provision for loss sharing (net of recoveries)	821	2,212
Net charge-offs for loss sharing obligations	70	(1,822)
Deferred tax (benefit) provision	(13,135)	937
Income from equity affiliates	(2,132)	(760)
Gain on extinguishment of debt	—	(7,116)
Changes in operating assets and liabilities	(24,307)	(11,240)
Net cash provided by operating activities	<u>18,613</u>	<u>306,762</u>
Investing Activities:		
Loans and investments funded and originated, net	(875,212)	(551,468)
Payoffs and paydowns of loans and investments	429,133	456,251
Internalization of management team	—	(25,000)
Deferred fees	6,309	3,015
Investments in real estate, net	(220)	(433)
Contributions to equity affiliates	(2,460)	(650)
Distributions from equity affiliates	2,807	374
Purchase of securities held-to-maturity, net	(21,637)	(7,838)
Payoffs and paydowns of securities held-to-maturity	519	8
Proceeds from insurance settlements, net	1,294	1,014
Due to borrowers and reserves	(58,585)	(753)
Net cash used in investing activities	<u>(518,052)</u>	<u>(125,480)</u>
Financing activities:		
Proceeds from repurchase agreements, loan participations and credit facilities	3,971,279	4,343,816
Payoffs and paydowns of repurchase agreements, loan participations and credit facilities	(3,588,443)	(4,744,921)
Payoffs and paydowns of collateralized loan obligations	(267,750)	—
Payoffs of senior unsecured notes	(97,860)	—
Payoff of related party financing	(50,000)	—
Payoffs of junior subordinated notes to subsidiary trust issuing preferred securities	—	(12,691)
Proceeds from issuance of collateralized loan obligations	441,000	279,000
Proceeds from issuance of senior unsecured notes	125,000	—
Proceeds from issuance of convertible senior unsecured notes	—	13,750
Proceeds from issuance of common stock, net	55,907	76,225
Receipts on swaps and returns of margin calls from counterparties	—	431
Distributions paid on common stock	(28,727)	(19,781)
Distributions paid on noncontrolling interest	(9,765)	(7,431)
Distributions paid on preferred stock	(3,777)	(3,777)
Distributions paid on preferred stock of private REIT	(7)	(7)
Payment of deferred financing costs	(10,536)	(5,857)
Net cash provided by (used in) financing activities	<u>536,321</u>	<u>(81,243)</u>
Net increase in cash, cash equivalents and restricted cash	36,882	100,039
Cash, cash equivalents and restricted cash at beginning of period	243,772	167,960
Cash, cash equivalents and restricted cash at end of period	<u>\$ 280,654</u>	<u>\$ 267,999</u>

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Continued)
(in thousands)

	Six Months Ended June 30,	
	2018	2017
Supplemental cash flow information:		
Cash used to pay interest	\$ 58,675	\$ 35,142
Cash used to pay taxes	\$ 10,698	\$ 13,452
Supplemental schedule of non-cash investing and financing activities:		
Distributions accrued on 8.25% Series A preferred stock	\$ 267	\$ 267
Distributions accrued on 7.75% Series B preferred stock	\$ 203	\$ 203
Distributions accrued on 8.50% Series C preferred stock	\$ 159	\$ 159

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2018

Note 1 — Description of Business

Arbor Realty Trust, Inc. (“we,” “us,” or “our”) is a Maryland corporation formed in 2003. We operate through two business segments: our Structured Loan Origination and Investment Business (“Structured Business”) and our Agency Loan Origination and Servicing Business (“Agency Business”). Through our Structured Business, we invest in a diversified portfolio of structured finance assets in the multifamily and commercial real estate markets, primarily consisting of bridge and mezzanine loans, including junior participating interests in first mortgages, preferred and direct equity. We may also directly acquire real property and invest in real estate-related notes and certain mortgage-related securities. Through our Agency Business, we originate, sell and service a range of multifamily finance products through the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac,” and together with Fannie Mae, the government-sponsored enterprises, or the “GSEs”), the Government National Mortgage Association (“Ginnie Mae”), Federal Housing Authority (“FHA”) and the U.S. Department of Housing and Urban Development (together with Ginnie Mae and FHA, “HUD”) and conduit/commercial mortgage-backed securities (“CMBS”) programs. We retain the servicing rights and asset management responsibilities on substantially all loans we originate and sell under the GSE and HUD programs. We are an approved Fannie Mae Delegated Underwriting and Servicing (“DUS”) lender nationally, a Freddie Mac Multifamily Conventional Loan lender, seller/servicer, in New York, New Jersey and Connecticut, a Freddie Mac affordable, manufactured housing, senior housing and small balance loan (“SBL”) lender, seller/servicer, nationally and a HUD MAP and LEAN senior housing/healthcare lender nationally.

We have operated the Agency Business since July 2016 when we acquired it from Arbor Commercial Mortgage, LLC (“ACM” or our “Former Manager”). We were externally managed and advised by ACM and, effective May 31, 2017, terminated the existing management agreement with ACM to fully internalize our management team. Refer to our 2017 Annual Report for details of our acquisition of the Agency Business (the “Acquisition”) and termination of the management agreement.

Substantially all of our operations are conducted through our operating partnership, Arbor Realty Limited Partnership (“ARLP”), for which we serve as the general partner, and ARLP’s subsidiaries. We are organized to qualify as a real estate investment trust (“REIT”) for U.S. federal income tax purposes. Certain of our assets that produce non-qualifying income, primarily within the Agency Business, are operated through taxable REIT subsidiaries (“TRS”), which is part of our TRS consolidated group (the “TRS Consolidated Group”) and is subject to U.S. federal, state and local income taxes. See Note 17 — Income Taxes for details.

Note 2 — Basis of Presentation and Significant Accounting Policies

Basis of Presentation

Our interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), for interim financial statements and the instructions to Form 10-Q. Accordingly, certain information and footnote disclosures normally included in the consolidated financial statements prepared under GAAP have been condensed or omitted. In our opinion, all adjustments considered necessary for a fair presentation of our financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These financial statements should be read in conjunction with our financial statements and notes thereto included in our 2017 Annual Report.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation. See the following “Recently Adopted Accounting Pronouncements” section for the cash flows impact of the retrospective adoption of Accounting Standards Update (“ASU”) 2016-18, Statement of Cash Flows: Restricted Cash and ASU 2016-15, Statement of Cash Flows.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2018

Principles of Consolidation

These consolidated financial statements include our financial statements and the financial statements of our wholly owned subsidiaries, partnerships and other joint ventures in which we own a controlling interest, including variable interest entities (“VIEs”) of which we are the primary beneficiary. Entities in which we have a significant influence are accounted for under the equity method. See Note 15 — Variable Interest Entities for information about our VIEs. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that could materially affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Significant Accounting Policies

We describe our significant accounting policies in our 2017 Annual Report. There have been no significant changes in our significant accounting policies since December 31, 2017.

Recently Adopted Accounting Pronouncements

Description	Adoption Date	Effect on Financial Statements
Since 2014, the Financial Accounting Standards Board (“FASB”) has issued several amendments to its guidance on revenue recognition. The amended guidance, among other things, introduces a new framework for a single comprehensive model that can be used when accounting for revenue and supersedes most current revenue recognition guidance, including that which pertains to specific industries. The core principle states that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods and services. It also requires expanded quantitative and qualitative disclosures that will enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Most revenue associated with financial instruments, including interest and loan origination fees, along with gains and losses on investment securities, derivatives and sales of financial instruments are excluded from the scope of the guidance.	First quarter of 2018.	The adoption of this guidance did not have a material impact on our consolidated financial statements. This standard may impact the timing of gains on certain future sales of real estate.
In November 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-18, Statement of Cash Flows: Restricted Cash. This ASU requires changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents to be shown in the statement of cash flows. Previous guidance required the change in cash and cash equivalents be shown on the statement of cash flows, with cash used to fund restricted cash and restricted cash equivalents shown as a component of operating, investing, or financing activities. Entities are now also required to reconcile the total of cash, cash equivalents, restricted cash, and restricted cash equivalents as presented in the statement of cash flows to the related captions in the balance sheet when these balances are presented separately in the balance sheet.	First quarter of 2018.	This guidance required retrospective adoption, therefore, we adjusted the cash flow statement for the comparable prior period. The following table shows the impact of the adoption of this guidance, as well as the adoption of ASU 2016-15 described below.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2018

Description	Adoption Date	Effect on Financial Statements
In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows. This ASU provides eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows.	First quarter of 2018.	This guidance required retrospective adoption, therefore, we reclassified \$1.0 million of proceeds from insurance settlements from net cash provided by operating activities to net cash used in investing activities for the six months ended June 30, 2017. In addition, we chose the cumulative earnings approach for distributions received from equity method investees, which did not result in any changes in the way we account for such distributions. The following table shows the impact of the adoption of this

guidance, as well as the adoption of ASU 2016-18 described above.

<u>(in thousands)</u>	<u>Six Months Ended June 30, 2017</u>	
<i>As previously reported under GAAP applicable at the time</i>		
Cash and cash equivalents at beginning of period	\$	138,645
Net decrease in cash and cash equivalents		(57,886)
Cash and cash equivalents at end of period		80,759
Net cash provided by operating activities: changes in operating assets and liabilities		(10,270)
Net cash used in investing activities		(126,494)
Net cash used in financing activities		(239,307)
<i>As currently reported under ASU 2016-18 and ASU 2016-15</i>		
Cash, cash equivalents and restricted cash at beginning of period	\$	167,960
Net increase in cash, cash equivalents and restricted cash		100,039
Cash, cash equivalents and restricted cash at end of period		267,999
Net cash provided by operating activities: changes in operating assets and liabilities		(11,240)
Net cash used in investing activities		(125,480)
Net cash provided by (used in) financing activities		(81,243)

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall: Consensus of the FASB Emerging Issues Task Force. This ASU requires that unconsolidated equity investments not accounted for under the equity method be recorded at fair value, with changes in fair value recorded through net income. The accounting principles that permitted available-for-sale classification with unrealized holding gains and losses recorded in other comprehensive income for equity securities will no longer be applicable. In addition, financial liabilities measured using the fair value option will need to present any change in fair value caused by a change in instrument-specific credit risk separately in other comprehensive income.

First quarter of 2018.

The adoption of this guidance did not have a material impact on our consolidated financial statements. In connection with the adoption of this ASU, we reclassified \$0.2 million of unrealized gains on available-for-sale securities from accumulated other comprehensive income to accumulated deficit.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2018

Recently Issued Accounting Pronouncements

The following table is not intended to represent all recently issued accounting pronouncements that are not yet effective and which have not yet been adopted by us. This table should be read in conjunction with the recently issued accounting pronouncements section included in our 2017 Annual Report.

<u>Description</u>	<u>Effective Date</u>	<u>Effect on Financial Statements</u>
In June 2018, the FASB issued ASU 2018-07, Compensation - Stock Compensation to expand the scope of ASC Topic 718, Compensation - Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees.	First quarter of 2019.	We have evaluated ASU 2018-07 and determined the adoption of this standard will not have a significant impact on our consolidated financial statements.

Note 3 — Loans and Investments

Our Structured Business loan and investment portfolio consists of (\$ in thousands):

	<u>June 30, 2018</u>	<u>Percent of Total</u>	<u>Loan Count</u>	<u>Wtd. Avg. Pay Rate (1)</u>	<u>Wtd. Avg. Remaining Months to Maturity</u>	<u>Wtd. Avg. First Dollar LTV Ratio (2)</u>	<u>Wtd. Avg. Last Dollar LTV Ratio (3)</u>
Bridge loans	\$ 2,891,974	92%	167	6.58%	20.3	0%	73%
Preferred equity investments	151,604	5%	10	8.18%	73.7	60%	85%
Mezzanine loans	91,301	3%	10	10.28%	19.8	21%	68%
	<u>3,134,879</u>	<u>100%</u>	<u>187</u>	<u>6.76%</u>	<u>22.8</u>	<u>4%</u>	<u>74%</u>
Allowance for loan losses	(58,733)						
Unearned revenue	(11,348)						
Loans and investments, net	<u>\$ 3,064,798</u>						
	<u>December 31, 2017</u>						
Bridge loans	\$ 2,422,105	91%	150	6.10%	20.9	0%	72%
Preferred equity	142,892	6%	12	6.47%	68.7	64%	90%

investments							
Mezzanine loans	87,541	3%	8	10.78%	24.8	20%	63%
	2,652,538	100%	170	6.28%	23.6	4%	73%
Allowance for loan losses	(62,783)						
Unearned revenue	(10,628)						
Loans and investments, net	\$ 2,579,127						

- (1) “Weighted Average Pay Rate” is a weighted average, based on the unpaid principal balance (“UPB”) of each loan in our 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 maturity are not included in the weighted average pay rate as shown in the table.
- (2) The “First Dollar Loan-to-Value (“LTV”) Ratio” is calculated by comparing the total of our 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 we will absorb a total loss of our position.
- (3) The “Last Dollar LTV Ratio” is calculated by comparing the total of the carrying value of our loan and all senior lien positions within the capital stack to the fair value of the underlying collateral to determine the point at which we will initially absorb a loss.

Concentration of Credit Risk

We are subject to concentration risk in that, at June 30, 2018, the UPB related to 49 loans with five different borrowers represented 25% of total assets. At December 31, 2017, the UPB related to 42 loans with five different borrowers represented 24% of total assets. During both the six months ended June 30, 2018 and the year ended December 31, 2017, no single loan or investment represented more than 10% of our total assets and no single investor group generated over 10% of our revenue.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) June 30, 2018

We assign a credit risk rating of pass, pass/watch, special mention, substandard or doubtful to each loan and investment, with a pass rating being the lowest risk and a doubtful rating being the highest risk. 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, and 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. All portfolio assets are subject to, at a minimum, a thorough quarterly financial evaluation in which historical operating performance and forward-looking projections are reviewed, however, we maintain a higher level of scrutiny and focus on loans that we consider “high risk” and that possess deteriorating credit quality.

Generally speaking, given our typical loan profile, risk ratings of pass, pass/watch and special mention suggest that we expect 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 substandard indicates we anticipate the loan may require a modification of some kind. A risk rating of doubtful indicates we expect the loan to underperform over its term, and there could be loss of interest and/or principal. Further, while the above are the primary guidelines used in determining a certain risk rating, subjective items such as borrower strength, market strength or asset quality 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, at June 30, 2018 and December 31, 2017, we identified eight loans and investments that we consider higher-risk loans that had a carrying value, before loan loss reserves, of \$128.2 million and \$126.5 million, respectively, and a weighted average last dollar LTV ratio of 92% and 93%, respectively.

A summary of the loan portfolio’s weighted average internal risk ratings and LTV ratios by asset class is as follows (\$ in thousands):

Asset Class	June 30, 2018				
	UPB	Percentage of Portfolio	Wtd. Avg. Internal Risk Rating	Wtd. Avg. First Dollar LTV Ratio	Wtd. Avg. Last Dollar LTV Ratio
Multifamily	\$ 2,389,630	76%	pass/watch	4%	73%
Self Storage	301,830	10%	pass/watch	0%	72%
Land	133,811	4%	substandard	0%	90%
Office	123,060	4%	special mention	0%	64%
Healthcare	92,465	3%	pass	0%	81%
Hotel	55,975	2%	pass/watch	23%	74%
Retail	36,408	1%	pass/watch	8%	76%
Commercial	1,700	<1%	doubtful	63%	63%
Total	\$ 3,134,879	100%	pass/watch	4%	74%
December 31, 2017					
Multifamily	\$ 1,925,529	73%	pass/watch	4%	72%
Self Storage	301,830	11%	pass	0%	71%
Land	132,828	5%	substandard	0%	90%
Office	107,853	4%	pass/watch	1%	64%
Healthcare	55,615	2%	pass/watch	0%	74%
Hotel	90,725	3%	special mention	37%	81%

Retail	36,458	1%	pass/watch	8%	66%
Commercial	1,700	<1%	doubtful	63%	63%
Total	<u>\$ 2,652,538</u>	<u>100%</u>	<u>pass/watch</u>	<u>4%</u>	<u>73%</u>

Geographic Concentration Risk

As of June 30, 2018, 20%, 19% and 10% of the outstanding balance of our loan and investment portfolio had underlying properties in New York, Texas and California, respectively. As of December 31, 2017, 23%, 21% and 11% of the outstanding balance of our loan and investment portfolio had underlying properties in Texas, New York and California, respectively.

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Impaired Loans and Allowance for Loan Losses

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Allowance at beginning of period	\$ 63,108	\$ 83,016	\$ 62,783	\$ 83,712
Provision for loan losses	1,325	—	1,650	—
Charge-offs	(3,173)	—	(3,173)	—
Recoveries of reserves	(2,527)	(1,760)	(2,527)	(2,456)
Allowance at end of period	<u>\$ 58,733</u>	<u>\$ 81,256</u>	<u>\$ 58,733</u>	<u>\$ 81,256</u>

During the three and six months ended June 30, 2018, we determined that the fair value of the underlying collateral (land development project) securing six loans with a carrying value of \$120.9 million was less than the net carrying value of the loans, which resulted in a provision for loan losses of \$1.3 million and \$1.7 million, respectively.

During the three and six months ended June 30, 2018, we settled, for \$31.6 million, a non-performing preferred equity investment in a hotel property with a net carrying value of \$29.1 million, resulting in a reserve recovery of \$2.5 million and a charge-off of \$3.2 million. In addition, we received a payment and recorded a recovery of \$0.9 million related to a written-off junior participation interest in an office building.

During the three and six months ended June 30, 2017, a fully reserved multifamily mezzanine loan with a UPB of \$1.8 million paid off in full, resulting in a \$1.8 million reserve recovery. In addition, during the first quarter of 2017, we recorded a reserve recovery of \$0.7 million on a multifamily bridge loan.

The ratio of net recoveries to the average loans and investments outstanding were de minimus for all periods presented.

There were no loans for which the fair value of the collateral securing the loan was less than the carrying value of the loan for which we had not recorded a provision for loan loss as of June 30, 2018 and 2017.

We have six loans with a carrying value totaling \$120.9 million at June 30, 2018, which mature in September 2018, that are collateralized by a land development project. The loans do not carry a current pay rate of interest, but five of the loans with a carrying value totaling \$111.5 million entitle us to a weighted average accrual rate of interest of 8.89%. In 2008, we suspended the recording of the accrual rate of interest on these loans, as they were impaired and we deemed the collection of this interest to be doubtful. At June 30, 2018 and December 31, 2017, we had cumulative allowances for loan losses of \$50.7 million and \$49.1 million, respectively, related to these loans. 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.

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

Asset Class	<u>June 30, 2018</u>			<u>Three Months Ended June 30, 2018</u>		<u>Six Months Ended June 30, 2018</u>	
	<u>UPB</u>	<u>Carrying Value (1)</u>	<u>Allowance for Loan Losses</u>	<u>Average Recorded Investment (2)</u>	<u>Interest Income Recognized</u>	<u>Average Recorded Investment (2)</u>	<u>Interest Income Recognized</u>
Land	\$ 132,559	\$ 125,693	\$ 55,533	\$ 131,985	\$ —	\$ 131,823	\$ —
Hotel	—	—	—	17,375	—	17,375	—
Office	2,279	2,279	1,500	2,281	31	2,284	60
Commercial	1,700	1,700	1,700	1,700	—	1,700	—
Total	<u>\$ 136,538</u>	<u>\$ 129,672</u>	<u>\$ 58,733</u>	<u>\$ 153,341</u>	<u>\$ 31</u>	<u>\$ 153,181</u>	<u>\$ 60</u>

December 31, 2017

Three Months Ended June 30, 2017

Six Months Ended June 30, 2017

Land	\$	131,086	\$	124,812	\$	53,883	\$	131,086	\$	—	\$	131,086	\$	—
Hotel		34,750		34,750		5,700		34,750		60		34,750		371
Office		2,288		2,288		1,500		27,556		27		27,558		51
Commercial		1,700		1,700		1,700		1,700		—		1,700		—
Multifamily		—		—		—		880		—		1,271		22
Total	\$	169,824	\$	163,550	\$	62,783	\$	195,972	\$	87	\$	196,365	\$	444

(1) Represents the UPB of four impaired loans (less unearned revenue and other holdbacks and adjustments) by asset class at both June 30, 2018 and December 31, 2017.

(2) Represents an average of the beginning and ending UPB of each asset class.

At June 30, 2018, two loans with an aggregate net carrying value of \$0.8 million, net of related loan loss reserves of \$1.7 million, were classified as non-performing. At December 31, 2017, two loans with an aggregate net carrying value of \$29.1 million, net of related loan loss reserves of \$7.4 million, were classified as non-performing. Income from non-performing loans is generally recognized on a cash basis when it is received. Full income recognition will resume when the loan becomes contractually current and performance has recommenced.

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

Asset Class	June 30, 2018			December 31, 2017		
	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
Commercial	\$ 1,700	\$ —	\$ 1,700	\$ 1,700	\$ —	\$ 1,700
Hotel	—	—	—	34,750	—	34,750
Office	831	—	831	—	—	—
Total	\$ 2,531	\$ —	\$ 2,531	\$ 36,450	\$ —	\$ 36,450

At both June 30, 2018 and December 31, 2017, there were no loans contractually past due 90 days or more that were still accruing interest.

There were no loan modifications, refinancings and/or extensions during the six months ended June 30, 2018 that were considered troubled debt restructurings. During the six months ended June 30, 2017, there was a \$34.8 million loan to a hotel property that was modified and considered a troubled debt restructuring as a result of a forbearance agreement entered into with the borrower in the second quarter of 2017. This loan was subsequently classified as non-performing. This loan was modified to increase the total recovery of the combined principal and interest. There were no other loans in which we considered the modifications to be troubled debt restructurings and no additional loans considered to be impaired as a result of our troubled debt restructuring analysis performed during the six months ended June 30, 2018 and 2017.

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. At June 30, 2018, we had total interest reserves of \$47.6 million on 92 loans with an aggregate UPB of \$1.89 billion. At December 31, 2017, we had total interest reserves of \$52.5 million on 81 loans with an aggregate UPB of \$1.57 billion.

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Note 4 — Loans Held-for-Sale, Net

Loans held-for-sale, net consists of the following (in thousands):

	June 30, 2018	December 31, 2017
Fannie Mae	\$ 204,658	\$ 243,717
Freddie Mac	102,357	47,545
FHA	1,119	987
	308,134	292,249
Fair value of future MSR	4,754	5,806
Unearned discount	(1,401)	(612)
Loans held-for-sale, net	\$ 311,487	\$ 297,443

Our loans held-for-sale, net are typically sold within 60 days of loan origination and the gain on sales are included in gain on sales, including fee-based services, net in the consolidated statements of income. During the three and six months ended June 30, 2018, we sold \$1.02 billion and \$2.08 billion, respectively, of loans held-for-sale and recorded gain on sales of \$14.8 million and \$32.2 million, respectively. During the three and six months ended June 30, 2017, we sold \$1.20 billion and \$2.57 billion, respectively, of loans held-for-sale and recorded gains on sales of \$17.6 million and \$35.7 million, respectively. At June 30, 2018 and December 31, 2017, there were no loans held-for-sale that were 90 days or more past due, and there were no loans held-for-sale that were placed on a non-accrual status.

Note 5 — Capitalized Mortgage Servicing Rights

Our capitalized mortgage servicing rights (“MSRs”) reflect commercial real estate MSRs derived from loans sold in our Agency Business. The discount rates used to determine the present value of our MSRs throughout the periods presented for all MSRs were between 8% - 15% (representing a weighted average discount rate of 12%) based on our best estimate of market discount rates. The weighted average estimated life remaining of our MSRs was 7.3 years and 7.2 years at June 30, 2018 and December 31, 2017, respectively.

A summary of our capitalized MSR activity is as follows (in thousands):

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	Acquired	Originated	Total	Acquired	Originated	Total
Balance at beginning of period	\$ 131,934	\$ 123,798	\$ 255,732	\$ 143,270	\$ 109,338	\$ 252,608
Additions	—	18,493	18,493	—	38,293	38,293
Amortization	(7,517)	(4,420)	(11,937)	(15,512)	(8,290)	(23,802)
Write-downs and payoffs	(4,400)	(867)	(5,267)	(7,741)	(2,337)	(10,078)
Balance at end of period	<u>\$ 120,017</u>	<u>\$ 137,004</u>	<u>\$ 257,021</u>	<u>\$ 120,017</u>	<u>\$ 137,004</u>	<u>\$ 257,021</u>

	Three Months Ended June 30, 2017			Six Months Ended June 30, 2017		
	Acquired	Originated	Total	Acquired	Originated	Total
Balance at beginning of period	\$ 180,945	\$ 57,986	\$ 238,931	\$ 194,801	\$ 32,942	\$ 227,743
Additions	—	19,083	19,083	—	45,553	45,553
Amortization	(9,660)	(2,168)	(11,828)	(20,122)	(3,594)	(23,716)
Write-downs and payoffs	(3,096)	(7)	(3,103)	(6,490)	(7)	(6,497)
Balance at end of period	<u>\$ 168,189</u>	<u>\$ 74,894</u>	<u>\$ 243,083</u>	<u>\$ 168,189</u>	<u>\$ 74,894</u>	<u>\$ 243,083</u>

We collected prepayment fees of \$4.9 million and \$8.7 million during the three and six months ended June 30, 2018, respectively, which are included as a component of servicing revenue, net on the consolidated statements of income. During the three and six months ended June 30, 2017, we collected prepayment fees totaling \$2.1 million and \$4.1 million, respectively. As of June 30, 2018 and December 31, 2017, we had no valuation allowance recorded on any of our MSR's.

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The expected amortization of capitalized MSR's recorded as of June 30, 2018 is shown in the table below. Actual amortization may vary from these estimates (in thousands).

Year	Amortization
2018 (six months ending 12/31/2018)	\$ 23,934
2019	45,327
2020	40,340
2021	33,259
2022	26,708
2023	22,303
Thereafter	65,150
Total	<u>\$ 257,021</u>

Note 6 — Mortgage Servicing

Product and geographic concentrations that impact our servicing revenue are as follows (\$ in thousands):

June 30, 2018				
Product Concentrations			Geographic Concentrations	
Product	UPB	Percent of Total	State	UPB Percentage of Total
Fannie Mae	\$ 12,794,277	75%	Texas	21%
Freddie Mac	3,730,980	22%	North Carolina	10%
FHA	585,017	3%	California	8%
Total	<u>\$ 17,110,274</u>	<u>100%</u>	New York	8%
			Georgia	6%
			Florida	6%
			Other (1)	41%
			Total	<u>100%</u>

December 31, 2017				
Product Concentrations			Geographic Concentrations	
Product	UPB	Percent of Total	State	UPB Percentage of Total
Fannie Mae	\$ 12,502,699	77%	Texas	22%
Freddie Mac	3,166,134	20%	North Carolina	10%
FHA	537,482	3%	California	8%
Total	<u>\$ 16,206,315</u>	<u>100%</u>	New York	8%
			Georgia	6%
			Florida	6%
			Other (1)	40%
			Total	<u>100%</u>

(1) No other individual state represented 4% or more of the total.

At June 30, 2018 and December 31, 2017, our weighted average servicing fee was 46.9 basis points and 47.7 basis points, respectively. We held cash in escrow for these loans totaling \$482.8 million and \$477.9 million at June 30, 2018 and December 31, 2017, respectively, which is not reflected in our consolidated balance sheets. These escrows are maintained in separate accounts at several federally insured depository institutions, which may exceed FDIC insured limits. We earn interest income on these escrow deposits, generally based on a market rate of interest negotiated with the financial institutions that hold the escrow deposits. Interest earned on escrows, net of interest paid to the borrower, was \$2.7 million and \$4.9 million during the three and six months ended June 30, 2018, respectively, and \$1.1 million and \$1.8 million during the three and six months ended June 30, 2017, respectively, and is a component of servicing revenue, net in the consolidated statements of income.

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Note 7 — Securities Held-to-Maturity

Freddie Mac may choose to hold, sell or securitize loans we sell to them under the Freddie Mac SBL program. As part of the securitizations under the SBL program, we have the option to purchase the bottom tranche bond, generally referred to as the “B Piece,” that represents the bottom 10%, or highest risk, of the securitization. During the six months ended June 30, 2018, we purchased two B Piece bonds with an initial face value of \$31.2 million, at a discount, for \$21.6 million. As of June 30, 2018, we retained 49%, or \$72.2 million initial face value, of five B Piece bonds, which were purchased at a discount for \$48.8 million, and sold the remaining 51% to a third party at par. These held-to-maturity securities are carried at cost, net of unamortized discounts, and are collateralized by a pool of multifamily mortgage loans, bear interest at an initial weighted average variable rate of 3.63% and have an estimated weighted average maturity of 5.7 years. The weighted average effective interest rate was 11.42% and 12.97% at June 30, 2018 and December 31, 2017, respectively, including the accretion of discount. Approximately \$10.8 million is estimated to mature within one year, \$31.0 million is estimated to mature after one year through five years, \$20.4 million is estimated to mature after five years through ten years and \$9.2 million is estimated to mature after ten years.

The following is a summary of the held-to-maturity securities we held (in thousands):

	June 30, 2018			
	Face Value	Carrying Value	Unrealized (Loss) Gain	Estimated Fair Value
B Piece bonds	\$ 71,222	\$ 50,342	\$ (189)	\$ 50,153

	December 31, 2017			
	Face Value	Carrying Value	Unrealized (Loss) Gain	Estimated Fair Value
B Piece bonds	\$ 40,566	\$ 27,837	\$ 602	\$ 28,439

As of June 30, 2018, no impairment was recorded on these held-to-maturity securities. During the three and six months ended June 30, 2018, we recorded interest income of \$0.5 million and \$1.1 million, respectively, and, during the three and six months ended June 30, 2017, we recorded interest income of \$0.3 million and \$0.4 million, respectively, related to these investments.

Note 8 — Investments in Equity Affiliates

We account for all investments in equity affiliates under the equity method. The following is a summary of our investments in equity affiliates (in thousands):

Equity Affiliates	Investments in Equity Affiliates at		UPB of Loans to Equity Affiliates at June 30, 2018
	June 30, 2018	December 31, 2017	
Arbor Residential Investor LLC	\$ 19,631	\$ 19,193	\$ —
West Shore Café	2,193	2,140	1,688
Lightstone Value Plus REIT L.P	1,895	1,895	—
JT Prime	425	425	—
East River Portfolio	—	—	—
Lexford Portfolio	—	—	280,500
Total	\$ 24,144	\$ 23,653	\$ 282,188

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Arbor Residential Investor LLC (“ARI”). During the three and six months ended June 30, 2018, we recorded income of \$0.7 million and \$0.8 million, respectively, and, during both the three and six months ended June 30, 2017, we recorded a loss of \$0.7 million to income (loss) from equity affiliates in our consolidated statements of income related to our investment in this residential mortgage banking business. In addition, during the first quarter of 2018, we made a \$2.4 million payment for our proportionate share of a litigation settlement related to this investment, which was distributed back to us by our equity affiliate.

During both the six months ended June 30, 2018 and 2017, we received cash distributions totaling \$0.4 million (which were classified as returns of capital) in connection with a joint venture that invests in non-qualified residential mortgages purchased from ARI’s origination platform. During all periods presented,

we recorded income of less than \$0.1 million to income (loss) from equity affiliates in our consolidated statements of income related to this investment.

Lexford Portfolio. During the three and six months ended June 30, 2018, we received distributions of \$0.6 million and \$1.2 million, respectively, and, during the three and six months ended June 30, 2017, we received distributions of \$0.6 million and \$1.3 million, respectively, from this equity investment, which was recognized as income. See Note 18 — Agreements and Transactions with Related Parties for details.

Note 9 — Real Estate Owned

Our real estate assets at both June 30, 2018 and December 31, 2017 were comprised of a hotel property and an office building.

Real Estate Owned

(in thousands)	June 30, 2018			December 31, 2017		
	Hotel Property	Office Building	Total	Hotel Property	Office Building	Total
Land	\$ 3,294	\$ 4,509	\$ 7,803	\$ 3,294	\$ 4,509	\$ 7,803
Building and intangible assets	30,918	2,010	32,928	30,699	2,010	32,709
Less: Impairment loss	(13,307)	(2,500)	(15,807)	(13,307)	(500)	(13,807)
Less: Accumulated depreciation and amortization	(9,505)	(769)	(10,274)	(9,228)	(690)	(9,918)
Real estate owned, net	\$ 11,400	\$ 3,250	\$ 14,650	\$ 11,458	\$ 5,329	\$ 16,787

For the six months ended June 30, 2018 and 2017, our hotel property had a weighted average occupancy rate of 58% and 57%, respectively, a weighted average daily rate of \$116 and \$117, respectively, and weighted average revenue per available room of \$67 for both periods. The operation of a hotel property is seasonal with the majority of revenues earned in the first two quarters of the calendar year. Of the total impairment losses recorded on our hotel property of \$13.3 million, \$1.5 million and \$2.7 million were recorded during the three and six months ended June 30, 2017, respectively.

Our office building was fully occupied by a single tenant until April 2017 when the lease expired. The building is currently vacant. During the three months ended June 30, 2018, based on discussions with market participants, we determined that the office building exhibited indicators of impairment and performed an impairment analysis. As a result of this impairment analysis, we recorded an impairment loss of \$2.0 million.

Our real estate owned assets had restricted cash balances totaling \$0.8 million and \$0.7 million at June 30, 2018 and December 31, 2017, respectively, due to escrow requirements.

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Note 10 — Debt Obligations

Credit Facilities and Repurchase Agreements

The following table outlines borrowings under our credit facilities and repurchase agreements (\$ in thousands):

				June 30, 2018			December 31, 2017		
	Current Maturity	Extended Maturity	Note Rate	Debt Carrying Value (1)	Collateral Carrying Value	Wtd. Avg. Note Rate	Debt Carrying Value (1)	Collateral Carrying Value	Wtd. Avg. Note Rate
Structured Business									
\$375 million repurchase facility	Mar. 2020	Mar. 2021	L + 1.75% to 3.50%	\$ 258,712	\$ 354,500	4.39%	\$ 102,350	\$ 145,850	3.90%
\$100 million repurchase facility	June 2019	June 2020	L + 1.75% to 2.00%	79,764	111,317	3.92%	2,445	6,600	3.61%
\$75 million credit facility	Dec. 2018	N/A	L + 1.75% to 2.50%	24,901	36,799	3.89%	—	—	—
\$75 million credit facility	June 2019	N/A	L + 2.00%	2,894	4,700	4.15%	8,999	16,000	3.61%
\$50 million credit facility	Feb. 2019	N/A	L + 2.00%	28,555	35,700	4.15%	32,538	40,700	3.61%
\$50 million credit facility	Sept. 2019	Sept. 2021	L + 2.50% to 3.25%	—	—	—	3,581	4,625	4.88%
\$25.5 million credit facility	Oct. 2019	N/A	L + 2.50%	15,742	34,000	4.65%	13,920	18,753	4.12%
\$25 million working capital facility	June 2019	N/A	L + 2.25%	25,000	—	4.40%	10,000	—	4.12%
\$23.2 million credit facility	Feb. 2020	Feb. 2021	L + 2.30%	23,085	30,900	4.45%	—	—	—
\$20 million credit facility	Mar. 2020	Mar. 2021	L + 2.50%	19,900	41,650	4.65%	—	—	—
\$17.4 million credit facility	June 2020	June 2021	L + 2.40%	12,374	15,844	4.55%	—	—	—
\$7.5 million credit facility	Aug. 2018	N/A	L + 2.75%	7,461	9,340	4.91%	7,432	9,340	4.37%
Repurchase facility - securities (2)	N/A	N/A	L + 2.50% to 3.50%	101,327	—	4.80%	53,938	—	4.45%
\$3 million master security agreement	Oct. 2020	N/A	2.96% to 3.42%	1,504	—	3.20%	1,834	—	3.21%
\$2.2 million master security agreement	Mar. 2021	N/A	4.60%	1,629	—	4.66%	—	—	—
Structured Business total				\$ 602,848	\$ 674,750	4.30%	\$ 237,037	\$ 241,868	4.02%
Agency Business									
\$500 million ASAP agreement (3)	N/A	N/A	L + 1.05%	\$ 47,593	\$ 47,593	3.14%	\$ 121,880	\$ 121,880	2.61%
\$150 million credit facility	Jan. 2019	N/A	L + 1.30%	126,965	127,100	3.39%	21,802	21,821	2.96%

\$150 million credit facility	Aug. 2018	N/A	L + 1.30%	111,669	111,678	3.39%	99,242	99,357	2.91%
\$100 million credit facility (4)	June 2019	N/A	L + 1.25%	9,190	9,190	3.39%	23,785	23,785	2.86%
\$100 million repurchase facility	Aug. 2018	N/A	L + 1.35%	12,239	12,250	3.44%	24,827	24,873	2.91%
Agency Business total				\$ 307,656	\$ 307,811	3.35%	\$ 291,536	\$ 291,716	2.78%
Consolidated total				\$ 910,504	\$ 982,561	3.98%	\$ 528,573	\$ 533,584	3.34%

- (1) The debt carrying value for the Structured Business at June 30, 2018 and December 31, 2017 was net of unamortized deferred finance costs of \$3.1 million and \$2.2 million, respectively. The debt carrying value for the Agency Business at both June 30, 2018 and December 31, 2017 was net of unamortized deferred finance costs of \$0.2 million.
- (2) As of June 30, 2018 and December 31, 2017, this facility was collateralized by CLO bonds retained by us with a principal balance of \$114.2 million and \$61.0 million, respectively, and B Piece bonds with a carrying value of \$50.3 million and \$27.8 million, respectively.
- (3) The note rate under this agreement is subject to a LIBOR Floor of 35 basis points.
- (4) The committed amount under the facility was temporarily increased to \$250.0 million, which expired in January 2018.

Structured Business

At June 30, 2018 and December 31, 2017, the weighted average interest rate for the credit facilities and repurchase agreements of our Structured Business, including certain fees and costs, such as structuring, commitment, non-use and warehousing fees, was 4.72% and 4.51%, respectively. The leverage on our loans and investment portfolio financed through our credit facilities and repurchase agreements, excluding the securities repurchase facility, working capital line of credit and the security agreements used to finance leasehold and capital expenditure improvements at our corporate office, was 71% and 72% at June 30, 2018 and December 31, 2017, respectively.

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In June 2018, we entered into a \$17.4 million credit facility to finance a multifamily bridge loan. The facility bears interest at a rate of 240 basis points over LIBOR and matures in June 2020, with a one-year extension option.

In June 2018, we amended our \$10.0 million working capital facility to increase the committed amount by \$15.0 million to \$25.0 million, reduce the interest rate by 25 basis points and extend the maturity date to June 2019.

In April 2018, we amended our \$100.0 million repurchase facility adjusting the interest rate from 200 basis points over LIBOR to an interest rate range of 175 basis points to 200 basis points over LIBOR, depending on the class of loan financed.

In April 2018, we amended our \$75.0 million credit facility adjusting the interest rate from 200 basis points to 250 basis points over LIBOR to an interest rate range of 175 basis points to 250 basis points over LIBOR, depending on the type of loan financed.

In March 2018, we amended our \$225.0 million repurchase facility to increase the committed amount by \$75.0 million to \$300.0 million, reduce the interest rates by 50 basis points and extend the maturity date to March 2020 with a one-year extension option. In June 2018, we also temporarily increased the committed amount by \$75.0 million to \$375.0 million, which expires in December 2018.

In March 2018, we entered into a \$20.0 million credit facility to finance a healthcare facility bridge loan. The facility bears interest at a rate of 250 basis points over LIBOR and matures in March 2020, with a one-year extension option.

In March 2018, we entered into a master security agreement that was used to finance certain capital expenditures. We have a \$2.2 million note payable under this agreement which bears interest at a fixed rate of 4.60%, requires monthly amortization payments and matures in 2021.

In February 2018, we entered into a \$23.2 million credit facility to finance a self storage bridge loan. The facility bears interest at a rate of 230 basis points over LIBOR and matures in February 2020, with a one-year extension option.

Agency Business

In April 2018, we amended our \$150.0 million credit facility reducing the interest rate 5 basis points to 130 basis points over LIBOR. In July 2018, we temporarily extended the maturity date to August 2018 and are currently in negotiations to amend the agreement and extend its maturity.

In January 2018, we amended our \$150.0 million warehouse facility reducing the interest rate 10 basis points to 130 basis points over LIBOR and extending the maturity date one year to January 2019.

Collateralized Loan Obligations ("CLOs")

We account for our CLO transactions on our consolidated balance sheet as financing facilities. Our CLOs are VIEs for which we are the primary beneficiary and are consolidated in our financial statements. The investment grade tranches are treated as secured financings, and are non-recourse to us.

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The following table outlines borrowings and the corresponding collateral under our CLOs (\$ in thousands):

June 30, 2018	Debt			Collateral (3)		
	Face Value	Carrying Value (1)	Wtd. Avg. Rate (2)	Loans		Cash
				UPB	Carrying Value	Restricted Cash (4)
CLO X	\$ 441,000	\$ 435,885	3.59%	\$ 502,781	\$ 500,646	\$ 49,554
CLO IX	356,400	351,625	3.50%	460,925	459,562	75
CLO VIII	282,874	279,221	3.45%	330,112	329,213	26,288
CLO VII	279,000	275,919	4.14%	318,684	317,773	36,134
CLO VI	250,250	247,994	4.63%	297,133	296,065	25,491
Total CLOs	\$ 1,609,524	\$ 1,590,644	3.80%	\$ 1,909,635	\$ 1,903,259	\$ 137,542

December 31, 2017						
CLO IX	Face Value	Carrying Value (1)	Wtd. Avg. Rate (2)	Collateral (3)		Cash Restricted Cash (4)
				UPB	Carrying Value	
CLO IX	\$ 356,400	\$ 351,042	2.97%	\$ 372,350	\$ 371,236	\$ 88,650
CLO VIII	282,874	278,606	2.92%	364,838	363,339	162
CLO VII	279,000	275,331	3.61%	346,524	345,220	13,476
CLO VI	250,250	247,470	4.10%	314,382	313,582	10,618
CLO V	267,750	265,973	4.06%	347,797	346,803	2,203
Total CLOs	\$ 1,436,274	\$ 1,418,422	3.48%	\$ 1,745,891	\$ 1,740,180	\$ 115,109

(1) Debt carrying value is net of \$18.9 million and \$17.9 million of deferred financing fees at June 30, 2018 and December 31, 2017, respectively.

(2) At June 30, 2018 and December 31, 2017, the aggregate weighted average note rate for our CLOs, including certain fees and costs, was 4.34% and 4.08%, respectively.

(3) As of June 30, 2018 and December 31, 2017, there was no collateral at risk of default or deemed to be a “credit risk” as defined by the CLO indenture.

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

CLO X — In June 2018, we completed a collateralized securitization vehicle (“CLO X”), issuing seven tranches of CLO notes through two newly-formed wholly-owned subsidiaries totaling \$494.2 million. Of the total CLO notes issued, \$441.0 million were investment grade notes issued to third party investors and \$53.2 million were below investment grade notes retained by us. As of the CLO closing date, the notes were secured by a portfolio of loan obligations with a face value of \$501.9 million, consisting primarily of bridge loans that were contributed from our existing loan portfolio. The financing has a four-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 \$58.1 million for the purpose of acquiring additional loan obligations for a period of up to 120 days from the CLO closing date. Subsequently, the issuer will own loan obligations with a face value of \$560.0 million, representing leverage of 79%. We retained a residual interest in the portfolio with a notional amount of \$119.0 million, including the \$53.2 million below investment grade notes. The notes had an initial weighted average interest rate of 1.45% plus one-month LIBOR and interest payments on the notes are payable monthly.

CLO V — In June 2018, we completed the unwind of CLO V, redeeming \$267.8 million of outstanding notes which were repaid primarily from the refinancing of the remaining assets within our existing financing facilities (including CLO X), as well as with cash held by CLO V, and expensed \$1.3 million of deferred financing fees into interest expense on the consolidated statements of income.

Luxembourg Debt Fund

In November 2017, we formed a \$100.0 million Luxembourg commercial real estate debt fund (“Debt Fund”) and issued \$70.0 million of floating rate notes to third party investors which bear an initial interest rate of 4.15% over LIBOR. The notes mature in 2025 and we retained a \$30.0 million equity interest in the Debt Fund. The Debt Fund is a VIE for which we are the primary beneficiary and is consolidated in our financial statements. The Debt Fund is secured by a portfolio of loan obligations with a face value of \$100.0 million, which includes first mortgage bridge loans, senior participation interests in first mortgage bridge loans, subordinate participation interest in first mortgage bridge loans and participation interests in mezzanine loans. The Debt Fund allows, for a period of three years, principal proceeds from portfolio assets to be reinvested in qualifying replacement assets, subject to certain conditions.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) June 30, 2018

Borrowings and the corresponding collateral under our Debt Fund are as follows (\$ in thousands):

June 30, 2018						
Face Value	Debt			Collateral (3)		Cash Restricted Cash (4)
	Carrying Value (1)	Wtd. Avg. Rate (2)	UPB	Carrying Value		
\$ 70,000	\$ 68,270	6.33%	\$ 97,700	\$ 97,323	\$ —	

December 31, 2017						
Face Value	Carrying Value (1)	Wtd. Avg. Rate (2)	UPB	Carrying Value	Cash Restricted Cash (4)	
\$ 70,000	\$ 68,084	5.79%	\$ 96,995	\$ 96,564	\$ 3,005	

- (1) Debt carrying value is net of \$1.7 million and \$1.9 million of deferred financing fees at June 30, 2018 and December 31, 2017, respectively.
- (2) At June 30, 2018 and December 31, 2017, the aggregate weighted average note rate, including certain fees and costs, was 6.84% and 6.05%, respectively.
- (3) At both June 30, 2018 and December 31, 2017, there was no collateral at risk of default or deemed to be a “credit risk.”
- (4) Represents restricted cash held for reinvestment. Excludes restricted cash related to interest payments, delayed fundings and expenses.

Senior Unsecured Notes

In March 2018, we issued \$100.0 million aggregate principal amount of 5.625% senior unsecured notes due in May 2023 (the “Initial Notes”) in a private placement, and, in May 2018, we issued an additional \$25.0 million (the “Reopened Notes” and, together with the Initial Notes, the “5.625% Notes,”) which brought the aggregate outstanding principal amount to \$125.0 million. The Reopened Notes are fully fungible with, and rank equally in right of payment with the Initial Notes. We received total proceeds of \$122.3 million from the issuances, after deducting the underwriting discount and other offering expenses. We used the net proceeds from the Initial Notes to fully redeem our 7.375% senior unsecured notes due in 2021 (the “7.375% Notes”) totaling \$97.9 million and the net proceeds from the Reopened Notes to make investments and for general corporate purposes. The 5.625% Notes are unsecured and can be redeemed by us at any time prior to April 1, 2023, at a redemption price equal to 100% of the aggregate principal amount, plus a “make-whole” premium and accrued and unpaid interest. We have the right to redeem the 5.625% Notes on or after April 1, 2023, at a redemption price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest. The interest is paid semiannually in May and November starting in November 2018. At June 30, 2018, the debt carrying value of the 5.625% Notes was \$122.3 million, net of \$2.7 million of deferred financing fees, and the weighted average note rate was 6.08%, including certain fees and costs.

At December 31, 2017, the debt carrying value of our 7.375% Notes was \$95.3 million, which was net of \$2.6 million of deferred financing fees, and the weighted average note rate was 8.16%.

Convertible Senior Unsecured Notes

In November 2017, we issued \$143.8 million aggregate principal amount of 5.375% convertible senior unsecured notes (the “5.375% Convertible Notes”). We received total proceeds of \$139.2 million from the offering, net of deferred financing fees, which is amortized through interest expense over the life of the 5.375% Convertible Notes. The initial conversion rate was 107.7122 shares of common stock per \$1,000 principal amount of 5.375% Convertible Notes and represents a conversion price of \$9.28 per share of common stock. At June 30, 2018, the 5.375% Convertible Notes had a conversion rate of 108.6502 shares of common stock per \$1,000 principal amount of 5.375% Convertible Notes, which represented a conversion price of \$9.20 per share of common stock. The 5.375% Convertible Notes pay interest semiannually in arrears. The 5.375% Convertible Notes have a scheduled maturity in November 2020. See Subsequent Events section below for details of our repurchase of substantially all of the 5.375% Convertible Notes.

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In 2016, we issued \$86.3 million aggregate principal amount of 6.50% convertible senior unsecured notes (the “6.50% Convertible Notes”) and, in January 2017, we issued an additional \$13.8 million of the 6.50% Convertible Notes. We received total proceeds of \$95.8 million from the offerings, net of deferred financing fees, which are amortized through interest expense over the life of the 6.50% Convertible Notes. The initial conversion rate was 119.3033 shares of common stock per \$1,000 principal amount of 6.50% Convertible Notes and represented a conversion price of \$8.38 per share of common stock. At June 30, 2018, the 6.50% Convertible Notes had a conversion rate of 122.3263 shares of common stock per \$1,000 principal amount of notes, which represented a conversion price of \$8.17 per share of common stock. The 6.50% Convertible Notes pay interest semiannually in arrears. The 6.50% Convertible Notes have a scheduled maturity in October 2019. See Subsequent Events section below for details of our repurchase of substantially all of the 6.50% Convertible Notes.

Our convertible senior unsecured notes are not redeemable by us prior to their maturities and are convertible into, at our election, cash, shares of our common stock or a combination of both, subject to the satisfaction of certain conditions and during specified periods. The conversion rates are subject to adjustment upon the occurrence of certain specified events and the holders may require us to repurchase all or any portion of their notes for cash equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, if we undergo a fundamental change as specified in the agreements.

Accounting guidance requires that convertible debt instruments with cash settlement features, including partial cash settlement, account for the liability component and equity component (conversion feature) of the instrument separately. The initial value of the liability component reflects the present value of the discounted cash flows using the nonconvertible debt borrowing rate at the time of the issuance. The debt discount represents the difference between the proceeds received from the issuance and the initial carrying value of the liability component, which is accreted back to the notes principal amount through interest expense over the term of the notes, which was 1.92 years and 2.41 years at June 30, 2018 and December 31, 2017, respectively, on a weighted average basis.

The UPB, unamortized discount and net carrying amount of the liability and equity components of the convertible notes were as follows (in thousands):

Period	UPB	Liability Component		Net Carrying Value	Equity Component Net Carrying Value
		Unamortized Debt Discount	Unamortized Deferred Financing Fees		
June 30, 2018	\$ 243,750	\$ 4,568	\$ 3,751	\$ 235,431	\$ 6,733
December 31, 2017	\$ 243,750	\$ 5,742	\$ 6,721	\$ 231,287	\$ 6,733

During the three months ended June 30, 2018, we incurred total interest expense on the notes of \$6.1 million, of which \$3.2 million, \$2.3 million and \$0.6 million related to the cash coupon, amortization of the deferred financing fees and of the debt discount, respectively. During the six months ended June 30, 2018, we incurred total interest expense on the notes of \$11.0 million, of which \$6.8 million, \$3.0 million and \$1.2 million related to the cash coupon, amortization of the deferred financing fees and of the debt discount, respectively. During the three months ended June 30, 2017, we incurred total interest expense on the notes of \$2.2 million, of which \$1.6 million, \$0.4 million and \$0.2 million related to the cash coupon, amortization of the deferred

financing fees and of the debt discount, respectively. During the six months ended June 30, 2017, we incurred total interest expense on the notes of \$4.3 million, of which \$3.2 million, \$0.7 million and \$0.4 million related to the cash coupon, amortization of the deferred financing fees and of the debt discount, respectively. Including the amortization of the deferred financing fees and debt discount, our weighted average total cost of the notes is 7.96% per annum.

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Subsequent Events

In July 2018, we completed the issuance and sale of \$245.0 million in aggregate principal amount of 5.25% convertible senior notes (the “5.25% Convertible Notes”) through two private placements, including \$15.0 million of the initial purchaser’s over-allotment option. The initial purchasers of the 5.25% Convertible Notes have the option to purchase up to an additional \$19.5 million of these notes solely to cover over-allotments. The 5.25% Convertible Notes mature in July 2021, unless earlier converted or repurchased by the holders pursuant to their terms, and pay interest semiannually in arrears. We received proceeds totaling \$237.2 million, net of the underwriter’s discount and fees from these offerings. We used the net proceeds to exchange \$99.8 million of our 6.50% Convertible Notes and \$127.6 million of our 5.375% Convertible Notes for a combination of \$219.8 million in cash (which includes accrued interest) and 6.8 million shares of our common stock to settle such exchanges. The remaining net proceeds were used for general corporate purposes.

Junior Subordinated Notes

In the first quarter of 2017, we purchased, at a discount, \$20.9 million of our junior subordinated notes with a carrying value of \$19.8 million and recorded a gain on extinguishment of debt of \$7.1 million. As a result, we settled our related equity investment and extinguished \$21.5 million of notes. The carrying value of borrowings under our junior subordinated notes was \$139.9 million and \$139.6 million at June 30, 2018 and December 31, 2017, respectively, which is net of a deferred amount of \$12.3 million and \$12.5 million, respectively, (which is amortized into interest expense over the life of the notes) and deferred financing fees of \$2.2 million in both periods. These notes have maturities ranging from March 2034 through April 2037 and pay interest quarterly at a fixed or floating rate of interest based on LIBOR. The current weighted average note rate was 5.18% and 4.53% at June 30, 2018 and December 31, 2017, respectively. Including certain fees and costs, the weighted average note rate was 5.28% and 4.63% at June 30, 2018 and December 31, 2017, respectively.

Related Party Financing

In connection with the Acquisition, we entered into a five year \$50.0 million preferred equity interest financing agreement with ACM to finance a portion of the aggregate purchase price. At December 31, 2017, the outstanding principal balance was \$50.0 million. In January 2018, we paid \$50.0 million in full satisfaction of this debt. During the six months ended June 30, 2018, we recorded interest expense of \$0.3 million and, during the three and six months ended June 30, 2017, we recorded interest expense of \$1.0 million and \$1.9 million, respectively.

Debt Covenants

Credit Facilities and Repurchase Agreements. The credit facilities and repurchase agreements contain various financial covenants, including, but not limited to, minimum liquidity requirements, minimum net worth requirements, as well as certain other debt service coverage ratios, debt to equity ratios and minimum servicing portfolio tests. We were in compliance with all financial covenants and restrictions at June 30, 2018.

CLOs. Our CLO vehicles contain interest coverage and asset overcollateralization 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 CLOs, all cash flows from the applicable CLO would be diverted to repay principal and interest on the outstanding CLO bonds and we would not receive any residual payments until that CLO regained compliance with such tests. Our CLOs were in compliance with all such covenants as of June 30, 2018, as well as on the most recent determination dates in July 2018. In the event of a breach of the CLO covenants that could not be cured in the near-term, we would be required to fund our non-CLO expenses, including employee costs, distributions required to maintain our REIT status, debt costs, and other expenses with (i) cash on hand, (ii) income from any 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 CLOs. However, we may not have sufficient liquidity available to do so at such time.

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A summary of our CLO compliance tests as of the most recent determination dates in July 2018 is as follows:

<u>Cash Flow Triggers</u>	<u>CLO VI</u>	<u>CLO VII</u>	<u>CLO VIII</u>	<u>CLO IX</u>	<u>CLO X</u>
Overcollateralization (1)					
Current	129.87%	129.03%	129.03%	134.68%	126.98%
Limit	128.87%	128.03%	128.03%	133.68%	125.98%
Pass / Fail	Pass	Pass	Pass	Pass	Pass

Interest Coverage (2)

Current	191.10%	216.08%	252.91%	255.51%	201.62%
Limit	120.00%	120.00%	120.00%	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 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 CLO collateral will generally not have a direct impact on the principal balance of a CLO asset for purposes of calculating the CLO overcollateralization test unless the rating downgrade is below a significantly low threshold (e.g. CCC-) as defined in each CLO vehicle.
- (2) The interest coverage ratio divides interest income by interest expense for the classes senior to those retained by us.

Our CLO overcollateralization ratios as of the determination dates subsequent to each quarter are as follows:

Determination (1)	CLO VI	CLO VII	CLO VIII	CLO IX	CLO X
July 2018	129.87%	129.03%	129.03%	134.68%	126.98%
April 2018	129.87%	129.03%	129.03%	134.69%	—
January 2018	129.87%	129.03%	129.03%	134.68%	—
October 2017	129.87%	129.03%	129.03%	—	—
July 2017	129.87%	129.03%	—	—	—

- (1) The table above represents the quarterly trend of our overcollateralization ratio, however, the CLO determination dates are monthly and we were in compliance with this test for all periods presented.

The ratio will fluctuate based on the performance of the underlying assets, transfers of assets into the 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 11 — Allowance for Loss-Sharing Obligations

Our allowance for loss-sharing obligations related to the Fannie Mae DUS program is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Beginning balance	\$ 31,097	\$ 32,219	\$ 30,511	\$ 32,407
Provisions for loss sharing	1,134	1,890	2,339	4,145
Provisions reversal for loan repayments	(785)	(1,358)	(1,518)	(1,933)
Charge-offs, net	(44)	46	70	(1,822)
Ending balance	\$ 31,402	\$ 32,797	\$ 31,402	\$ 32,797

When we settle a loss under the DUS loss-sharing model, the net loss is charged-off against the previously recorded loss-sharing obligation. The settled loss is often net of any previously advanced principal and interest payments in accordance with the DUS program, which are reflected as reductions to the proceeds needed to settle losses. At December 31, 2017, we had outstanding advances of \$0.1 million, which were netted against the allowance for loss-sharing obligations.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) June 30, 2018

At June 30, 2018 and December 31, 2017, the maximum quantifiable liability associated with our guarantees under the Fannie Mae DUS agreement was \$2.30 billion and \$2.24 billion, respectively. The maximum quantifiable liability is not representative of the actual loss we would incur. We would be liable for this amount only if all of the loans we service for Fannie Mae, for which we retain some risk of loss, were to default and all of the collateral underlying these loans was determined to be without value at the time of settlement.

Note 12 — Derivative Financial Instruments

The following is a summary of our non-qualifying derivative financial instruments held by our Agency Business (\$ in thousands):

Derivative	Count	Notional Value	Balance Sheet Location	Fair Value	
				Derivative Assets	Derivative Liabilities
Rate Lock Commitments	10	\$ 72,653	Other Assets/ Other Liabilities	\$ 606	\$ (295)
Forward Sale Commitments	63	380,786	Other Assets/ Other Liabilities	1,515	(61)

		\$ 453,439		\$ 2,121	\$ (356)
December 31, 2017					
Rate Lock Commitments	3	\$ 38,578	Other Assets/ Other Liabilities	\$ 276	\$ (278)
Forward Sale Commitments	75	330,827	Other Assets/ Other Liabilities	408	(1,028)
		<u>\$ 369,405</u>		<u>\$ 684</u>	<u>\$ (1,306)</u>

We enter into contractual commitments to originate and sell mortgage loans at fixed prices with fixed expiration dates. The commitments become effective when the borrower “rate locks” a specified interest rate within time frames established by us. All potential borrowers are evaluated for creditworthiness prior to the extension of the commitment. Market risk arises if interest rates move adversely between the time of the rate lock by the borrower and the sale date of the loan to an investor. To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, we enter into a forward sale commitment with the investor simultaneous with the rate lock commitment with the borrower. The forward sale contract locks in an interest rate and price for the sale of the loan. The terms of the contract with the investor and the rate lock with the borrower are matched in substantially all respects, with the objective of eliminating interest rate risk to the extent practical. Sale commitments with the investors have an expiration date that is longer than our related commitments to the borrower to allow, among other things, for the closing of the loan and processing of paperwork to deliver the loan into the sale commitment.

These commitments meet the definition of a derivative and are recorded at fair value, including the effects of interest rate movements which are reflected as a component of other income, net in the consolidated statements of income. The estimated fair value of rate lock commitments also includes the fair value of the expected net cash flows associated with the servicing of the loan which is recorded as income from MSR in the consolidated statements of income. During the three and six months ended June 30, 2018, we recorded a net loss of \$0.6 million and a net gain

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of \$2.1 million, respectively, from changes in the fair value of these derivatives in other income, net and \$17.9 million and \$37.6 million, respectively, of income from MSR. During the three and six months ended June 30, 2017, we recorded \$1.6 million and \$2.5 million, respectively, of net losses from changes in the fair value of these derivatives in other income, net and \$17.3 million and \$37.3 million, respectively, of income from MSR. See Note 13 — Fair Value for details.

Note 13 — Fair Value

Fair value estimates are dependent upon subjective assumptions and involve significant uncertainties resulting in variability in estimates with changes in assumptions. The following table summarizes the principal amounts, carrying values and the estimated fair values of our financial instruments (in thousands):

	June 30, 2018			December 31, 2017		
	Principal / Notional Amount	Carrying Value	Estimated Fair Value	Principal / Notional Amount	Carrying Value	Estimated Fair Value
Financial assets:						
Loans and investments, net	\$ 3,134,879	\$ 3,064,798	\$ 3,149,044	\$ 2,652,538	\$ 2,579,127	\$ 2,652,520
Loans held-for-sale, net	308,134	311,487	316,815	292,249	297,443	302,883
Capitalized mortgage servicing rights, net	n/a	257,021	302,698	n/a	252,608	286,073
Securities held-to-maturity, net	71,222	50,342	50,153	40,566	27,837	28,439
Derivative financial instruments	372,967	2,121	2,121	77,984	684	684
Financial liabilities:						
Credit and repurchase facilities	\$ 913,774	\$ 910,504	\$ 911,893	\$ 530,938	\$ 528,573	\$ 529,992
Collateralized loan obligations	1,609,524	1,590,644	1,613,801	1,436,274	1,418,422	1,436,871
Debt fund	70,000	68,270	70,133	70,000	68,084	70,000
Senior unsecured notes	125,000	122,343	124,813	97,860	95,280	99,582
Convertible senior unsecured notes, net	243,750	235,431	275,595	243,750	231,287	254,335
Junior subordinated notes	154,336	139,909	95,052	154,336	139,590	94,215
Related party financing	—	—	—	50,000	50,000	49,682
Derivative financial instruments	80,472	356	356	291,421	1,306	1,306

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, such as government, agency and equity securities.

Level 2—Inputs (other than quoted prices included in Level 1) are observable for the asset or liability through correlation with market data. Level 2 inputs may include quoted market prices for a similar asset or liability, interest rates and credit risk. Examples include non-government securities, certain mortgage and asset-backed securities, certain corporate debt and certain derivative instruments.

Level 3—Inputs reflect our best estimate of what market participants would use in pricing the asset or liability and are based on significant unobservable inputs that require a considerable amount of judgment and assumptions. Examples include certain mortgage and asset-backed securities, certain corporate

debt and certain derivative instruments.

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

The following is a description of the valuation techniques used to measure fair value and the general classification of these instruments pursuant to the fair value hierarchy.

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Loans and investments, net. Fair values of loans and investments that are not impaired are estimated using Level 3 inputs based on direct capitalization rate and discounted cash flow methodologies using discount rates, which, in our opinion, best reflect current market interest rates that would be offered for loans with similar characteristics and credit quality. Fair values of impaired loans and investments are estimated using Level 3 inputs that require significant judgments, which include assumptions regarding discount rates, capitalization rates, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan and other factors.

Loans held-for-sale, net. Consists of originated loans that are generally transferred or sold within 60 days of loan funding, and are valued using pricing models that incorporate observable inputs from current market assumptions or a hypothetical securitization model utilizing observable market data from recent securitization spreads and observable pricing of loans with similar characteristics (Level 2). Fair value includes the fair value allocated to the associated future MSRs and is calculated pursuant to the valuation techniques described below for capitalized mortgage servicing rights, net (Level 3).

Capitalized mortgage servicing rights, net. Fair values are estimated using Level 3 inputs based on discounted future net cash flow methodology. The fair value of MSRs carried at amortized cost are estimated using a process that involves the use of independent third-party valuation experts, supported by commercially available discounted cash flow models and analysis of current market data. The key inputs used in estimating fair value include the contractually specified servicing fees, prepayment speed of the underlying loans, discount rate, annual per loan cost to service loans, delinquency rates, late charges and other economic factors.

Securities held-to-maturity, net. Fair values are approximated using Level 3 inputs based on current market quotes received from 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.

Derivative financial instruments. The fair values of rate lock and forward sale commitments are estimated using valuation techniques, which include internally-developed models developed based on changes in the U.S. Treasury rate and other observable market data (Level 2). The fair value of rate lock commitments includes the fair value of the expected net cash flows associated with the servicing of the loans, see capitalized mortgage servicing rights, net above for details on the applicable valuation technique (Level 3). We also consider the impact of counterparty non-performance risk when measuring the fair value of these derivatives. Given the credit quality of our counterparties, the short duration of interest rate lock commitments and forward sale contracts, and our historical experience, the risk of nonperformance by our counterparties is not significant.

Credit facilities and repurchase agreements. Fair values for credit facilities and repurchase agreements of the Structured Business are estimated at Level 3 using discounted cash flow methodology, using discount rates, which, in our opinion, best reflect current market interest rates for financing with similar characteristics and credit quality. The majority of our credit facilities and repurchase agreement for the Agency Business bear interest at rates that are similar to those available in the market currently and the fair values are estimated using Level 2 inputs. For these facilities, the fair values approximate their carrying values.

Collateralized loan obligations, Debt Fund, junior subordinated notes and related party financing. 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.

Senior unsecured notes. Fair values are estimated at Level 1 when current market quotes received from active markets are available. If quotes from active markets are unavailable, then the fair values are estimated at Level 2 utilizing current market quotes received from inactive markets.

Convertible senior unsecured notes, net. Fair values are estimated at Level 2 based on current market quotes received from inactive markets.

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We measure certain financial assets and financial liabilities at fair value on a recurring basis. The fair values of these financial assets and liabilities were determined using the following input levels as of June 30, 2018 (in thousands):

	Carrying Value	Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
Financial assets:					

Derivative financial instruments	\$	2,121	\$	2,121	\$	—	\$	1,515	\$	606
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Financial liabilities:

Derivative financial instruments	\$	356	\$	356	\$	—	\$	356	\$	—
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We measure certain financial and non-financial assets at fair value on a nonrecurring basis. The fair values of these financial and non-financial assets were determined using the following input levels as of June 30, 2018 (in thousands):

	Net Carrying Value	Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
Financial assets:					
Impaired loans, net (1)	\$ 70,939	\$ 70,939	\$ —	\$ —	\$ 70,939
Non-financial assets:					
Long-lived assets (2)	\$ 14,650	\$ 14,650	\$ —	\$ —	\$ 14,650

- (1) We had an allowance for loan losses of \$58.7 million relating to four loans with an aggregate carrying value, before loan loss reserves, of \$129.7 million at June 30, 2018.
- (2) We recorded a \$2.0 million impairment loss during the three months ended June 30, 2018 on the office building we own. See Note 9 — Real Estate Owned for details.

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. We consider a loan impaired when, based upon current information, 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 our 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 and discount rates, revenue growth rates, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan and other factors. The table above and below includes all impaired loans, regardless of the period in which the impairment was recognized.

Long-lived assets. We review our real estate owned assets when events or circumstances change, indicating that the carrying amount of an asset may not be partially or fully recoverable. In the evaluation of a real estate owned asset for impairment, many factors are considered, including broker quotes, estimated current and expected operating cash flows from the asset 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 the asset in the ordinary course of business. We first compare the undiscounted cash flows to be generated by the asset and broker quotes, if any, to the carrying value of such asset. If the undiscounted cash flows and/or broker quotes are less than the carrying value, we recognize an impairment loss by comparing the carrying value of the asset to its fair value.

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Quantitative information about Level 3 fair value measurements at June 30, 2018 were as follows (\$ in thousands):

	Fair Value	Valuation Techniques	Significant Unobservable Inputs
Financial assets:			
<u>Impaired loans:</u>			
Land	\$ 70,160	Discounted cash flows	Discount rate 15.00% Capitalization rate 7.25% Revenue growth rate 3.00%
Office	779	Discounted cash flows	Discount rate 10.53% Capitalization rate 8.53% Revenue growth rate 2.63%
<u>Derivative financial instruments:</u>			
Rate lock commitments	606	Discounted cash flows	W/A discount rate 8.77%
Non-financial assets:			
<u>Long-lived assets:</u>			
Office Building	\$ 3,250	Broker quotes	N/A N/A

The derivative financial instruments using Level 3 inputs are outstanding for short periods of time (generally less than 60 days). A roll-forward of Level 3 derivative instruments were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Derivative assets and liabilities, net				
Balance at beginning of period	\$ 717	\$ 381	\$ 276	\$ 2,816
Settlements	(18,047)	(16,216)	(37,240)	(35,865)
Realized gains recorded in earnings	17,330	15,835	36,964	33,049
Unrealized gains recorded in earnings	606	1,420	606	1,420
Balance at end of period	\$ 606	\$ 1,420	\$ 606	\$ 1,420

The components of fair value and other relevant information associated with our rate lock commitments, forward sales commitments and the estimated fair value of cash flows from servicing on loans held-for-sale were as follows (in thousands):

June 30, 2018	Notional/ Principal Amount	Fair Value of Servicing Rights	Interest Rate Movement Effect	Total Fair Value Adjustment
Rate lock commitments	\$ 72,653	\$ 606	\$ (295)	\$ 311
Forward sale commitments	380,786	—	295	295
Loans held-for-sale, net (1)	308,134	4,754	—	4,754
Total		\$ 5,360	\$ —	\$ 5,360

(1) Loans held-for-sale, net are recorded at the lower of cost or market on an aggregate basis and includes fair value adjustments related to estimated cash flows from MSRs.

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We measure certain assets and liabilities for which fair value is only disclosed. The fair value of these assets and liabilities was determined using the following input levels as of June 30, 2018 (in thousands):

	Carrying Value	Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
Financial assets:					
Loans and investments, net	\$ 3,064,798	\$ 3,149,044	\$ —	\$ —	\$ 3,149,044
Loans held-for-sale, net	311,487	316,815	—	312,061	4,754
Capitalized mortgage servicing rights, net	257,021	302,698	—	—	302,698
Securities held-to-maturity, net	50,342	50,153	—	—	50,153
Financial liabilities:					
Credit and repurchase facilities	\$ 910,504	\$ 911,893	\$ —	\$ 307,656	\$ 604,237
Collateralized loan obligations	1,590,644	1,613,801	—	—	1,613,801
Debt fund	68,270	70,133	—	—	70,133
Senior unsecured notes	122,343	124,813	124,813	—	—
Convertible senior unsecured notes, net	235,431	275,595	—	275,595	—
Junior subordinated notes	139,909	95,052	—	—	95,052

Note 14 — Commitments and Contingencies

Debt Obligations. Our debt obligations have maturities of \$441.6 million for the remainder of 2018, \$572.7 million in 2019, \$1.08 billion in 2020, \$457.4 million in 2021, \$179.4 million in 2022 and \$380.7 million thereafter.

Agency Business Commitments. Our Agency Business is subject to supervision by certain regulatory agencies. Among other things, these agencies require us to meet certain minimum net worth, operational liquidity and restricted liquidity collateral requirements, and compliance with reporting requirements. Our adjusted net worth and liquidity required by the agencies for all periods presented exceeded these requirements.

As of June 30, 2018, we were required to maintain at least \$12.6 million of liquid assets in one of our subsidiaries to meet our operational liquidity requirements for Fannie Mae and we had operational liquidity in excess of this requirement.

We are generally required to share the risk of any losses associated with loans sold under the Fannie Mae DUS program and are required to secure this obligation by assigning restricted cash balances and/or a letter of credit to Fannie Mae. The amount of collateral required by Fannie Mae is a formulaic calculation at the loan level by a Fannie Mae assigned tier which considers the loan balance, risk level of the loan, age of the loan and level of risk-sharing. Fannie Mae requires restricted liquidity for Tier 2 loans of 75 basis points, 15 basis points for Tier 3 loans and 5 basis points for Tier 4 loans, which is funded over a 48-month period that begins upon delivery of the loan to Fannie Mae. A significant portion of our Fannie Mae DUS serviced loans for which we have risk sharing are Tier 2 loans. As of June 30, 2018, we met the restricted liquidity requirement with a \$42.0 million letter of credit and \$0.7 million of cash collateral.

As of June 30, 2018, reserve requirements for the Fannie Mae DUS loan portfolio will require us to fund \$28.4 million in additional restricted liquidity over the next 48 months, assuming no further principal paydowns, prepayments, or defaults within our at-risk portfolio. Fannie Mae periodically reassesses these collateral requirements and may make changes to these requirements in the future. We generate sufficient cash flow from our operations to meet these capital standards and do not expect any changes to have a material impact on our future operations; however, future changes to collateral requirements may adversely impact our available cash.

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We are subject to various capital requirements in connection with seller/servicer agreements that we have entered into with secondary market investors. Failure to maintain minimum capital requirements could result in our inability to originate and service loans for the respective investor and, therefore, could have a direct material effect on our consolidated financial statements. As of June 30, 2018, we met all of Fannie Mae's quarterly capital requirements and our Fannie Mae adjusted net worth was in excess of the required net worth. We are not subject to capital requirements on a quarterly basis for Ginnie Mae or FHA, as such requirements for these investors are only required on an annual basis.

As an approved designated seller/servicer under Freddie Mac's SBL program, we are required to post collateral to ensure that we are able to meet certain purchase and loss obligations required by this program. Under the SBL program, we are required to post collateral equal to \$5.0 million, which is satisfied with a \$5.0 million letter of credit.

We enter into contractual commitments with borrowers providing rate lock commitments while simultaneously entering into forward sale commitments with investors. These commitments are outstanding for short periods of time (generally less than 60 days) and are described in Note 12—Derivative Financial Instruments and Note 13—Fair Value.

Unfunded Commitments. In accordance with certain structured loans and investments, we have outstanding unfunded commitments of \$73.3 million as of June 30, 2018 that we are obligated to fund as borrowers meet certain requirements. Specific requirements include, but are not limited to, property renovations, building construction and conversions based on criteria met by the borrower in accordance with the loan agreements.

Litigation. We are currently neither subject to any material litigation nor, to the best of our knowledge, threatened by any material litigation other than the following:

In June 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 U.S. 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 were 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, ACM 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 ACM, 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 ACM 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.

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In June 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 our affiliates 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 approximately \$139.0 million in the aggregate, plus interest from the date of the alleged unlawful transfers, from director designees, portions of which are also sought from our affiliates as well as from unaffiliated defendants. We have moved to dismiss the referenced actions and intend to vigorously defend against the claims asserted therein. During a status conference held in March 2014, the Court heard oral argument on the motion to dismiss and adjourned the case pending a ruling. Subsequent to that hearing, a new judge was assigned to the case and, in November 2016, the new judge entered an order directing the parties to file supplemental briefs addressing new cases decided since the last round of briefing. Oral arguments regarding the motion to dismiss were heard at a hearing held in January 2017. The Court reserved decision at that hearing.

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.

Due to Borrowers. Due to borrowers represents borrowers' funds held by us to fund certain expenditures or to be released at our 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.

Subsequent Event. In July 2018, we received approximately \$11 million from the settlement of a litigation related to a prior investment. We will record a gain of approximately \$11 million in the third quarter of 2018 related to this settlement.

Note 15 — Variable Interest Entities

Our involvement with VIEs primarily affects our financial performance and cash flows through amounts recorded in interest income, interest expense, provision for loan losses and through activity associated with our derivative instruments.

Consolidated VIEs. We have determined that our operating partnership, ARLP, and our CLO and Debt Fund entities, which we consolidate, are VIEs. ARLP is already consolidated in our financial statements, therefore, the identification of this entity as a VIE had no impact on our consolidated financial statements.

Our CLO and Debt Fund consolidated entities invest in real estate and real estate-related securities and are financed by the issuance of debt securities. We, or one of our affiliates, are named collateral manager, servicer, and special servicer for all collateral assets held in CLOs, which we believe gives us the power to direct the most significant economic activities of those entities. We also have exposure to losses to the extent of our equity interests and also have rights to waterfall payments in excess of required payments to bond investors. As a result of consolidation, equity interests have been eliminated, and the consolidated balance sheets reflect both the assets held and debt issued by the CLOs and Debt Fund to third parties. Our operating results and cash flows include the gross amounts related to CLO and Debt Fund assets and liabilities as opposed to our net economic interests in those entities.

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The assets and liabilities related to these consolidated CLOs and Debt Fund are as follows (in thousands):

	June 30, 2018	December 31, 2017
Assets:		
Restricted cash	\$ 172,169	\$ 138,736
Loans and investments, net	2,000,582	1,836,744
Other assets	15,711	14,011
Total assets	\$ 2,188,462	\$ 1,989,491
Liabilities:		
Collateralized loan obligations	\$ 1,590,644	\$ 1,418,422
Debt fund	68,270	68,084
Other liabilities	3,408	2,046
Total liabilities	\$ 1,662,322	\$ 1,488,552

Assets held by the CLOs and Debt Fund are restricted and can only be used to settle obligations of the CLOs and Debt Fund, respectively. The liabilities of the CLOs and Debt Fund are non-recourse to us and can only be satisfied from each respective asset pool. See Note 10—Debt Obligations for details. We are not obligated to provide, have not provided, and do not intend to provide financial support to any of the consolidated CLOs or Debt Fund.

Unconsolidated VIEs. We determined that we are not the primary beneficiary of 24 VIEs in which we have a variable interest as of June 30, 2018 because we do not have the ability to direct the activities of the VIEs that most significantly impact each entity's economic performance.

The following is a summary of our variable interests in identified VIEs, of which we are not the primary beneficiary, as of June 30, 2018 (in thousands):

Type	Carrying Amount (1)
Loans	\$ 345,288
B Piece bonds	50,342
Agency interest only strips	3,617
Equity investments	2,193
Total	\$ 401,440

(1) Represents the carrying amount of loans and investments before reserves. At June 30, 2018, \$128.0 million of loans to VIEs had corresponding loan loss reserves of \$57.0 million. See Note 3 — Loans and Investments for details. In addition, the maximum loss exposure as of June 30, 2018 would not exceed the carrying amount of our investment.

These unconsolidated VIEs have exposure to real estate debt of approximately \$3.09 billion at June 30, 2018.

Note 16 — Equity

Preferred Stock. The Series A and B preferred stock became redeemable by us in February 2018 and May 2018, respectively. The Series C preferred stock may not be redeemed by us before February 2019.

Common Stock. In May 2018, we completed a public offering in which we sold 5,500,000 shares of our common stock for \$8.72 per share, and received net proceeds of \$47.8 million after deducting the underwriter’s discount and other offering expenses. The proceeds were used to make investments and for general corporate purposes.

We have an “At-The-Market” equity offering sales agreement with JMP Securities LLC (“JMP,”) which entitles us to issue and sell up to 7,500,000 shares of our common stock through JMP. Sales of the shares are made by means of ordinary brokers’ transactions or otherwise at market prices prevailing at the time of sale, or at negotiated prices.

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During the six months ended June 30, 2018, we sold 952,700 shares for net proceeds of \$8.1 million. As of June 30, 2018, we had approximately 6,500,000 shares available under this agreement.

In June 2018, we filed, and the SEC declared effective, a new shelf registration statement for \$500.0 million of debt securities, common stock, preferred stock, depositary shares and warrants.

Noncontrolling Interest. Noncontrolling interest relates to the 21,230,769 operating partnership units (“OP Units”) issued to satisfy a portion of the Acquisition purchase price. The value of these OP Units at the Acquisition date was \$154.8 million. Each of these OP Units are paired with one share of our special voting preferred shares having a par value of \$0.01 per share and is entitled to one vote each on any matter submitted for stockholder approval, which represents approximately 23.6% of the voting power of our outstanding stock at June 30, 2018. The OP Units are entitled to receive distributions if and when our Board of Directors authorizes and declares common stock distributions. The OP Units are also redeemable for cash, or at our option, for shares of our common stock on a one-for-one basis.

Distributions. Dividends declared (on a per share basis) during the six months ended June 30, 2018 were as follows:

Common Stock		Preferred Stock			
Declaration Date	Dividend	Declaration Date	Dividend (1)		
			Series A	Series B	Series C
February 21, 2018	\$ 0.21	February 2, 2018	\$ 0.515625	\$ 0.484375	\$ 0.53125
May 2, 2018	\$ 0.25	May 2, 2018	\$ 0.515625	\$ 0.484375	\$ 0.53125

(1) The dividend declared on May 2, 2018 was for March 1, 2018 through May 31, 2018 and the dividend declared on February 2, 2018 was for December 1, 2017 through February 28, 2018.

Common Stock — On August 1, 2018, the Board of Directors declared a cash dividend of \$0.25 per share of common stock. The dividend is payable on August 31, 2018 to common stockholders of record as of the close of business on August 15, 2018.

Preferred Stock — On August 1, 2018, the Board of Directors declared a cash dividend of \$0.515625 per share of 8.25% Series A preferred stock; a cash dividend of \$0.484375 per share of 7.75% Series B preferred stock; and a cash dividend of \$0.53125 per share of 8.50% Series C preferred stock. These amounts reflect dividends from June 1, 2018 through August 31, 2018 and are payable on August 31, 2018 to preferred stockholders of record on August 15, 2018.

Deferred Compensation. In March 2018, we issued 265,444 shares of restricted common stock under the 2017 Amended Omnibus Stock Incentive Plan (the “2017 Plan”) to certain employees of ours with a total grant date fair value of \$2.3 million and recorded \$0.8 million to employee compensation and benefits in our consolidated statements of income. One third of the shares vested as of the grant date, one third will vest in March 2019, and the remaining third will vest in March 2020. In March 2018, we also issued 58,620 shares of fully vested common stock to the independent members of the Board of Directors under the 2017 Plan and recorded \$0.5 million to selling and administrative expense in our consolidated statements of income.

During the first quarter of 2018, we issued 63,584 shares of restricted common stock to our chief executive officer under his 2017 annual incentive agreement with a grant date fair value of \$0.6 million and recorded \$0.1 million to employee compensation and benefits in our consolidated statements of income. One quarter of the shares vested as of the grant date and one quarter will vest on each of the first, second and third anniversaries of the grant date. Our chief executive officer was also granted up to 381,503 performance-based restricted stock units that vest at the end of a four-year performance period based on our achievement of certain total stockholder return objectives. The restricted stock units had a grant date fair value of \$0.8 million and we recorded less than \$0.1 million to employee compensation and benefits in our consolidated statements of income.

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Earnings Per Share (“EPS”). Basic EPS is calculated by dividing net income attributable to common stockholders 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 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. Our common stock equivalents include the weighted average dilutive effect of performance-based restricted stock units granted to our chief executive officer, OP Units and convertible senior unsecured notes.

The following tables reconcile the numerator and denominator of our basic and diluted EPS computations (\$ in thousands, except share and per share data):

	Three Months Ended June 30,			
	2018		2017	
	Basic	Diluted	Basic	Diluted
Net income attributable to common stockholders (1)	\$ 17,167	\$ 17,167	\$ 11,929	\$ 11,929
Net income attributable to noncontrolling interest (2)	—	5,557	—	4,494
Net income attributable to common stockholders and nocontrolling interest	<u>\$ 17,167</u>	<u>\$ 22,724</u>	<u>\$ 11,929</u>	<u>\$ 16,423</u>
Weighted average shares outstanding	65,683,057	65,683,057	56,652,334	56,652,334
Dilutive effect of OP Units (2)	—	21,230,769	—	21,230,769
Dilutive effect of restricted stock units (3)	—	1,499,921	—	1,088,108
Dilutive effect of convertible notes (4)	—	1,641,423	—	93,292
Weighted average shares outstanding	<u>65,683,057</u>	<u>90,055,170</u>	<u>56,652,334</u>	<u>79,064,503</u>
Net income per common share (1)	<u>\$ 0.26</u>	<u>\$ 0.25</u>	<u>\$ 0.21</u>	<u>\$ 0.21</u>

	Six Months Ended June 30,			
	2018		2017	
	Basic	Diluted	Basic	Diluted
Net income attributable to common stockholders (1)	\$ 43,356	\$ 43,356	\$ 27,543	\$ 27,543
Net income attributable to noncontrolling interest (2)	—	14,547	—	10,935
Net income attributable to common stockholders and nocontrolling interest	<u>\$ 43,356</u>	<u>\$ 57,903</u>	<u>\$ 27,543</u>	<u>\$ 38,478</u>
Weighted average shares outstanding	63,773,306	63,773,306	54,071,085	54,071,085
Dilutive effect of OP Units (2)	—	21,230,769	—	21,230,769
Dilutive effect of restricted stock units (3)	—	1,381,310	—	1,063,264
Dilutive effect of convertible notes (4)	—	1,035,158	—	—
Weighted average shares outstanding	<u>63,773,306</u>	<u>87,420,543</u>	<u>54,071,085</u>	<u>76,365,118</u>
Net income per common share (1)	<u>\$ 0.68</u>	<u>\$ 0.66</u>	<u>\$ 0.51</u>	<u>\$ 0.50</u>

(1) Net of preferred stock dividends.

(2) We consider OP Units to be common stock equivalents as the holders have voting rights, the right to distributions and the right to redeem the OP Units for the cash value of a corresponding number of shares of common stock or a corresponding number of shares of common stock, at our election.

(3) Mr. Kaufman is granted restricted stock units annually, which vest at the end of a four-year performance period based upon our achievement of total stockholder return objectives.

(4) The convertible senior unsecured notes impact diluted earnings per share if the average price of our common stock exceeds the conversion price, as calculated in accordance with the terms of the indenture.

Note 17 — Income Taxes

As a REIT, we are generally not subject to U.S. federal income tax to the extent of our distributions to stockholders and as long as certain asset, income, distribution, ownership and administrative tests are met. To maintain our qualification as a REIT, we must annually distribute at least 90% of our REIT-taxable income to our stockholders

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and meet certain other requirements. We may also be subject to certain state, local and franchise taxes. Under certain circumstances, federal income and excise taxes may be due on our undistributed taxable income. If we were to fail to meet these requirements, we would be subject to U.S. federal income tax, which could have a material adverse impact on our results of operations and amounts available for distributions to our stockholders. We believe that all of the criteria to maintain our REIT qualification have been met for the applicable periods, but there can be no assurance that these criteria will continue to be met in subsequent periods.

The Agency Business is operated through our TRS Consolidated Group and is subject to U.S. federal, state and local income taxes. In general, our TRS entities may hold assets that the REIT cannot hold directly and may engage in real estate or non-real estate-related business.

The Tax Reform was signed into law on December 22, 2017. Among numerous provisions included in the new tax law was the reduction of the corporate federal income tax rate from 35% to 21%. Our provision for income taxes in the six months ended June 30, 2018 reflects the newly enacted corporate federal

income tax rate of 21%. The final impact of the Tax Reform may differ due to, and among other things, changes in interpretations, assumptions made by us, the issuance of additional guidance and actions we may take as a result of the Tax Reform.

In the three and six months ended June 30, 2018, we recorded a tax provision of \$4.5 million and a tax benefit of \$4.3 million, respectively. In the three and six months ended June 30, 2017, we recorded a tax provision of \$3.4 million and \$9.5 million, respectively. The provision for income taxes recorded in the three months ended June 30, 2018 consisted of a current tax provision of \$4.3 million and a deferred tax provision of \$0.2 million. The benefit from income taxes recorded in the six months ended June 30, 2018 consisted of a current tax provision of \$8.8 million and a deferred tax benefit of \$13.1 million. The deferred tax benefit recorded in the six months ended June 30, 2018 was due primarily to our payoff in January 2018 of the \$50.0 million preferred equity interest entered into with ACM to finance a portion of the Acquisition purchase price. See Note 10 — Debt Obligations for details. The provision for income taxes recorded in the three months ended June 30, 2017 consisted of a current tax provision of \$4.3 million and a deferred tax benefit of \$0.9 million. The provision for income taxes recorded in the six months ended June 30, 2017 consisted of a current tax provision of \$8.6 million and a deferred tax provision of \$0.9 million.

Current and deferred taxes are primarily recorded on the portion of earnings (losses) recognized by us with respect to our interest in the TRS's. Deferred income tax assets and liabilities are calculated based on temporary differences between our U.S. GAAP consolidated financial statements and the federal, state, local tax basis of assets and liabilities as of the consolidated balance sheets.

Note 18 — Agreements and Transactions with Related Parties

Management Agreement. Prior to May 31, 2017, we had a management agreement with ACM, pursuant to which ACM provided us with a variety of professional and advisory services vital to our operations, including underwriting, accounting and treasury, compliance, marketing, information technology and human resources. Pursuant to the terms of the management agreement, we reimbursed ACM for its actual costs incurred in connection with managing our business through a base management fee, and, under certain circumstances, an annual incentive fee. In May 2017, we terminated the existing management agreement. We incurred base management fees of \$2.7 million and \$6.7 million in the three and six months ended June 30, 2017, respectively.

We have a shared services agreement with ACM where we provide limited support services to ACM and they reimburse us for the costs of performing such services. During the three and six months ended June 30, 2018, we incurred \$0.3 million and \$0.6 million, respectively, and, during both the three and six months ended June 30, 2017, we incurred \$0.1 million of costs for services provided to ACM, which are included in due from related party on the consolidated balance sheets.

Other Related Party Transactions. Due from related party was \$10.2 million and \$0.7 million at June 30, 2018 and December 31, 2017, respectively. The increase was primarily due to payoffs to be remitted by our affiliated servicing operations related to real estate transactions.

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Due to related party was \$0.3 million at June 30, 2018 and consisted of loan payoffs, holdbacks and escrows to be remitted to our affiliated servicing operations related to real estate transactions.

In June 2018, we originated a \$21.7 million bridge loan on a multifamily property owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns 75% in the borrowing entity. The loan has an interest rate of LIBOR plus 4.75%, with a LIBOR floor of 1.25%, and matures in June 2021. Interest income recorded from this loan totaled \$0.1 million for both the three and six months ended June 30, 2018.

In April 2018, we acquired a \$9.4 million bridge loan which was originated by ACM. The loan was used to purchase several multifamily properties by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns 75% of the borrowing entity. The loan has an interest rate of LIBOR plus 5.0% with a LIBOR floor of 1.25% and matures in January 2021. Interest income recorded from this loan totaled \$0.1 million for both the three and six months ended June 30, 2018.

In January 2018, we paid \$50.0 million in full satisfaction of the related party financing we entered into with ACM to finance a portion of the Acquisition purchase price. We incurred interest expense related to this financing of \$0.3 million for the six months ended June 30, 2018 and \$1.0 million and \$1.9 million for the three and six months ended June 30, 2017, respectively.

In December 2017, we acquired a \$32.8 million bridge loan which was originated by ACM. The loan was used to purchase several multifamily properties by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns 90% of the borrowing entity. The loan has an interest rate of LIBOR plus 5.0%, with a LIBOR floor of 1.13%, and matures in June 2020. Interest income recorded from this loan totaled \$0.6 million and \$1.1 million for the three and six months ended June 30, 2018.

In the fourth quarter of 2017, we originated two bridge loans totaling \$28.0 million on two multifamily properties owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns 45% in the borrowing entity. The loans have an interest rate of LIBOR plus 5.25% with LIBOR floors ranging from 1.24% to 1.54% and mature in the fourth quarter of 2020. Interest income recorded from these loans totaled \$0.5 million and \$1.0 million for the three and six months ended June 30, 2018.

In July 2017, we originated a \$36.0 million bridge loan on a multifamily property owned in part by a consortium of investors. The consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) owns an interest of 95% in the borrowing entity. The loan has an interest rate of LIBOR plus 4.5% with a LIBOR floor of 1% and matures in July 2020. Interest income recorded from this loan totaled \$0.6 million and \$1.2 million for the three and six months ended June 30, 2018.

In May 2017, we originated a \$46.9 million Fannie Mae loan on a multifamily property owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers) which owns a 21.4% interest in the borrowing entity. We carry a maximum loss-sharing obligation with

Fannie Mae on this loan of up to 5% of the original UPB. Servicing revenue recorded from this loan was less than \$0.1 million for all periods presented.

In March 2017, a consortium of investors (which includes, among other unaffiliated investors, our chief executive officer and ACM) invested \$2.0 million for a 26.1% ownership interest in two portfolios of multifamily properties which has two bridge loans totaling \$14.8 million originated by us in 2016. The loans have an interest rate of LIBOR plus 5.25% with a LIBOR floor of 0.5% and mature in November 2018. One of the loans was repaid in full in the fourth quarter of 2017 and the remaining loan paid off in June 2018. Interest income recorded from these loans totaled \$0.2 million and \$0.3 million for the three and six months ended June 30, 2018, respectively, and \$0.3 million and \$0.5 million for the three and six months ended June 30, 2017, respectively.

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In January 2017, we modified a \$5.0 million preferred equity investment, subsequently increasing our balance to \$15.0 million, with a commitment to fund an additional \$5.0 million. This investment had a fixed interest rate of 11% that was scheduled to mature in January 2020, however, the principal was repaid in full in the fourth quarter of 2017. We also entered into an agreement with a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which admitted them as a member to fund the remaining \$5.0 million preferred equity investment, which was generally subordinate to our investment. Interest income recorded from our investment totaled \$0.2 million and \$0.3 million in the three and six months ended June 30, 2017.

In January 2017, Ginkgo Investment Company LLC (“Ginkgo”), of which one of our directors is a 33% managing member, purchased a multifamily apartment complex which assumed an existing \$8.3 million Fannie Mae loan that we service. Ginkgo subsequently sold the majority of its interest in this property and owned a 3.6% interest at June 30, 2018. We carry a maximum loss-sharing obligation with Fannie Mae on this loan of up to 20% of the original UPB. Upon the sale, we received a 1% loan assumption fee which was governed by existing loan agreements that were in place when the loan was originated in 2015, prior to such purchase. Servicing revenue recorded from this loan was less than \$0.1 million for all periods presented.

In 2016, we originated \$48.0 million of bridge loans on six multifamily properties owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns interests ranging from 10.5% to 12.0% in the borrowing entities. The loans have an interest rate of LIBOR plus 4.5% with a LIBOR floor of 0.25% and mature in September 2019. In August 2017, a \$6.8 million loan on one of the properties paid off in full and in May 2018 three additional loans totaling \$23.2 million paid off in full. Interest income recorded from these loans totaled \$0.6 million and \$1.3 million for the three and six months ended June 30, 2018, respectively, and \$0.7 million and \$1.3 million for the three and six months ended June 30, 2017, respectively.

In 2016, we originated a \$12.7 million bridge loan and a \$5.2 million preferred equity investment on two multifamily properties owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns an interest of 50% in the borrowing entity. The loan has an interest rate of LIBOR plus 4.5% with a LIBOR floor of 0.25% and matures in January 2019. The preferred equity investment has a fixed interest rate of 10% and a maturity date extended to November 2018. Interest income recorded from these loans totaled \$0.3 million and \$0.7 million for the three and six months ended June 30, 2018, respectively, and \$0.3 million and \$0.6 million for the three and six months ended June 30, 2017, respectively.

In 2016, we originated a \$19.0 million bridge loan on a multifamily property owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns an interest of 7.5% in the borrowing entity. The loan had an interest rate of LIBOR plus 4.5% with a LIBOR floor of 0.25% and was scheduled to mature in January 2019. In January 2018, this loan paid off in full. Interest income recorded from this loan totaled \$0.3 million for the six months ended June 30, 2018 and \$0.3 million and \$0.6 million for the three and six months ended June 30, 2017, respectively.

In 2015, we originated a \$7.1 million bridge loan on a multifamily property owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns an interest of 7.5% in the borrowing entity. In August 2017, this loan paid off in full. The loan had an interest rate of LIBOR plus 4.5%, with a LIBOR floor of 0.25%. Interest income recorded from this loan totaled \$0.1 million and \$0.2 million for the three and six months ended June 30, 2017, respectively.

In 2015, we originated two bridge loans totaling \$16.7 million secured by multifamily properties acquired by a third party investor. The properties were owned and were sold in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers, our chief executive officer and certain other related parties). The loans have an interest rate of LIBOR plus 5% with a LIBOR floor of 0.25% and were extended as of right to October 2018. Interest income recorded from these loans totaled \$0.3 million and \$0.7 million for the three and six months ended June 30, 2018, respectively, and \$0.3 million and \$0.5 million for the three and six months ended June 30, 2017, respectively.

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In 2015, we originated a \$3.0 million mezzanine loan on a multifamily property that has a \$47.0 million first mortgage initially originated by ACM. The loan bore interest at a fixed rate of 12.5% and was scheduled to mature in April 2025. In January 2018, this loan paid off in full. Interest income recorded from this loan totaled \$0.1 million for the six months ended June 30, 2018 and \$0.1 million and \$0.2 million for the three and six months ended June 30, 2017, respectively.

In 2015, we invested \$9.6 million for 50% of ACM's indirect interest in a joint venture with a third party that was formed to invest in a residential mortgage banking business. As a result of this transaction, we had an initial indirect interest of 22.5% in this entity. Since the initial investment, we invested an additional \$16.1 million through this joint venture in non-qualified residential mortgages purchased from the mortgage banking business's origination platform and we received cash distributions totaling \$16.6 million (that were classified as returns of capital) as a result of the joint venture selling most of its mortgage assets (which \$0.4 million was received in the six months ended June 30, 2018). We recorded income from these investments of \$0.7 million and \$0.8 million in the three and six months ended June 30, 2018, respectively, and a loss of \$0.7 million and \$0.6 million in the three and six months ended June 30, 2017, respectively. In connection with a litigation settlement related to this investment, we provided a guaranty of up to 50% of any amounts payable in connection with the settlement. ACM has also provided us with a guaranty to pay up to 50% of any amounts we may pay under this guaranty. As of June 30, 2018, our maximum exposure under this guaranty totals \$2.7 million. We have not accrued this amount as we do not believe that we will be required to make any nonrefundable payments under this guaranty. See Note 8—Investments in Equity Affiliates for details.

In 2014, we invested \$0.1 million for a 5% interest in a joint venture that owns two multifamily properties. The joint venture is comprised of a consortium of investors (which includes, among other unaffiliated investors, certain of our officers, our chief executive officer and certain other related parties) which owns an interest of 95%. We had a \$1.7 million bridge loan to the joint venture with an interest rate of 5.5% over LIBOR. The loan was repaid in full in the fourth quarter of 2017. Interest income recorded from this loan was less than \$0.1 million and \$0.1 million for the three and six months ended June 30, 2017, respectively.

In 2014, we originated a \$30.4 million bridge loan for an office property owned in part by a consortium of investors (which includes, among other unaffiliated investors, our chief executive officer and his affiliates) which owns an interest of 24% in the borrowing entity. The loan matured in August 2017 and was refinanced with a \$43.2 million bridge loan that has an interest rate of 4% over LIBOR with a LIBOR floor of 1.23% and an August 2020 maturity date. We also originated a \$4.6 million mezzanine loan in 2016 to this entity that had a fixed interest rate of 12%, which was repaid in full at maturity in August 2017. In the fourth quarter of 2017, the consortium of investors sold their ownership interest in the borrowing entity. Interest income recorded from these loans totaled \$0.8 million and \$1.6 million for the three and six months ended June 30, 2017, respectively.

In 2014, ACM purchased a property subject to two loans originated by us, a first mortgage of \$14.6 million and a second mortgage of \$5.1 million, both with maturity dates of April 2016 and an interest rate of 4.8% over LIBOR. In 2016, the \$5.1 million second mortgage was repaid in full and the \$14.6 million first mortgage was extended to April 2018 and paid off at maturity. Interest income recorded from these loans totaled less than \$0.1 million and \$0.2 million for the three and six months ended June 30, 2018, respectively, and \$0.2 million and \$0.4 million for the three and six months ended June 30, 2017, respectively.

We, along with an executive officer of ours and a consortium of independent outside investors, hold equity investments in a portfolio of multifamily properties referred to as the Lexford Portfolio ("Lexford"), which is managed by an entity owned primarily by a consortium of affiliated investors, including our chief executive officer and an executive officer of ours. Based on the terms of the management contract, the management company is entitled to 4.75% of gross revenues of the underlying properties, along with the potential to share in the proceeds of a sale or restructuring of the debt. In June 2018, the owners of Lexford restructured part of its debt and we originated twelve bridge loans totaling \$280.5 million, which were used to repay in full certain existing mortgage debt and to

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renovate 72 multifamily properties included in the portfolio. The loans which we originated in June 2018 have interest rates of 400 basis points over LIBOR and mature in June 2021 (with 2 one-year extension options). Interest income recorded from these loans totaled \$1.1 million in June 2018. Further, as part of this June 2018 restructuring, \$50.0 million in unsecured financing was provided by an unsecured lender to certain parent entities of the property owners. ACM owns slightly less than half of the unsecured lender entity and, therefore, provided slightly less than half of the unsecured lender financing. In addition, in connection with our equity investment, we received distributions totaling \$0.6 million during both the three months ended June 30, 2018 and 2017 and \$1.2 million and \$1.3 million during the six months ended June 30, 2018 and 2017, respectively, which were recorded as income from equity affiliates. Separate from loans which we originated in June 2018, we provide limited ("bad boy") guarantees for certain other debt controlled by Lexford. The bad boy guarantees may become a liability for us upon standard "bad" acts such as fraud or a material misrepresentation by Lexford or us. At June 30, 2018, this debt had an aggregate outstanding balance of \$309.1 million and is scheduled to mature between 2019 and 2025.

Several of our executives, including our chief financial officer, general counsel and our chairman, chief executive officer and president, hold similar positions for ACM. Our chief executive officer and his affiliated entities ("the Kaufman Entities") together beneficially own approximately 75% 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 directors serves as the trustee and co-trustee of two of the Kaufman Entities that hold membership interests in ACM. Upon the closing of the Acquisition in 2016, we issued 21,230,769 OP Units, each paired with one share of our Special Voting Preferred Shares. In December 2017, ACM distributed 5,780,348 OP Units to its members, which includes the Kaufman Entities and certain of our officers and employees. At June 30, 2018, ACM holds 5,349,053 shares of our common stock and 15,450,421 OP Units, which represents 23.2% of the voting power of our outstanding stock. Our Board of Directors approved a resolution under our charter allowing our chief executive officer and ACM, (which our chief executive officer has a controlling equity interest in), to own more than the 5% ownership interest limit of our common stock as stated in our amended charter.

Note 19 — Segment Information

The summarized statements of income and balance sheet data, as well as certain other data, by segment are included in the following tables (\$ in thousands). Specifically identifiable costs are recorded directly to each business segment. For items not specifically identifiable, costs have been allocated between the business segments using the most meaningful allocation methodologies, which was predominately direct labor costs (i.e., time spent working on each business segment). Such costs include, but are not limited to, compensation and employee related costs, selling and administrative expenses, management fees (through May 31, 2017 — effective date of the full internalization of our management team and termination of the existing management agreement with ACM) and stock-based compensation.

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	Three Months Ended June 30, 2018			Consolidated
	Structured Business	Agency Business	Other / Eliminations (1)	
Interest income	\$ 54,177	\$ 5,118	\$ —	\$ 59,295
Interest expense	34,612	3,272	—	37,884
Net interest income	19,565	1,846	—	21,411
Other revenue:				
Gain on sales, including fee-based services, net	—	15,622	—	15,622
Mortgage servicing rights	—	17,936	—	17,936
Servicing revenue	—	22,808	—	22,808
Amortization of MSR's	—	(11,937)	—	(11,937)
Property operating income	2,964	—	—	2,964
Other income, net	117	(587)	—	(470)
Total other revenue	3,081	43,842	—	46,923
Other expenses:				
Employee compensation and benefits	6,749	20,066	—	26,815
Selling and administrative	3,497	5,376	—	8,873
Property operating expenses	2,856	—	—	2,856
Depreciation and amortization	444	1,401	—	1,845
Impairment loss on real estate owned	2,000	—	—	2,000
Provision for loss sharing (net of recoveries)	—	348	—	348
Provision for loan losses (net of recoveries)	(2,127)	—	—	(2,127)
Total other expenses	13,419	27,191	—	40,610
Income before income from equity affiliates and income taxes	9,227	18,497	—	27,724
Income from equity affiliates	1,387	—	—	1,387
Benefit from (provision for) income taxes	500	(4,999)	—	(4,499)
Net income	11,114	13,498	—	24,612
Preferred stock dividends	1,888	—	—	1,888
Net income attributable to noncontrolling interest	—	—	5,557	5,557
Net income attributable to common stockholders	\$ 9,226	\$ 13,498	\$ (5,557)	\$ 17,167

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	Three Months Ended June 30, 2017			Consolidated
	Structured Business	Agency Business	Other / Eliminations (1)	
Interest income	\$ 29,917	\$ 4,551	\$ —	\$ 34,468
Interest expense	16,712	2,737	962	20,411
Net interest income	13,205	1,814	(962)	14,057
Other revenue:				
Gain on sales, including fee-based services, net	—	18,830	—	18,830
Mortgage servicing rights	—	17,254	—	17,254
Servicing revenue	—	18,437	—	18,437
Amortization of MSR's	—	(11,828)	—	(11,828)
Property operating income	2,863	—	—	2,863
Other income, net	731	(1,552)	—	(821)
Total other revenue	3,594	41,141	—	44,735
Other expenses:				
Employee compensation and benefits	4,067	17,758	—	21,825
Selling and administrative	2,898	4,937	—	7,835
Property operating expenses	2,622	—	—	2,622
Depreciation and amortization	415	1,401	—	1,816
Impairment loss on real estate owned	1,500	—	—	1,500
Provision for loss sharing (net of recoveries)	—	532	—	532
Provision for loan losses (net of recoveries)	(1,760)	—	—	(1,760)
Management fee - related party	1,284	1,389	—	2,673
Total other expenses	11,026	26,017	—	37,043
Income before loss from equity affiliates and income taxes	5,773	16,938	(962)	21,749
Loss from equity affiliates	(3)	—	—	(3)
Provision for income taxes	—	(3,435)	—	(3,435)

Net income	5,770	13,503	(962)	18,311
Preferred stock dividends	1,888	—	—	1,888
Net income attributable to noncontrolling interest	—	—	4,494	4,494
Net income attributable to common stockholders	\$ 3,882	\$ 13,503	\$ (5,456)	\$ 11,929

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2018

	Six Months Ended June 30, 2018			
	Structured Business	Agency Business	Other / Eliminations (1)	Consolidated
Interest income	\$ 101,413	\$ 9,495	\$ —	\$ 110,908
Interest expense	64,817	6,125	329	71,271
Net interest income	36,596	3,370	(329)	39,637
Other revenue:				
Gain on sales, including fee-based services, net	—	33,815	—	33,815
Mortgage servicing rights	—	37,571	—	37,571
Servicing revenue	—	44,220	—	44,220
Amortization of MSRs	—	(23,802)	—	(23,802)
Property operating income	5,874	—	—	5,874
Other income, net	351	2,057	—	2,408
Total other revenue	6,225	93,861	—	100,086
Other expenses:				
Employee compensation and benefits	14,336	41,973	—	56,309
Selling and administrative	7,034	10,755	—	17,789
Property operating expenses	5,652	—	—	5,652
Depreciation and amortization	890	2,801	—	3,691
Impairment loss on real estate owned	2,000	—	—	2,000
Provision for loss sharing (net of recoveries)	—	821	—	821
Provision for loan losses (net of recoveries)	(1,802)	—	—	(1,802)
Total other expenses	28,110	56,350	—	84,460
Income before income from equity affiliates and income taxes	14,711	40,881	(329)	55,263
Income from equity affiliates	2,132	—	—	2,132
Benefit from income taxes	500	3,785	—	4,285
Net income	17,343	44,666	(329)	61,680
Preferred stock dividends	3,777	—	—	3,777
Net income attributable to noncontrolling interest	—	—	14,547	14,547
Net income attributable to common stockholders	\$ 13,566	\$ 44,666	\$ (14,876)	\$ 43,356

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2018

	Six Months Ended June 30, 2017			
	Structured Business	Agency Business	Other / Eliminations (1)	Consolidated
Interest income	\$ 58,426	\$ 9,567	\$ —	\$ 67,993
Interest expense	31,953	5,971	1,924	39,848
Net interest income	26,473	3,596	(1,924)	28,145
Other revenue:				
Gain on sales, including fee-based services, net	—	38,001	—	38,001
Mortgage servicing rights	—	37,284	—	37,284
Servicing revenue	—	35,119	—	35,119
Amortization of MSRs	—	(23,716)	—	(23,716)
Property operating income	6,086	—	—	6,086
Other income, net	842	(2,549)	—	(1,707)
Total other revenue	6,928	84,139	—	91,067
Other expenses:				
Employee compensation and benefits	7,899	33,767	—	41,666
Selling and administrative	5,979	9,550	—	15,529
Property operating expenses	5,260	—	—	5,260
Depreciation and amortization	912	2,801	—	3,713
Impairment loss on real estate owned	2,700	—	—	2,700

Provision for loss sharing (net of recoveries)	—	2,212	—	2,212
Provision for loan losses (net of recoveries)	(2,456)	—	—	(2,456)
Management fee - related party	3,259	3,414	—	6,673
Total other expenses	23,553	51,744	—	75,297
Income before gain on extinguishment of debt, income from equity affiliates and income taxes	9,848	35,991	(1,924)	43,915
Gain on extinguishment of debt	7,116	—	—	7,116
Income from equity affiliates	760	—	—	760
Provision for income taxes	—	(9,536)	—	(9,536)
Net income	17,724	26,455	(1,924)	42,255
Preferred stock dividends	3,777	—	—	3,777
Net income attributable to noncontrolling interest	—	—	10,935	10,935
Net income attributable to common stockholders	\$ 13,947	\$ 26,455	\$ (12,859)	\$ 27,543

(1) Includes certain corporate expenses not allocated to the two reportable segments, such as financing costs associated with the Acquisition, as well as income allocated to the noncontrolling interest holders.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
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June 30, 2018

	June 30, 2018			
	Structured Business	Agency Business	Other / Eliminations	Consolidated
Assets:				
Cash and cash equivalents	\$ 78,997	\$ 27,971	\$ —	\$ 106,968
Restricted cash	172,954	732	—	173,686
Loans and investments, net	3,064,798	—	—	3,064,798
Loans held-for-sale, net	—	311,487	—	311,487
Capitalized mortgage servicing rights, net	—	257,021	—	257,021
Securities held to maturity	—	50,342	—	50,342
Investments in equity affiliates	24,144	—	—	24,144
Goodwill and other intangible assets	12,500	106,465	—	118,965
Other assets	79,751	17,158	—	96,909
Total assets	<u>\$ 3,433,144</u>	<u>\$ 771,176</u>	<u>\$ —</u>	<u>\$ 4,204,320</u>

Liabilities:				
Debt obligations	\$ 2,759,445	\$ 307,656	\$ —	\$ 3,067,101
Allowance for loss-sharing obligations	—	31,402	—	31,402
Other liabilities	135,944	26,361	—	162,305
Total liabilities	<u>\$ 2,895,389</u>	<u>\$ 365,419</u>	<u>\$ —</u>	<u>\$ 3,260,808</u>

	December 31, 2017			
	Structured Business	Agency Business	Other / Eliminations	Consolidated
Assets:				
Cash and cash equivalents	\$ 37,056	\$ 67,318	\$ —	\$ 104,374
Restricted cash	139,398	—	—	139,398
Loans and investments, net	2,579,127	—	—	2,579,127
Loans held-for-sale, net	—	297,443	—	297,443
Capitalized mortgage servicing rights, net	—	252,608	—	252,608
Securities held-to-maturity, net	—	27,837	—	27,837
Investments in equity affiliates	23,653	—	—	23,653
Goodwill and other intangible assets	12,500	109,266	—	121,766
Other assets	66,227	13,512	—	79,739
Total assets	<u>\$ 2,857,961</u>	<u>\$ 767,984</u>	<u>\$ —</u>	<u>\$ 3,625,945</u>

Liabilities:				
Debt obligations	\$ 2,189,700	\$ 291,536	\$ 50,000	\$ 2,531,236
Allowance for loss-sharing obligations	—	30,511	—	30,511
Other liabilities	155,814	42,819	1,009	199,642
Total liabilities	<u>\$ 2,345,514</u>	<u>\$ 364,866</u>	<u>\$ 51,009</u>	<u>\$ 2,761,389</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Origination Data:				
<i>Structured Business</i>				
New loan originations	\$ 606,855	\$ 437,915	\$ 921,070	\$ 583,933
Loan payoffs / paydowns	238,026	263,558	428,641	453,967

Agency Business

Origination Volumes by Investor:

Fannie Mae	\$ 606,287	\$ 669,897	\$ 1,269,208	\$ 1,566,446
Freddie Mac	434,789	317,490	742,940	552,522
FHA	—	32,878	60,738	170,814
CMBS/Conduit	—	—	16,233	21,370
Total	\$ 1,041,076	\$ 1,020,265	\$ 2,089,119	\$ 2,311,152
Total loan commitment volume	\$ 1,079,478	\$ 1,101,243	\$ 2,123,193	\$ 2,253,187

Loan Sales Data:

Agency Business

Fannie Mae	\$ 579,851	\$ 830,515	\$ 1,308,246	\$ 1,903,861
Freddie Mac	409,612	309,508	688,128	519,747
FHA	28,820	64,330	68,113	124,225
CMBS/Conduit	—	—	16,233	21,370
Total	\$ 1,018,283	\$ 1,204,353	\$ 2,080,720	\$ 2,569,203
Sales margin (fee-based services as a % of loan sales)	1.53%	1.56%	1.63%	1.48%
MSR rate (MSR income as a % of loan commitments)	1.66%	1.57%	1.77%	1.65%

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Key Servicing Metrics for Agency Business:	June 30, 2018		
	UPB of Servicing Portfolio	Wtd. Avg. Servicing Fee Rate (basis points)	Wtd. Avg. Life of Servicing Portfolio (in years)
Fannie Mae	\$ 12,794,277	53.0	7.3
Freddie Mac	3,730,980	30.8	11.0
FHA	585,017	15.9	20.1
Total	\$ 17,110,274	46.9	8.6
	December 31, 2017		
Fannie Mae	\$ 12,502,699	53.6	6.9
Freddie Mac	3,166,134	29.5	10.5
FHA	537,482	16.5	19.6
Total	\$ 16,206,315	47.7	8.1

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with the unaudited consolidated interim financial statements, and related notes and the section entitled "Forward-Looking Statements" included herein.

Overview

Through our Structured Business, we invest in a diversified portfolio of structured finance assets in the multifamily and commercial real estate markets, primarily consisting of bridge and mezzanine loans, including junior participating interests in first mortgages, preferred and direct equity. We may also directly acquire real property and invest in real estate-related notes and certain mortgage-related securities. Through our Agency Business, we originate, sell and service a range of multifamily finance products through GSE, HUD and CMBS programs. We retain the servicing rights and asset management responsibilities on substantially all loans we originate and sell under the GSE and HUD programs.

Through May 2017, we were externally managed and advised by ACM. Effective May 31, 2017, we terminated the existing management agreement with ACM and fully internalized our management team.

We conduct our operations to qualify as a REIT. 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.

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 on our assets increases or the cost of borrowings decreases, this will have a positive impact on earnings. However, if the yield earned on our assets decreases, or the cost of borrowings increases, this will have a negative impact on earnings. Net interest income is also directly impacted by the size and performance of our asset portfolio. We recognize the bulk of our net interest income from our Structured Business. Additionally, we recognize net interest income from loans originated through our Agency Business, which are generally sold within 60 days of origination.

Fees and other revenues recognized from originating, selling and servicing mortgage loans through the GSE and HUD programs. Revenue recognized from the origination and sale of mortgage loans consists of gains on sale of loans (net of any direct loan origination costs incurred), commitment fees, broker fees, loan assumption fees and loan origination fees. These gains and fees are collectively referred to as gain on sales, including fee-based services, net. We record income from MSRs at the time of commitment to the borrower, which represents the fair value of the expected net future cash flows associated with the rights to service mortgage loans that we originate, with the recognition of a corresponding asset upon sale. We also record servicing revenue which consists of fees received for servicing mortgage loans and earnings on escrows, net of amortization on the MSR assets recorded. These originations, selling and servicing fees and other revenues are included in our Agency Business results. Although we have long-established relationships with the GSE and HUD agencies, our operating performance would be negatively impacted if our business relationships with these agencies deteriorate.

Income earned from our structured transactions. Our structured transactions are primarily comprised of investments in equity affiliates, which represent unconsolidated joint venture investments formed to acquire, develop and/or sell real estate-related assets. Operating results from our unconsolidated equity investments can be difficult to predict and can vary significantly period-to-period. In addition, we periodically receive distributions from our equity investments. It is difficult to forecast the timing of such payments, which can be substantial in any given quarter. We account for structured transactions within our Structured Business.

Credit quality of our loans and investments, including our servicing portfolio. Effective portfolio management is essential to maximize the performance and value of our loan, investment and servicing portfolios. Maintaining the credit quality of the loans in our portfolios is of critical importance. Loans that do not perform in accordance with their terms may have a negative impact on earnings and liquidity.

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Significant Developments During the Second Quarter of 2018

Capital Markets Activity.

- In May 2018, we completed a public offering and sold 5,500,000 shares of our common stock for \$8.72 per share, receiving net proceeds of \$47.8 million; and
- In May 2018, we issued an additional \$25.0 million of our 5.625% Notes and received net proceeds of \$24.4 million.

Financing Activity.

- In June 2018, we closed our tenth collateralized securitization vehicle (CLO X) totaling \$560.0 million of real estate related assets and cash, of which \$441.0 million of investment grade notes were issued to third party investors and \$53.2 million of below investment-grade notes and a \$65.8 million equity interest in the portfolio were retained by us; and
- In June 2018, we completed the unwind of CLO V, redeeming \$267.8 million of outstanding notes which were repaid primarily from refinancing the remaining assets within our existing financing facilities (including CLO X), as well as with cash held by CLO V, and expensed \$1.3 million of deferred financing fees into interest expense.

Agency Business Activity.

- Loan originations and sales totaled \$1.04 billion and \$1.02 billion, respectively; and
- Our fee-based servicing portfolio grew 3% to \$17.11 billion from \$16.69 billion at March 31, 2018.

Structured Business Activity.

- Our Structured loan and investment portfolio grew 13% this quarter to \$3.13 billion on loan originations totaling \$606.9 million, partially offset by loan runoff totaling \$238.0 million; and
- We recorded an impairment loss of \$2.0 million on an office building we own (see Note 9 — Real Estate Owned for details) and recorded a net loan loss recovery of \$2.1 million, primarily related to the settlement of a non-performing preferred equity investment (see Note 3 — Loans and Investments for details).

Subsequent Events.

- In July 2018, we completed the issuance and sale of \$245.0 million of our 5.25% Convertible Notes through two private placements. We received proceeds totaling \$237.2 million, net of the underwriter's discount and fees from these offerings. We used the net proceeds to exchange \$99.8 million of our 6.50% Convertible Notes and \$127.6 million of our 5.375% Convertible Notes for a combination of \$219.8 million in cash (which includes accrued interest) and 6.8 million shares of our common stock to settle such exchanges (see Note 10 — Debt Obligations for details); and
- In July 2018, we received approximately \$11 million from the settlement of a litigation related to a prior investment, which will be reflected in our consolidated financial statements in the third quarter of 2018.

Current Market Conditions, Risks and Recent Trends

Our ability to execute our business strategy, particularly the growth of our Structured Business portfolio of loans and investments, is dependent on many factors, including our ability to access capital and financing on favorable terms. The past economic downturn had a significant negative impact on both us and our borrowers and limited our ability for growth. If similar economic conditions recur in the future, it 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.

We rely on the capital markets to generate capital for financing the growth of our business. While we have been successful in generating capital through the debt and equity markets over the past several quarters, there can be no assurance that we will continue to have access to such markets. If we were to experience a 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.

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The Federal Reserve increased its targeted Federal Rate 75 basis points during 2017 and by another 50 basis points during the first six months of 2018. To date, we have not been significantly impacted by these increases and do not anticipate a significant decline in origination volume or profitability as interest rates remain at historically low levels. However, we cannot be certain that such a trend will continue as the number, timing, and magnitude of additional increases by the Federal Reserve, combined with other macroeconomic factors, may have a different effect on the commercial real estate market.

The Trump administration continues to focus on several issues that could impact interest rates and the U.S. economy, including the recently enacted Tax Reform. As a result of the Tax Reform, we expect to realize a benefit from the reduction of the corporate federal income tax rate from 35% to 21%, as our Agency Business operates in a TRS. While there is uncertainty regarding the specifics and timing of any future policy changes, any such actions could impact our business.

We are a national originator with Fannie Mae and Freddie Mac, and the GSEs remain the most significant providers of capital to the multifamily market. The Federal Housing Finance Agency (“FHFA”) released the GSE 2018 Scorecard (“2018 Scorecard,”) which established Fannie Mae’s and Freddie Mac’s loan origination caps at \$35.00 billion (“2018 Caps”) each for the multifamily finance market, a \$1.50 billion decrease from the 2017 loan origination caps. Affordable housing loans, loans to small multifamily properties, and manufactured housing rental community loans continue to be excluded from the 2018 Caps. In addition, the definition of the affordable loan exclusions has added an extremely-high cost market category, continues to encompass affordable housing in high- and very-high cost markets and allows for an exclusion from the 2018 Caps for the pro-rata portion of any loan on a multifamily property that includes affordable units. The 2018 Scorecard continues to provide FHFA the flexibility to review the estimated size of the multifamily loan origination market quarterly and proactively adjust the 2018 Caps accordingly. The 2018 Scorecard also continues to provide exclusions for loans to properties in underserved markets and for loans to finance certain energy or water efficiency improvements, however, to qualify for this exclusion, the projected annual energy or water savings must be at least 25%. Our originations with the GSEs are highly profitable executions as they provide significant gains from the sale of our loans, non-cash gains related to MSR and servicing revenues, therefore, a decline in our GSE originations would negatively impact our financial results. We are unsure whether the FHFA will impose stricter limitations on GSE multifamily production volume in the future.

The commercial real estate markets continue to improve, but uncertainty remains as a result of global market instability, the current political climate and other matters and their potential impact on the U.S. economy and commercial real estate markets. In addition, the growth in multifamily rental rates seen over the past few years are showing signs of stabilizing. If real estate values decline and/or rent growth subsides, it may limit our new mortgage loan originations since borrowers often use increases in the value of, and revenues produced from, 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 results of operations, financial condition, business prospects and our ability to make distributions to our stockholders.

The economic environment over the past few years has seen continued improvement in commercial real estate values, which has generally increased payoffs and reduced the credit exposure in our loan and investment portfolio. 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, since 2013, the levels of modifications and delinquencies have generally declined as property values have increased and borrowers’ access to financing has improved. If the markets were to deteriorate and the U.S. experienced a prolonged economic downturn, we believe there could be additional loan modifications and delinquencies, which may result in reduced net interest margins and additional losses throughout our sector.

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Changes in Financial Condition

Assets — Comparison of balances at June 30, 2018 to December 31, 2017:

Our Structured loan and investment portfolio balance was \$3.13 billion and \$2.65 billion at June 30, 2018 and December 31, 2017, respectively. This increase was primarily due to loan originations exceeding payoffs and other reductions by \$492.4 million. See below for details.

Our portfolio had a weighted average current interest pay rate of 6.76% and 6.28% at June 30, 2018 and December 31, 2017, respectively. Including certain fees earned and costs associated with the structured portfolio, the weighted average current interest rate was 7.40% and 6.99% at June 30, 2018 and December 31, 2017, respectively. Advances on our financing facilities totaled \$2.81 billion and \$2.24 billion at June 30, 2018 and December 31, 2017, respectively, with a weighted average funding cost of 4.34% and 4.12%, respectively, which excludes financing costs. Including financing costs, the weighted average funding rate was 4.93% and 4.83% at June 30, 2018 and December 31, 2017, respectively.

Activity from our Structured Business portfolio was comprised of the following (\$ in thousands):

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Loans originated	\$ 606,855	\$ 921,070
Number of loans	32	51
Weighted average interest rate	6.95%	7.16%
Loan payoffs / paydowns	\$ 238,026	\$ 428,641
Number of loans	22	42
Weighted average interest rate	6.70%	6.89%

Loans extended	\$	130,978	\$	189,378
Number of loans		9		13

Loans held-for-sale from the Agency Business increased \$14.0 million, primarily related to loan originations exceeding loan sales during the six months ended June 30, 2018 as noted in the following table (in thousands). These loans are generally sold within 60 days from the loan origination date.

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
	Loan Originations	Loan Sales	Loan Originations	Loan Sales
Fannie Mae	\$ 606,287	\$ 579,851	\$ 1,269,208	\$ 1,308,246
Freddie Mac	434,789	409,612	742,940	688,128
FHA	—	28,820	60,738	68,113
CMBS/Conduit	—	—	16,233	16,233
Total	\$ 1,041,076	\$ 1,018,283	\$ 2,089,119	\$ 2,080,720

Securities held-to-maturity increased \$22.5 million as a result of two additional purchases of B Piece bonds from Freddie Mac SBL program securitizations. See Note 7—Securities Held-to-Maturity for details.

Due from related party increased \$9.5 million, primarily due to payoffs to be remitted by our affiliated servicing operations related to real estate transactions.

Other assets increased \$9.8 million, primarily due to an increase in interest and other receivables from new loan originations, as well as an increase in deferred tax assets.

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Liabilities — Comparison of balances at June 30, 2018 to December 31, 2017:

Credit facilities and repurchase agreements increased \$381.9 million, primarily due to funding of new structured loan activity.

Collateralized loan obligations increased \$172.2 million primarily, due to the issuance of a new CLO, where we issued \$441.0 million of notes to third party investors, partially offset by the unwind of a CLO totaling \$267.8 million.

Senior unsecured notes increased \$27.1 million, due to the issuance of \$125.0 million aggregate principal amount of our 5.625% Notes, partially offset by the full redemption of our 7.375% Notes totaling \$97.9 million.

In January 2018, we paid \$50.0 million in full satisfaction of the related party financing entered into with ACM to finance a portion of the aggregate purchase price of the Acquisition.

Due to borrowers decreased \$21.7 million, primarily due to a decrease in funds held on loan originations.

Other liabilities decreased \$16.0 million, primarily due to the payment of incentive compensation during the first quarter of 2018, related to 2017 performance, and a decrease in current and deferred tax liabilities.

Equity

Distributions — Dividends declared (on a per share basis) for the six months ended June 30, 2018 were as follows:

Common Stock		Preferred Stock			
Declaration Date	Dividend	Declaration Date	Dividend (1)		
			Series A	Series B	Series C
February 21, 2018	\$ 0.21	February 2, 2018	\$ 0.515625	\$ 0.484375	\$ 0.53125
May 2, 2018	\$ 0.25	May 2, 2018	\$ 0.515625	\$ 0.484375	\$ 0.53125

(1) The dividend declared on May 2, 2018 was for March 1, 2018 through May 31, 2018 and the dividend declared on February 2, 2018 was for December 1, 2017 through February 28, 2018.

Common Stock — On August 1, 2018, the Board of Directors declared a cash dividend of \$0.25 per share of common stock. The dividend is payable on August 31, 2018 to common stockholders of record as of the close of business on August 15, 2018.

Preferred Stock — On August 1, 2018, the Board of Directors declared a cash dividend of \$0.515625 per share of 8.25% Series A preferred stock; a cash dividend of \$0.484375 per share of 7.75% Series B preferred stock; and a cash dividend of \$0.53125 per share of 8.50% Series C preferred stock. These amounts reflect dividends from June 1, 2018 through August 31, 2018 and are payable on August 31, 2018 to preferred stockholders of record on August 15, 2018.

Deferred Compensation

We issued 329,028 shares of restricted stock to employees of ours, including our chief executive officer, 58,620 shares to the independent members of the Board of Directors and up to 381,503 performance-based restricted common stock units to our chief executive officer in the first quarter of 2018. See Note 16 — Equity for details.

Comparison of Results of Operations for the Three Months Ended June 30, 2018 and 2017

The following table provides our consolidated operating results (\$ in thousands):

	Three Months Ended June 30,		Increase / (Decrease)	
	2018	2017	Amount	Percent
Interest income	\$ 59,295	34,468	\$ 24,827	72%
Interest expense	37,884	20,411	17,473	86%
Net interest income	21,411	14,057	7,354	52%
Other revenue:				
Gain on sales, including fee-based services, net	15,622	18,830	(3,208)	(17)%
Mortgage servicing rights	17,936	17,254	682	4%
Servicing revenue, net	10,871	6,609	4,262	64%
Property operating income	2,964	2,863	101	4%
Other income, net	(470)	(821)	351	(43)%
Total other revenue	46,923	44,735	2,188	5%
Other expenses:				
Employee compensation and benefits	26,815	21,825	4,990	23%
Selling and administrative	8,873	7,835	1,038	13%
Property operating expenses	2,856	2,622	234	9%
Depreciation and amortization	1,845	1,816	29	2%
Impairment loss on real estate owned	2,000	1,500	500	33%
Provision for loss sharing (net of recoveries)	348	532	(184)	(35)%
Provision for loan losses (net of recoveries)	(2,127)	(1,760)	(367)	21%
Management fee - related party	—	2,673	(2,673)	nm
Total other expenses	40,610	37,043	3,567	10%
Income before income (loss) from equity affiliates and income taxes	27,724	21,749	5,975	27%
Income (loss) from equity affiliates	1,387	(3)	1,390	nm
Provision for income taxes	(4,499)	(3,435)	(1,064)	nm
Net income	24,612	18,311	6,301	34%
Preferred stock dividends	1,888	1,888	—	—
Net income attributable to noncontrolling interest	5,557	4,494	1,063	24%
Net income attributable to common stockholders	\$ 17,167	\$ 11,929	\$ 5,238	44%

nm — not meaningful

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The following table presents the average balance of our Structured Business interest-earning assets and interest-bearing liabilities, associated interest income (expense) and the corresponding weighted average yields (\$ in thousands):

	Three Months Ended June 30,					
	2018			2017		
	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)
Structured Business interest-earning assets:						
Bridge loans	\$ 2,641,796	\$ 46,754	7.10%	\$ 1,648,821	\$ 27,414	6.67%
Preferred equity investments	190,228	2,592	9.12%	71,759	1,051	5.88%
Mezzanine / junior participation loans	79,093	4,326	13.15%	80,717	1,161	5.77%
Core interest-earning assets	2,911,117	53,672	7.40%	1,801,297	29,626	6.60%
Cash equivalents	220,153	505	0.92%	223,053	291	0.53%
Total interest-earning assets	\$ 3,131,270	\$ 54,177	6.94%	\$ 2,024,350	\$ 29,917	5.93%
Structured Business interest-bearing liabilities:						
CLO	\$ 1,458,875	\$ 17,307	4.76%	\$ 982,499	\$ 9,517	3.89%
Warehouse lines	481,010	5,485	4.57%	123,215	1,446	4.71%
Unsecured debt	378,950	8,637	9.14%	198,050	4,179	8.46%
Trust preferred	154,379	1,978	5.14%	154,336	1,570	4.08%
Debt fund	68,208	1,205	7.09%	—	—	—
Total interest-bearing liabilities	\$ 2,541,422	34,612	5.46%	\$ 1,458,100	16,712	4.60%
Net interest income		\$ 19,565			\$ 13,205	

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

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

The increase in interest income is primarily due to an increase of \$24.3 million, or 81%, from our Structured Business, which was primarily the result of a 62% increase in our average core interest-earning assets, due to loan originations exceeding loan runoff, and a 12% increase in the average yield on core interest-earning assets, largely due to increases in the average LIBOR rate.

The increase in interest expense is primarily due to an increase of \$17.9 million, or 107%, from our Structured Business, partially offset by a decrease of \$1.0 million from the pay off in January 2018 of the seller financing entered into in connection with the Acquisition. The increase from our Structured Business was primarily due to a 74% increase in the average balance of our interest-bearing liabilities and a 19% increase in the average cost of our interest-bearing liabilities. The increase in the average debt balance was due to growth in our loan portfolio and the issuance of additional unsecured debt. The increase in the average cost of our interest-bearing liabilities was primarily due to \$2.9 million of accelerated deferred financing costs recorded in the second quarter of 2018 related to the unwind of a CLO in June and the redemption of unsecured debt, along with an increase in the average LIBOR rate.

Agency Business Revenue

The decrease in gain on sales, including fee-based services, net was primarily due to a \$186.1 million decrease in loan sales. Sales margin (gain on sales, including fee-based services, net as a percentage of loan sales volume) was flat at 1.53% this quarter compared to 1.56% in the second quarter of 2017.

The increase in servicing revenue, net was primarily due to an increase in our servicing portfolio and an increase in earnings on escrows. Our servicing portfolio increased 14% from \$15.02 billion at June 30, 2017 to \$17.11 billion at June 30, 2018. Our servicing revenue, net in the second quarter of 2018 and 2017 included \$11.9 million and \$11.8 million, respectively, of amortization expense.

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Other Expenses

The increase in employee compensation and benefits expense is comprised of \$2.7 million from our Structured Business and \$2.3 million from our Agency Business. The increase in both businesses is primarily due to compensation expense recorded directly by each business associated with the employees that transferred to us as a result of the internalization of our management team in 2017. Such costs were previously charged through the management fee prior to the termination of our management agreement with ACM in May 2017. In addition, increases in headcount associated with each business's portfolio growth also contributed to the increase.

The increase in selling and administrative expenses is comprised of \$0.6 million from our Structured Business and \$0.4 million from our Agency Business. The increase from our Structured Business was primarily due to an increase in professional fees. The increase in our Agency Business was primarily due to increases in professional fees and rent expense.

Impairment losses on real estate owned were \$2.0 million and \$1.5 million for the three months ended June 30, 2018 and 2017, respectively. During these periods, we received market analysis which resulted in impairment losses on our real estate properties owned. See Note 9 — Real Estate Owned for details.

The recovery for loan losses in the second quarter of 2018 was due to a \$31.6 million settlement of a preferred equity investment with a carrying value of \$29.1 million resulting in a \$2.5 million recovery and a \$0.9 million payment received on a written-off junior participation interest in an office building. These recoveries were partially offset by a \$1.3 million provision recorded on a bridge loan. The recovery of loan losses for the three months ended June 30, 2017 was the result of a \$1.8 million pay-off of a fully reserved mezzanine loan.

The decrease in management fee — related party was due to the internalization of our management team and termination of the existing management agreement with ACM effective May 31, 2017.

Income (Loss) from Equity Investments

The increase in income (loss) from equity affiliates was primarily due to an increase in income from our investment in a residential mortgage banking business. In the three months ended June 30, 2018 we recorded income of \$0.7 million from this investment, compared to a \$0.7 million loss in the 2017 comparable period.

Provision for Income Taxes

In the three months ended June 30, 2018 and 2017, we recorded a tax provision of \$4.5 million and \$3.4 million, respectively. The provision for income taxes in the three months ended June 30, 2018 consisted of a current tax provision of \$4.3 million and a deferred tax provision of \$0.2 million and the provision for income taxes in the three months ended June 30, 2017 consisted of a current tax provision of \$4.3 million and a deferred tax benefit of \$0.9 million, respectively.

Net Income Attributable to Noncontrolling Interest

The noncontrolling interest relates to the 21,230,769 OP Units issued as part of the Acquisition, which represented 23.6% and 25.7% of our outstanding stock at June 30, 2018 and 2017, respectively.

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Comparison of Results of Operations for the Six Months Ended June 30, 2018 and 2017

The following table provides our consolidated operating results (\$ in thousands):

Six Months Ended June 30,

Increase / (Decrease)

	2018	2017	Amount	Percent
Interest income	\$ 110,908	67,993	\$ 42,915	63%
Interest expense	71,271	39,848	31,423	79%
Net interest income	39,637	28,145	11,492	41%
Other revenue:				
Gain on sales, including fee-based services, net	33,815	38,001	(4,186)	(11)%
Mortgage servicing rights	37,571	37,284	287	1%
Servicing revenue, net	20,418	11,403	9,015	79%
Property operating income	5,874	6,086	(212)	(3)%
Other income, net	2,408	(1,707)	4,115	nm
Total other revenue	100,086	91,067	9,019	10%
Other expenses:				
Employee compensation and benefits	56,309	41,666	14,643	35%
Selling and administrative	17,789	15,529	2,260	15%
Property operating expenses	5,652	5,260	392	7%
Depreciation and amortization	3,691	3,713	(22)	(1)%
Impairment loss on real estate owned	2,000	2,700	(700)	(26)%
Provision for loss sharing (net of recoveries)	821	2,212	(1,391)	(63)%
Provision for loan losses (net of recoveries)	(1,802)	(2,456)	654	(27)%
Management fee - related party	—	6,673	(6,673)	nm
Total other expenses	84,460	75,297	9,163	12%
Income before gain on extinguishment of debt, income from equity affiliates and income taxes	55,263	43,915	11,348	26%
Gain on extinguishment of debt	—	7,116	(7,116)	nm
Income from equity affiliates	2,132	760	1,372	181%
Benefit from (provision for) income taxes	4,285	(9,536)	13,821	nm
Net income	61,680	42,255	19,425	46%
Preferred stock dividends	3,777	3,777	—	—
Net income attributable to noncontrolling interest	14,547	10,935	3,612	33%
Net income attributable to common stockholders	\$ 43,356	\$ 27,543	\$ 15,813	57%

nm — not meaningful

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The following table presents the average balance of our Structured Business interest-earning assets and interest-bearing liabilities, associated interest income (expense) and the corresponding weighted average yields (\$ in thousands):

	Six Months Ended June 30,					
	2018			2017		
	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)
Structured Business interest-earning assets:						
Bridge loans	\$ 2,544,754	\$ 87,739	6.95%	\$ 1,635,394	\$ 52,805	6.51%
Preferred equity investments	170,083	7,625	9.04%	68,069	2,151	6.37%
Mezzanine / junior participation loans	82,442	5,156	12.61%	96,567	3,006	6.28%
Core interest-earning assets	2,797,279	100,520	7.25%	1,800,030	57,962	6.49%
Cash equivalents	210,374	893	0.86%	179,977	464	0.52%
Total interest-earning assets	\$ 3,007,653	\$ 101,413	6.80%	\$ 1,980,007	\$ 58,426	5.95%
Structured Business interest-bearing liabilities:						
CLO	\$ 1,441,318	\$ 31,518	4.41%	\$ 860,565	\$ 16,385	3.84%
Warehouse lines	389,595	9,139	4.73%	200,395	3,957	3.98%
Unsecured debt	367,524	18,135	9.95%	195,984	8,301	8.54%
Trust preferred	154,379	3,728	4.87%	157,071	3,115	4.00%
Debt fund	68,162	2,297	6.80%	—	—	—
Interest rate swaps	—	—	—	—	195	—
Total interest-bearing liabilities	\$ 2,420,978	64,817	5.40%	\$ 1,414,015	31,953	4.56%
Net interest income		\$ 36,596			\$ 26,473	

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

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

Net Interest Income

The increase in interest income is primarily due to an increase of \$43.0 million, or 74%, from our Structured Business, which was primarily the result of a 55% increase in our average core interest-earning assets, due to loan originations exceeding loan runoff, and a 12% increase in the average yield on core interest-earning assets, largely due to increases in the average LIBOR rate.

The increase in interest expense is primarily due to an increase of \$32.9 million, or 103%, from our Structured Business, partially offset by a decrease of \$1.6 million from the pay off in January 2018 of the seller financing entered into in connection with the Acquisition. The increase from our Structured Business was primarily due to a 71% increase in the average balance of our interest-bearing liabilities and an 18% increase in the average cost of our interest-bearing liabilities. The increase in the average debt balance was due to growth in our loan portfolio and the issuance of additional CLOs, unsecured debt and the Debt Fund. The increase in the average cost of our interest-bearing liabilities was primarily due to \$5.3 million of accelerated deferred financing costs recorded in 2018 related to the redemption of unsecured debt and the unwind of a CLO, along with an increase in the average LIBOR rate.

Agency Business Revenue

The decrease in gain on sales, including fee-based services, net was primarily due to a \$488.5 million decrease in loan sales, partially offset by a 15 basis point increase in the sales margin from 1.48% to 1.63% in 2018. The increase in the sales margin was primarily due to an increase in Fannie Mae margins.

The increase in servicing revenue, net was primarily due to an increase in our servicing portfolio and an increase in earnings on escrows due to increases in the average LIBOR rate. Our servicing portfolio increased 14% from \$15.02 billion at June 30, 2017 to \$17.11 billion at June 30, 2018. Our servicing revenue, net in the six months ended June 30, 2018 and 2017 included \$23.8 million and \$23.7 million, respectively, of amortization expense.

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Other Income, Net

The increase in other income, net was comprised primarily of a \$4.6 million increase from our Agency Business, which was due to changes in the fair value of our rate lock commitments. See Note 13 — Fair Value for details.

Other Expenses

The increase in employee compensation and benefits expense is comprised of \$8.2 million from our Agency Business and \$6.4 million from our Structured Business. The increase in both businesses is primarily due to compensation expense recorded directly by each business associated with the employees that transferred to us as a result of the internalization of our management team in 2017. Such costs were previously charged through the management fee prior to the termination of our management agreement with ACM in May 2017. In addition, increases in headcount associated with each business's portfolio growth also contributed to the increase.

The increase in selling and administrative expenses is comprised of \$1.2 million from our Agency Business and \$1.1 million from our Structured Business. The increase in our Agency Business was primarily due to increases in professional fees and rent expense. The increase from our Structured Business was primarily due to an increase in professional fees, partially offset by a decrease in stock-based compensation expense.

Impairment losses on real estate owned were \$2.0 million and \$2.7 million for the six months ended June 30, 2018 and 2017, respectively. During these periods, we received market analysis which resulted in impairment losses on our real estate properties owned. See Note 9 — Real Estate Owned for details.

The decrease in our provision for loss sharing was primarily related to runoff and higher Fannie Mae loan sales in the six months ended June 30, 2017.

The recovery for loan losses for the six months ended June 30, 2018 was due to a \$31.6 million settlement of a preferred equity investment with a carrying value of \$29.1 million resulting in a \$2.5 million recovery and a \$0.9 million payment received on a written-off junior participation interest in an office building. These recoveries were partially offset by a \$1.7 million provision recorded on a bridge loan. The recovery of loan losses of \$2.5 million for the six months ended June 30, 2017 was primarily due to the pay-off of a fully reserved mezzanine loan with a UPB of \$1.8 million.

The decrease in management fee — related party was due to the internalization of our management team and termination of the existing management agreement with ACM effective May 31, 2017.

Gain on Extinguishment of Debt

During the six months ended June 30, 2017, we purchased, at a discount, \$20.9 million of our junior subordinated notes with a carrying value of \$19.8 million and recorded a gain on extinguishment of debt of \$7.1 million.

Income from Equity Investments

The increase in income from equity affiliates was primarily due to an increase in income from our investment in a residential mortgage banking business. In the six months ended June 30, 2018 we recorded income of \$0.8 million from this investment, compared to a \$0.6 million loss in the 2017 comparable period.

Benefit from (Provision for) Income Taxes

In the six months ended June 30, 2018 and 2017, we recorded a tax benefit of \$4.3 million and a tax provision of \$9.5 million, respectively. The benefit from income taxes in the six months ended June 30, 2018 consisted of a current tax provision of \$8.8 million and a deferred tax benefit of \$13.1 million, and the provision for income taxes in the six months ended June 30, 2017 consisted of a current tax provision of \$8.6 million and a deferred tax provision of \$0.9 million, respectively. The deferred tax benefit recorded in the six months ended June 30, 2018

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was due primarily to our payoff in January 2018 of the \$50.0 million preferred equity interest entered into with ACM to finance a portion of the Acquisition purchase price.

The provision for income taxes in the six months ended June 30, 2018 includes the effect of the newly enacted corporate federal income tax rate of 21% on our Agency Business as a result of the Tax Reform. The provision for income taxes primarily represents federal and state taxes related to the Agency Business, which was acquired by the TRS Consolidated Group in July 2016.

Net Income Attributable to Noncontrolling Interest

The noncontrolling interest relates to the 21,230,769 OP Units issued as part of the Acquisition, which represented 23.6% and 25.7% of our outstanding stock at June 30, 2018 and 2017, respectively.

Liquidity and Capital Resources

Sources of Liquidity. Liquidity is a measure of our ability to meet our potential cash requirements, including ongoing commitments to repay borrowings, satisfaction of collateral requirements under the Fannie Mae DUS risk-sharing agreement and, as an approved designated seller/servicer of Freddie Mac's SBL program, operational liquidity requirements of the GSE agencies, fund new loans and investments, 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 and debt offerings, debt facilities and cash flows from our operations. We closely monitor our liquidity position and believe our existing sources of funds and access to additional liquidity will be adequate to meet our liquidity needs.

While we have been successful in obtaining proceeds from debt and equity offerings, CLOs and certain financing facilities, 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. Cash flows provided by operating activities totaled \$18.6 million during the six months ended June 30, 2018 and consisted primarily of net income, adjusted for noncash items, of \$62.7 million, partially offset by net cash outflows of \$15.9 million as a result of loan originations exceeding loan sales in our Agency Business and a period-over-period increases in other assets of \$9.8 million and due from related party of \$9.5 million. We had net cash outflows from loans-held-for-sale during the six months ended June 30, 2018 due to the timing of agency loan sales, as agency loans are generally sold within 60 days of origination.

Cash flows used in investing activities totaled \$518.1 million during the six months ended June 30, 2018. Loan and investment activity (originations and payoffs/paydowns) comprise the bulk of our investing activities. Loan originations from our Structured Business totaling \$875.2 million, net of payoffs and paydowns of \$429.1 million, resulted in net cash outflows of \$446.1 million. Cash used in investing activities also includes \$58.6 million of cash used to fund holdbacks and reserves on our loans and investments and \$21.6 million in cash payments to purchase B Piece bonds from SBL Program securitizations.

Cash flows provided by financing activities totaled \$536.3 million during the six months ended June 30, 2018, and consisted primarily of \$566.0 million of net proceeds from the issuances of a CLO and additional unsecured notes, net cash inflows of \$382.8 million from debt facility activities (funded loan originations were greater than facility paydowns) and \$55.9 million of net proceeds from a public offering of our common stock. These cash inflows were partially offset by outflows of \$267.8 million for the redemption of CLO V, \$97.9 million for the redemption of our 6.50% Convertible Notes, \$50.0 million for full satisfaction of the seller financing related to the Acquisition of the Agency Business and \$42.3 million distributed to our stockholders and OP Unit holders.

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Agency Business Requirements. The Agency Business is subject to supervision by certain regulatory agencies. Among other things, these agencies require us to meet certain minimum net worth, operational liquidity and restricted liquidity collateral requirements, purchase and loss obligations and compliance with reporting requirements. Our adjusted net worth and operational liquidity exceeded the agencies' requirements as of June 30, 2018. Our restricted liquidity and purchase and loss obligations were satisfied with letters of credit totaling \$47.0 million and \$0.7 million of cash collateral. See Note 14 — Commitments and Contingencies for details about our performance regarding these requirements.

We also enter into contractual commitments with borrowers providing rate lock commitments while simultaneously entering into forward sale commitments with investors. These commitments are outstanding for short periods of time (generally less than 60 days) and are described in Note 12 — Derivative Financial Instruments and Note 13 — Fair Value.

Debt Instruments. 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 and substantially all of our loans held-for-sale. The following is a summary of our debt facilities (\$ in thousands):

Debt Instruments	June 30, 2018			Maturity Dates
	Commitment	UPB (1)	Available	
Structured Business				
Credit facilities and repurchase agreements	\$ 947,968	\$ 605,963	\$ 342,005	2018 - 2021
Collateralized loan obligations (2)	1,609,524	1,609,524	—	2018 - 2023
Debt Fund (2)	70,000	70,000	—	2019 - 2022
Senior unsecured notes	125,000	125,000	—	2023
Convertible unsecured senior notes	243,750	243,750	—	2019 - 2020
Junior subordinated notes	154,336	154,336	—	2034 - 2037
Structured transaction business total	3,150,578	2,808,573	342,005	

Agency Business

Credit facilities (3)	1,000,000	307,811	692,189	2018
Consolidated total	\$ 4,150,578	\$ 3,116,384	\$ 1,034,194	

- (1) Excludes the impact of deferred financing costs.
- (2) Maturity dates represent the weighted average remaining maturity based on the underlying collateral as of June 30, 2018.
- (3) The ASAP agreement we have with Fannie Mae has no expiration date.

The debt facilities, including their restrictive covenants, are described in Note 10 — Debt Obligations.

Contractual Obligations. During the six months ended June 30, 2018, the following significant changes were made to our contractual obligations disclosed in our 2017 Annual Report:

- Closed CLO X issuing \$441.0 million of investment grade notes to third party investors;
- Unwound CLO V redeeming \$267.8 million of outstanding notes;
- Subsequently issued \$245.0 million of 5.25% Convertible Notes (which were used to repurchase substantially all of our 6.50% Convertible Notes and 5.375% Convertible Notes totaling \$227.4 million);
- Issued \$125.0 million of our 5.625% Notes (which were substantially used to redeem all of our 7.375% Notes totaling \$97.9 million);
- Repaid the \$50.0 million related party financing; and
- Closed new and modified existing credit facilities.

See Note 10 — Debt Obligations for details and refer to Note 14 — Commitments and Contingencies for a description of our debt maturities by year and unfunded commitments as of June 30, 2018.

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Off-Balance Sheet Arrangements. At June 30, 2018, we had no off-balance sheet arrangements.

Derivative Financial Instruments

We enter into derivative financial instruments in the normal course of business through the origination and sale of mortgage loans and the management of potential loss exposure caused by fluctuations of interest rates. See Note 12— Derivative Financial Instruments for details about our derivative financial instruments.

Critical Accounting Policies

Please refer to Note 2 — Basis of Presentation and Significant Accounting Policies of the Notes to Consolidated Financial Statements in our 2017 Annual Report for a discussion of our critical accounting policies. During the six months ended June 30, 2018, there were no material changes to these policies.

Non-GAAP Financial Measures

Funds from Operations and Adjusted Funds from Operations. We present funds from operations (“FFO”) and adjusted funds from operations (“AFFO”) because we believe they are important supplemental measures of our 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.

We define AFFO as funds from operations adjusted for accounting items such as non-cash stock-based compensation expense, income from MSR, changes in fair value of certain derivatives that temporarily flow through earnings, amortization and write-offs of MSR, deferred tax benefit and amortization of convertible senior notes conversion options. We also add back one-time charges such as acquisition costs and impairment losses on real estate and gains on sales of real estate. We are generally not in the business of operating real estate property and had obtained real estate by foreclosure or through partial or full settlement of mortgage debt related to our loans to maximize the value of the collateral and minimize our exposure. Therefore, we deem such impairment and gains on real estate as an extension of the asset management of our loans, thus a recovery of principal or additional loss on our initial investment.

FFO and AFFO are 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 and AFFO may be different from the calculations used by other companies and, therefore, comparability may be limited.

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FFO and AFFO are as follows (\$ in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to common stockholders	\$ 17,167	\$ 11,929	\$ 43,356	\$ 27,543
Adjustments:				

Net income attributable to noncontrolling interest	5,557	4,494	14,547	10,935
Impairment loss on real estate owned	2,000	1,500	2,000	2,700
Depreciation - real estate owned	178	169	356	419
Depreciation - investments in equity affiliates	125	101	250	203
Funds from operations (1)	\$ 25,027	\$ 18,193	\$ 60,509	\$ 41,800
Adjustments:				
Income from mortgage servicing rights	(17,936)	(17,254)	(37,571)	(37,284)
Impairment loss on real estate owned	(2,000)	(1,500)	(2,000)	(2,700)
Deferred tax provision (benefit)	185	(890)	(13,135)	937
Amortization and write-offs of MSRs	17,203	14,932	33,879	30,213
Depreciation and amortization	2,255	1,873	4,511	3,741
Net loss (gain) on changes in fair value of derivatives	587	1,552	(2,057)	2,549
Stock-based compensation	1,100	682	3,645	2,986
Adjusted funds from operations (1)	\$ 26,421	\$ 17,588	\$ 47,781	\$ 42,242
Diluted FFO per share (1)	\$ 0.28	\$ 0.23	\$ 0.69	\$ 0.55
Diluted AFFO per share (1)	\$ 0.29	\$ 0.22	\$ 0.55	\$ 0.55
Diluted weighted average shares outstanding (1)	90,055,170	79,064,503	87,420,543	76,365,118

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We disclosed a quantitative and qualitative analysis regarding market risk in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2017 Annual Report. That information is supplemented by the information included above in Item 2 of this report. Other than the developments described thereunder, there have been no material changes in our quantitative and qualitative exposure to market risk since December 31, 2017.

The following table projects the potential impact on interest income and interest expense for a 12-month period, assuming an instantaneous increase or decrease of both 25 and 50 basis points in LIBOR (in thousands).

	Assets (Liabilities) Subject to Interest Rate Sensitivity (1)	25 Basis Point Increase	25 Basis Point Decrease (2)	50 Basis Point Increase	50 Basis Point Decrease (2)
Interest income from loans and investments	\$ 3,134,879	\$ 6,970	\$ (6,494)	\$ 13,967	\$ (12,623)
Interest expense from debt obligations	(2,808,573)	6,092	(6,092)	12,183	(12,183)
Total net interest income		\$ 878	\$ (402)	\$ 1,784	\$ (440)

(1) Represents the UPB of our loan portfolio and the principal balance of our debt.

(2) The quoted one-month LIBOR rate was 2.09% as of June 30, 2018.

Our Agency Business originates, sells and services a range of multifamily finance products with Fannie Mae, Freddie Mac and HUD. Our loans held-for-sale to Fannie Mae, Freddie Mac and HUD are not currently exposed to interest rate risk during the loan commitment, closing and delivery process. The sale or placement of each loan to an investor is negotiated prior to closing on the loan with the borrower, and the sale or placement is generally effectuated within 60 days of closing. The coupon rate for the loan is set after we established the interest rate with the investor.

In addition, the fair value of our MSRs is subject to market risk since a significant driver of the fair value of these assets is the discount rates. A 100 basis point increase in the weighted average discount rate would decrease the fair value of our MSRs by approximately \$9.7 million as of June 30, 2018, while a 100 basis point decrease would increase the fair value by approximately \$10.3 million.

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Item 4. 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 June 30, 2018. Based on this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2018.

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not involved in any material litigation nor, to our knowledge, is any material litigation threatened against us other than the litigation described in Note 14 — Commitments and Contingencies. We have not made a loss accrual for any litigation because we believe that it is not probable that a loss has been incurred and an amount cannot be reasonably estimated.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Item 1A of our 2017 Annual Report.

Item 6. Exhibits

<u>Exhibit #</u>	<u>Description</u>
3.1	Articles of Incorporation of Arbor Realty Trust, Inc. *
3.2	Amended and Restated Bylaws of Arbor Realty Trust, Inc. **
4.1	Indenture, dated as of March 13, 2018, between Arbor Realty Trust, Inc. and U.S. Bank National Association, as trustee. ***
10.1	Indenture, dated June 14, 2018, by and between Arbor Realty Commercial Real Estate Notes 2018-FL1, LTD., Arbor Realty Commercial Real Estate Notes 2018-FL1 LLC, Arbor Realty SR, Inc. and U.S. Bank National Association.
10.2	Mortgage Asset Purchase Agreement, dated June 14, 2018, by and between Arbor Realty SR, Inc. and Arbor Realty Commercial Real Estate Notes 2018-FL1, LTD.
10.3	Placement Agreement, dated May 23, 2018, by and between Arbor Realty Commercial Real Estate Notes 2018-FL1, LTD., Arbor Realty Commercial Real Estate Notes 2018-FL1 LLC and J.P. Morgan Securities LLC.
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	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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<u>Exhibit #</u>	<u>Description</u>
101.1	Financial statements from the Quarterly Report on Form 10-Q of Arbor Realty Trust, Inc. for the quarter ended June 30, 2018, filed on August 3, 2018, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statement of Changes in Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements.

* Incorporated by reference to the Registrant's Registration Statement on Form S-11 (Registration No. 333-110472), as amended, filed November 13, 2003.

** Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (No. 001-32136) filed August 4, 2017.

*** Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K (No. 001-32136) filed March 13, 2018.

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SIGNATURES

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 thereunto duly authorized.

ARBOR REALTY TRUST, INC.

Date: August 3, 2018

By: /s/ Ivan Kaufman
Ivan Kaufman
Chief Executive Officer

Date: August 3, 2018

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

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ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2018-FL1, LTD.,
as Issuer,

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2018-FL1, LLC,
as Co-Issuer,

ARBOR REALTY SR, INC.,
as Advancing Agent,

U.S. BANK NATIONAL ASSOCIATION,
as Trustee, Paying Agent, Calculation Agent, Transfer Agent,
Custodial Securities Intermediary, Backup Advancing Agent and Notes Registrar,

AND

U.S. BANK NATIONAL ASSOCIATION,
as Custodian

INDENTURE

Dated as of June 14, 2018

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paying agent, calculation agent, transfer agent, custodial securities intermediary, backup advancing agent and notes registrar, U.S. BANK NATIONAL ASSOCIATION, a national banking association, as custodian and ARBOR REALTY SR, INC. (including any successor by merger, the “Arbor Parent”), a Maryland corporation, as advancing agent (herein, together with its permitted successors and assigns in the trusts hereunder, the “Advancing Agent”).

PRELIMINARY STATEMENT

Each of the Issuer and the Co-Issuer is duly authorized to execute and deliver this Indenture to provide for the Notes issuable as provided in this Indenture. All covenants and agreements made by the Issuer and Co-Issuer herein are for the benefit and security of the Secured Parties. The Issuer, the Co-Issuer, U.S. Bank National Association, in all of its capacities, and the Advancing Agent are entering into this Indenture, and the Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

All things necessary to make this Indenture a valid agreement of the Issuer and Co-Issuer in accordance with this Indenture’s terms have been done.

GRANTING CLAUSES

The Issuer hereby Grants to the Trustee, for the benefit and security of the Secured Parties, all of its right, title and interest in, to and under, in each case, whether now owned or existing, or hereafter acquired or arising:

(a) the Mortgage Assets listed in the Schedule of Initial Mortgage Assets which the Issuer purchases on the Closing Date and causes to be delivered to the Trustee (directly or through an agent or bailee) herewith, all payments thereon or with respect thereto and all Mortgage Assets which are delivered to the Trustee (directly or through an agent or bailee) after the Closing Date pursuant to the terms hereof (including all Ramp-Up Mortgage Assets and Reinvestment Mortgage Assets) and all payments thereon or with respect thereto,

(b) the Collection Accounts, the Payment Account, the Expense Account, the Unused Proceeds Account, the RDD Funding Account, the Custodial Account and the related security entitlements and all income from the investment of funds in any of the foregoing at any time credited to any of the foregoing accounts,

(c) the Eligible Investments,

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(d) the rights of the Issuer under the Collateral Management Agreement, each Mortgage Asset Purchase Agreement (including any Mortgage Asset Purchase Agreement entered into after the Closing Date), the Company Administration Agreement, the Registered Office Agreement, the AML Services Agreement and the Servicing Agreement,

(e) all amounts delivered to the Trustee (or its bailee) (directly or through a securities intermediary),

(f) all other investment property, instruments and general intangibles in which the Issuer has an interest, other than the Excepted Assets,

(g) the Issuer’s ownership interest in, and rights to, all Permitted Subsidiaries and

(h) all proceeds with respect to the foregoing clauses (a) through (g).

The collateral described in the foregoing clauses (a) through (h), with the exception of any Excepted Assets, is referred to herein as the “Assets.” Such Grants are made to secure the Offered Notes equally and ratably without prejudice, priority or distinction between any Note and any other Note for any reason, except as expressly provided in this Indenture (including, but not limited to, the Priority of Payments) and to secure (i) the payment of all amounts due on and in respect of the Notes in accordance with their terms, (ii) the payment of all other sums payable under this Indenture and (iii) compliance with the provisions of this Indenture, all as provided in this Indenture. The foregoing Grant shall, for the purpose of determining the property subject to the lien of this Indenture, be deemed to include any securities and any investments granted by or on behalf of the Issuer to the Trustee for the benefit of the Secured Parties, whether or not such securities or such investments satisfy the criteria set forth in the definitions of “Mortgage Asset” or “Eligible Investments”, as the case may be.

Except to the extent otherwise provided in this Indenture, this Indenture shall constitute a security agreement under the laws of the State of New York applicable to agreements made and to be performed therein, for the benefit of the Noteholders. Upon the occurrence and during the continuation of any Event of Default hereunder, and in addition to any other rights available under this Indenture or any other Assets held for the benefit and security of the Noteholders or otherwise available at law or in equity but subject to the terms hereof, the Trustee shall have all rights and remedies of a secured party under the laws of the State of New York and other applicable law to enforce the assignments and security interests contained herein and, in addition, shall have the right, subject to compliance with any mandatory requirements of applicable law and the terms of this Indenture, to exercise, sell or apply any rights and other interests assigned or pledged hereby in accordance with the terms hereof at public and private sale.

The Trustee acknowledges such Grants, accepts the trusts hereunder in accordance with the provisions hereof, and agrees to perform the duties herein in accordance with, and subject to, the terms hereof, in order that the interests of the Secured Parties may be adequately and effectively protected in accordance with this Indenture.

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Notwithstanding anything in this Indenture to the contrary, for all purposes hereunder, no Holder of Class E Notes or Class F Notes shall be a Secured Party for purposes of the Grant.

ARTICLE 1

DEFINITIONS

Section 1.1 Definitions.

Except as otherwise specified herein or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Indenture, and the definitions of such terms are equally applicable both to the singular and plural forms of such terms and to the masculine, feminine and neuter genders of such terms. The word “including” and its variations shall mean “including without limitation.” Whenever any reference is made to an amount the determination of which is governed by Section 1.2 hereof, the provisions of Section 1.2 shall be applicable to such determination or calculation, whether or not reference is specifically made to Section 1.2, unless some other method of calculation or determination is expressly specified in the particular provision. All references in this Indenture to designated “Articles,” “Sections,” “Subsections” and other subdivisions are to the designated Articles, Sections, Subsections and other subdivisions of this Indenture as originally executed. The words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section, Subsection or other subdivision. Any capitalized term used herein without definition shall have the meaning ascribed to such term in the Servicing Agreement.

“17g-5 Information”: The meaning specified in Section 14.3(g) hereof.

“17g-5 Website”: A password-protected internet website which shall initially be located at www.structuredfn.com. Any change of the 17g-5 Website shall only occur after notice has been delivered by the Issuer to the Information Agent, the Trustee, the Collateral Administrator, the Collateral Manager, the Placement Agent, and the Rating Agencies, which notice shall set forth the date of change and new location of the 17g-5 Website.

“1940 Act”: Investment Company Act of 1940, as amended.

“A Note”: A promissory note secured by a mortgage on commercial real estate property that is not subordinate in right of payment to any separate promissory note secured by a direct or beneficial interest in the same property.

“Accepted Loan Servicer”: Any commercial mortgage loan master or primary servicer that (1) is engaged in the business of servicing commercial mortgage loans (with a minimum servicing portfolio of U.S.\$100,000,000) that are comparable to the Mortgage Assets owned or to be owned by the Issuer, (2) as to which Moody’s has not cited servicing concerns of such servicer as the sole or material factor in any downgrade or withdrawal of the ratings (or placement on “watch status” in contemplation of a ratings downgrade or withdrawal) of securities in any commercial mortgage backed securities transaction serviced by such servicer prior to the time of determination and (3) within the prior 12 month period, has acted as a servicer in a commercial mortgage backed securities transaction rated by DBRS and DBRS has not cited

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servicing concerns of such servicer as the sole or material factor in any downgrade or withdrawal of the ratings (or placement on “watch status” in contemplation of a ratings downgrade or withdrawal) of securities in any commercial mortgage backed securities transaction serviced by such servicer prior to the time of determination.

“Accepted Servicing Practices”: The meaning specified in the Servicing Agreement.

“Account”: Any of the Interest Collection Account, the Principal Collection Account, the Unused Proceeds Account, the RDD Funding Account, the Payment Account, the Expense Account, the Custodial Account and the Preferred Share Distribution Account and any subaccount thereof that the Trustee deems necessary or appropriate.

“Accountants’ Report”: A report of a firm of Independent certified public accountants of recognized national reputation appointed by the Issuer pursuant to Section 10.13(a), which may be the firm of independent accountants that reviews or performs procedures with respect to the financial reports prepared by the Issuer or the Collateral Manager.

“Act” or “Act of Securityholders”: The meaning specified in Section 14.2 hereof.

“Advancing Agent”: Arbor Realty SR, Inc., unless a successor Person shall have become the Advancing Agent pursuant to the applicable provisions of this Indenture, and thereafter “Advancing Agent” shall mean such successor Person.

“Advancing Agent Fee”: The fee payable monthly in arrears on each Payment Date to the Advancing Agent in accordance with the Priority of Payments, equal to 0.07% *per annum* on the Aggregate Outstanding Amount of the Notes on such Payment Date prior to giving effect to payments on such Payment Date; which fee may be waived by the Advancing Agent, in its discretion in connection with any Payment Date unless such fee is payable to the Back-up Advancing Agent pursuant to the Priority of Payments.

“Advisers Act”: The Investment Advisers Act of 1940, as amended.

“Advisory Committee”: The meaning specified in the Collateral Management Agreement.

“Affiliate” or “Affiliated”: With respect to a Person, (i) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (ii) any other Person who is a director, Officer or employee (a) of such Person, (b) of any subsidiary or parent company of such Person or (c) of any Person described in clause (i) above. For the purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise; provided that neither the Company Administrator nor any other company, corporation or Person to which the Company Administrator provides directors and/or administrative services and/or acts as share trustee shall be an Affiliate of the Issuer or Co-Issuer; provided, further, that neither the Collateral Manager, the Arbor Parent nor any of the Arbor Parent’s subsidiaries shall be deemed to be Affiliates of the Issuer. The CLO Servicer and the

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Trustee may rely on certifications of any Holder or party hereto regarding such Person's affiliations.

“Agency Mortgage Loan”: Any loan that is made by, or in conformity with the guidelines of, or is intended for subsequent sale to, a “government-sponsored enterprise”, as defined in 2 U.S.C. §622(8) or any similar entity (or an entity sponsored by such government-sponsored enterprise or a similar entity). Such Agency Mortgage Loans include, but are not limited to, the Department of Housing and Urban Development (“HUD”)’s FHA 232/223(f) loans to finance or refinance the development of residential care facilities.

“Agent Members”: Members of, or participants in, the Depository, Clearstream, Luxembourg or Euroclear.

“Aggregate Collateral Balance”: The sum of (without duplication) (i) the aggregate Principal Balance of Mortgage Assets (excluding for purposes of this clause (i), for the avoidance of doubt, the then unfunded portion of any RDD Mortgage Asset), (ii) the sum of Cash and the aggregate Principal Balance of Eligible Investments held as Principal Proceeds, (iii) the sum of Cash and the aggregate Principal Balance of Eligible Investments held in the Unused Proceeds Account and (iv) the sum of cash and the aggregate Principal Balance of Eligible Investments held in the RDD Funding Account.

“Aggregate Outstanding Amount”: With respect to any Class or Classes of the Notes as of any date of determination, the aggregate principal balance of such Class or Classes of Notes Outstanding as of such date of determination.

“Aggregate Principal Balance”: When used with respect to any Mortgage Assets as of any date of determination, the sum of the Principal Balances on such date of determination of all such Mortgage Assets.

“AML Compliance”: Compliance with the Cayman AML Regulations.

“AML Services Agreement”: The agreement between the Issuer and MCSL (as amended from time to time) for the provision of services to the Issuer to enable the Issuer to achieve AML Compliance.

“Appraisal Reduction Amount”: For a Mortgage Asset with respect to which an Appraisal Reduction Event has occurred, an amount equal to the excess, if any, of (a) the Principal Balance thereof, plus all other amounts due and unpaid with respect thereto, over (b) the sum of (i) an amount equal to 90% of the aggregate appraised value for the Underlying Mortgaged Properties related to such Mortgage Asset (net of any liens senior to the lien of the related mortgage) as determined by an Updated Appraisal on each such Underlying Mortgaged Property related to such Mortgage Asset, plus (ii) the aggregate amount of all reserves, letters of credit and escrows held in connection therewith (other than escrows and reserves for unpaid real estate taxes and assessments and insurance premiums), plus (iii) all insurance and casualty proceeds and condemnation awards that constitute collateral therefor (whether paid or then payable by any insurance company or government authority). With respect to any Mortgage Asset that is a Senior Participation, any Appraisal Reduction Amount will be allocated to such participation interest as provided under the applicable participation agreement.

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“Appraisal Reduction Event”: With respect to a Mortgage Asset, the occurrence of any of the following events:

(i) the 90th day following the occurrence of any uncured delinquency in any monthly payment;

(ii) receipt of notice that the related borrower has filed a bankruptcy petition or the date on which a receiver is appointed and continues in such capacity or the 90th day after the related borrower becomes the subject of involuntary bankruptcy proceedings and such proceedings are not dismissed;

(iii) the date on which any related Underlying Mortgaged Property becomes an REO Property;

(iv) the date on which such Mortgage Asset becomes a Modified Mortgage Asset; or

(v) a payment default occurs with respect to a balloon payment due on such Mortgage Asset; provided, however, that if (i) the related borrower is diligently seeking a refinancing commitment, (ii) the related borrower continues to make its original scheduled payments, (iii) no other Appraisal Reduction Event has occurred with respect to such Mortgage Asset, and (iv) the Collateral Manager consents, then an Appraisal Reduction Event with respect to this clause (v) will be deemed not to occur on or before the 60th day after the original maturity date (inclusive of all extension options that related borrower had right to elect and did so elect pursuant to the instrument related to such Mortgage Asset) of such Mortgage Asset; and provided, further, that if the related borrower has delivered to the CLO Servicer, on or before the 60th day after the original maturity date, a refinancing Commitment Letter or purchase and sale agreement reasonably acceptable to the CLO Servicer, and the borrower continues to make its original scheduled payments and no other Appraisal Reduction Event has occurred with respect to such Mortgage Asset, then an Appraisal Reduction Event will be deemed not to occur until the earlier of (A) 90 days following the original maturity date of such Mortgage Asset and (B) termination of the refinancing Commitment Letter or purchase and sale agreement.

“Arbor Parent”: The meaning specified in the first paragraph of this Indenture.

“ARMS Equity”: ARMS 2018-1 Equity Holdings LLC, a Delaware limited liability company.

“Article 15 Agreement”: The meaning specified in Section 15.1(a) hereof.

“Article 405(1)”: Article 405(1) of EU Regulation 575/2013, the technical standards adopted by the European Commission in relation thereto and the guidelines and other materials published by the European Banking Authority in relation thereto.

“As-Stabilized Appraisal DSCR”: With respect to any Mortgage Asset, the ratio, as calculated by the Collateral Manager in accordance with the Collateral Management Standard, of (a) the “stabilized” annual net cash flow generated from the related property before interest, depreciation and amortization, as reflected in an appraisal that was obtained not more than 12

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months prior to the date of determination, which may be based on the assumption that certain events will occur with respect to the re-tenanting, renovation or other repositioning of such property; to (b) the annual Debt Service. In determining As-Stabilized Appraisal DSCR for any Mortgage Asset that is a Senior Participation, the calculation of As-Stabilized Appraisal DSCR shall take into account the annual Debt Service due on the Senior Participation pursuant to the terms of the related senior participation agreement (and the annual Debt Service due pursuant to the terms of any related Non-Acquired Participation that is *pari passu* with the Senior Participation being acquired) and shall exclude the Debt Service due on any related Junior Participation.

“As-Stabilized Appraisal LTV”: With respect to any Mortgage Asset, the ratio, expressed as a percentage, as calculated by the Collateral Manager in accordance with the Collateral Management Standard, of the Principal Balance of such Mortgage Asset to the value estimate of the related Underlying Mortgaged Property as reflected in an appraisal that was obtained not more than 12 months prior to the date of determination, which value is based on the appraisal or portion of an appraisal that states an “as-stabilized” value and/or “as-renovated” value for such property, which may be based on the assumption that certain events will occur, including without limitation, with respect to the re-tenanting, renovation or other repositioning of such property and, may be based on the capitalization rate reflected in such appraisal; provided, further, that if the appraisal was not obtained within 3 months prior to the date of determination, the Collateral Manager may adjust such capitalization rate in its reasonable good faith judgment executed in accordance with the Collateral Management Standard. In determining As-Stabilized Appraisal LTV for any Mortgage Asset that is a Senior Participation, the calculation of As-Stabilized Appraisal LTV shall take into account the outstanding Principal Balance of the Senior Participation being acquired by the Issuer (and the Principal Balance of any related Non Acquired Participation that is *pari passu* with the Senior Participation being acquired) and shall exclude the Principal Balance of any related Junior Participation.

“Asset Detail Report”: With respect to each Mortgage Asset File, a report generated in written or electronic format by Custodial Securities Intermediary containing a list of the Mortgage Asset Files, the related loan documents, and any exceptions found in its review of such Mortgage Asset Files pursuant to Section 3.3(e) of this Indenture.

“Assets”: The meaning specified in the first paragraph of the Granting Clause of this Indenture.

“Assisted Living Facility”: A facility licensed by a state Health Care Authority to provide supervision or assistance with activities of daily living, coordination of services by health care providers and monitoring of resident activities to help ensure their health, safety and well-being.

“Authenticating Agent”: With respect to the Notes or a Class of the Notes, the Person designated by the Trustee to authenticate such Notes on behalf of the Trustee pursuant to Section 2.12 hereof.

“Authorized Officer”: With respect to the Issuer or Co-Issuer, any Officer (or attorney-in-fact appointed by the Issuer or the Co-Issuer) who is authorized to act for the Issuer or Co-Issuer in matters relating to, and binding upon, the Issuer or Co-Issuer. With respect to the

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Collateral Manager, the persons listed on Schedule C attached hereto. With respect to the Trustee or any other bank or trust company acting as trustee of an express trust or as custodian, a Trust Officer. Each party may receive and accept a certification of the authority of any other party (which shall include contact information and email addresses) as conclusive evidence of the authority of any Person to act, and such certification may be considered as in full force and effect until receipt by such other party of written notice to the contrary.

“Backup Advancing Agent”: U.S. Bank National Association, a national banking association, solely in its capacity as Backup Advancing Agent hereunder, or any successor Backup Advancing Agent; provided that any such successor Backup Advancing Agent must be a financial institution having a long-term debt rating (1) from Moody’s at least equal to “A2” and a short-term debt rating from Moody’s at least equal to “P-1” and (2) at least equal to “A” by DBRS (or, if not rated by DBRS, an equivalent (or higher) rating by any two other NRSROs (which may include Moody’s)).

“Backup Advancing Agent Fee”: The fee payable monthly in arrears on each Payment Date to the Backup Advancing Agent in accordance with the Priority of Payments, equal to 0.001% *per annum* on the Aggregate Outstanding Amount of the Notes on such Payment Date prior to giving effect to payments on such Payment Date.

“Bank”: U.S. Bank National Association, a national banking association, in its individual capacity and not as Trustee and, if any Person is appointed as a successor Trustee, such Person in its individual capacity and not as Trustee.

“Bankruptcy Code”: The federal Bankruptcy Code, Title 11 of the United States Code, as amended and Part V of the Companies Law (as amended) of the Cayman Islands, the Bankruptcy Law (as amended) of the Cayman Islands and the Foreign Bankruptcy Proceedings (International Cooperation) Rules (as amended) of the Cayman Islands, as amended from time to time.

“Bearer Security”: The meaning specified in Section 3.3(a)(iv) hereof.

“Benefit Plan Investor”: An employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to Part 4, Subtitle B of Title I of ERISA, a plan (as defined in Section 4975(e)(1) of the Code) to which Section 4975 of the Code applies or an entity whose underlying assets include “plan assets” by reason of such an employee benefit plan’s or a plan’s investment in such entity.

“Board of Directors”: With respect to the Issuer, the directors of the Issuer duly appointed in accordance with the Governing Documents of the Issuer and, with respect to the Co-Issuer, the LLC Managers duly appointed by the sole member of the Co-Issuer or otherwise.

“Board Resolution”: With respect to the Issuer, a resolution of the Board of Directors of the Issuer and, with respect to the Co-Issuer, a resolution or unanimous written consent of the LLC Managers or the sole member of the Co-Issuer.

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“Business Day”: Any day other than (i) a Saturday or Sunday and (ii) a day on which commercial banks are authorized or required by applicable law, regulation or executive order to close in New York, New York or the location of the Corporate Trust Office of the Trustee.

“Buy/Sell Interest”: A Mortgage Asset for which one of the participants has exercised, or has the right to exercise, the purchase of its corresponding participant’s interest, or sell its interest to such corresponding participant for the same price, in accordance with the related Underlying Instrument.

“Calculation Agent”: The meaning specified in Section 7.14(a) hereof.

“Calculation Amount”: At any time:

(i) for a Modified Mortgage Asset, the Principal Balance thereof minus any related Appraisal Reduction Amounts; and

(ii) for a Defaulted Mortgage Asset, the lowest of (a) the applicable Moody’s Recovery Rate multiplied by the Principal Balance thereof, (b) the Principal Balance thereof minus any applicable Appraisal Reduction Amounts, and (c) the Market Value thereof.

“Cash”: Such coin or currency of the United States of America as at the time shall be legal tender for payment of all public and private debts.

“Cayman AML Regulations”: The Anti-Money Laundering Regulations (2018 Revision) and The Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands, each as amended and revised from time to time.

“Cayman FATCA Legislation”: The Cayman Islands Tax Information Authority Law (as amended), together with regulations and guidance notes made pursuant to such law (including such regulations and guidance notes implementing the OECD Standard for Automatic Exchange of Financial Account Information — Common Reporting Standard).

“Certificate of Authentication”: The meaning specified in Section 2.1 hereof.

“Certificated Security”: A “certificated security” as defined in Section 8-102(a)(4) of the UCC.

“Class”: The Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, or the Class F Notes, as applicable.

“Class A Defaulted Interest Amount”: With respect to the Class A Notes as of each Payment Date, the accrued and unpaid amount due to Holders of the Class A Notes on account of any shortfalls in the payment of the Class A Interest Distribution Amount with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

“Class A Interest Distribution Amount”: On each Payment Date, the amount due to Holders of the Class A Notes on account of interest equal to the product of (i) the Aggregate

Outstanding Amount of the Class A Notes on the first day of the related Interest Accrual Period, (ii) the actual number of days in such Interest Accrual Period divided by 360 and (iii) the Class A Rate.

“Class A Notes”: The Class A Senior Secured Floating Rate Notes, due 2028, issued by the Issuer and the Co-Issuer pursuant to this Indenture.

“Class A Rate”: With respect to any Class A Note, the *per annum* rate at which interest accrues on such Note for any Interest Accrual Period, which shall be equal to (a) one-month LIBOR for the related Interest Accrual Period plus (b) 1.15% *per annum*.

“Class A-S Defaulted Interest Amount”: With respect to the Class A-S Notes as of each Payment Date, the accrued and unpaid amount due to Holders of the Class A-S Notes on account of any shortfalls in the payment of the Class A-S Interest Distribution Amount with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

“Class A-S Interest Distribution Amount”: On each Payment Date, the amount due to Holders of the Class A-S Notes on account of interest equal to the product of (i) the Aggregate Outstanding Amount of the Class A-S Notes on the first day of the related Interest Accrual Period, (ii) the actual number of days in such Interest Accrual Period divided by 360 and (iii) the Class A-S Rate.

“Class A-S Notes”: The Class A-S Senior Secured Floating Rate Notes, due 2028, issued by the Issuer and the Co-Issuer pursuant to this Indenture.

“Class A-S Rate”: With respect to any Class A-S Note, the *per annum* rate at which interest accrues on such Note for any Interest Accrual Period, which shall be equal to (a) one-month LIBOR for the related Interest Accrual Period plus (b) 1.50% *per annum*.

“Class B Defaulted Interest Amount”: With respect to the Class B Notes as of each Payment Date, the accrued and unpaid amount due to Holders of the Class B Notes on account of any shortfalls in the payment of the Class B Interest Distribution Amount with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

“Class B Interest Distribution Amount”: On each Payment Date, the amount due to Holders of the Class B Notes on account of interest equal to the product of (i) the Aggregate Outstanding Amount of the Class B Notes on the first day of the related Interest Accrual Period, (ii) the actual number of days in such Interest Accrual Period divided by 360 and (iii) the Class B Rate.

“Class B Notes”: The Class B Secured Floating Rate Notes due 2028, issued by the Issuer and the Co-Issuer pursuant to this Indenture.

“Class B Rate”: With respect to any Class B Note, the *per annum* rate at which interest accrues on such Note for any Interest Accrual Period, which shall be equal to (a) one-month LIBOR for the related Interest Accrual Period plus (b) 1.70% *per annum*.

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“Class C Defaulted Interest Amount”: With respect to the Class C Notes as of each Payment Date, the accrued and unpaid amount due to Holders of the Class C Notes on account of any shortfalls in the payment of the Class C Interest Distribution Amount with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

“Class C Interest Distribution Amount”: On each Payment Date, the amount due to Holders of the Class C Notes on account of interest equal to the product of (i) the Aggregate Outstanding Amount of the Class C Notes on the first day of the related Interest Accrual Period, (ii) the actual number of days in such Interest Accrual Period divided by 360 and (iii) the Class C Rate.

“Class C Notes”: The Class C Secured Floating Rate Notes, due 2028, issued by the Issuer and the Co-Issuer pursuant to this Indenture.

“Class C Rate”: With respect to any Class C Note, the *per annum* rate at which interest accrues on such Note for any Interest Accrual Period, which shall be equal to (a) one-month LIBOR for the related Interest Accrual Period plus (b) 2.50% *per annum*.

“Class D Defaulted Interest Amount”: With respect to the Class D Notes as of each Payment Date, the accrued and unpaid amount due to Holders of the Class D Notes on account of any shortfalls in the payment of the Class D Interest Distribution Amount with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

“Class D Interest Distribution Amount”: On each Payment Date, the amount due to Holders of the Class D Notes on account of interest equal to the product of (i) the Aggregate Outstanding Amount of the Class D Notes on the first day of the related Interest Accrual Period, (ii) the actual number of days in such Interest Accrual Period divided by 360 and (iii) the Class D Rate.

“Class D Notes”: The Class D Secured Floating Rate Notes, due 2028, issued by the Issuer and the Co-Issuer pursuant to this Indenture.

“Class D Rate”: With respect to any Class D Note, the *per annum* rate at which interest accrues on such Note for any Interest Accrual Period, which shall be equal to (a) one-month LIBOR for the related Interest Accrual Period plus (b) 3.05% *per annum*.

“Class E Defaulted Interest Amount”: With respect to the Class E Notes as of each Payment Date for which no Class A Notes, Class A-S Notes, Class B Notes, Class C Notes or Class D Notes are Outstanding, the accrued and unpaid amount due to Holders of the Class E Notes on account of any shortfalls in the payment of the Class E Interest Distribution Amount with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

“Class E Deferred Interest”: For so long as any of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes or the Class D Notes are Outstanding, to the extent interest is due but not paid on the Class E Notes on any Payment Date, such amount will be added

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to the principal amount of the Class E Notes and will bear interest at the Class E Rate on the Aggregate Outstanding Amount of the Class E Notes, as so increased.

“Class E Interest Distribution Amount”: On each Payment Date, the amount due to Holders of the Class E Notes on account of interest equal to the product of (i) the Aggregate Outstanding Amount of the Class E Notes on the first day of the related Interest Accrual Period, (ii) the actual number of days in such Interest Accrual Period divided by 360 and (iii) the Class E Rate.

“Class E Notes”: The Class E Floating Rate Notes, due 2028, issued by the Issuer pursuant to this Indenture.

“Class E Rate”: With respect to any Class E Note, the *per annum* rate at which interest accrues on such Note for any Interest Accrual Period, which shall be equal to (a) one-month LIBOR for the related Interest Accrual Period plus (b) 5.00% *per annum*.

“Class F Defaulted Interest Amount”: With respect to the Class F Notes, as of each Payment Date for which no Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are Outstanding, the accrued and unpaid amount due to Holders of the Class F Notes on account of any shortfalls in the payment of the Class F Interest Distribution Amount with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

“Class F Deferred Interest”: For so long as any of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes are Outstanding, to the extent interest is due but not paid on the Class F Notes on any Payment Date, such amount will be added to the principal amount of the Class F Notes and will bear interest at the Class F Rate on the Aggregate Outstanding Amount of the Class F Notes, as so increased.

“Class F Interest Distribution Amount”: On each Payment Date, the amount due to Holders of the Class F Notes on account of interest equal to the product of (i) the Aggregate Outstanding Amount of the Class F Notes on the first day of the related Interest Accrual Period, (ii) the actual number of days in such Interest Accrual Period divided by 360 and (iii) the Class F Rate.

“Class F Notes”: The Class F Floating Rate Notes, due 2028, issued by the Issuer pursuant to this Indenture.

“Class F Rate”: With respect to any Class F Note, the *per annum* rate at which interest accrues on such Note for any Interest Accrual Period, which shall be equal to (a) one-month LIBOR for the related Interest Accrual Period plus (b) 6.50% *per annum*.

“Clean-up Call”: The meaning specified in Section 9.1(a) hereof.

“Clearing Agency”: An organization registered as a “clearing agency” pursuant to Section 17A of the Exchange Act.

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“Clearstream, Luxembourg”: Clearstream Banking, société anonyme, a limited liability company organized under the laws of the Grand Duchy of Luxembourg.

“CLO Servicer”: Arbor Multifamily Lending, LLC, each of Arbor Multifamily Lending, LLC’s permitted successors and assigns or any successor Person that shall have become the servicer and special servicer pursuant to the provisions of the Servicing Agreement.

“Closing”: The transfer of any Note to the initial registered Holder of such Note.

“Closing Date”: June 14, 2018.

“Closing Document Checklist”: As to each Mortgage Asset File, a document checklist substantially in the form included as Exhibit H attached hereto, which shall be the definitive list of documents to be delivered to the Custodial Securities Intermediary.

“Co-Issuer”: Arbor Realty Commercial Real Estate Notes 2018-FL1, LLC, a limited liability company formed under the laws of the State of Delaware, until a successor Person shall have become the Co-Issuer pursuant to the applicable provisions of this Indenture, and thereafter “Co-Issuer” shall mean such successor Person.

“Co-Issuers”: The Issuer and the Co-Issuer.

“Code”: The United States Internal Revenue Code of 1986, as amended.

“Collateral Administration Agreement”: An agreement dated as of the Closing Date among the Issuer, the Collateral Manager and the Collateral Administrator, as amended from time to time.

“Collateral Administrator”: The Bank, in its capacity as such under the Collateral Administration Agreement, and any successor thereto.

“Collateral Management Agreement”: The Collateral Management Agreement, dated as of the Closing Date, by and between the Issuer and the Collateral Manager, as amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Collateral Management Standard”: The meaning set forth in the Collateral Management Agreement.

“Collateral Manager”: Arbor Realty Collateral Management, LLC, each of Arbor Realty Collateral Management, LLC’s permitted successors and assigns or any successor Person that shall have become the Collateral Manager pursuant to the provisions of the Collateral Management Agreement, and thereafter “Collateral Manager” shall mean such successor Person.

“Collateral Manager Fee”: The meaning set forth in the Collateral Management Agreement.

“Collection Accounts”: The trust accounts so designated and established pursuant to Section 10.2(a) hereof.

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“Commitment Letter”: A definitive letter of commitment or term sheet provided by an institutional lender.

“Company Administration Agreement”: The administration agreement, dated on or about the Closing Date, by and among the Issuer and the Company Administrator, as modified and supplemented and in effect from time to time.

“Company Administrative Expenses”: All fees, expenses and other amounts due or accrued with respect to any Payment Date and payable by the Issuer, the Co-Issuer or any Permitted Subsidiary (including legal fees and expenses) to (i) the Trustee and Custodian pursuant to Section 6.7 hereof or any co-trustee appointed pursuant to this Indenture (including amounts payable by the Issuer as indemnification pursuant to this Indenture) and the Collateral Administrator pursuant to the Collateral Administration Agreement, (ii) the Company Administrator under the Company Administration Agreement and the Registered Office Agreement, and MSCL pursuant to the AML Services Agreement (including amounts payable by the Issuer as indemnification pursuant to the Company Administration Agreement) and to provide for the costs of liquidating the Issuer following redemption of the Notes, (iii) the LLC Managers (including indemnification), (iv) payable in the order in which invoices are received by the Issuer, the Independent accountants, agents and counsel of the Issuer for reasonable fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Issuer and the Co-Issuer) and any registered office and government filing fees and any amounts in relation to FATCA Compliance, (v) the Rating Agencies for fees and expenses in connection with any rating (including the annual fee payable with respect to the monitoring of any rating) of the Notes, including fees and expenses due or accrued in connection with any credit assessment or rating of the Mortgage Assets, (vi) the Collateral Manager under this Indenture and the Collateral Management Agreement, (vii) the Collateral Manager or other Persons as indemnification pursuant to the Collateral Management Agreement, (viii) the Advancing Agent or other Persons as indemnification pursuant to Section 17.3, (ix) the CREFC® Intellectual Property Royalty License Fee, (x) each member of the Advisory Committee (including amounts payable as indemnification) under each agreement between such Advisory Committee member and the Issuer (and the amounts payable by the Issuer to each member of the Advisory Committee as indemnification pursuant to each such agreement); (xi) the Preferred Shares Paying Agent and the Share Registrar under the Preferred Share Paying Agency Agreement (including amounts payable as indemnification), (xii) payable in the order in which invoices are received by the Issuer, any other Person in respect of any governmental fee, charge or tax in relation to the

Issuer or the Co-Issuer (in each case as certified by an Authorized Officer of the Issuer or the Co-Issuer to the Trustee), and (xiii) payable in the order in which invoices are received by the Issuer, any other Person in respect of any other fees or expenses (including indemnifications) permitted under this Indenture (including, without limitation, any costs or expenses incurred in connection with certain modeling systems and services) and the documents delivered pursuant to or in connection with this Indenture and the Notes and any amendment or other modification of any such documentation, in each case unless expressly prohibited under this Indenture (including, without limitation, the payment of all transaction fees and all legal and other fees and expenses required in connection with the purchase of any Mortgage Assets or any other transaction authorized by this Indenture); provided that Company Administrative Expenses shall not include (a) amounts payable in respect of the Notes and (b) any Collateral Manager Fee payable pursuant to the Collateral Management Agreement.

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“Company Administrator”: MaplesFS Limited, a licensed trust company incorporated in the Cayman Islands, as administrator pursuant to the Company Administration Agreement, unless a successor Person shall have become administrator pursuant to the Company Administration Agreement, and thereafter, Company Administrator shall mean such successor Person.

“Controlling Class”: The Class A Notes, so long as any Class A Notes are Outstanding, then the Class A-S Notes, so long as Class A-S Notes are Outstanding, then the Class B Notes, so long as Class B Notes are Outstanding, then the Class C Notes, so long as Class C Notes are Outstanding, then the Class D Notes, so long as the Class D Notes are Outstanding, then the Class E Notes, so long as the Class E Notes are Outstanding, then the Class F Notes, so long as the Class F Notes are Outstanding, and then the Preferred Shares.

“Corporate Trust Office”: The designated corporate trust office of the Trustee, currently located at: (a) for Note transfer purposes, presentment of the Notes for final payment thereon, 111 Fillmore Ave E, St. Paul, MN 55107-1402, Attention: Bondholder Services—EP-MN-WS2N-Arbor Realty Commercial Real Estate Notes 2018-FL1, Ltd.; (b) for the delivery of the Mortgage Asset Files, 1133 Rankin Street, Suite 100, St. Paul, Minnesota 55116, Attention: Commercial Certifications — Arbor 2018-1; and (c) for all other purposes, 190 South LaSalle Street, 8th Floor, Chicago, Illinois, 60603, Attention: Corporate Trust Services—Arbor Realty Commercial Real Estate Notes 2018-FL1, Ltd., Email: ArborTrustee@usbank.com, or such other address as the Trustee may designate from time to time by notice to the Noteholders, the Holder of the Preferred Shares, the Collateral Manager, the Rating Agencies and the Issuer or the principal corporate trust office of any successor Trustee.

“Credit Risk Mortgage Asset”: Any Mortgage Asset that, in the Collateral Manager’s reasonable business judgment, has a significant risk of becoming a Defaulted Mortgage Asset in the foreseeable future.

“Credit Risk/Defaulted Mortgage Asset Cash Purchase”: The meaning specified in Section 12.1(b)(i) hereof.

“CREFC® Intellectual Property Royalty License Fee” means with respect to each Mortgage Asset and for any Payment Date, an amount accrued during the related Interest Accrual Period at the CREFC® Intellectual Property Royalty License Fee Rate on the Principal Balance of such Mortgage Asset as of the close of business on the Determination Date in such Interest Accrual Period. Such amounts shall be computed for the same period and on the same interest accrual basis respecting which any related interest payment due or deemed due on the related Mortgage Asset is computed and shall be prorated for partial periods.

“CREFC® Intellectual Property Royalty License Fee Rate” means, with respect to each Mortgage Asset, a rate equal to 0.0005% per annum.

“Custodial Account”: An account at the Custodial Securities Intermediary in the name of the Trustee pursuant to Section 10.1(b) hereof.

“Custodial Securities Intermediary”: The meaning specified in Section 3.3(a) hereof.

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“Custodian”: U.S. Bank National Association, solely in its capacity as custodian hereunder, or its permitted successor or assign.

“Database”: The meaning specified in Section 10.11(a)(i) hereof.

“DBRS”: Means DBRS, Inc., and its successors in interest.

“Debt Service”: With respect to any Mortgage Asset, Senior Participation or Junior Participation, the monthly payments of principal and interest due pursuant to the terms of the related Underlying Instruments, excluding (1) any balloon payments, (2) required (non-monthly) principal paydowns and (3) reserve payments for the 12 payments following the Reference Date.

“Default”: Any Event of Default or any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

“Defaulted Mortgage Asset”: A Mortgage Asset for which there has occurred and is continuing for more than 60 days either (x) a payment default (after giving effect to any applicable grace period but without giving effect to any waiver) or (y) a material non-monetary event of default that is known to the CLO Servicer and has occurred and is continuing (after giving effect to any applicable grace period but without giving effect to any waiver); provided, however, that any Mortgage Asset as to which an Appraisal Reduction Event has not occurred due to the circumstances specified in clause (v) of the definition thereof and which is not otherwise a Defaulted Mortgage Asset shall be deemed not to be a Defaulted Mortgage Asset for purposes of determining the Calculation Amount for the Par Value Test.

“Definitive Note”: The meaning specified in Section 2.2(b)(ii) hereof.

“Depository” or “DTC”: The Depository Trust Company, its nominees, and their respective successors.

“Designated Principal Proceeds”: The meaning specified in Section 10.2(d) hereof.

“Determination Date”: With respect to any Payment Date, the fourth Business Day prior to such Payment Date.

“Disqualified Transferee”: The meaning specified in Section 2.5(m) hereof.

“Dissolution Expenses”: The amount of expenses reasonably likely to be incurred in connection with the discharge of this Indenture, the liquidation of the Assets and the dissolution of the Co-Issuers, as reasonably certified by the Collateral Manager or the Issuer, based in part on expenses incurred by the Trustee and reported to the Collateral Manager.

“Dollar,” “U.S. \$” or “\$”: A U.S. dollar or other equivalent unit in Cash.

“Due Date”: Each date on which a Scheduled Distribution is due on an Asset.

“Due Diligence Provider”: The meaning specified in Section 14.13(f) hereof.

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“Due Period”: With respect to any Payment Date, the period commencing on the day immediately succeeding the second preceding Determination Date (or commencing on the Closing Date, in the case of the Due Period relating to the first Payment Date) and ending on and including the Determination Date immediately preceding such Payment Date.

“Eligibility Criteria”: The criteria set forth below with respect to any Mortgage Asset, whether a Ramp-Up Mortgage Asset or a Reinvestment Mortgage Asset, acquired by the Issuer after the Closing Date, compliance with which shall be evidenced by an Officer’s Certificate of the Collateral Manager delivered to the Trustee as of the date of such acquisition:

(i) it is a Whole Loan or a Senior Participation that is secured by Multi-Family Property, Student Housing Property, Industrial Property, Retail Property, Office Property, Self-Storage Property, Hospitality Property or Healthcare Property;

(ii) with respect to (A) any acquisition of a Mortgage Asset during the Ramp-Up Acquisition Period, as of the Ramp-Up Completion Date and (B) any acquisition of a Mortgage Asset after the Ramp-Up Acquisition Period, immediately after giving effect to the acquisition of such Mortgage Asset, the Principal Balance of the Mortgage Assets secured by Industrial Properties, Retail Properties, Office Properties, Self-Storage Properties, Hospitality Properties or Healthcare Properties does not in the aggregate exceed 30.0% of the Aggregate Collateral Balance;

(iii) with respect to any acquisition of a Mortgage Asset after the Ramp-Up Acquisition Period, immediately after giving effect to the acquisition of such Reinvestment Mortgage Asset, (a) the Principal Balance of the Mortgage Assets secured by Self-Storage Properties does not in the aggregate exceed 12.0% of the Aggregate Collateral Balance, (b) the Principal Balance of the Mortgage Assets secured by Student Housing Properties does not in the aggregate exceed 15.0% of the Aggregate Collateral Balance and (c) the Principal Balance of the Mortgage Assets secured by Healthcare Properties or Hospitality Properties does not in the aggregate exceed 7.5% of the Aggregate Collateral Balance;

(iv) if it is secured by Healthcare Property, the related Whole Loan was intended at the time of origination to be eventually refinanced with the proceeds of an Agency Mortgage Loan;

(v) the obligor is incorporated or organized under the laws of, and the Mortgage Asset is secured by property located in, the United States;

(vi) it provides for monthly payments of interest at a floating rate of interest based on one-month LIBOR (or, based on a successor one-month rate acceptable to the Rating Agencies);

(vii) it has a Moody’s Rating;

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(viii) the Whole Loan (or, as applicable, the mortgage loan underlying a Senior Participation) has a maturity date, assuming the exercise of all extension options (if any) that are exercisable at the option of the related borrower under the terms of such Whole Loan (or, as applicable, the mortgage loan underlying a Senior Participation) is not more than five years from the date of such acquisition;

(ix) it is not an Equity Interest;

(x) it has an As-Stabilized Appraisal LTV that is not greater than 75%;

(xi) it has an As-Stabilized Appraisal DSCR that is not less than (A) in the case of Mortgage Assets secured by Multi-Family Properties (including Student Housing Properties), 1.25x, and (B) in the case of Mortgage Assets secured by Industrial Properties, Retail Properties, Office Properties, Self-Storage Properties, Hospitality Properties or Healthcare Properties, 1.30x;

(xii) with respect to (A) any Ramp-Up Mortgage Asset, the Principal Balance of the largest Ramp-Up Mortgage Asset (by Principal Balance) does not exceed U.S.\$30,000,000 and the Principal Balance of the next largest Ramp-Up Mortgage Asset (by Principal Balance) does not exceed U.S.\$25,000,000 and (B) any Reinvestment Mortgage Asset, the Principal Balance of such Mortgage Asset is not greater than U.S.\$49,000,000;

(xiii) with respect to each Ramp-Up Mortgage Asset, such Ramp-Up Mortgage Asset is secured by Multi-Family Property, Student Housing Property or Healthcare Property;

(xiv) with respect to (A) any acquisition of a Mortgage Asset during the Ramp-Up Acquisition Period, as of the Ramp-Up Completion Date and (B) any acquisition of a Mortgage Asset after the Ramp-Up Acquisition Period, immediately after giving effect to the acquisition of such Mortgage Asset:

(I) the Weighted Average Life of all the Mortgage Assets, assuming the exercise of all contractual extension options (if any) that are exercisable by the related borrower under the terms of each Mortgage Asset, is less than or equal to the number of years (rounded to the nearest one hundredth thereof) during the period from such date of determination to 5.50 years from the Closing Date;

(II) the Weighted Average Spread of all the Mortgage Assets is not less than 3.65%;

(III) the Aggregate Collateral Balance allocated to all of the mortgaged properties located in any one state is no greater than 40% of the Aggregate Collateral Balance; and

(IV) the Aggregate Collateral Balance divided by the number of Mortgage Assets does not exceed U.S. \$31,000,000;

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(xv) the Moody's Rating for such Mortgage Asset is equal to or better than the Moody's Rating that equates to the median original Moody's Weighted Average Rating Factor for all Mortgage Assets acquired by the Issuer on the Closing Date;

(xvi) except with respect to RDD Mortgage Assets, it will not require the Issuer to make any future payments after the initial purchase thereof;

(xvii) if it is an RDD Mortgage Asset, the aggregate amount of RDD Funding Advances with respect to such RDD Mortgage Asset is deposited into the RDD Funding Account on the date such RDD Mortgage Asset is acquired by the Issuer;

(xviii) it is not prohibited under its Underlying Instruments from being purchased by the Issuer and pledged to the Trustee;

(xix) it is not the subject of any solicitation by the borrower or Junior Participation holder to amend, modify or waive any provision of any of the related Underlying Instruments;

(xx) it is not an interest that, in the Collateral Manager's reasonable business judgment, has a significant risk of becoming a Defaulted Mortgage Asset in the foreseeable future;

(xxi) it is not a Defaulted Mortgage Asset (as determined by the Collateral Manager after reasonable inquiry);

(xxii) it is Dollar denominated and may not be converted into an obligation payable in any other currencies;

(xxiii) if such Mortgage Asset has attached reciprocal "buy/sell" rights as a dispute resolution mechanism, such rights in favor of the Issuer are freely assignable by the Issuer to any of its affiliates;

(xxiv) it provides for the repayment of principal at not less than par no later than upon its maturity or upon redemption, acceleration or its full prepayment;

(xxv) it is serviced pursuant to the Servicing Agreement or it is serviced by an Accepted Loan Servicer pursuant to a commercial mortgage servicing arrangement that includes the servicing provisions substantially similar to those that are standard in commercial mortgage backed securities transactions;

(xxvi) the requirements set forth in Section 16.3 hereof have been met (subject to such exceptions as are reasonably acceptable to the Collateral Manager);

(xxvii) if it is a Senior Participation, the related Participating Institution is any of (1) a "special purpose entity" or a "qualified institutional lender" as such terms are typically defined in the Underlying Instruments related to participations;

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(2) an entity that has (x) a long-term unsecured debt rating from Moody's of "A3" or higher and (y) a long-term unsecured debt rating from DBRS of "A(low)" or higher (or if not rated by DBRS, an equivalent (or higher) rating by any two other NRSROs (which may include Moody's)); (3) a securitization trust, a collateralized loan obligation ("CLO") issuer or a similar securitization vehicle, or (4) a special purpose entity that is 100% directly or indirectly owned by the Arbor Parent, for so long as the separateness provisions of its organizational documents have not been amended (unless the Rating Agency Condition was satisfied in connection with such amendment);

(xxviii) its acquisition will be in compliance with Section 206 of the Advisers Act;

(xxix) its acquisition, ownership, enforcement and disposition will not cause the Issuer to fail to be a Qualified REIT Subsidiary or other disregarded entity of a REIT unless a No Trade or Business Opinion has previously been received (which opinion may be conditioned on compliance with certain restrictions on the investment or other activity of the Issuer and/or the Collateral Manager on behalf of the Issuer);

(xxx) its acquisition would not cause the Issuer, the Co-Issuer or the pool of Assets to be required to register as an investment company under the 1940 Act; and if the borrowers with respect to the Mortgage Asset are excepted from the definition of an “investment company” solely by reason of Section 3(c)(1) of the 1940 Act, then either (x) such Mortgage Asset does not constitute a “voting security” for purposes of the 1940 Act or (y) the aggregate amount of such Mortgage Asset held by the Issuer is less than 10% of the entire issue of such Mortgage Asset;

(xxxii) it does not provide for any payments which are or will be subject to deduction or withholding for or on account of any withholding or similar tax, other than any taxes imposed pursuant to FATCA, unless the borrower under such Mortgage Asset is required to make “gross up” payments that ensure that the net amount actually received by the Issuer or the relevant Permitted Subsidiary (free and clear of taxes, whether assessed against such borrower or the Issuer or such Permitted Subsidiary) will equal the full amount that the Issuer or such Permitted Subsidiary would have received had no such deduction or withholding been required;

(xxxiii) a No Downgrade Confirmation has been received from DBRS prior to the acquisition of each Ramp-Up Mortgage Asset and Reinvestment Mortgage Asset;

(xxxiiii) after giving effect to its acquisition, together with the acquisition of any other Mortgage Assets to be acquired on the same date, the aggregate outstanding principal amount of Mortgage Assets held by the Issuer that are

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Retention Holder Originated Mortgage Assets is in excess of 50% of the aggregate outstanding principal amount of Mortgage Assets held by the Issuer;

(xxxv) if it is a Non-Controlling Participation, its acquisition will not (1) cause the aggregate Principal Balance of all Non-Controlling Participations (excluding Non-Controlling Participations that are Senior Pari Passu Participations as to which 100% of the controlling interests are collectively held by the Issuer and affiliates that are under 100% common control with the Issuer) to exceed 15% of the Aggregate Collateral Balance then owned by the Issuer or (2) cause the Weighted Average Life of all of the Non-Controlling Participations (without regard to whether or not any Non-Controlling Participation is a Defaulted Mortgage Asset and excluding Non-Controlling Participations that are Senior Pari Passu Participations as to which 100% of the controlling interests are collectively held by the Issuer and affiliates that are under 100% common control with the Issuer) to exceed the Weighted Average Life of all of the other Mortgage Assets (such determination to be calculated both on an initial maturity date and an final extended maturity basis); and

(xxxvi) it is not acquired for the primary purpose of recognizing gains or decreasing losses resulting from market value changes.

“Eligible Account”: As defined in the Servicing Agreement.

“Eligible Investments”: Any Dollar-denominated investment that, at the time it is Granted to the Trustee (directly or through a Securities Intermediary or bailee), is Registered and is one or more of the following obligations or securities:

(i) direct obligations of, and obligations the timely payment of principal of and interest on which is fully and expressly guaranteed by, the United States, or any agency or instrumentality of the United States, the obligations of which are expressly backed by the full faith and credit of the United States, and which constitute “government securities” within the meaning of Section 856(c)(4) of the Code;

(ii) demand and time deposits in, certificates of deposit of, bankers’ acceptances issued by, or federal funds sold by, any depository institution or trust company incorporated under the laws of the United States or any state thereof or the District of Columbia (including the Trustee or the commercial department of any successor Trustee, as the case may be; provided that such successor otherwise meets the criteria specified herein) and subject to supervision and examination by federal and/or state banking authorities so long as the commercial paper (other than asset-backed commercial paper) and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of not less than “Aa3” by Moody’s, in the case of long-term debt obligations, and “P-1” by Moody’s, for

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short-term debt obligations, and, in each case, have a credit rating of the highest long-term or short-term category of DBRS, and if not rated by DBRS, then an equivalent rating by any two other NRSROs (which may include Moody’s);

(iii) unleveraged repurchase or forward purchase obligations with respect to (a) any security described in clause (i) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United States of America, in either case entered into with a depository institution or trust company (acting as principal) described in clause (ii) above (including the Trustee or the commercial department of any successor Trustee, as the case may be; provided that such person otherwise meets the criteria specified herein) or entered into with a corporation (acting as principal) whose long-term rating is not less than “Aa3” by Moody’s, and whose short-term credit rating is not less than “P-1” by Moody’s, and, in each case, have a credit rating of the highest long-term or short-term category of DBRS, and if not rated by DBRS, then an equivalent rating by any two other NRSROs (which may include Moody’s);

(iv) a reinvestment agreement issued by any bank (if treated as a deposit by such bank) that has a short-term credit rating of not less than “P-1” by Moody’s; provided that the issuer thereof must also have at the time of such investment a long-term credit rating of not less than “Aa3” by Moody’s, and, in each case, have a credit rating of the highest long-term or short-term category of DBRS, and if not rated by DBRS, then an equivalent rating by any two other NRSROs (which may include Moody’s); and

(v) any other investment similar to those described in clauses (i) through (iv) above that (1) Moody's has confirmed may be included in the portfolio of Assets as an Eligible Investment without adversely affecting its then-current ratings on the Notes and (2) has a long-term credit rating of not less than "Aa3" by Moody's and a short-term credit rating of not less than "P-1" by Moody's, and, in each case, have a credit rating of the highest long-term or short-term category of DBRS, and if not rated by DBRS, then an equivalent rating by any two other NRSROs (which may include Moody's);

provided that mortgage-backed securities and interest only securities shall not constitute Eligible Investments; provided, further, that (a) Eligible Investments acquired with funds in the Collection Accounts shall include only such obligations or securities as mature no later than three Business Days prior to the next Payment Date succeeding the acquisition of such obligations or securities (unless such Eligible Investments are issued by the Trustee in its capacity as a banking institution, in which event such Eligible Investments may mature on such Payment Date), (b) Eligible Investments shall not include obligations bearing interest at inverse floating rates, (c) Eligible Investments shall be treated as indebtedness for U.S. federal income tax purposes and such investment shall not cause the Issuer to fail to be treated as a Qualified REIT Subsidiary (unless the Issuer has previously received a No Trade or Business Opinion, in which case the investment will not cause the Issuer to be treated as a foreign corporation engaged in a trade or business in the United States for U.S. federal income tax purposes or to otherwise become subject to U.S. federal income tax on a net income basis), (d) Eligible Investments shall not be subject to deduction or

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withholding for or on account of any withholding or similar tax (other than any taxes imposed pursuant to FATCA), unless the payor is required to make "gross up" payments that ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding been required, (e) Eligible Investments shall not be purchased for a price in excess of par and (f) Eligible Investments shall not include margin stock. Eligible Investments may be obligations of and may be purchased from the Trustee and its Affiliates so long as the Trustee has a capital and surplus of at least U.S.\$200,000,000 and has a long-term unsecured credit rating of at least "Baa1" by Moody's, and may include obligations for which the Trustee or an Affiliate thereof receives compensation for providing services.

Notwithstanding the foregoing clauses (i) through (v), unless the Issuer and the Collateral Manager have received the written advice of counsel of national reputation experienced in such matters to the contrary (together with an Officer's certificate of the Issuer or the Collateral Manager to the Trustee (on which the Trustee may rely) that the advice specified in this definition has been received by the Issuer and the Collateral Manager), Eligible Investments may only include obligations or securities that constitute cash equivalents for purposes of the rights and assets in paragraph 44.10(c)(8)(i)(B) of the exclusions from the definition of "covered fund" for purposes of the Volcker Rule.

"Entitlement Order": The meaning specified in Section 8-102(a)(8) of the UCC.

"Equity Interest": A security or other interest that does not entitle the holder thereof to receive periodic payments of interest and one or more installments of principal, including (i) any bond or note or similar instrument that is by its terms convertible into or exchangeable for an equity interest, (ii) any bond or note or similar instrument that includes warrants or other interests that entitle its holder to acquire an equity interest, or (iii) any other similar instrument that would entitle its holder to receive periodic payments of interest or a return of a residual value.

"ERISA": The United States Employee Retirement Income Security Act of 1974, as amended.

"EU Retention Requirements": Collectively, the risk retention requirements set out in:

(a) Articles 404 to 410 of the European Union Regulation (EU) No 2013/575/2013/EU (the "CRR"), as supplemented by Commission Delegated Regulation (EU) No 625/2014, including any further technical standards and guidance published in relation thereto as may be effective from time to time;

(b) Articles 254-257 of the European Union Regulation (EU) No 2015/35/2015 (the "Solvency II Level 2 Regulation"), including any technical standards and guidance published in relation thereto as may be effective from time to time; and

(c) Articles 50-56 of Commission Delegated Regulation (EU) No 231/2013 (the "AIFMD Level 2 Regulation"), including any technical standards and guidance published in relation thereto as may be effective from time to time.

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"E.U. Risk Retention Letter": That certain risk retention letter delivered by Arbor Parent and ARMS Equity to the Issuer, the Co-Issuer, the Collateral Manager, the Trustee and the Placement Agent, dated June 14, 2018.

"Euroclear": Euroclear Bank S.A./N.V., as operator of the Euroclear system.

"Event of Default": The meaning specified in Section 5.1 hereof.

"Excepted Assets": (i) The U.S.\$250 proceeds of share capital contributed by ARMS Equity as the holder of the ordinary shares of the Issuer, the U.S.\$250 representing a profit fee to the Issuer, and, in each case, any interest earned thereon and the bank account in which such amounts are held and (ii) the Preferred Share Distribution Account and all of the funds and other property from time to time deposited in or credited to the Preferred Share Distribution Account.

"Exchange Act": The Securities Exchange Act of 1934, as amended.

"Exchange Mortgage Asset": The meaning specified in Section 12.1(b)(ii) hereof.

"Expense Account": The account established pursuant to Section 10.7(a) hereof.

“FATCA”: Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any U.S. or non-U.S. fiscal or regulatory legislation, rules, guidance notes or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code or analogous provisions of non-U.S. law.

“FATCA Compliance”: Compliance with FATCA, Cayman FATCA Legislation and any related provisions of law, court decisions or administrative guidance, in each case as necessary so that (i) no Tax will be imposed or withheld under FATCA or a Cayman FATCA Legislation in respect of payments to or for the benefit of the Issuer and (ii) no penalties will be imposed under FATCA or Cayman FATCA Legislation on the Co-Issuers or a Trustee.

“Fiduciary Rule”: The Department of Labor regulations promulgated at 29 C.F.R. Section 2510.3-21 on April 8, 2016 (81 Fed. Reg. 20,997).

“Financial Asset”: The meaning specified in Section 8-102(a)(9) of the UCC.

“Financing Statements”: Financing statements relating to the Assets naming the Issuer, as debtor, and the Trustee, on behalf of the Secured Parties, as secured party.

“Fitch”: Fitch, Inc., Fitch Ratings, Ltd. and their subsidiaries including Derivative Fitch, Inc. and Derivative Fitch Ltd. and any successor or successors thereto.

“GAAP”: The meaning specified in Section 6.3(k) hereof.

“General Intangible”: The meaning specified in Section 9-102(a)(42) of the UCC.

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“Global Securities”: The Rule 144A Global Securities and the Regulation S Global Securities.

“Governing Documents”: With respect to (i) the Issuer, the Memorandum and Articles of Association of the Issuer, as amended and restated and/or supplemented and in effect from time to time and certain resolutions of its Board of Directors and (ii) all other Persons, the articles of incorporation, certificate of incorporation, by-laws, certificate of limited partnership, limited partnership agreement, limited liability company agreement, certificate of formation, articles of association and similar charter documents, as applicable to any such Person.

“Government Items”: A security (other than a security issued by the Government National Mortgage Association) issued or guaranteed by the United States of America or an agency or instrumentality thereof representing a full faith and credit obligation of the United States of America and, with respect to each of the foregoing, that is maintained in book-entry form on the records of a Federal Reserve Bank.

“Grant”: To grant, bargain, sell, warrant, alienate, remise, demise, release, convey, assign, transfer, mortgage, pledge, create and grant a security interest in and right of set-off against, deposit, set over and confirm. A Grant of the Assets or of any other security or instrument shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including without limitation the immediate continuing right to claim, collect, receive and take receipt for principal and interest payments in respect of the Assets (or any other security or instrument), and all other amounts payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

“Health Care Authority”: Any governmental authority or quasi-governmental authority or any agency, intermediary, board, authority or entity concerned with the ownership, operation, use or occupancy of any mortgaged property as a Skilled Nursing Facility or Assisted Living Facility or an Independent Living Facility.

“Healthcare Property”: A real property secured by healthcare space (including mixed-use property) as to which the majority of the underwritten revenue is from Assisted Living Facilities, Independent Living Facilities and/or Skilled Nursing Facilities including, in each case, patient rehabilitation and related ancillary capabilities and related office space and other appurtenant and related uses.

“Holder” or “Securityholder”: With respect to any Note, the Person in whose name such Note is registered in the Notes Register. With respect to any Preferred Share, the Person in whose name such Preferred Share is registered in the register maintained by the Share Registrar.

“Holder AML Obligations”: The meaning set forth in section 2.7(l).

“Hospitality Property”: A real property secured by hospitality space (including mixed-use property) as to which the majority of the underwritten revenue is from hospitality space.

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“IAI”: An institution that is an “accredited investor” within the meaning of Rule 501(a)(1), (2), (3) or (7) under Regulation D under the Securities Act or any entity in which all of the equity owners are such “accredited investors”.

“Indenture”: This instrument as originally executed and, if from time to time supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, as so supplemented or amended.

“Independent”: As to any Person, any other Person (including, in the case of an accountant, or lawyer, a firm of accountants or lawyers and any member thereof or an investment bank and any member thereof) who (i) does not have and is not committed to acquire any material direct or any material

indirect financial interest in such Person or in any Affiliate of such Person, and (ii) is not connected with such Person as an Officer, employee, promoter, underwriter, voting trustee, partner, director or Person performing similar functions. "Independent" when used with respect to any accountant may include an accountant who audits the books of such Person if in addition to satisfying the criteria set forth above the accountant is independent with respect to such Person within the meaning of Rule 101 of the Code of Ethics of the American Institute of Certified Public Accountants.

Whenever any Independent Person's opinion or certificate is to be furnished to the Trustee such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Independent Living Facility:" means a facility that is not required to be licensed by a state Health Care Authority and that provides residents with private living accommodations, common areas for dining, social and recreational activities and other amenities within the same facility or within conjoined or contiguous structures.

"Industrial Property": A real property secured by industrial space (including mixed use industrial/office) as to which the majority of the underwritten revenue is from industrial rental units.

"Information Agent": The meaning specified in Section 14.13(b) hereof.

"Initial Mortgage Assets": The Mortgage Assets listed on Schedule A attached hereto.

"Instrument": The meaning specified in Section 9-102(a)(47) of the UCC.

"Interest Accrual Period": With respect to the Notes, (i) with respect to the first Payment Date, the period from and including the Closing Date to, but excluding, such first Payment Date and (ii) with respect to each successive Payment Date, the period from and including the immediately preceding Payment Date to, but excluding, such Payment Date.

"Interest Advance": The meaning specified in Section 10.9(a) hereof.

"Interest Collection Account": The trust account established pursuant to Section 10.2(a) hereof.

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"Interest Coverage Ratio": As of any Measurement Date, the ratio calculated in accordance with the assumptions set forth in Section 1.2(e) hereof by dividing:

(a) (i) the sum of (A) Cash standing to the credit of the Expense Account, plus (B) the scheduled interest payments due (in each case regardless of whether the due date for any such interest payment has yet occurred) in the Due Period in which such Measurement Date occurs on (x) the Mortgage Assets (excluding, subject to clause (3) of Section 1.2(d), accrued and unpaid interest on Defaulted Mortgage Assets); provided that no interest (or dividends or other distributions) will be included with respect to any Mortgage Asset to the extent that such Mortgage Asset does not provide for the scheduled payment of interest (or dividends or other distributions) in Cash and (y) the Eligible Investments held in the Payment Account, the Collection Accounts, the RDD Funding Account and the Expense Account (whether purchased with Interest Proceeds or Principal Proceeds), plus (C) Interest Advances, if any, advanced by the Advancing Agent or the Backup Advancing Agent, with respect to the related Payment Date, minus (ii) any amounts scheduled to be paid pursuant to Section 11.1(a)(i)(1) through (4) (other than any Collateral Manager Fees that the Collateral Manager has agreed to waive in accordance with this Indenture and the Collateral Management Agreement); by

(b) the sum of (i) the scheduled interest on the Class A Notes payable on the Payment Date immediately following such Measurement Date, plus (ii) any Class A Defaulted Interest Amount payable on the Payment Date immediately following such Measurement Date, plus (iii) the scheduled interest on the Class A-S Notes payable on the Payment Date immediately following such Measurement Date, plus (iv) any Class A-S Defaulted Interest Amount payable on the Payment Date immediately following such Measurement Date, plus (v) the scheduled interest on the Class B Notes payable on the Payment Date immediately following such Measurement Date, plus (vi) any Class B Defaulted Interest Amount payable on the Payment Date immediately following such Measurement Date, plus (vii) the scheduled interest on the Class C Notes payable immediately following such Measurement Date, plus (viii) any Class C Defaulted Interest Amount payable on the Payment Date immediately following such Measurement Date, plus (ix) the scheduled interest on the Class D Notes payable immediately following such Measurement Date, plus (x) any Class D Defaulted Interest Amount payable on the Payment Date immediately following such Measurement Date.

"Interest Coverage Test": The test that will be met as of any Measurement Date on which any Offered Notes remain Outstanding if the Interest Coverage Ratio as of such Measurement Date is equal to or greater than 120%.

"Interest Distribution Amount": Each of the Class A Interest Distribution Amount, the Class A-S Interest Distribution Amount, the Class B Interest Distribution Amount, the Class C Interest Distribution Amount, the Class D Interest Distribution Amount, the Class E Interest Distribution Amount and the Class F Interest Distribution Amount.

"Interest Proceeds": With respect to any Payment Date, (A) the sum (without duplication) of (1) all Cash payments of interest (including any deferred interest and any amount representing the accreted portion of a discount from the face amount of a Mortgage Asset or an

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Eligible Investment) or other distributions received during the related Due Period on all Mortgage Assets other than Defaulted Mortgage Assets (net of the Servicing Fee and other amounts payable in accordance with the Servicing Agreement) and Eligible Investments, including, in the Collateral Manager's commercially reasonable discretion (exercised as of the trade date), the accrued interest received in connection with a sale of such Mortgage Assets or Eligible Investments (to the extent such accrued interest was not applied to the purchase of Reinvestment Mortgage Assets), in each case, excluding any accrued interest included in Principal Proceeds pursuant to clause (A)(3) or (4) of the definition of Principal Proceeds, (2) all make-whole premiums, yield maintenance or prepayment premiums or any interest amount paid in excess of the stated interest amount of a Mortgage Asset received during the related Due

Period, (3) all amendment, modification and waiver fees, late payment fees, commitment fees, exit fees, extension fees and other fees and commissions received by the Issuer during such Due Period in connection with such Mortgage Assets and Eligible Investments (other than, in each such case, fees and commissions received in connection with the restructuring of a Defaulted Mortgage Asset or default of Mortgage Assets and Eligible Investments), (4) those funds in the Expense Account designated as Interest Proceeds by the Collateral Manager pursuant to Section 10.7(a), (5) all funds remaining on deposit in the Expense Account upon redemption of the Notes in whole, pursuant to Section 10.7(a), (6) Interest Advances, if any, advanced by the Advancing Agent or the Backup Advancing Agent, with respect to such Payment Date, (7) all accrued original issue discount on Eligible Investments, (8) any interest payments received in Cash by the Issuer during the related Due Period on any asset held by a Permitted Subsidiary that is not a Defaulted Mortgage Asset, (9) all payments of principal on Eligible Investments purchased with proceeds of items (A)(1), (2) and (3) of this definition, (10) Cash and Eligible Investments contributed by ARMS Equity pursuant to Section 12.2(c) and designated as “Interest Proceeds” by ARMS Equity and (11) any excess proceeds received in respect of a Mortgage Asset to the extent such proceeds are designated “Interest Proceeds” by the Collateral Manager in its sole discretion with notice to the Trustee on or before the related Determination Date; provided that Interest Proceeds will in no event include any payment or proceeds specifically defined as “Principal Proceeds” in the definition thereof, minus (B) the aggregate amount of any Nonrecoverable Interest Advances that were previously reimbursed to the Advancing Agent or the Backup Advancing Agent.

“Interest Shortfall”: The meaning set forth in Section 10.9(a) hereof.

“Issuer”: Arbor Realty Commercial Real Estate Notes 2018-FL1, Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands, until a successor Person shall have become the Issuer pursuant to the applicable provisions of this Indenture, and thereafter “Issuer” shall mean such successor Person.

“Issuer Order” and “Issuer Request”: A written order or request (which may be in the form of a standing order or request) dated and signed in the name of the Issuer (and the Co-Issuer, if applicable) by an Authorized Officer of the Issuer (and by an Authorized Officer of the Co-Issuer, if applicable), or by an Authorized Officer of the Collateral Manager. An Issuer Order may be provided in an email (or other electronic communication) unless the Trustee requests otherwise.

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“Issuer Parent”: A REIT that, for U.S. federal income tax purposes, directly or indirectly, owns (or is deemed to own) 100% of the stock of the Issuer within the meaning of Section 856(i)(2) of the Code.

“Issuer Parent Disregarded Entity”: Any qualified REIT subsidiary of the Issuer Parent and any other entity that is disregarded as an entity separate from Issuer Parent within the meaning of Section 301.7701-3 of the Treasury Regulations.

“Junior Participation”: One or more junior participation interests (or B Notes) in an Underlying Whole Loan pursuant to a Senior AB Participation, in which the related Senior Participation is a Mortgage Asset that has been acquired by the Issuer.

“LIBOR”: The meaning set forth in Schedule B attached hereto.

“LIBOR Determination Date”: The meaning set forth in Schedule B attached hereto.

“LLC Managers”: The managers of the Co-Issuer duly appointed by the sole member of the Co-Issuer (or, if there is only one manager of the Co-Issuer so duly appointed, such sole manager).

“London Banking Day”: The meaning set forth in Schedule B attached hereto.

“Loss Value Payment”: A Cash payment made to the Issuer by the Seller in connection with a material breach of representation or warranty with respect to any Mortgage Asset pursuant to the Mortgage Asset Purchase Agreement in an amount that the Collateral Manager on behalf of the Issuer, subject to the consent of a majority of the holders of each Class of Notes (excluding any Note held by any Seller or any of their respective affiliates), determines is sufficient to compensate the Issuer for such breach of representation or warranty, which Loss Value Payment will be deemed to cure such breach of representation or warranty.

“Majority”: With respect to:

- (i) any Class of Notes, the Holders of more than 50% of the Aggregate Outstanding Amount of the Notes of such Class; and
- (ii) the Preferred Shares, the Preferred Shareholders representing more than 50% of the aggregate liquidation preference of outstanding Preferred Shares.

“Mandatory Redemption”: The meaning specified in Section 9.5 hereof.

“Market Value”: With respect to any Mortgage Asset, the market value thereof as determined by the Collateral Manager in accordance with the Collateral Management Standard based on, among other things, any recent appraisal and information from one or more third-party commercial real estate brokers and such other information as the Collateral Manager deems appropriate.

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“Maturity”: With respect to any Note, the date on which the unpaid principal of such Note becomes due and payable as therein or herein provided, whether at the Stated Maturity Date or by declaration of acceleration or otherwise.

“MCSL”: Maples Compliance Services (Cayman) Limited, a company incorporated in the Cayman Islands with its principal office at PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.

“**Measurement Date**”: Any of the following: (i) the Closing Date, (ii) the date of acquisition or disposition of any Mortgage Asset, (iii) any date on which any Mortgage Asset becomes a Defaulted Mortgage Asset, (iv) each Determination Date, (v) the Ramp-Up Completion Date and (vi) with reasonable notice to the Issuer and the Trustee, any other Business Day that any Rating Agency or the Holders of at least 66-2/3% of the Aggregate Outstanding Amount of any Class of Notes requests be a “Measurement Date”; provided that, if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the immediately preceding Business Day.

“**Minnesota Collateral**”: The meaning specified in Section 3.3(a)(v) hereof.

“**Modified Mortgage Asset**” means a Mortgage Asset that has been modified by the CLO Servicer pursuant to the Servicing Agreement (or any other applicable servicing agreement) in a manner that: (a) materially reduces or delays the amount or timing of any payment of principal or interest due thereon; (b) results in a release of the lien of the mortgage on a material portion of the related Underlying Mortgaged Property or Underlying Mortgaged Properties without a corresponding principal prepayment in an amount not less than the “as-is” fair market value of such material portion, as determined by an appraisal of the property to be released; or (c) in the judgment of the CLO Servicer, otherwise materially impairs the value of the security for such Mortgage Asset, or reduces the likelihood of timely payment of amounts due thereon, except, in the case of each of the foregoing clause (a), (b) or (c), for any modification expressly provided for in the related Underlying Instruments.

“**Monthly Report**”: The meaning specified in Section 10.11(c) hereof.

“**Moody’s**”: Moody’s Investors Service, Inc., and its successors in interest.

“**Moody’s Ramp-Up Condition**”: A condition that will be satisfied if either (A) the Issuer or the Collateral Manager has provided to Moody’s the Ramp-Up Completion Date Report and the Ramp-Up Completion Date Report confirms that, as of the Ramp-Up Completion Date, the Note Protection Tests were satisfied or (B) with respect to the Ramp-Up Acquisition Period, Moody’s has provided written confirmation (including by means of electronic message, facsimile transmission, press release, posting to its internet website or other means then considered industry standard) that Moody’s will not downgrade or withdraw its initial rating for any Class of Notes it has rated.

“**Moody’s Rating**”: With respect to any Mortgage Asset, the private credit assessment assigned to such Mortgage Asset by Moody’s for the Issuer.

“**Moody’s Rating Factor**”: With respect to any Mortgage Asset, the number set forth in the table below opposite the Moody’s Rating of such Mortgage Asset:

Moody’s Rating	Moody’s Rating Factor	Moody’s Rating	Moody’s Rating Factor
Aaa	1	Ba1	940
Aa1	10	Ba2	1350
Aa2	20	Ba3	1766
Aa3	40	B1	2220
A1	70	B2	2720
A2	120	B3	3490
A3	180	Caa1	4770
Baa1	260	Caa2	6500
Baa2	360	Caa3	8070
Baa3	610	Ca or lower	10000

“**Moody’s Recovery Rate**”: With respect to any Mortgage Asset, the percentage set forth in the table below opposite the property type securing such Mortgage Asset:

Property Type	Moody’s Recovery Rate
Multi-Family Property (including Student Housing Property)	60%
Industrial Property	60%
Anchored Retail Property	60%
Office Property	55%
Unanchored Retail Property	55%
Healthcare Property	45%
Hospitality Property	45%
Self-Storage Property and all other properties	40%

“**Moody’s Test Modification**”: The meaning specified in Section 12.4 hereof.

“**Moody’s Weighted Average Rating Factor**”: An amount determined by (i) summing the products obtained by multiplying the Principal Balance of each Mortgage Asset (excluding Defaulted Mortgage Assets) by its Moody’s Rating Factor and (ii) dividing such sum by the aggregate outstanding Principal Balance of all such Mortgage Assets and rounding the result up to the nearest whole number.

“Mortgage Asset”: Either a Whole Loan or a Senior Participation.

“Mortgage Asset” and “Mortgage Assets”: Any Whole Loan or Senior Participation acquired by the Issuer in accordance with the provisions of this Indenture.

“Mortgage Asset File”: The meaning set forth in Section 3.3(d).

“Mortgage Asset Purchase Agreement”: Any Mortgage Asset Purchase agreement entered into on or about the Closing Date and any other Mortgage Asset Purchase agreement entered into after the Closing Date if a purchase agreement is necessary to comply with this Indenture, which agreement is assigned to the Trustee pursuant to this Indenture.

“Multi-Family Property”: A real property with five or more residential rental units as to which the majority of the underwritten revenue is from residential rental units.

“Net Outstanding Portfolio Balance”: On any Measurement Date, the sum (without duplication) on such date of:

- (i) the aggregate Principal Balance of the Mortgage Assets other than Modified Mortgage Assets and Defaulted Mortgage Assets;
- (ii) the aggregate Principal Balance of all Principal Proceeds held as cash and Eligible Investments and all cash and Eligible Investments held in the RDD Funding Account and the Unused Proceeds Account; plus
- (iii) the sum of the Calculation Amounts attributable to each Mortgage Asset that is a Modified Mortgage Asset or a Defaulted Mortgage Asset;

provided, however, that (A) with respect to each Mortgage Asset acquired at a purchase price that is less than 95% of the Principal Balance of such Mortgage Asset, the “Net Outstanding Portfolio Balance” for such Mortgage Asset will be the lesser of the purchase price and amount determined under clause (i), (ii) or (iii) above, (B) with respect to each Defaulted Mortgage Asset that has been owned by the Issuer for more than three years after becoming a Defaulted Mortgage Asset, the Principal Balance of such Defaulted Mortgage Asset will be zero for purposes of computing the Net Outstanding Portfolio Balance and (C) in the case of a Mortgage Asset subject to a purchase or an exchange for an Exchange Mortgage Asset, the Collateral Manager will have 45 days to exercise such purchase or exchange and during such period such Mortgage Asset will not be treated as a Defaulted Mortgage Asset for purposes of computing the Net Outstanding Portfolio Balance.

“No Downgrade Confirmation”: A confirmation from each Rating Agency that any proposed action, or failure to act or other specified event will not, in and of itself, result in the downgrade or withdrawal of the then-current rating assigned to any Class of Notes then rated by such Rating Agency.

“No Entity-Level Tax Opinion”: An opinion of Clifford Chance US LLP or another nationally recognized tax counsel experienced in such matters that the Issuer will not be treated as a foreign corporation engaged in a trade or business in the United States for U.S. federal income

tax purposes or otherwise become subject to U.S. federal income tax on a net income basis, which opinion may be conditioned on compliance with certain restrictions on the investment or other activities of the Issuer and the Collateral Manager on behalf of the Issuer.

“No Trade or Business Opinion”: An opinion of Clifford Chance US LLP or another nationally recognized tax counsel experienced in such matters that the Issuer will be treated as a foreign corporation that is not engaged in a trade or business in the United States for U.S. federal income tax purposes, which opinion may be conditioned on compliance with certain restrictions on the investment or other activities of the Issuer and the Collateral Manager on behalf of the Issuer.

“Non-Acquired Participation”: With respect to any Senior Participation acquired by the Issuer, any related participation interest (whether a Senior Pari Passu Participation, Senior AB Pari Passu Participation or a Junior Participation) in the related Underlying Whole Loan, which related participation interest is not acquired by the Issuer.

“Non-Call Period”: The period from the Closing Date to and including the Business Day immediately preceding the Payment Date in December 2021 during which no Optional Redemption is permitted to occur.

“Non-Controlling Participation”: Any Senior Participation acquired by the Issuer as to which the holder of the related Non-Acquired Participation has the right to have effective control over the remedies relating to the enforcement of the Underlying Whole Loan, including ultimate control of the foreclosure process, by having a right to (x) appoint and remove the special servicer or (y) direct or approve the special servicer’s exercise of remedies.

“Non-Permitted AML Holder”: Any Holder that fails to comply with the Holder AML Obligations.

“Non-Permitted Holder”: The meaning specified in Section 2.13(b), hereof and includes a Non-Permitted AML Holder.

“Nonrecoverable Interest Advance”: Any Interest Advance previously made or proposed to be made pursuant to Section 10.9 hereof that the Advancing Agent or the Backup Advancing Agent, as applicable, has determined in its sole discretion, exercised in good faith, that the amount so advanced or proposed to be advanced plus interest expected to accrue thereon, will not be ultimately recoverable from subsequent payments or collections with respect to the related Mortgage Asset.

“Note Interest Rate”: With respect to the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, the Class A Rate, the Class A-S Rate, the Class B Rate, the Class C Rate, the Class D Rate, the Class E Rate and the Class F Rate, respectively.

“Note Protection Tests”: The Par Value Test and the Interest Coverage Test.

“Noteholder”: The Person in whose name such Note is registered in the Notes Register.

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“Notes”: The Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, collectively, authorized by, and authenticated and delivered under, this Indenture.

“Notes Register” and “Notes Registrar”: The respective meanings specified in Section 2.5(a) hereof.

“Notional Amount”: In respect of the Preferred Shares, the per share notional amount of U.S.\$1,000. The aggregate Notional Amount of the Preferred Shares on the Closing Date will be U.S.\$65,800,000.

“NRSRO”: Any nationally recognized statistical rating organization, including the Rating Agencies.

“NRSRO Certification”: A certification substantially in the form of Exhibit K executed by a NRSRO in favor of the Issuer and the Information Agent that states that such NRSRO has provided the Issuer with the appropriate certifications under Exchange Act Rule 17g-5(a)(3)(iii)(B) and that such NRSRO has access to the 17g-5 Website.

“Offered Notes”: The Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes, collectively, authorized by, and authenticated and delivered under, this Indenture.

“Offering Memorandum”: The Offering Memorandum, dated May 23, 2018, relating to the offering of the Notes.

“Office Property”: A real property with office rental units (including mixed use office/multi-family and office/retail) as to which the majority of the underwritten revenue is from office rental units.

“Officer”: With respect to any corporation or limited liability company, including the Issuer, the Co-Issuer and the Collateral Manager, any Director, Manager, the Chairman of the Board of Directors, the President, any Senior Vice President any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, General Partner of such entity; and with respect to the Trustee, any Trust Officer.

“Officer’s Certificate”: With respect to the Issuer, the Co-Issuer and the Collateral Manager, any certificate executed by an Authorized Officer thereof.

“Opinion of Counsel”: A written opinion addressed to the Trustee and/or the Issuer and the Rating Agencies in form and substance reasonably satisfactory to the Trustee and the Rating Agencies of an outside third-party counsel of national recognition admitted to practice before the highest court of any state of the United States or the District of Columbia (or the Cayman Islands, in the case of an opinion relating to the laws of the Cayman Islands), which attorney may, except as otherwise expressly provided in this Indenture, be counsel for the Issuer, and which attorney shall be reasonably satisfactory to the Trustee. Whenever an Opinion of Counsel is required hereunder, such Opinion of Counsel may rely on opinions of other counsel who are so admitted and so satisfactory which opinions of other counsel shall accompany such Opinion of

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Counsel and shall either be addressed to the Trustee and the Rating Agencies or shall state that the Trustee and the Rating Agencies shall be entitled to rely thereon.

“Optional Redemption”: The meaning specified in Section 9.1(c) hereof.

“Other Tranche”: The meaning specified in Section 16.5 hereof.

“Outstanding”: With respect to the Notes, as of any date of determination, all of the Notes or any Class of Notes, as the case may be, theretofore authenticated and delivered under this Indenture except:

- (i) Notes theretofore canceled by the Notes Registrar or delivered to the Notes Registrar for cancellation;
- (ii) Notes or portions thereof for whose payment or redemption funds in the necessary amount have been theretofore irrevocably deposited with the Trustee or the Paying Agent in trust for the Holders of such Notes pursuant to Section 4.1(a)(ii); provided that, if such Notes or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;
- (iii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, unless proof satisfactory to the Trustee is presented that any such Notes are held by a holder in due course; and
- (iv) Notes alleged to have been mutilated, destroyed, lost or stolen for which replacement Notes have been issued as provided in Section 2.6;

provided that in determining whether the Noteholders of the requisite Aggregate Outstanding Amount have given any request, demand, authorization, direction, notice, consent or waiver hereunder, (x) Notes owned by the Issuer, the Co-Issuer or any Affiliate thereof shall be disregarded and deemed not to be Outstanding and (y) in relation to (i) the exercise by Noteholders of their right, in connection with certain Events of Default, to accelerate amounts due under the Notes and (ii) any amendment or other modification of, or assignment or termination of, any of the express rights or obligations of the Collateral Manager under the Collateral Management Agreement or this Indenture, Notes owned by the Collateral Manager or any of its Affiliates, or by any accounts managed by them, shall be disregarded and deemed not to be Outstanding. In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that the Trustee knows to be so owned shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Issuer, the Co-Issuer, the Collateral Manager or any other obligor upon the Notes or any Affiliate of the Issuer, the Co-Issuer, the Collateral Manager or such other obligor.

"Par Value Ratio": As of any Measurement Date, the number (expressed as a percentage) calculated in accordance with the assumptions set forth in Section 1.2(d) by dividing (a) the sum of the Net Outstanding Portfolio Balance on such Measurement Date by (b) the sum

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of the aggregate outstanding principal amount of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes and the amount of any unreimbursed Interest Advances.

"Par Value Test": The test that will be met as of any Measurement Date on which any Offered Notes remain Outstanding if the Par Value Ratio on such Measurement Date is equal to or greater than 125.98%.

"Participating Institution": With respect to any participation, the entity that holds legal title to the participated asset.

"Paying Agent": Any Person authorized by the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, to pay the principal of or interest on any Notes on behalf of the Issuer and the Co-Issuer as specified in Section 7.2 hereof.

"Payment Account": The payment account of the Trustee in respect of the Notes established pursuant to Section 10.3 hereof.

"Payment Date": With respect to each Class of Notes, is July 15, 2018, and monthly thereafter on the 15th day of each calendar month (or if such day is not a Business Day, the next succeeding Business Day) to and including, in the case of the Notes, the Stated Maturity Date, or, in the case of the Preferred Shares, the Preferred Shares Redemption Date, unless redeemed prior thereto.

"Permitted Exchange Security": A bond, note or other security received by the Issuer in connection with the workout, restructuring or modification of a Mortgage Asset that is a loan.

"Permitted Subsidiary": Any one or more wholly-owned, single purpose entities established exclusively for the purpose of taking title to mortgage, real estate or any Sensitive Asset in connection, in each case, with the exercise of remedies or otherwise.

"Person": An individual, corporation (including a business trust), partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

"Placement Agent": J.P. Morgan Securities LLC, in its capacity as placement agent.

"Placement Agreement": The placement agreement relating to the Notes dated as of May 23, 2018 by and among the Issuer, the Co-Issuer and the Placement Agent.

"Plan Fiduciary": The meaning specified in Section 2.5(k).

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"Pledged Mortgage Asset": On any date of determination, any Mortgage Asset that has been Granted to the Trustee and not been released from the lien of this Indenture pursuant to Section 10.12 hereof.

"Preferred Share Distribution Account": A segregated account established and designated as such by the Preferred Shares Paying Agent pursuant to the Preferred Share Paying Agency Agreement.

"Preferred Share Paying Agency Agreement": The Preferred Share Paying Agency Agreement, dated as of the Closing Date, among the Issuer, the Preferred Shares Paying Agent relating to the Preferred Shares and the Share Registrar, as amended from time to time in accordance with the terms thereof.

"Preferred Shareholder": A registered owner of Preferred Shares as set forth in the share register maintained by the Share Registrar.

"Preferred Shares": The preferred shares issued by the Issuer concurrently with the issuance of the Notes.

"Preferred Shares Distribution Amount": Any remaining Interest Proceeds and Principal Proceeds, if any, to be released from the lien of this Indenture and paid (upon standing order of the Issuer) to the Preferred Shares Paying Agent for deposit into the Preferred Share Distribution Account for distribution to the Holders of the Preferred Shares after payment by the Trustee of all distributions which take priority pursuant to Section 11.1(a).

"Preferred Shares Paying Agent": The Bank, solely in its capacity as Preferred Shares Paying Agent under the Preferred Share Paying Agency Agreement and not individually, unless a successor Person shall have become the Preferred Shares Paying Agent pursuant to the applicable

provisions of the Preferred Share Paying Agency Agreement, and thereafter Preferred Shares Paying Agent shall mean such successor Person.

“Preferred Shares Redemption Date”: the earlier of (i) the Stated Maturity Date and (ii) the Payment Date on which a redemption of the Preferred Shares occurs.

“Principal Balance” or “par”: With respect to any Mortgage Asset or Eligible Investment, as of any date of determination, the outstanding principal amount of such Mortgage Asset or Eligible Investment; provided that:

(i) the Principal Balance of any Eligible Investment that does not pay Cash interest on a current basis will be the accreted value thereof; and

(ii) the Principal Balance of any RDD Mortgage Asset also will be deemed to include the unfunded portion of such RDD Mortgage Asset on deposit in the RDD Funding Account.

“Principal Collection Account”: The trust account established pursuant to Section 10.2(a) hereof.

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“Principal Proceeds”: With respect to any Payment Date, (A) the sum (without duplication) of (1) all principal payments (including Unscheduled Principal Payments and any casualty or condemnation proceeds and any proceeds from the exercise of remedies (including liquidation proceeds)) received during the related Due Period in respect of (a) Eligible Investments (other than Eligible Investments purchased with Interest Proceeds, Eligible Investments in the Expense Account, Eligible Investments in the RDD Funding Account and any amount representing the accreted portion of a discount from the face amount of a Mortgage Asset or an Eligible Investment) and (b) Mortgage Assets as a result of (i) a maturity, scheduled amortization or mandatory prepayment on a Mortgage Asset, (ii) optional prepayments made at the option of the related borrower, (iii) recoveries on Defaulted Mortgage Assets or (iv) any other principal payments received with respect to Mortgage Assets, (2) all fees and commissions received during such Due Period in connection with Defaulted Mortgage Assets and Eligible Investments and the restructuring or default of such Defaulted Mortgage Assets and Eligible Investments, (3) any interest received during such Due Period on such Mortgage Assets or Eligible Investments to the extent such interest constitutes proceeds from accrued interest purchased with Principal Proceeds other than accrued interest purchased by the Issuer on or prior to the Closing Date and interest included in clause (A)(1) of the definition of Interest Proceeds, (4) Sale Proceeds received during such Due Period in respect of sales (excluding those previously reinvested or currently being reinvested in Mortgage Assets in accordance with the Transaction Documents and excluding accrued interest included in Sale Proceeds (unless such accrued interest was purchased with Principal Proceeds) that are designated by the Collateral Manager as Interest Proceeds in accordance with clause (A)(1) of the definition of Interest Proceeds), (5) all Cash payments of interest received during such Due Period on Defaulted Mortgage Assets, (6) funds transferred to the Principal Collection Account from the RDD Funding Account in respect of amounts previously held on deposit in respect of unfunded commitments for RDD Mortgage Assets that have been sold or otherwise disposed of before such commitments thereunder have been drawn or as to which excess funds remain, (7) any principal payments received in Cash by the Issuer during the related Due Period on any asset held by a Permitted Subsidiary, (8) any Loss Value Payments received by the Issuer from a Seller, (9) all other payments received in connection with the Mortgage Assets and Eligible Investments that are not included in Interest Proceeds (10) after the Ramp-Up Completion Date, all amounts in the Unused Proceeds Account and (11) all Cash and Eligible Investments contributed by ARMS Equity pursuant to the terms of Section 12.2(c) and designated as “Principal Proceeds” by ARMS Equity; provided that in no event will Principal Proceeds include any proceeds from the Excepted Assets minus (B)(1) the aggregate amount of any Nonrecoverable Interest Advances that were not previously reimbursed to the Advancing Agent or the Backup Advancing Agent from Interest Proceeds and (2) the portion of such Principal Proceeds previously reinvested or currently being held for reinvestment in Reinvestment Mortgage Assets if the Issuer is permitted to purchase Reinvestment Mortgage Assets in accordance with Section 12.2.

“Priority of Payments”: The meaning specified in Section 11.1(a) hereof.

“Proceeding”: Any suit in equity, action at law or other judicial or administrative proceeding.

“Purchase Price”: The purchase price identified for each Mortgage Asset against its name in Schedule A attached hereto.

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“QIB”: A “qualified institutional buyer” as defined in Rule 144A.

“Qualified Purchaser”: A “qualified purchaser” within the meaning of Section 2(a)(51) of the 1940 Act or an entity owned exclusive by one or more such “qualified purchasers.”

“Qualified REIT Subsidiary”: A corporation that, for U.S. federal tax purposes, is wholly-owned by a real estate investment trust under Section 856(i)(2) of the Internal Revenue Code of 1986, as amended.

“Ramp-Up Acquisition Period”: The period commencing on the Closing Date and ending on the earlier of (i) the Ramp-Up Completion Date and (ii) the occurrence of an Event of Default (after the expiry of any applicable grace periods).

“Ramp-Up Completion Date”: The date which is the earliest of (i) the 120th day after the Closing Date; (ii) the first date on which the Aggregate Principal Balance of the Pledged Mortgage Assets is at least equal to the Target Collateral Principal Balance and (iii) the date that the Collateral Manager determines, in its sole discretion, and notifies the Trustee of such determination, that investment in Ramp-Up Mortgage Assets is no longer practical or desirable.

“Ramp-Up Completion Date Report”: The meaning specified in Section 7.19(b)(A) hereof.

“Ramp-Up Mortgage Assets”: Mortgage Assets (other than Initial Mortgage Assets and Reinvestment Mortgage Assets) that are acquired by the Issuer during the Ramp-Up Acquisition Period.

“Rating Agency”: Moody’s, DBRS and any successor thereto, or, with respect to the Assets generally, if at any time Moody’s or DBRS or any such successor ceases to provide rating services with respect to the Notes or certificates similar to the Notes, any other NRSRO selected by the Issuer and reasonably satisfactory to a Majority of the Notes voting as a single Class.

“Rating Agency Condition”: A condition that is satisfied if:

- (a) the party required to satisfy the Rating Agency Condition (the “Requesting Party”) has made a written request to each Rating Agency for a No Downgrade Confirmation; and
- (b) any one of the following has occurred with respect to each such Rating Agency:
 - (i) a No Downgrade Confirmation has been received from such Rating Agency; or
 - (ii) (A) within 10 Business Days of such request being sent to such Rating Agency, such Rating Agency has not replied to such request or has responded in a manner that indicates that such Rating Agency is neither reviewing such request nor waiving the requirement for confirmation;

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- (B) the Requesting Party has confirmed that such Rating Agency has received the confirmation request,
- (C) the Requesting Party promptly requests the No Downgrade Confirmation a second time; and
- (D) there is no response to either confirmation request within five Business Days of such second request.

“Rating Confirmation Failure”: The meaning specified in Section 7.19(b) hereof.

“RDD Funding Account”: The account established pursuant to Section 10.6(a) hereof.

“RDD Funding Advance”: With respect to RDD Mortgage Assets, one or more future advances that the Issuer is required to make to the obligor under the Underlying Instruments relating thereto, subject to satisfaction of conditions precedent specified therein.

“RDD Mortgage Asset”: Any Mortgage Asset that requires the lender to make one or more additional advances to the borrower upon the satisfaction of certain conditions precedent specified in the related Underlying Instruments.

“Record Date”: The date on which the Holders of Notes entitled to receive a payment in respect of principal or interest on the succeeding Payment Date is determined, such date as to any Payment Date being the 15th day (whether or not a Business Day) prior to the applicable Payment Date.

“Redemption Date”: Any Payment Date specified for a redemption of the Securities pursuant to Section 9.1 hereof.

“Redemption Date Statement”: The meaning specified in Section 10.11(h) hereof.

“Redemption Price”: The Redemption Price of each Class of Notes or the Preferred Shares, as applicable, on a Redemption Date will be calculated as follows:

Class A Notes. The redemption price for the Class A Notes will be calculated on the related Determination Date and will equal the Aggregate Outstanding Amount of the Class A Notes to be redeemed, together with the Class A Interest Distribution Amount (plus any Class A Defaulted Interest Amount) due on the applicable Redemption Date;

Class A-S Notes. The redemption price for the Class A-S Notes will be calculated on the related Determination Date and will equal the Aggregate Outstanding Amount of the Class A-S Notes to be redeemed, together with the Class A-S Interest Distribution Amount (plus any Class A-S Defaulted Interest Amount) due on the applicable Redemption Date;

Class B Notes. The redemption price for the Class B Notes will be calculated on the related Determination Date and will equal the Aggregate Outstanding Amount of the Class B

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Notes to be redeemed, together with the Class B Interest Distribution Amount (plus any Class B Defaulted Interest Amount) due on the applicable Redemption Date;

Class C Notes. The redemption price for the Class C Notes will be calculated on the related Determination Date and will equal the Aggregate Outstanding Amount of the Class C Notes to be redeemed, together with the Class C Interest Distribution Amount (plus any Class C Defaulted Interest Amount) due on the applicable Redemption Date;

Class D Notes. The redemption price for the Class D Notes will be calculated on the related Determination Date and will equal the Aggregate Outstanding Amount of the Class D Notes to be redeemed, together with the Class D Interest Distribution Amount (plus any Class D Defaulted Interest Amount) due on the applicable Redemption Date;

Class E Notes. The redemption price for the Class E Notes will be calculated on the related Determination Date and will equal the Aggregate Outstanding Amount of the Class E Notes (including any Class E Deferred Interest) to be redeemed, together with the Class E Interest Distribution Amount (plus any Class E Defaulted Interest Amount) due on the applicable Redemption Date;

Class F Notes. The redemption price for the Class F Notes will be calculated on the related Determination Date and will equal the Aggregate Outstanding Amount of the Class F Notes (including any Class F Deferred Interest) to be redeemed, together with the Class F Interest Distribution Amount (plus any Class F Defaulted Interest Amount) due on the applicable Redemption Date; and

Preferred Shares. The redemption price for the Preferred Shares will be calculated on the related Determination Date and will be equal to the sum of all net proceeds from the sale of the Assets in accordance with [Article 12](#) hereof and Cash (other than the Issuer's rights, title and interest in the property described in clause (i) of the definition of "Excepted Assets"), if any, remaining after payment of all amounts and expenses, including payments made in respect of the Notes, described under clauses (1) through (17) of [Section 11.1\(a\)\(i\)](#) and clauses (1) through (11) of [Section 11.1\(a\)\(ii\)](#); provided that, if there are no such net proceeds or Cash remaining, the redemption price for the Preferred Shares shall be equal to U.S.\$0.

"Reference Banks": The meaning set forth in [Schedule B](#) attached hereto.

"Reference Date": April 1, 2018 or the asset origination date, whichever is later.

"Registered": With respect to any debt obligation, a debt obligation that is issued after July 18, 1984, and that is in registered form for purposes of the Code.

"Registered Office Agreement": The terms and conditions for the provision of registered office services between the Issuer and MaplesFS Limited as registered office provider, as modified, supplemented and in effect from time to time.

"Registered Securities": The meaning specified in [Section 3.3\(a\)\(iii\)](#) hereof.

"Regulation S": Regulation S under the Securities Act.

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"Regulation S Global Security": The meaning specified in [Section 2.2\(b\)\(iii\)](#) hereof.

"Reimbursement Interest": Interest accrued on the amount of any Interest Advance made by the Advancing Agent or the Backup Advancing Agent, for so long as it is outstanding, at the Reimbursement Rate.

"Reimbursement Rate": A rate *per annum* equal to the "prime rate" as published in the "Money Rates" section of The Wall Street Journal, as such "prime rate" may change from time to time. If more than one "prime rate" is published in The Wall Street Journal for a day, the average of such "prime rates" will be used, and such average will be rounded up to the nearest one eighth of one percent (0.125%). If the "prime rate" contained in The Wall Street Journal is not readily ascertainable, the Collateral Manager will select an equivalent publication that publishes such "prime rate," and if such "prime rates" are no longer generally published or are limited, regulated or administered by a governmental authority or quasigovernmental body, then the Collateral Manager will select, in its reasonable discretion, a comparable interest rate index.

"Reinvestment Criteria": The meaning specified in [Section 12.2\(a\)](#) hereof.

"Reinvestment Mortgage Asset": Any Mortgage Asset that is acquired after the Closing Date that satisfies the Eligibility Criteria and the Reinvestment Criteria in accordance with the terms of [Section 12.2\(a\)](#) hereof.

"Reinvestment Period": The period beginning on the Closing Date and ending on and including the first to occur of any of the following events or dates: (i) the Payment Date in June 2022; (ii) the Payment Date on which all of the Securities are redeemed as described herein under [Section 9.1](#); and (iii) the date on which an Event of Default has occurred.

"REIT": A "real estate investment trust" under the Code.

"REO Property": An Underlying Mortgaged Property acquired directly or indirectly by the CLO Servicer on behalf of the Issuer and Trustee for the benefit of the Secured Parties through foreclosure, acceptance of a deed-in-lieu of foreclosure or otherwise pursuant to the Servicing Agreement (or, as applicable, the applicable servicing agreement).

"Repurchase Request": The meaning specified in [Section 7.17](#) hereof.

"Retail Property": A real property with retail rental units (including mixed use retail/office and retail/multi-family) as to which the majority of the underwritten revenue is from retail rental units.

"Retained Interest": A material net economic interest in the securitization position comprised by the Notes of not less than 5% in the form specified in paragraph (d) of Article 405(1).

"Retaining Sponsor": Arbor Parent, in the capacity of securitization sponsor for purposes of the U.S. Credit Risk Retention Rules.

"Retention Holder": The meaning specified in [Section 10.11\(c\)\(xxxi\)](#) hereof.

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"Retention Holder Originated Mortgage Assets": A Mortgage Asset that the Retention Holder either (i) has purchased or will purchase for its own account prior to selling or transferring such Mortgage Asset to the Issuer or (ii) itself or through related entities, directly or indirectly, was involved in the original agreement which created such Mortgage Asset.

“Rule 17g-5”: The meaning specified in Section 14.13(b) hereof.

“Rule 144A”: Rule 144A under the Securities Act.

“Rule 144A Global Security”: The meaning specified in Section 2.2(b)(i) hereof.

“Rule 144A Information”: The meaning specified in Section 7.13 hereof.

“S&P”: Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors in interest.

“Sale”: The meaning specified in Section 5.17(a) hereof.

“Sale Proceeds”: All proceeds (including accrued interest) received with respect to Mortgage Assets and Eligible Investments as a result of sales of such Mortgage Assets and Eligible Investments, sales in connection with the exercise of a purchase option by the holder of a Non-Acquired Participation or a mezzanine lender, and sales in connection with a repurchase for a breach of a representation or warranty, in each case, net of any reasonable out-of-pocket expenses of the Collateral Manager or the Trustee in connection with any such sale.

“Schedule of Initial Mortgage Assets”: The Mortgage Assets listed on Schedule A attached hereto, which Schedule shall include the Principal Balance, the spread and the relevant floating reference rate, the maturity date, the Moody’s Rating of each such Mortgage Asset.

“Scheduled Distribution”: With respect to any Mortgage Asset or Eligible Investment, for each Due Date, the scheduled payment of principal, interest or fee or any dividend or premium payment due on such Due Date or any other distribution with respect to such Mortgage Asset or Eligible Investment, determined in accordance with the assumptions specified in Section 1.2 hereof.

“SEC”: The Securities and Exchange Commission.

“Secured Parties”: Collectively, the Trustee, the Holders of the Offered Notes and the Collateral Manager, each as their interests appear in applicable Transaction Documents.

“Securities”: Collectively, the Notes and the Preferred Shares.

“Securities Account”: The meaning specified in Section 8-501(a) of the UCC.

“Securities Account Control Agreement”: The meaning specified in Section 3.3(a) hereof.

“Securities Act”: The Securities Act of 1933, as amended.

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“Securities Intermediary”: The meaning specified in Section 8-102(a)(14) of the UCC.

“Security”: Any Note or Preferred Share or, collectively, the Notes and Preferred Shares, as the context may require.

“Security Entitlement”: The meaning specified in Section 8-102(a)(17) of the UCC.

“Self-Storage Property”: A real property with self-storage rental units (including mixed use property) as to which the majority of the underwritten revenue is from self-storage rental units.

“Seller”: The meaning specified in the applicable Mortgage Asset Purchase Agreement.

“Senior AB Pari Passu Participation”: A Mortgage Asset that is a participation interest (or an A Note) in an Underlying Whole Loan pursuant to a participation agreement (or intercreditor agreement) in which the interest acquired by the Issuer is senior to one or more Junior Participations but is *pari passu* with one or more other senior *pari passu* participation interests that are each Non-Acquired Participations and which each are the senior-most interest in such Underlying Whole Loan.

“Senior AB Participation”: A Mortgage Asset that is a participation interest (or an A Note) in an Underlying Whole Loan pursuant to a participation agreement (or intercreditor agreement) in which the interest acquired by the Issuer is senior to one or more Junior Participations.

“Senior Pari Passu Participation”: A Mortgage Asset that is a participation interest (or an A Note) in an Underlying Whole Loan pursuant to a participation agreement (or intercreditor agreement) in which the interest acquired by the Issuer is *pari passu* with one or more other senior *pari passu* participation interests that are each Non-Acquired Participations and which each are the senior-most interest in such Underlying Whole Loan.

“Senior Participation”: A Senior AB Participation, a Senior AB Pari Passu Participation or a Senior Pari Passu Participation.

“Sensitive Asset”: means (i) a Mortgage Asset, or a portion thereof, or (ii) a real property or other interest (including, without limitation, an interest in real property) resulting from the conversion, exchange, other modification or exercise of remedies with respect to a Mortgage Asset or portion thereof, in either case, as to which the Collateral Manager has determined, based on an Opinion of Counsel, could give rise to material liability of the Issuer (including liability for taxes) if held directly by the Issuer.

“Servicing Agreement”: The Servicing Agreement, dated as of the Closing Date, by and among the Issuer, the Trustee, the Collateral Manager and the CLO Servicer, as amended, supplemented or otherwise modified from time to time in accordance with its terms.

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“Servicing Fee”: With respect to each Due Period the aggregate amount of all servicing fees payable to the CLO Servicer under the Servicing Agreement and any backup servicer named therein or in any backup servicing agreement to which the Issuer is a party during such Due Period.

“Share Registrar”: MaplesFS Limited, unless a successor Person shall have become the Share Registrar pursuant to the applicable provisions of the Preferred Share Paying Agency Agreement, and thereafter “Share Registrar” shall mean such successor Person.

“Skilled Nursing Facility” means, a facility licensed by a state Health Care Authority to provide short-term and long-term custodial care, skilled nursing and rehabilitation services.

“Specified Person”: The meaning specified in Section 2.6(a) hereof.

“Stated Maturity Date”: The Payment Date occurring in June 2028.

“Student Housing Property”: A Multi-Family Property as to which the majority of the underwritten revenue is (or, upon stabilization, will be) from student housing.

“Successor Benchmark Rate”: means an industry benchmark rate that is comparable to LIBOR and generally accepted in the financial markets as the sole or predominant replacement benchmark to LIBOR.

“Successor Benchmark Rate Event”: means the elimination or substantially-complete phase-out of LIBOR as an available benchmark for computing interest on debt obligations in the marketplace.

“Target Collateral Principal Balance”: U.S.\$560,000,000.

“Tax Event”: (i) Any borrower is, or on the next scheduled payment date under any Mortgage Asset, will be, required to deduct or withhold from any payment under any Mortgage Asset to the Issuer for or on account of any tax for whatever reason and such borrower is not required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such borrower or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding been required, (ii) any jurisdiction imposes net income, profits, or similar tax on the Issuer or (iii) the Issuer fails to maintain its status as a Qualified REIT Subsidiary or other disregarded entity of a REIT and is not a foreign corporation that is not engaged in a trade or business in the United States for U.S. federal income tax purposes or otherwise subject to U.S. federal income tax on a net income basis. Withholding taxes imposed under FATCA, if any, shall be disregarded in applying the definition of “Tax Event.”

“Tax Materiality Condition”: The condition that will be satisfied if either (i) as a result of a Tax Event, a tax or taxes are imposed on the Issuer or withheld from payments to the Issuer and with respect to which the Issuer receives less than the full amount that the Issuer would have received had no such deduction occurred and such amount exceeds, in the aggregate, U.S.\$1 million during any 12-month period or (ii) the Issuer fails to maintain its status as a Qualified REIT

Subsidiary or other disregarded entity of a REIT and is not a foreign corporation that is not engaged in a trade or business in the United States for U.S. federal income tax purposes or otherwise subject to U.S. federal income tax on a net income basis.

“Tax Redemption”: The meaning specified in Section 9.1(b) hereof.

“Total Redemption Price”: The amount equal to funds sufficient to pay all amounts and expenses described under clauses (1) through (4) and (16) of Section 11.1(a)(i) and to redeem all Notes at their applicable Redemption Prices.

“Transaction Documents”: This Indenture, the Collateral Management Agreement, the Mortgage Asset Purchase Agreements, the Placement Agreement, the Company Administration Agreement, the Registered Office Agreement, the AML Services Agreement, the Preferred Share Paying Agency Agreement, the Servicing Agreement, the Collateral Administration Agreement and the Securities Account Control Agreement.

“Transaction Party”: The meaning specified in Section 2.5(k)(1).

“Transfer Agent”: The Person or Persons, which may be the Issuer, authorized by the Issuer to exchange or register the transfer of Notes in its capacity as Transfer Agent.

“Treasury Regulations”: Temporary or final regulations promulgated under the Code by the United States Treasury Department.

“Trust Officer”: When used with respect to the Trustee, any officer within the Global Trust Services Group of the Corporate Trust Office (or any successor group of the Trustee) including any vice president, assistant vice president or officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Global Trust Services Group of the Corporate Trust Office because of his knowledge of and familiarity with the particular subject and who is directly responsible for the administration of this Indenture.

“Trustee”: U.S. Bank National Association, a national banking association, solely in its capacity as trustee hereunder, unless a successor Person shall have become the Trustee pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” shall mean such successor Person.

“UCC”: The applicable Uniform Commercial Code.

“Uncertificated Securities”: The meaning specified in Section 3.3(a)(ii) hereof.

“Underlying Instruments”: The indenture, loan agreement, note, mortgage, intercreditor agreement, participation agreement, co-lender agreement or other agreement pursuant to which a Mortgage Asset or Eligible Investment has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Mortgage Asset or Eligible Investment or of which holders of such Mortgage Asset or Eligible Investment are the beneficiaries.

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“Underlying Mortgaged Property”: With respect to a Mortgage Asset that is (i) a Whole Loan, the commercial mortgage property or properties securing the Whole Loan and (ii) a Senior Participation, the commercial mortgage property or properties securing the Underlying Whole Loan.

“Underlying Whole Loan”: With respect to any Mortgage Asset that is a Senior Participation, the Whole Loan in which such Senior Participation represents a participation interest.

“United States” and “U.S.”: The United States of America, including any state and any territory or possession administered thereby.

“Unregistered Securities”: The meaning specified in Section 5.17(c) hereof.

“Unscheduled Principal Payments”: Any proceeds received by the Issuer from an unscheduled prepayment or redemption (in whole but not in part) by the obligor of a Mortgage Asset (or, in the case of a Senior Participation, the related Underlying Whole Loan) prior to the stated maturity date of such Mortgage Asset (or, in the case of a Senior Participation, the related Underlying Whole Loan).

“Unused Proceeds Account”: The trust account established pursuant to Section 10.4(a) hereof.

“Updated Appraisal”: An appraisal (or a letter update for an existing appraisal which is less than one year old) of the Underlying Mortgaged Property or Underlying Mortgaged Properties that the CLO Servicer, as special servicer, will be required to use reasonable efforts to obtain from an independent MAI appraiser upon the occurrence of an Appraisal Reduction Event within one hundred twenty (120) days of the event that resulted in such Appraisal Reduction Event with respect to a Mortgage Asset.

“U.S. Credit Risk Retention Rules”: The final rule promulgated to implement the credit risk retention requirements under Section 15G of the Exchange Act, as added by Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (79 F.R. 77601; Pages: 77740-77766), as such rule may be amended from time to time, and subject to such clarification and interpretation as have been provided by the Department of Treasury, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Securities and Exchange Commission and the Department of Housing and Urban Development in the adopting release (79 F.R. 77601 et seq.) or by the staff of any such agency, or as may be provided by any such agency or its staff from time to time, in each case, as effective from time to time as of the applicable compliance date specified therein.

“U.S. Person”: The meaning specified in Regulation S.

“Volcker Rule”: Section 13 of the Bank Holding Company Act of 1956, as amended, and the applicable rules and regulations promulgated thereunder.

“Weighted Average Life”: As of any Measurement Date with respect to the Mortgage Assets (other than Defaulted Mortgage Assets), the number obtained by (i) summing the

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products obtained by multiplying (a) the Average Life at such time of each Mortgage Asset (other than Defaulted Mortgage Assets) by (b) the outstanding Principal Balance of such Mortgage Asset and (ii) dividing such sum by the Aggregate Principal Balance at such time of all Mortgage Assets (other than Defaulted Mortgage Assets). For purposes of this definition, “Average Life” means, on any Measurement Date with respect to any Mortgage Asset (other than a Defaulted Mortgage Asset), the quotient obtained by the Collateral Manager by dividing (i) the sum of the products of (a) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive expected distribution of principal of such Mortgage Asset and (b) the respective amounts of such expected distributions of principal by (ii) the sum of all successive expected distributions of principal on such Mortgage Asset.

“Weighted Average Spread”: As of any date of determination, the number obtained (rounded up to the next 0.001%), by (A) summing the products obtained by multiplying (i) with respect to any Mortgage Asset (other than a Defaulted Mortgage Asset), the greater of (x) the current stated spread above LIBOR (net of any servicing fees and expenses) at which interest accrues on each such Mortgage Asset and (y) if such Mortgage Asset provides for a minimum interest rate payable thereunder, the excess, if any, of the minimum interest rate applicable to such Mortgage Asset (net of any servicing fees and expenses) over LIBOR by (ii) the Principal Balance of such Mortgage Asset as of such date, and (B) dividing such sum by the aggregate Principal Balance of all Mortgage Assets (excluding all Defaulted Mortgage Assets).

“Whole Loan”: A commercial mortgage loan secured by a first-lien mortgage on a Multi-Family Property, a Student Housing Property, a Retail Property, a Hospitality Property, an Office Property, a Self-Storage Property, an Industrial Property or a Healthcare Property.

Section 1.2 Assumptions as to Assets.

(a) In connection with all calculations required to be made pursuant to this Indenture with respect to Scheduled Distributions on any Mortgage Asset and Eligible Investment, or any payments on any other Assets, and with respect to the income that can be earned on Scheduled Distributions on any Mortgage Asset or Eligible Investment and on any other amounts that may be received for credit to the applicable Collection Account, the provisions set forth in this Section 1.2 shall be applied.

(b) All calculations with respect to Scheduled Distributions on the Mortgage Assets and Eligible Investments shall be made on the basis of information as to the terms of each such Asset and upon report of payments, if any, received on such Asset that are furnished by or on behalf of the

related borrower, obligor or issuer of such Asset and, to the extent they are not manifestly in error, such information or report may be conclusively relied upon in making such calculations.

(c) For each Due Period, the Scheduled Distribution on any Mortgage Asset (other than a Defaulted Mortgage Asset, which, except as otherwise provided herein, shall be assumed to have a Scheduled Distribution of zero) or Eligible Investment shall be the sum of (i) the total amount of payments and collections in respect of such Mortgage Asset or Eligible Investment (including all Sales Proceeds received during the Due Period and not reinvested in Reinvestment Mortgage Assets or retained in the Principal Collection Account for subsequent

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reinvestment) that, if paid as scheduled, will be available in the Collection Accounts at the end of such Due Period for payment on the Notes and of expenses of the Issuer and the Co-Issuer pursuant to the Priority of Payments and (ii) any such amounts received in prior Due Periods that were not disbursed on a previous Payment Date and do not constitute amounts which have been used as reimbursement with respect to a prior Interest Advance pursuant to the terms of this Indenture. On any date of determination, the amount of any Scheduled Distribution due on any future date with respect to any Mortgage Asset as to which any interest or other payment thereon is subject to withholding tax of any relevant jurisdiction shall be assumed to be made net of any such uncompensated withholding tax based upon withholding tax rates in effect on such date of determination.

(d) For purposes of calculating the Interest Coverage Ratio, (1) the expected interest income on the Mortgage Assets and Eligible Investments and the expected interest payable on the Notes shall be calculated using the interest rates applicable thereto on the applicable Measurement Date, (2) accrued original issue discount on Eligible Investments shall be deemed to be Scheduled Distributions due on the date such original issue discount is scheduled to be paid, (3) with respect to each Defaulted Mortgage Asset as to which the Collateral Manager has delivered written notice to the Issuer and the Trustee of its intent to engage in either (x) Credit Risk/Defaulted Mortgage Asset Cash Purchase or (y) an exchange for an Exchange Mortgage Asset, the Collateral Manager will have 45 days to exercise such purchase or exchange and during such period such Mortgage Asset will not be treated as a Defaulted Mortgage Asset, (4) there will be excluded all scheduled or deferred payments of interest on or principal of Mortgage Assets and any payment that the Collateral Manager has determined in its reasonable judgment will not be made in cash or received when due and (5) with respect to any Mortgage Asset as to which any interest or other payment thereon is subject to withholding tax of any relevant jurisdiction, each payment thereon shall be deemed to be payable net of such withholding tax unless the related borrower is required to make additional payments to fully compensate the Issuer for such withholding taxes (including in respect of any such additional payments).

(e) Each Scheduled Distribution receivable with respect to a Mortgage Asset or Eligible Investment shall be assumed to be received on the applicable Due Date, and each such Scheduled Distribution shall be assumed to be immediately deposited in the applicable Collection Account except to the extent the Collateral Manager has a reasonable expectation that such Scheduled Distribution will not be received on the applicable Due Date. All such funds shall be assumed to continue to earn interest until the date on which they are required to be available in the applicable Collection Account for transfer to the Payment Account for application, in accordance with the terms hereof, to payments of principal of or interest on the Notes or other amounts payable pursuant to this Indenture.

(f) All calculations required to be made and all reports which are to be prepared pursuant to this Indenture with respect to the Assets, shall be made on the basis of the date on which the Issuer makes a binding commitment to purchase or sell a Mortgage Asset or Eligible Investment rather than the date upon which such purchase or sale settles.

(g) Any direction or Issuer Order required hereunder relating to the purchase, acquisition, sale, disposition or other transfer of Assets may be in the form of a trade ticket, confirmation of trade, instruction to post or to commit to the trade or similar instrument or

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document or other written instruction (including by email or other electronic communication or file transfer protocol) from the Collateral Manager on which the Trustee may rely.

(h) To the extent of any ambiguity in the interpretation of any definition or term contained in this Indenture or to the extent more than one methodology can be used to make any of the determinations or calculations set forth herein, the Collateral Manager may direct the Collateral Administrator, or the Collateral Administrator may request direction from the Collateral Manager, as to the interpretation and/or methodology to be used, in either case, and the Collateral Administrator shall follow such direction (if given), and together with the Trustee, shall be entitled to conclusively rely thereon without any responsibility or liability therefor.

Section 1.3 Interest Calculation Convention.

All calculations of interest hereunder that are made with respect to the Notes shall be made on the basis of the actual number of days during the related Interest Accrual Period divided by 360.

Section 1.4 Rounding Convention.

Unless otherwise specified herein, test calculations that evaluate to a percentage will be rounded to the nearest ten thousandth of a percentage point and test calculations that evaluate to a number or decimal will be rounded to the nearest one hundredth of a percentage point.

ARTICLE 2

THE NOTES

Section 2.1 Forms Generally.

The Notes and the Trustee's or Authenticating Agent's certificate of authentication thereon (the "Certificate of Authentication") shall be in substantially the forms required by this Article 2, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted

by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may be consistent herewith, determined by the Authorized Officers of the Issuer and, as applicable, the Co-Issuer, executing such Notes as evidenced by their execution of such Notes. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note.

Section 2.2 Forms of Notes and Certificate of Authentication.

- (a) Form. The form of each Class of Notes including the Certificate of Authentication, shall be substantially as set forth in Exhibits A and B hereto.
- (b) Global Securities and Definitive Notes.
- (i) The Notes initially offered and sold in the United States to (or to U.S. Persons who are) QIBs may be represented by one or more permanent global notes in

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definitive, fully registered form without interest coupons with the applicable legend set forth in Exhibits A and B hereto added to the form of such Notes (each, a “Rule 144A Global Security”), which shall be registered in the name of the nominee of the Depository and deposited with the Trustee, at its Corporate Trust Office, as custodian for the Depository, duly executed by the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Rule 144A Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee or the Depository or its nominee, as the case may be, as hereinafter provided.

(ii) The Notes initially offered and sold in the United States to (or to U.S. Persons who are) IAIs, and Notes issued in definitive form, may be registered in the name of the legal or beneficial owner thereof attached without interest coupons with the applicable legend set forth in Exhibits A and B hereto added to the form of such Notes (each a “Definitive Note”), which shall be duly executed by the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Definitive Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee or the Depository or its nominee, as the case may be, as hereinafter provided.

(iii) The Offered Notes initially sold to institutions that are not U.S. Persons in offshore transactions in reliance on Regulation S shall be represented by one or more permanent global notes in definitive, fully registered form without interest coupons with the applicable legend set forth in Exhibits A and B, hereto added to the form of such Notes (each, a “Regulation S Global Security”), which shall be deposited on behalf of the subscribers for such Notes represented thereby with the Trustee as custodian for the Depository and registered in the name of a nominee of the Depository for the respective accounts of Euroclear and Clearstream, Luxembourg or their respective depositories, duly executed by the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Regulation S Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee or the Depository or its nominee, as the case may be, as hereinafter provided.

- (c) Book-Entry Provisions. This Section 2.2(c) shall apply only to Global Securities deposited with or on behalf of the Depository.

Each of the Issuer and, as applicable, the Co-Issuer shall execute and the Trustee shall, in accordance with this Section 2.2(c), authenticate and deliver initially one or more Global Securities that shall be (i) registered in the name of the nominee of the Depository for such Global Security or Global Securities and (ii) delivered by the Trustee to such Depository or pursuant to such Depository’s instructions or held by the Trustee’s agent as custodian for the Depository.

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Agent Members shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Trustee, as custodian for the Depository or under the Global Security, and the Depository may be treated by the Issuer, the Co-Issuer, the Trustee, and any agent of the Issuer, the Co-Issuer or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Co-Issuer, the Trustee, or any agent of the Issuer, the Co-Issuer or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder of any Global Security.

- (d) Delivery of Definitive Notes in Lieu of Global Securities. Except as provided in Section 2.10 hereof, owners of beneficial interests in a Class of Global Securities shall not be entitled to receive physical delivery of a Definitive Note.

Section 2.3 Authorized Amount; Stated Maturity Date; and Denominations.

- (a) The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is limited to U.S.\$494,200,000, except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 2.5, 2.6 or 8.5 hereof.

Such Notes shall be divided into seven Classes having designations and original principal amounts as follows:

<u>Designation</u>		<u>Original Principal Amount</u>
Class A Senior Secured Floating Rate Notes Due 2028	U.S.\$	308,000,000
Class A-S Secured Floating Rate Notes Due 2028	U.S.\$	50,400,000
Class B Secured Floating Rate Notes Due 2028	U.S.\$	22,400,000

Class C Secured Floating Rate Notes Due 2028	U.S.\$	23,100,000
Class D Secured Floating Rate Notes Due 2028	U.S.\$	37,100,000
Class E Floating Rate Notes Due 2028	U.S.\$	30,800,000
Class F Floating Rate Notes Due 2028	U.S.\$	22,400,000

(b) The Notes shall be issuable in minimum denominations of U.S.\$250,000 (or, in the case of Notes held in reliance on Rule 144A, in minimum denominations of U.S.\$100,000) and integral multiples of U.S.\$500 in excess thereof (plus any residual amount).

Section 2.4 Execution, Authentication, Delivery and Dating.

The Offered Notes shall be executed on behalf of the Issuer and the Co-Issuer by an Authorized Officer of the Issuer and the Co-Issuer, respectively. The Class E Notes and the

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Class F Notes shall be executed on behalf of the Issuer by an Authorized Officer of the Issuer. The signature of such Authorized Officers on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signatures of individuals who were at any time the Authorized Officers of the Issuer or the Co-Issuer shall bind the Issuer or the Co-Issuer, as the case may be, notwithstanding the fact that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of issuance of such Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Issuer and the Co-Issuer may deliver Offered Notes executed by the Issuer and the Co-Issuer, and the Issuer may deliver Class E Notes and Class F Notes executed by the Issuer, to the Trustee or the Authenticating Agent for authentication and the Trustee or the Authenticating Agent, upon Issuer Order (which Issuer Order shall, in connection with a transfer of Notes hereunder, be deemed to have been provided upon the delivery of an executed Note to the Trustee), shall authenticate and deliver such Notes as provided in this Indenture and not otherwise.

Each Note authenticated and delivered by the Trustee or the Authenticating Agent upon Issuer Order on the Closing Date shall be dated as of the Closing Date. All other Notes that are authenticated after the Closing Date for any other purpose under this Indenture shall be dated the date of their authentication.

Notes issued upon transfer, exchange or replacement of other Notes shall be issued in authorized denominations reflecting the original aggregate principal amount of the Notes so transferred, exchanged or replaced, but shall represent only the current outstanding principal amount of the Notes so transferred, exchanged or replaced. In the event that any Note is divided into more than one Note in accordance with this Article 2, the original principal amount of such Note shall be proportionately divided among the Notes delivered in exchange therefor and shall be deemed to be the original aggregate principal amount of such subsequently issued Notes.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a Certificate of Authentication, substantially in the form provided for herein, executed by the Trustee or by the Authenticating Agent by the manual signature of one of their Authorized Officers, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.5 Registration, Registration of Transfer and Exchange.

(a) The Issuer and the Co-Issuer, with respect to the Offered Notes, and the Issuer, with respect to the Class E Notes and the Class F Notes, shall cause to be kept a register (the “Notes Register”) in which, subject to such reasonable regulations as it may prescribe, the Issuer and, as applicable, the Co-Issuer shall provide for the registration of Notes and the registration of transfers and exchanges of Notes. The Trustee is hereby initially appointed “Notes Registrar” for the purpose of maintaining the Notes Registrar and registering Notes and transfers and exchanges of such Notes with respect to the Notes Register kept in the United States as herein provided. Upon any resignation or removal of the Notes Registrar, the Issuer and the Co-Issuer

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shall promptly appoint a successor or, in the absence of such appointment, assume the duties of Notes Registrar.

If a Person other than the Trustee is appointed by the Issuer and the Co-Issuer as Notes Registrar, the Issuer and the Co-Issuer shall give the Trustee prompt written notice of the appointment of a successor Notes Registrar and of the location, and any change in the location, of the Notes Register, and the Trustee shall have the right to inspect the Notes Register at all reasonable times and to obtain copies thereof and the Trustee shall have the right to rely upon a certificate executed on behalf of the Notes Registrar by an Officer thereof as to the names and addresses of the Holders of the Notes and the principal amounts and numbers of such Notes.

Subject to this Section 2.5, upon surrender for registration of transfer of any Notes at the office or agency of the Issuer to be maintained as provided in Section 7.2, the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denomination and of a like aggregate principal amount.

At the option of the Holder, Notes may be exchanged for Notes of like terms, in any authorized denominations and of like aggregate principal amount, upon surrender of the Notes to be exchanged at the office or agency of the Issuer to be maintained as provided in Section 7.2. Whenever any Note is surrendered for exchange, the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, shall execute, and the Trustee shall authenticate and deliver, the Notes that the Noteholder making the exchange is entitled to receive.

All Notes issued and authenticated upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Notes Registrar duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to a Holder for any registration of transfer or exchange of Notes, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

None of the Notes Registrar, the Issuer or the Co-Issuer shall be required (i) to issue, register the transfer of or exchange any Note during a period beginning at the opening of business 15 days before any selection of Notes to be redeemed and ending at the close of business on the day of the mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Note so selected for redemption.

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(b) No Note may be sold or transferred (including, without limitation, by pledge or hypothecation) unless such sale or transfer is exempt from the registration requirements of the Securities Act and is exempt from the registration requirements under applicable state securities laws.

(c) No Note may be offered, sold, resold or delivered, within the United States or to, or for the benefit of, U.S. Persons except in accordance with Section 2.5(e) below and in accordance with Rule 144A to QIBs or, solely with respect to Definitive Notes, or IAIs who are also Qualified Purchasers purchasing for their own account or for the accounts of one or more QIBs or IAIs who are also Qualified Purchasers, for which the purchaser is acting as fiduciary or agent. The Notes may be offered, sold, resold or delivered, as the case may be, in offshore transactions to institutions that are not U.S. Persons in reliance on Regulation S. None of the Issuer, the Co-Issuer, the Trustee or any other Person may register the Notes under the Securities Act or any state securities laws.

(d) Upon final payment due on the Stated Maturity Date of a Note, the Holder thereof shall present and surrender such Note at the Corporate Trust Office of the Trustee or at the office of the Paying Agent (outside the United States if then required by applicable law in the case of a Note in definitive form issued in exchange for a beneficial interest in a Regulation S Global Security pursuant to Section 2.10).

(e) Transfers of Global Securities. Notwithstanding any provision to the contrary herein, so long as a Global Security remains outstanding and is held by or on behalf of the Depository, transfers of a Global Security, in whole or in part, shall be made only in accordance with Section 2.2(c) and this Section 2.5(e).

(i) Except as otherwise set forth below, transfers of a Global Security shall be limited to transfers of such Global Security in whole, but not in part, to nominees of the Depository or to a successor of the Depository or such successor's nominee. Transfers of a Global Security to a Definitive Note may only be made in accordance with Section 2.10.

(ii) Regulation S Global Security to Rule 144A Global Security or Definitive Note. If a holder of a beneficial interest in a Regulation S Global Security wishes at any time to exchange its interest in such Regulation S Global Security for an interest in the corresponding Rule 144A Global Security or for a Definitive Note or to transfer its interest in such Regulation S Global Security to a Person who wishes to take delivery thereof in the form of an interest in the corresponding Rule 144A Global Security or for a Definitive Note, such holder may, subject to the immediately succeeding sentence and the rules and procedures of Euroclear, Clearstream, Luxembourg and/or DTC, as the case may be, exchange or transfer, or cause the exchange or transfer of, such interest for an equivalent beneficial interest in the corresponding Rule 144A Global Security or for a Definitive Note. Upon receipt by the Trustee or the Notes Registrar of:

(1) if the transferee is taking a beneficial interest in a Rule 144A Global Security, instructions from Euroclear, Clearstream, Luxembourg and/or DTC, as the case may be, directing the Notes Registrar to cause to be credited a beneficial interest in the corresponding Rule 144A Global Security in an amount equal to the

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beneficial interest in such Regulation S Global Security, but not less than the minimum denomination applicable to such holder's Notes to be exchanged or transferred, such instructions to contain information regarding the participant account with DTC to be credited with such increase and a duly completed certificate in the form of Exhibit G-2 attached hereto; or

(2) if the transferee is taking a Definitive Note, a duly completed transfer certificate in substantially the form of Exhibit G-3 hereto, certifying that such transferee is an IAI and a Qualified Purchaser,

then the Notes Registrar shall either (x) if the transferee is taking a beneficial interest in a Rule 144A Global Security, approve the instructions at DTC to reduce, or cause to be reduced, the Regulation S Global Security by the aggregate principal amount of the beneficial interest in the Regulation S Global Security to be transferred or exchanged and the Notes Registrar shall instruct DTC, concurrently with such reduction, to credit or cause to be credited to the securities account of the Person specified in such instructions a beneficial interest in the corresponding Rule 144A Global Security equal to the reduction in the principal amount of the Regulation S Global Security or (y) if the transferee is taking an interest in a Definitive Note, the Notes Registrar shall record the transfer in the Notes Register in accordance with Section 2.5(a) and, upon execution by the Issuers, the Authenticating Agent shall authenticate and deliver one or more Definitive Notes, as applicable, registered in the names specified in the instructions described above, in principal amounts designated by the transferee (the aggregate of such principal amounts being equal to the aggregate principal amount of the interest in the Regulation S Global Security transferred by the transferor).

(iii) Definitive Note or Rule 144A Global Security to Regulation S Global Security. If a holder of a beneficial interest in a Rule 144A Global Security or a Holder of a Definitive Note wishes at any time to exchange its interest in such Rule 144A Global Security or Definitive Note for an interest in the corresponding Regulation S Global Security, or to transfer its interest in such Rule 144A Global Security or Definitive Note to a

Person who wishes to take delivery thereof in the form of an interest in the corresponding Regulation S Global Security, such holder, provided such holder or, in the case of a transfer, the transferee is not a U.S. person and is acquiring such interest in an offshore transaction, may, subject to the immediately succeeding sentence and the rules and procedures of DTC, exchange or transfer, or cause the exchange or transfer of, such interest for an equivalent beneficial interest in the corresponding Regulation S Global Security. Upon receipt by the Trustee or the Notes Registrar of:

(1) instructions given in accordance with DTC's procedures from an Agent Member directing the Trustee or the Notes Registrar to credit or cause to be credited a beneficial interest in the corresponding Regulation S Global Security, but not less than the minimum denomination applicable to such holder's Notes, in an amount equal to the beneficial interest in the Rule 144A Global Security or Definitive Note to be exchanged or transferred, and in the case of a transfer of Definitive Notes, such Holder's Definitive Notes properly endorsed for assignment to the transferee,

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(2) a written order given in accordance with DTC's procedures containing information regarding the participant account of DTC and the Euroclear or Clearstream, Luxembourg account to be credited with such increase,

(3) in the case of a transfer of Definitive Notes, a Holder's Definitive Note properly endorsed for assignment to the transferee, and

(4) a duly completed certificate in the form of Exhibit G-1 attached hereto,

then the Trustee or the Notes Registrar shall approve the instructions at DTC to reduce the principal amount of the Rule 144A Global Security (or, in the case of a transfer of Definitive Notes, the Trustee or the Notes Registrar shall cancel such Definitive Notes) and to increase the principal amount of the Regulation S Global Security by the aggregate principal amount of the beneficial interest in the Rule 144A Global Security or Definitive Note to be exchanged or transferred, and to credit or cause to be credited to the securities account of the Person specified in such instructions a beneficial interest in the corresponding Regulation S Global Security equal to the reduction in the principal amount of the Rule 144A Global Security (or, in the case of a cancellation of Definitive Notes, equal to the principal amount of Definitive Notes so cancelled).

(iv) Transfer of Rule 144A Global Securities to Definitive Notes. If, in accordance with Section 2.10, a holder of a beneficial interest in a Rule 144A Global Security wishes at any time to exchange its interest in such Rule 144A Global Security for a Definitive Note or to transfer its interest in such Rule 144A Global Security to a Person who wishes to take delivery thereof in the form of a Definitive Note in accordance with Section 2.10, such holder may, subject to the immediately succeeding sentence and the rules and procedures of DTC, exchange or transfer, or cause the exchange or transfer of, such interest for a Definitive Note. Upon receipt by the Trustee or the Notes Registrar of (A) a duly complete certificate substantially in the form of Exhibit G-3 and (B) appropriate instructions from DTC, if required, the Trustee or the Notes Registrar shall approve the instructions at DTC to reduce, or cause to be reduced, the Rule 144A Global Security by the aggregate principal amount of the beneficial interest in the Rule 144A Global Security to be transferred or exchanged, record the transfer in the Notes Register in accordance with Section 2.5(a) and upon execution by the Issuers authenticate and deliver one or more Definitive Notes, registered in the names specified in the instructions described in clause (B) above, in principal amounts designated by the transferee (the aggregate of such principal amounts being equal to the aggregate principal amount of the interest in the Rule 144A Global Security transferred by the transferor).

(v) Transfer of Definitive Notes to Rule 144A Global Securities. If a holder of a Definitive Note wishes at any time to exchange its interest in such Definitive Note for a beneficial interest in a Rule 144A Global Security or to transfer such Definitive Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Rule 144A Global Security, such holder may, subject to the immediately succeeding sentence and the rules and procedures of DTC, exchange or transfer, or cause the exchange or transfer of, such Definitive Note for beneficial interest in a Rule 144A Global Security

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(provided that no IAI may hold an interest in a Rule 144A Global Security). Upon receipt by the Trustee or the Notes Registrar of (A) a Holder's Definitive Note properly endorsed for assignment to the transferee; (B) a duly completed certificate substantially in the form of Exhibit G-2 attached hereto; (C) instructions given in accordance with DTC's procedures from an Agent Member to instruct DTC to cause to be credited a beneficial interest in the Rule 144A Global Securities in an amount equal to the Definitive Notes to be transferred or exchanged; and (D) a written order given in accordance with DTC's procedures containing information regarding the participant's account of DTC to be credited with such increase, the Trustee or the Notes Registrar shall cancel such Definitive Note in accordance herewith, record the transfer in the Notes Register in accordance with Section 2.5(a) and approve the instructions at DTC, concurrently with such cancellation, to credit or cause to be credited to the securities account of the Person specified in such instructions a beneficial interest in the corresponding Rule 144A Global Security equal to the principal amount of the Definitive Note transferred or exchanged.

(vi) Other Exchanges. In the event that, pursuant to Section 2.10 hereof, a Global Security is exchanged for Definitive Notes, such Notes may be exchanged for one another only in accordance with such procedures as are substantially consistent with the provisions above (including certification requirements intended to ensure that such transfers are to a QIB who is also a Qualified Purchaser or are to institutions that are not U.S. Persons, or otherwise comply with Rule 144A or Regulation S, as the case may be) and as may be from time to time adopted by the Issuer, the Co-Issuer and the Trustee.

(f) Removal of Legend. If Notes are issued upon the transfer, exchange or replacement of Notes bearing the applicable legends set forth in Exhibits A and B hereto, and if a request is made to remove such applicable legend on such Notes, the Notes so issued shall bear such applicable legend, or such applicable legend shall not be removed, as the case may be, unless there is delivered to the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Issuer, such satisfactory evidence, which may include an Opinion of Counsel of an attorney at law licensed to practice law in the State of New York (and addressed to the Issuer and the Trustee), as may be reasonably required by the Issuer and, as applicable, the Co-Issuer, if applicable, to the effect that neither such applicable legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A or Regulation S, as applicable, the 1940 Act or ERISA. So long as the Issuer or the Co-Issuer is relying on an exemption under or promulgated pursuant to the 1940 Act, the Issuer or the Co-Issuer shall not remove that portion of the legend required to maintain an

exemption under or promulgated pursuant to the 1940 Act. Upon provision of such satisfactory evidence, as confirmed in writing by the Issuer and, as applicable, the Co-Issuer, if applicable, to the Trustee, the Trustee, at the direction of the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, shall authenticate and deliver Notes that do not bear such applicable legend.

(g) Each beneficial owner of Regulation S Global Securities shall be deemed to make the representations and agreements set forth in Exhibit G-1 hereto.

(h) Each beneficial owner of Rule 144A Global Securities shall be deemed to make the representations and agreements set forth in Exhibit G-2 hereto.

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(i) Each Holder of Definitive Notes shall make the representations and agreements set forth in the certificate attached as Exhibit G-3 hereto.

(j) Any purported transfer of a Note not in accordance with Section 2.5(a) shall be null and void and shall not be given effect for any purpose hereunder.

(k) As long as the Fiduciary Rule has not been revoked or repealed or otherwise remains in effect, each purchaser of the Notes that is a Benefit Plan Investor or a fiduciary purchasing the Notes on behalf of a Benefit Plan Investor (a "Plan Fiduciary") will be deemed to have represented by its purchase of the Notes that:

(1) none of the Issuer, the Co-Issuer, the Trustee, the Placement Agent, nor any of their respective affiliates (each, a "Transaction Party") has provided or will provide advice with respect to the acquisition of the Notes by the Benefit Plan Investor, and the Plan Fiduciary either:

(A) is a bank as defined in Section 202 of the Advisers Act, or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency;

(B) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Benefit Plan Investor;

(C) is an investment adviser registered under the Advisers Act, or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business;

(D) is a broker-dealer registered under the Exchange Act; or

(E) has, and at all times that the Benefit Plan Investor is invested in the Notes will have, total assets of at least U.S. \$50,000,000 under its management or control (provided that this clause (e) shall not be satisfied if the Plan Fiduciary is either (i) the owner or a relative of the owner of an investing individual retirement account or (ii) a participant or beneficiary of the Benefit Plan Investor investing in the Notes in such capacity);

(2) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including without limitation the acquisition by the Benefit Plan Investor of the Notes;

(3) the Plan Fiduciary is a "fiduciary" with respect to the Benefit Plan Investor within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is independent of the Transaction Parties for purposes of the Fiduciary

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Rule and responsible for exercising independent judgment in evaluating the Benefit Plan Investor's acquisition of the Notes;

(4) none of the Transaction Parties has exercised any authority to cause the Benefit Plan Investor to invest in the Notes or to negotiate the terms of the Benefit Plan Investor's investment in the Notes;

(5) no fee or other compensation is being paid directly to the Transaction Parties or any of their respective affiliates for investment advice (as opposed to other services) in connection with the acquisition, holding and subsequent disposition of the Offered Notes; and

(6) the Plan Fiduciary has been informed by the Transaction Parties:

(A) that none of the Transaction Parties has undertaken or will undertake to provide impartial investment advice or has given or will give advice in a fiduciary capacity in connection with the Benefit Plan Investor's acquisition of the Notes; and

(B) of the existence and nature of the Transaction Parties' fees, compensation arrangements and/or financial interests in the Benefit Plan Investor's acquisition of the Notes.

(l) Notwithstanding anything contained in this Indenture to the contrary, neither the Trustee nor the Notes Registrar (nor any other Transfer Agent) shall be responsible or liable for compliance with applicable federal or state securities laws (including, without limitation, the Securities Act or Rule 144A or Regulation S promulgated thereunder), the 1940 Act, ERISA or the Code (or any applicable regulations thereunder); provided, however, that if a specified transfer certificate or Opinion of Counsel is required by the express terms of this Section 2.5 to be delivered to the Trustee or Notes Registrar

prior to registration of transfer of a Note, the Trustee and/or Notes Registrar, as applicable, is required to request, as a condition for registering the transfer of the Note, such certificate or Opinion of Counsel and to examine the same to determine whether it conforms on its face to the requirements hereof (and the Trustee or Notes Registrar, as the case may be, shall promptly notify the party delivering the same if it determines that such certificate or Opinion of Counsel does not so conform).

(m) If the Trustee determines or is notified by the Issuer, the Co-Issuer or the Collateral Manager that (i) a transfer or attempted or purported transfer of any interest in any Note was consummated in compliance with the provisions of this Section 2.5 on the basis of a materially incorrect certification from the transferee or purported transferee, (ii) a transferee failed to deliver to the Trustee any certification required to be delivered hereunder or (iii) the holder of any interest in a Note is in breach of any representation or agreement set forth in any certification or any deemed representation or agreement of such holder, the Trustee shall not register such attempted or purported transfer and if a transfer has been registered, such transfer shall be absolutely null and void *ab initio* and shall vest no rights in the purported transferee (such purported transferee, a “Disqualified Transferee”) and the last preceding holder of such interest in such Note that was not

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a Disqualified Transferee shall be restored to all rights as a Holder thereof retroactively to the date of transfer of such Note by such Holder.

In addition, the Trustee may require that the interest in the Note referred to in (i), (ii) or (iii) in the preceding paragraph be transferred to any person designated by the Issuer or the Collateral Manager at a price determined by the Issuer or the Collateral Manager, as applicable, based upon its estimation of the prevailing price of such interest and each Holder, by acceptance of an interest in a Note, authorizes the Trustee to take such action. In any case, none of the Issuer, the Trustee nor the Collateral Manager shall be held responsible for any losses that may be incurred as a result of any required transfer under this Section 2.5(m).

(n) Each Holder of Notes approves and consents to (i) the initial purchase of the Mortgage Assets by the Issuer from Affiliates of the Collateral Manager on the Closing Date and (ii) any other transaction between the Issuer and the Collateral Manager or its Affiliates that are permitted under the terms of this Indenture or the Collateral Management Agreement.

(o) As long as any Note is Outstanding, Notes held by Issuer Parent or an Issuer Parent Disregarded Entity may not be transferred (whether by means of actual transfer or transfer of beneficial ownership for U.S. federal income tax purposes), pledged or hypothecated to any other Person (except to Issuer Parent or an Issuer Parent Disregarded Entity) unless the Issuer receives a No Entity-Level Tax Opinion (or has previously received a No Trade or Business Opinion).

Section 2.6 Mutilated, Defaced, Destroyed, Lost or Stolen Note.

If (a) any mutilated or defaced Note is surrendered to a Transfer Agent, or if there shall be delivered to the Issuer, the Co-Issuer, the Trustee and the relevant Transfer Agent (each a “Specified Person”) evidence to their reasonable satisfaction of the destruction, loss or theft of any Note, and (b) there is delivered to the Specified Person such security or indemnity as may be required by each Specified Person to save each of them and any agent of any of them harmless (an unsecured indemnity agreement delivered to the Trustee by an institutional investor with a net worth of at least U.S.\$200,000,000 being deemed sufficient to satisfy such security or indemnity requirement), then, in the absence of notice to the Specified Persons that such Note has been acquired by a bona fide purchaser, the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, shall execute and, upon Issuer Request, the Trustee shall authenticate and deliver, in lieu of any such mutilated, defaced, destroyed, lost or stolen Note, a new Note, of like tenor (including the same date of issuance) and equal principal amount, registered in the same manner, dated the date of its authentication, bearing interest from the date to which interest has been paid on the mutilated, defaced, destroyed, lost or stolen Note and bearing a number not contemporaneously outstanding.

If, after delivery of such new Note, a bona fide purchaser of the predecessor Note presents for payment, transfer or exchange such predecessor Note, any Specified Person shall be entitled to recover such new Note from the Person to whom it was delivered or any Person taking therefrom, and each Specified Person shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by such Specified Person in connection therewith.

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In case any such mutilated, defaced, destroyed, lost or stolen Note has become due and payable, the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, in their discretion may, instead of issuing a new Note, pay such Note without requiring surrender thereof except that any mutilated or defaced Note shall be surrendered.

Upon the issuance of any new Note under this Section 2.6, the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, may require the payment by the registered Holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Note issued pursuant to this Section 2.6 in lieu of any mutilated, defaced, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, and such new Note shall be entitled, subject to the second paragraph of this Section 2.6, to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.6 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, defaced, destroyed, lost or stolen Notes.

Section 2.7 Payment of Principal and Interest and Other Amounts; Principal and Interest Rights Preserved.

(a) The Class A Notes shall accrue interest during each Interest Accrual Period at the Class A Rate. Interest on each Class A Note shall be due and payable on each Payment Date immediately following the related Interest Accrual Period in the proportion that the outstanding principal amount of such Class A Note bears to the Aggregate Outstanding Amount of all Class A Notes; provided, however, that the payment of interest on the Class A Notes is subordinated to the payment on each Payment Date of certain amounts in accordance with the Priority of Payments.

(b) The Class A-S Notes shall accrue interest during each Interest Accrual Period at the Class A-S Rate. Interest on each Class A-S Note shall be due and payable on each Payment Date immediately following the related Interest Accrual Period in the proportion that the outstanding principal amount of such Class A-S Note bears to the Aggregate Outstanding Amount of all Class A-S Notes; provided, however, that the payment of interest on the Class A Notes (including any Class A Defaulted Interest Amount) and certain other amounts in accordance with the Priority of Payments.

(c) The Class B Notes shall accrue interest during each Interest Accrual Period at the Class B Rate. Interest on each Class B Note shall be due and payable on each Payment Date immediately following the related Interest Accrual Period in the proportion that the outstanding principal amount of such Class B Note bears to the Aggregate Outstanding Amount of all Class B Notes; provided, however, that the payment of interest on the Class B Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes (including any Class A Defaulted Interest Amount), the Class A-S Notes (including

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any Class A-S Defaulted Interest Amount) and certain other amounts in accordance with the Priority of Payments.

(d) The Class C Notes shall accrue interest during each Interest Accrual Period at the Class C Rate. Interest on each Class C Note shall be due and payable on each Payment Date immediately following the related Interest Accrual Period in the proportion that the outstanding principal amount of such Class C Note bears to the Aggregate Outstanding Amount of all Class C Notes; provided, however, that the payment of interest on the Class C Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes (including any Class A Defaulted Interest Amount), the Class A-S Notes (including any Class A-S Defaulted Interest Amount), the Class B Notes (including any Class B Defaulted Interest Amount) and certain other amounts in accordance with the Priority of Payments.

(e) The Class D Notes shall accrue interest during each Interest Accrual Period at the Class D Rate. Interest on each Class D Note shall be due and payable on each Payment Date immediately following the related Interest Accrual Period in the proportion that the outstanding principal amount of such Class D Note bears to the Aggregate Outstanding Amount of all Class D Notes; provided, however, that the payment of interest on the Class D Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes (including any Class A Defaulted Interest Amount), the Class A-S Notes (including any Class A-S Defaulted Interest Amount), the Class B Notes (including any Class B Defaulted Interest Amount), the Class C Notes (including any Class C Defaulted Interest Amount) and certain other amounts in accordance with the Priority of Payments.

(f) The Class E Notes shall accrue interest during each Interest Accrual Period at the Class E Rate. Interest on each Class E Note shall be due and payable on each Payment Date immediately following the related Interest Accrual Period in the proportion that the outstanding principal amount of such Class E Note bears to the Aggregate Outstanding Amount of all Class E Notes; provided, however, that the payment of interest on the Class E Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes (including any Class A Defaulted Interest Amount), the Class A-S Notes (including any Class A-S Defaulted Interest Amount), the Class B Notes (including any Class B Defaulted Interest Amount), the Class C Notes (including any Class C Defaulted Interest Amount), the Class D Notes (including any Class D Defaulted Interest Amount) and certain other amounts in accordance with the Priority of Payments.

(g) The Class F Notes shall accrue interest during each Interest Accrual Period at the Class F Rate. Interest on each Class F Note shall be due and payable on each Payment Date immediately following the related Interest Accrual Period in the proportion that the outstanding principal amount of such Class F Note bears to the Aggregate Outstanding Amount of all Class F Notes; provided, however, that the payment of interest on the Class E Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes (including any Class A Defaulted Interest Amount), the Class A-S Notes (including any Class A-S Defaulted Interest Amount), the Class B Notes (including any Class B Defaulted Interest Amount), the Class C Notes (including any Class C Defaulted Interest Amount), the Class D Notes (including any Class D Defaulted Interest Amount) and certain other amounts in accordance with the Priority of Payments.

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(h) Upon any Optional Redemption, Tax Redemption, Clean-up Call and upon the redemption of the Preferred Shares on the Preferred Shares Redemption Date, all net proceeds remaining after the sale of the Mortgage Assets in accordance with Article 12 hereof and Cash and proceeds from Eligible Investments (other than the Issuer's right, title and interest in the property described in clause (i) of the definition of "Excepted Assets"), after the payment of the amounts referred to in clauses (1) through (9) and clauses (12) through (17) of Section 11.1(a)(i) and clauses (1) through (11) of Section 11.1(a)(ii) will be distributed by the Trustee to the Preferred Shares Paying Agent for distribution to the Holders of the Preferred Shares in accordance with the Preferred Share Paying Agency Agreement, whereupon the Preferred Shares will be cancelled and deemed paid in full for all purposes.

(i) Interest shall cease to accrue on each Class of Notes, or in the case of a partial repayment, on such part, from the date of repayment or the Stated Maturity Date, whichever occurs first, unless payment of principal is improperly withheld or unless a Default has occurred with respect to such payments of principal.

(j) The principal of each Class of Notes matures at par and is due and payable on the Stated Maturity Date, unless such principal has been previously repaid or unless the unpaid principal of such Class of Notes becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise; provided, however, that the payment of principal on the Class A-S Notes (other than payment of principal pursuant to Section 9.5) may only occur after the principal on the Class A Notes has been paid in full and is subordinated to the payment on each Payment Date of the principal and interest due and payable on the Class A Notes and other amounts in accordance with the Priority of Payments and any payment of principal on the Class A-S Notes which is not paid, in accordance with the Priority of Payments, on any Payment Date, shall not be considered "due and payable" solely for purposes of Section 5.1(b) until the Payment Date on which such principal may be paid in accordance with the Priority of Payments or all of the Class A Notes have been paid in full; provided, further that the payment of principal on the Class B Notes (other than payment of principal pursuant to Section 9.5) may only occur after the principal on the Class A-S Notes has been paid in full and is subordinated to the payment on each Payment Date of the principal and interest due and

payable on the Class A-S Notes and other amounts in accordance with the Priority of Payments and any payment of principal on the Class B Notes which is not paid, in accordance with the Priority of Payments, on any Payment Date, shall not be considered “due and payable” solely for purposes of Section 5.1(b) until the Payment Date on which such principal may be paid in accordance with the Priority of Payments or all of the Class A-S Notes have been paid in full; provided, further, that the payment of principal on the Class C Notes (other than payment of principal pursuant to Section 9.5) may only occur after the principal on the Class B Notes has been paid in full and is subordinated to the payment on each Payment Date of the principal and interest due and payable on the Class B Notes and other amounts in accordance with the Priority of Payments and any payment of principal on the Class C Notes which is not paid, in accordance with the Priority of Payments, on any Payment Date, shall not be considered “due and payable” solely for purposes of Section 5.1(b) until the Payment Date on which such principal may be paid in accordance with the Priority of Payments or all of the Class B Notes have been paid in full; provided, further, that the payment of principal on the Class D Notes (other than payment of principal pursuant to Section 9.5) may only occur after the principal on the Class C Notes has been paid in full and is subordinated to the payment on each Payment Date of the principal and interest due and payable on the Class C Notes and other amounts in

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accordance with the Priority of Payments and any payment of principal on the Class D Notes which is not paid, in accordance with the Priority of Payments, on any Payment Date, shall not be considered “due and payable” solely for purposes of Section 5.1(b) until the Payment Date on which such principal may be paid in accordance with the Priority of Payments or all of the Class C Notes have been paid in full; provided, further, that the payment of principal on the Class E Notes may only occur after the principal on the Class D Notes has been paid in full and is subordinated to the payment on each Payment Date of the principal and interest due and payable on the Class D Notes and other amounts in accordance with the Priority of Payments and any payment of principal on the Class E Notes which is not paid, in accordance with the Priority of Payments, on any Payment Date, shall not be considered “due and payable” solely for purposes of Section 5.1(b) until the Payment Date on which such principal may be paid in accordance with the Priority of Payments or all of the Class D Notes have been paid in full; provided, further, that the payment of principal on the Class F Notes may only occur after the principal on the Class E Notes has been paid in full and is subordinated to the payment on each Payment Date of the principal and interest due and payable on the Class E Notes and other amounts in accordance with the Priority of Payments and any payment of principal on the Class F Notes which is not paid, in accordance with the Priority of Payments, on any Payment Date, shall not be considered “due and payable” solely for purposes of Section 5.1(b) until the Payment Date on which such principal may be paid in accordance with the Priority of Payments or all of the Class E Notes have been paid in full. Payments of principal on the Notes in connection with a Clean-up Call, Tax Redemption or Optional Redemption will be made in accordance with Section 9.1 and the Priority of Payments.

(k) As a condition to the payment of principal of and interest on any Note without the imposition of U.S. withholding tax, the Issuer shall require certification acceptable to it to enable the Issuer, the Co-Issuer, the Trustee, the Preferred Shares Paying Agent and the Paying Agent to determine their duties and liabilities with respect to any taxes or other charges that they may be required to deduct or withhold from payments in respect of such Security under any present or future law or regulation of the United States or any present or future law or regulation of any political subdivision thereof or taxing authority therein or to comply with any reporting or other requirements under any such law or regulation. Such certification may include U.S. federal income tax forms (such as IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals)), IRS Form W-8BEN-E (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities)), IRS Form W-8IMY (Certificate of Foreign Intermediary, Foreign Flow-through Entity, or Certain U.S. Branches for United States Tax Withholding and Reporting), IRS Form W-9 (Request for Taxpayer Identification Number and Certification), or IRS Form W-8ECI (Certificate of Foreign Person’s Claim that Income is Effectively Connected with the Conduct of a Trade or Business in the United States)) or any successors to such IRS forms. In addition, each of the Issuer, the Co-Issuer, the Trustee, the Preferred Shares Paying Agent or any Paying Agent may require certification acceptable to it to enable the Issuer to qualify for a reduced rate of withholding in any jurisdiction from or through which the Issuer receives payments on its assets. Each Holder and each beneficial owner of Notes agree to provide any certification, documentation and information requested pursuant to this Section 2.7(k), including to achieve FATCA Compliance, and to update or replace such form or certification in accordance with its terms or its subsequent amendments and each Holder acknowledges and agrees that the Issuer (or an agent on its behalf) may provide such documentation and information to the IRS, the Cayman Islands Tax Information Authority or any other relevant governmental authority. Furthermore, (i) if a Holder is a “foreign financial

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institution” or other foreign financial entity subject to FATCA or Cayman FATCA Legislation (ii) if the Issuer is no longer a Qualified REIT Subsidiary or other disregarded entity of a REIT, but is instead a foreign corporation for U.S. federal income tax purposes, the Issuer shall require information to comply with FATCA or Cayman FATCA Legislation requirements pursuant to clause (xii) of the representations and warranties set forth under the third paragraph of Exhibit G-1 hereto, as deemed made pursuant to Section 2.5(g) hereto, or pursuant to clause (xii) of the representations and warranties set forth under the third paragraph of Exhibit G-2 hereto, as deemed made pursuant to Section 2.5(h) hereto, or pursuant to clause (ix) of the representations and warranties set forth under the third paragraph of Exhibit G-3 hereto, made pursuant to Section 2.5(i) hereto, as applicable. In the event that a Holder fails to provide such information, or to the extent the Holder’s ownership of Notes would otherwise cause the Issuer to be subject to any tax under FATCA, (A) the Issuer is authorized to withhold amounts otherwise distributable to the Holder as compensation for any tax imposed under FATCA as a result of such failure or the Holder’s ownership, and (B) to the extent necessary to avoid an adverse effect on the Issuer as a result of such failure or the Holder’s ownership, the Issuer will have the right to compel the Holder to sell its Notes, and, if the Holder does not sell its Notes within 10 Business Days after notice from the Issuer, to sell such Notes at a public or private sale called and conducted in any manner permitted by law, and to remit the net proceeds of such sale (taking into account any taxes incurred by the Issuer in connection with such sale) to the Holder as payment in full for such Notes. The Issuer may also assign each such Note a separate CUSIP number or CUSIP numbers in the Issuer’s sole discretion.

(l) Each Holder will provide the Issuer or its agents with such information and documentation that may be required for the Issuer to achieve AML Compliance and shall update or replace such information or documentation, as may be necessary (the “**Holder AML Obligations**”).

(m) Payments in respect of interest on and principal of the Notes shall be payable by wire transfer in immediately available funds to a Dollar account maintained by the Holder or its nominee; provided that the Holder has provided wiring instructions to the Trustee on or before the related Record Date or, if wire transfer cannot be effected, by a Dollar check drawn on a bank in the United States, or by a Dollar check mailed to the Holder at its address in the Notes Register. The Issuer expects that the Depository or its nominee, upon receipt of any payment of principal or interest in respect of a Global Security held by the Depository or its nominee, shall immediately credit the applicable Agent Members’ accounts with payments in amounts proportionate to the respective beneficial interests in such Global Security as shown on the records of the Depository or its nominee. The Issuer also expects that payments by Agent Members to owners of beneficial interests in such Global Security held through Agent Members will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such

customers. Such payments will be the responsibility of the Agent Members. Upon final payment due on the Maturity of a Note, the Holder thereof shall present and surrender such Note at the Corporate Trust Office of the Trustee or at the office of the Paying Agent (outside of the United States if then required by applicable law in the case of a Definitive Note issued in exchange for a beneficial interest in the Regulation S Global Security) on or prior to such Maturity. None of the Issuer, the Co-Issuer, the Trustee or the Paying Agent will have any responsibility or liability with respect to any records maintained by the Holder of any Note with respect to the beneficial holders thereof or

payments made thereby on account of beneficial interests held therein. In the case where any final payment of principal and interest is to be made on any Note (other than on the Stated Maturity Date thereof) the Issuer or, upon Issuer Request, the Trustee, in the name and at the expense of the Issuer, shall not more than 30 nor fewer than five Business Days prior to the date on which such payment is to be made, mail to the Persons entitled thereto at their addresses appearing on the Notes Register, a notice which shall state the date on which such payment will be made and the amount of such payment and shall specify the place where such Notes may be presented and surrendered for such payment.

(n) Subject to the provisions of Sections 2.7(a) through (k) and Section 2.7(o) hereof, Holders of Notes as of the Record Date in respect of a Payment Date shall be entitled to the interest accrued and payable in accordance with the Priority of Payments and principal payable in accordance with the Priority of Payments on such Payment Date. All such payments that are mailed or wired and returned to the Paying Agent shall be held for payment as herein provided at the office or agency of the Issuer and the Co-Issuer to be maintained as provided in Section 7.2 (or returned to the Trustee).

(o) Interest on any Note which is payable, and is punctually paid or duly provided for, on any Payment Date shall be paid to the Person in whose name that Note (or one or more predecessor Notes) is registered at the close of business on the Record Date for such interest.

(p) Payments of principal to Holders of the Notes of each Class shall be made in the proportion that the Aggregate Outstanding Amount of the Notes of such Class registered in the name of each such Holder on such Record Date bears to the Aggregate Outstanding Amount of all Notes of such Class on such Record Date.

(q) Interest accrued with respect to the Notes shall be calculated as described in the applicable form of Note attached hereto.

(r) All reductions in the principal amount of a Note (or one or more predecessor Notes) effected by payments of installments of principal made on any Payment Date, Redemption Date or upon Maturity shall be binding upon all future Holders of such Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

(s) Notwithstanding anything contained in this Indenture to the contrary, the obligations of the Issuer and, as applicable, the Co-Issuer under the Notes, this Indenture and the other Transaction Documents are limited-recourse obligations of the Issuer and, except for the Class E Notes and the Class F Notes, non-recourse obligations of the Co-Issuer payable solely from the Assets and following realization of the Assets, all obligations of the Co-Issuers, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, and any claims of the Noteholders, the Trustee or any other parties to any Transaction Documents shall be extinguished and shall not thereafter revive. No recourse shall be had for the payment of any amount owing in respect of the Notes against any Officer, director, employee, shareholder, limited partner or incorporator of the Issuer, the Co-Issuer or any of their respective successors or assigns for any amounts payable under the Notes or this Indenture. It is understood that the foregoing provisions of this paragraph shall not (i) prevent recourse to the Assets for the sums due

or to become due under any security, instrument or agreement which is part of the Assets or (ii) constitute a waiver, release or discharge of any indebtedness or obligation evidenced by the Notes or secured by this Indenture (to the extent it relates to the obligation to make payments on the Notes) until such Assets have been realized, whereupon any outstanding indebtedness or obligation in respect of the Notes, this Indenture and the other Transaction Documents shall be extinguished and shall not thereafter revive. It is further understood that the foregoing provisions of this paragraph shall not limit the right of any Person to name the Issuer or the Co-Issuer as a party defendant in any Proceeding or in the exercise of any other remedy under the Notes or this Indenture, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against any such Person or entity.

(t) Subject to the foregoing provisions of this Section 2.7, each Note delivered under this Indenture and upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights of unpaid interest and principal that were carried by such other Note.

(u) Notwithstanding any of the foregoing provisions with respect to payments of principal of and interest on the Notes (but subject to Sections 2.7(i) and (o)), if the Notes have become or been declared due and payable following an Event of Default and such acceleration of Maturity and its consequences have not been rescinded and annulled and the provisions of Section 5.5 are not applicable, then payments of principal of and interest on such Notes shall be made in accordance with Section 5.7 hereof.

(v) Payments in respect of the Preferred Shares as contemplated by Sections 11.1(a)(i)(15) and 11.1(a)(ii)(10) shall be made by the Trustee to the Preferred Shares Paying Agent.

Section 2.8 Persons Deemed Owners.

The Issuer, the Co-Issuer, the Trustee, and any agent of the Issuer, the Co-Issuer or the Trustee may treat as the owner of a Note the Person in whose name such Note is registered on the Notes Register on the applicable Record Date for the purpose of receiving payments of principal of and interest and other amounts on such Note and on any other date for all other purposes whatsoever (whether or not such Note is overdue), and none of the Issuer, the Co-Issuer or the Trustee nor any agent of the Issuer, the Co-Issuer or the Trustee shall be affected by notice to the contrary; provided, however, that the Depository, or its nominee, shall be deemed the owner of the Global Securities, and owners of beneficial interests in Global Securities will not be considered the owners of any Notes for the purpose of receiving notices. With respect to the Preferred Shares, on any Payment Date, the Trustee shall deliver to the Preferred Shares Paying Agent the distributions thereon for distribution to the Preferred Shareholders.

Section 2.9 Cancellation.

All Notes surrendered for payment, registration of transfer, exchange or redemption, or deemed lost or stolen, shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and shall be promptly canceled by the Trustee and may not be reissued or resold. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.9, except as expressly permitted by this Indenture. All canceled Notes

held by the Trustee shall be destroyed or held by the Trustee in accordance with its standard retention policy unless the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, shall direct by an Issuer Order that they be returned to them. Notes of the most senior Class Outstanding (and no other Class of Notes) that are held by the Issuer, the Co-Issuer, the Collateral Manager or any of their respective Affiliates may be submitted to the Trustee for cancellation at any time.

Section 2.10 Global Securities; Definitive Notes; Temporary Notes.

(a) Definitive Notes. Definitive Notes shall only be issued in the following limited circumstances:

(i) at the discretion of the Issuer, at the direction of the Collateral Manager, with respect to any Class of Notes;

(ii) upon transfer of Global Securities to an IAI in accordance with the procedures set forth in Section 2.5(e)(ii) or Section 2.5(e)(iii);

(iii) if a holder of a Definitive Note wishes at any time to exchange such Definitive Note for one or more Definitive Notes or transfer such Definitive Note to a transferee who wishes to take delivery thereof in the form of a Definitive Note in accordance with Section 2.10, such holder may effect such exchange or transfer upon receipt by the Trustee or the Notes Registrar of (A) a Holder's Definitive Note properly endorsed for assignment to the transferee, and (B) duly completed certificates in the form of Exhibit G-3, upon receipt of which the Trustee or the Notes Registrar shall then cancel such Definitive Note in accordance herewith, record the transfer in the Notes Register in accordance with Section 2.5(a) and upon execution by the Co-Issuers authenticate and deliver one or more Definitive Notes bearing the same designation as the Definitive Note endorsed for transfer, registered in the names specified in the assignment described in clause (A) above, in principal amounts designated by the transferee (the aggregate of such principal amounts being equal to the aggregate principal amount of the Definitive Note surrendered by the transferor); or

(iv) in the event that the Depository notifies the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, that it is unwilling or unable to continue as Depository for a Global Security or if at any time such Depository ceases to be a "Clearing Agency" registered under the Exchange Act and a successor depository is not appointed by the Issuer within 90 days of such notice, the Global Securities deposited with the Depository pursuant to Section 2.2 hereof shall be transferred to the beneficial owners thereof subject to the procedures and conditions set forth in this Section 2.10.

(b) Any Global Security that is exchanged for a Definitive Note shall be surrendered by the Depository to the Trustee's Corporate Trust Office together with necessary instruction for the registration and delivery of a Definitive Note to the beneficial owners (or such owner's nominee) holding the ownership interests in such Global Security. Any such transfer shall be made, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each

portion of such Global Security, an equal aggregate principal amount of Definitive Notes of the same Class and authorized denominations. Any Definitive Notes delivered in exchange for an interest in a Global Security shall, except as otherwise provided by Section 2.5(f), bear the applicable legend set forth in Exhibits C-1 or C-2, as applicable, and shall be subject to the transfer restrictions referred to in such applicable legend. The Holder of each such registered individual Global Security may transfer such Global Security by surrendering it at the Corporate Trust Office of the Trustee, or at the office of the Paying Agent.

(c) Subject to the provisions of Section 2.10(b) above, the registered Holder of a Global Security may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

(d) In the event of the occurrence of either of the events specified in Section 2.10(a) above, the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, shall promptly make available to the Trustee a reasonable supply of Definitive Notes.

Pending the preparation of Definitive Notes pursuant to this Section 2.10, the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, may execute and, upon Issuer Order, the Trustee shall authenticate and deliver, temporary Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes that are printed, lithographed, typewritten, mimeographed or otherwise reproduced, in any authorized denomination, substantially of the tenor of the Definitive Notes in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the Officers executing such Definitive Notes may determine, as conclusively evidenced by their execution of such Definitive Notes.

If temporary Definitive Notes are issued, the Issuer and, as applicable, the Co-Issuer shall cause permanent Definitive Notes to be prepared without unreasonable delay. The Definitive Notes shall be printed, lithographed, typewritten or otherwise reproduced, or provided by any combination thereof, or in any other manner permitted by the rules and regulations of any applicable notes exchange, all as determined by the Officers executing such Definitive Notes. After the preparation of Definitive Notes, the temporary Notes shall be exchangeable for Definitive Notes upon surrender of the applicable temporary Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes at the office or agency maintained by the Issuer and the Co-Issuer for such purpose, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes, the Issuer and, with respect to the Offered Notes, the Co-

Issuer shall execute, and the Trustee shall authenticate and deliver, in exchange therefor the same aggregate principal amount of Definitive Notes of authorized denominations. Until so exchanged, the temporary Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes shall in all respects be entitled to the same benefits under this Indenture as Definitive Notes.

Section 2.11 U.S. Tax Treatment of Notes and the Issuer.

(a) Each of the Issuer and the Co-Issuer intends that, for U.S. federal income tax purposes, the Notes (unless held by Issuer Parent or an Issuer Parent Disregarded Entity) be treated as debt and that the Issuer be treated as a Qualified REIT Subsidiary (unless the Issuer has received a No Entity-Level Tax Opinion). Each prospective purchaser and any subsequent transferee of a Note or any interest therein shall, by virtue of its purchase or other acquisition of such Note or interest therein, be deemed to have agreed to treat such Note in a manner consistent with the preceding sentence for U.S. federal income tax purposes.

(b) The Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, shall account for the Notes and prepare any reports to Noteholders and tax authorities consistent with the intentions expressed in Section 2.11(a) above.

(c) Each Holder of Notes shall timely furnish to the Issuer, the Co-Issuer or its agents any U.S. federal income tax form or certification (such as IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals)), IRS Form W-8BEN-E (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities)), IRS Form W-8IMY (Certificate of Foreign Intermediary, Foreign Flow-through Entity, or Certain U.S. Branches for United States Tax Withholding and Reporting), IRS Form W-9 (Request for Taxpayer Identification Number and Certification), or IRS Form W-8ECI (Certificate of Foreign Person's Claim that Income is Effectively Connected with the Conduct of a Trade or Business in the United States)) or any successors to such IRS forms that the Issuer, the Co-Issuer or its agents may reasonably request and shall update or replace such forms or certification in accordance with its terms or its subsequent amendments. Furthermore, if the Issuer is no longer treated as a Qualified REIT Subsidiary or other disregarded entity of a REIT but is instead a foreign corporation for U.S. federal income tax purposes or if a Noteholder is a "foreign financial institution" or other foreign financial entity subject to FATCA, Noteholders shall timely furnish any information required pursuant to Section 2.7(j).

Section 2.12 Authenticating Agents.

Upon the request of the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, the Trustee shall, and if the Trustee so chooses the Trustee may, pursuant to this Indenture, appoint one or more Authenticating Agents with power to act on its behalf and subject to its direction in the authentication of Notes in connection with issuance, transfers and exchanges under Sections 2.4, 2.5, 2.6 and 8.5 hereof, as fully to all intents and purposes as though each such Authenticating Agent had been expressly authorized by such Sections to authenticate such Notes. For all purposes of this Indenture, the authentication of Notes by an Authenticating Agent pursuant to this Section 2.12 shall be deemed to be the authentication of Notes by the Trustee.

Any corporation or banking association into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation or banking association resulting from any merger, consolidation or conversion to which any Authenticating

Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, without the execution or filing of any further act on the part of the parties hereto or such Authenticating Agent or such successor corporation. Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee, the Issuer and the Co-Issuer. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent, the Issuer and the Co-Issuer. Upon receiving such notice of resignation or upon such a termination, the Trustee shall promptly appoint a successor Authenticating Agent and shall give written notice of such appointment to the Issuer.

The Trustee agrees to pay to each Authenticating Agent appointed by it from time to time reasonable compensation for its services, and reimbursement for its reasonable expenses relating thereto and the Trustee shall be entitled to be reimbursed for such payments, subject to Section 6.7 hereof. The provisions of Sections 2.9, 6.4 and 6.5 hereof shall be applicable to any Authenticating Agent.

Section 2.13 Forced Sale on Failure to Comply with Restrictions.

(a) Notwithstanding anything to the contrary elsewhere in this Indenture, any transfer of a Note or interest therein to a U.S. Person who is determined not to have been both a QIB (except for a transfer to an IAI in accordance with the procedures set forth in Section 2.5 or Section 2.10) and a Qualified Purchaser at the time of acquisition of the Note or interest therein shall be null and void and any such proposed transfer of which the Issuer, the Co-Issuer or the Trustee shall have notice may be disregarded by the Issuer, the Co-Issuer and the Trustee for all purposes.

(b) If the Issuer determines that any Holder of a Note has not satisfied the applicable requirement described in Section 2.13(a) above (any such person a "Non-Permitted Holder"), then the Issuer shall promptly after discovery that such Person is a Non-Permitted Holder by the Issuer, the Co-Issuer or the Trustee (and notice by the Trustee or the Co-Issuer to the Issuer, if either of them makes the discovery), send notice (or procure that notice is sent) to such Non-Permitted Holder demanding that such Non-Permitted Holder transfer its interest to a Person that is not a Non-Permitted Holder within 30 days of the date of such notice. If such Non-Permitted Holder fails to so transfer its Note or interest therein, the Issuer shall have the right, without further notice to the Non-Permitted Holder, to sell such Note or interest therein to a purchaser selected by the Issuer that is not a Non-Permitted Holder on such terms as the Issuer may choose. The Issuer, or the Trustee acting on behalf of the Issuer, may select the purchaser by soliciting one or more bids from one or more brokers or other market professionals that regularly deal in securities similar to the Note, and selling such Note to the highest such bidder. However, the Issuer or the Trustee may select a purchaser by any other means determined by it in its sole discretion. The Holder of such Note, the Non-Permitted Holder and each other Person in the chain of title from the Holder to the Non-Permitted Holder, by its acceptance of an interest in the Note, agrees to cooperate with the Issuer and the Trustee to effect such transfers. The proceeds of such sale, net of any commissions, expenses and taxes due in connection with such sale

shall be remitted to the Non-Permitted Holder. The terms and conditions of any sale under this Section 2.13(b) shall be determined in the sole discretion of the Issuer, and the Issuer shall not be liable to any Person having an interest in the Note sold as a result of any such sale of exercise of such discretion.

(c) If a Holder of a Note fails for any reason to (i) comply with the Holder AML Obligations (ii) such information or documentation is not accurate or complete, or (iii) the Issuer otherwise reasonably determines that such Holder's acquisition, holding or transfer of an interest in any Note would cause the Issuer to be unable to achieve AML Compliance, the Issuer (or any intermediary on the Issuer's behalf) shall have the right to (x) compel the relevant Holder to sell its interest in such Note or (y) sell such interest on such Holder's behalf. The Issuer shall not compel sales for failure to provide such other information or documentation as may be required under the Cayman AML Regulations unless the Issuer reasonably determines the Holder's acquisition, holding or transfer of an interest in such Note would result in a materially adverse effect on the Issuer.

Section 2.14 No Gross Up.

The Issuer shall not be obligated to pay any additional amounts to the Holders or beneficial owners of the Notes as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges.

Section 2.15 U.S. Credit Risk Retention.

Pursuant to the Mortgage Asset Purchase Agreement, the Retaining Sponsor shall be required to timely deliver (or cause to be timely delivered) to the Trustee any notices contemplated by Section 10.11(i) of this Agreement.

ARTICLE 3

CONDITIONS PRECEDENT; PLEDGED MORTGAGE ASSETS

Section 3.1 General Provisions.

The Notes to be issued on the Closing Date shall be executed by the Issuer and Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, upon compliance with Section 3.2 and shall be delivered to the Trustee for authentication and thereupon the same shall be authenticated and delivered by the Trustee upon Issuer Request and upon receipt by the Trustee of the items described below:

(a) an Officer's Certificate of the Issuer (i) evidencing the authorization by Board Resolution of the execution and delivery of this Indenture, the Collateral Management Agreement, the Placement Agreement, the execution, authentication and delivery of the Notes and specifying the Stated Maturity Date of each Class of Notes, the principal amount of each Class of Notes and the applicable Note Interest Rate of each Class of Notes to be authenticated and delivered, and (ii) certifying that (A) the attached copy of the Board Resolution is a true and complete copy thereof, (B) such resolutions have not been rescinded and are in full force and effect on and as of the Closing Date, (C) the Directors authorized to execute and deliver such documents hold the offices and have the signatures indicated thereon and (D) the total aggregate Notional Amount of the Preferred Shares shall have been received in Cash by the Issuer on the Closing Date;

(b) an Officer's Certificate of the Co-Issuer (i) evidencing the authorization by Board Resolution of the execution and delivery of this Indenture and related documents, the execution, authentication and delivery of the Notes and specifying the Stated Maturity Date of each Class of Notes, the principal amount of each Class of Notes and the applicable Note Interest Rate of each Class of Notes to be authenticated and delivered, and (ii) certifying that (A) the attached copy of the Board Resolution is a true and complete copy thereof, (B) such resolutions have not been rescinded and are in full force and effect on and as of the Closing Date and (C) each Officer authorized to execute and deliver the documents referenced in clause (b)(i) above holds the office and has the signature indicated thereon;

(c) (i) either (A) certificates of the Issuer or other official document evidencing the due authorization, approval or consent of any governmental body or bodies, at the time having jurisdiction in the premises, together with an Opinion of Counsel of the Issuer that no other authorization, approval or consent of any governmental body is required for the valid issuance of such Notes except as may have been given, or (B) an Opinion of Counsel of the Issuer reasonably satisfactory in form and substance to the Trustee that no such authorization, approval or consent of any governmental body is required for the valid issuance of such Notes except as may have been given; and

(ii) either (A) certificates of the Co-Issuer or other official document evidencing the due authorization, approval or consent of any governmental body or bodies, at the time having jurisdiction in the premises, together with an Opinion of Counsel of the Co-Issuer that no other authorization, approval or consent of any governmental body is required for the valid issuance of such Notes, or (B) an Opinion of Counsel of the Co-Issuer reasonably satisfactory in form and substance to the Trustee that no such authorization, approval or consent of any governmental body is required for the valid issuance of such Notes except as may have been given;

(d) an opinion of Clifford Chance US LLP, special U.S. counsel to the Co-Issuers, the Collateral Manager and certain Affiliates thereof (which opinions may be limited to the laws of the State of New York and the federal law of the United States and may assume, among other things, the correctness of the representations and warranties made or deemed made by the owners of Notes pursuant to Sections 2.5(g), (h) and (i)) dated the Closing Date, as to certain matters of New York law and certain United States federal income tax and securities law matters, in a form satisfactory to the Placement Agent and the Trustee;

(e) opinions of Clifford Chance US LLP, special counsel to the Co-Issuers dated the Closing Date, relating to (i) the validity of the Grant hereunder and the perfection of the Trustee's security interest in the Assets and (ii) certain bankruptcy matters, in each case, in a form satisfactory to the Trustee;

(f) an opinion of Allen & Overy LLP, special counsel to the Arbor Parent, dated the Closing Date, regarding certain 1940 Act issues, in a form satisfactory to the Trustee;

(g) an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, special tax counsel to the Arbor Parent, dated the Closing Date, regarding its qualification and taxation as a REIT, in a form satisfactory to the Trustee;

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(h) an opinion of Richards, Layton & Finger, P.A., special Delaware counsel to the Co-Issuer, dated the Closing Date, regarding certain issues of Delaware law, in a form satisfactory to the Trustee;

(i) an opinion of Richards, Layton & Finger, P.A., special Delaware counsel to ARMS Equity, dated the Closing Date, regarding certain issues of Delaware law, in a form satisfactory to the Trustee;

(j) an opinion of Richards, Layton & Finger, P.A., special Delaware counsel to the Collateral Manager, dated the Closing Date, regarding certain issues of Delaware law, in a form satisfactory to the Trustee;

(k) an opinion of (i) General Counsel to Arbor Commercial Mortgage, LLC, dated the Closing Date, regarding certain enforceability issues, in a form satisfactory to the Trustee, (ii) Richards, Layton & Finger, P.A., special Delaware counsel to the CLO Servicer, dated the Closing Date, regarding certain issues of Delaware law, in a form satisfactory to the Trustee and (iii) Venable LLP, counsel to Arbor Realty SR, Inc., dated the Closing Date, regarding certain issues of Maryland law, in a form satisfactory to the Trustee;

(l) an opinion of Maples and Calder, Cayman Islands counsel to the Issuer, dated the Closing Date, regarding certain issues of Cayman Islands law, in a form satisfactory to the Trustee;

(m) an opinion of Alston & Bird LLP, counsel to U.S. Bank National Association, regarding certain matters of United States, New York and Minnesota law;

(n) an Officer's Certificate given on behalf of the Issuer and without personal liability, stating that the Issuer is not in Default under this Indenture and that the issuance of the Securities by the Issuer will not result in a breach of any of the terms, conditions or provisions of, or constitute a Default under, the Governing Documents of the Issuer, any indenture or other agreement or instrument to which the Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it may be bound or to which it may be subject; that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Notes applied for and all conditions precedent provided in the Preferred Share Paying Agency Agreement relating to the issuance by the Issuer of the Preferred Shares have been complied with;

(o) an Officer's Certificate given on behalf of the Co-Issuer stating that the Co-Issuer is not in Default under this Indenture and that the issuance of the Notes by the Co-Issuer will not result in a breach of any of the terms, conditions or provisions of, or constitute a Default under, the Governing Documents of the Co-Issuer, any indenture or other agreement or instrument to which the Co-Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Co-Issuer is a party or by which it may be bound or to which it may be subject; that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Notes applied for have been complied with; and that all expenses due or accrued with respect to the offering or relating to actions taken on or in connection with the Closing Date have been paid;

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(p) executed counterparts of the Mortgage Asset Purchase Agreement, the Servicing Agreement, the Collateral Management Agreement, the Advisory Committee Member Agreement, the Placement Agreement, the Securities Purchase Agreement, the Preferred Share Paying Agency Agreement and the Securities Account Control Agreement;

(q) an Officer's Certificate from the Collateral Manager confirming that Schedule A hereto correctly lists the Initial Mortgage Assets to be Granted to the Trustee on the Closing Date;

(r) evidence of preparation for filing at the appropriate filing office in the District of Columbia of a financing statement, on behalf of the Issuer, relating to the perfection of the lien of this Indenture in those Assets in which a security interest may be perfected by filing under the UCC;

(s) an Issuer Order executed by the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, directing the Trustee to (i) authenticate the Notes specified therein, in the amounts set forth therein and registered in the name(s) set forth therein and (ii) deliver the authenticated Notes as directed by the Issuer and, as applicable, the Co-Issuer;

(t) the E.U. Risk Retention Letter; and

(u) such other documents as the Trustee may reasonably require.

Section 3.2 Security for Notes.

Prior to the issuance of the Notes on the Closing Date, the Issuer shall cause the following conditions to be satisfied:

(a) Grant of Security Interest; Delivery of Mortgage Assets. The Grant pursuant to the Granting Clauses of this Indenture of all of the Issuer's right, title and interest in and to the Assets and the transfer of all Initial Mortgage Assets acquired in connection therewith purchased by the Issuer on the Closing Date (as set forth in Schedule A hereto) to the Trustee, without recourse (except as expressly provided in each applicable Mortgage Asset Purchase Agreement), in the manner provided in Section 3.3(a) and the crediting to the Custodial Account by the Custodial Securities Intermediary of such Initial Mortgage Assets shall have occurred;

(b) Certificate of the Issuer. A certificate of an Authorized Officer of the Issuer given on behalf of the Issuer and without personal liability, dated as of the Closing Date, delivered to the Trustee, to the effect that, in the case of each Initial Mortgage Asset pledged to the Trustee for inclusion in the Assets on the Closing Date and immediately prior to the delivery thereof on the Closing Date:

(i) the Issuer is the owner of such Initial Mortgage Asset free and clear of any liens, claims or encumbrances of any nature whatsoever except for those which are being released on the Closing Date and the liens created pursuant to the Indenture;

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(ii) the Issuer has acquired its ownership in such Initial Mortgage Asset in good faith without notice of any adverse claim, except as described in paragraph (i) above;

(iii) the Issuer has not assigned, pledged or otherwise encumbered any interest in such Initial Mortgage Asset (or, if any such interest has been assigned, pledged or otherwise encumbered, it has been released) other than interests Granted pursuant to this Indenture;

(iv) the Underlying Instrument with respect to each such Initial Mortgage Asset does not prohibit the Issuer from granting a security interest in and assigning and pledging such Initial Mortgage Asset to the Trustee;

(v) the information set forth with respect to each such Initial Mortgage Asset in Schedule A is true correct;

(vi) the Initial Mortgage Assets included in the Assets satisfy the requirements of Section 3.2(a); and

(vii) (1) the Grant pursuant to the Granting Clauses of this Indenture shall, upon execution and delivery of this Indenture by the parties hereto, result in a valid and continuing security interest in favor of the Trustee for the benefit of the Secured Parties in all of the Issuer's right, title and interest in and to the Initial Mortgage Assets pledged to the Trustee for inclusion in the Assets on the Closing Date; and

(2) upon (x) the execution and delivery of the Securities Account Control Agreement and the crediting of each Instrument evidencing the obligations of the borrowers under each Initial Mortgage Asset to the Custodial Account in the manner set forth in Section 3.3(a) (i) hereof, (y) the delivery of the Instruments evidencing the obligations of the borrowers under each Initial Mortgage Asset to the Custodial Securities Intermediary as set forth in Section 3.3(a)(iii) hereof and (z) the filing of a UCC-1 financing statement as set forth in Section 3.3(a) (v) hereof, the Trustee's security interest in all Initial Mortgage Assets shall be a validly perfected, first priority security interest under the UCC as in effect in each applicable jurisdiction.

(c) Rating Letters. The Trustee's receipt of a letter signed by the Rating Agencies and confirming that (i) the Class A Notes have been rated "Aaa(sf)" by Moody's and "AAA(sf)" by DBRS, (ii) the Class A-S Notes have been rated "AAA(sf)" by DBRS, (iii) the Class B Notes have been rated at least "AA(low)(sf)" by DBRS, (iii) the Class C Notes have been rated at least "A(low)(sf)" by DBRS, and (iv) the Class D Notes have been rated at least "BBB(low)(sf)" by DBRS and that such ratings are in full force and effect on the Closing Date.

(d) Accounts. Evidence of the establishment of the Payment Account, the Collection Account, the Unused Proceeds Account, the RDD Funding Account, the Expense Account, the Preferred Share Distribution Account and the Custodial Account.

(e) Deposit to Expense Account. On the Closing Date, the Issuer shall deposit into the Expense Account from the gross proceeds of the offering of the Securities, U.S.\$125,000.

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(f) Deposit to Unused Proceeds Account. On the Closing Date, the Issuer shall deposit into the Unused Proceeds Account, U.S.\$57,911,032.59.

(g) Deposit to RDD Funding Account. On the Closing Date, the Issuer shall deposit into the RDD Funding Account, U.S.\$7,664,744.

(h) Issuance of Preferred Shares. The Issuer shall have delivered to the Trustee evidence that the Preferred Shares have been, or contemporaneously with the issuance of the Notes will be, (i) issued by the Issuer and (ii) acquired in their entirety by ARMS Equity.

Section 3.3 Transfer of Assets.

(a) U.S. Bank National Association is hereby appointed as custodian to hold all Mortgage Asset Files delivered to it in physical form at its office in St. Paul, Minnesota (in such capacity, the "Custodian"), and by signing this Indenture to acknowledge and agree to the terms of this Indenture, U.S. Bank National Association accepts such appointment and agrees to act in such capacity. In addition, U.S. Bank National Association is hereby appointed as Securities Intermediary (in such capacity, the "Custodial Securities Intermediary") under a securities account control agreement entered into among the Issuer, as debtor, Trustee, as secured party and the Custodial Securities Intermediary (the "Securities Account Control Agreement"), pursuant to which, *inter alia*, the Accounts are established and maintained and the Assets are credited to the applicable Account as set forth in this Indenture. Any successor Custodial Securities Intermediary shall be a U.S. state or national bank or trust company that is not an Affiliate of the Issuer or the Co-Issuer and has capital and surplus of at least U.S.\$200,000,000 and whose long-term unsecured debt is rated at least "Baa1" by Moody's and "AA (low)" by DBRS. Subject to the limited right to relocate Assets set forth in Section 7.5(b), the Custodial Securities Intermediary shall hold all Mortgage Assets in the Custodial Account and all Eligible Investments and other investments purchased in accordance with this Indenture in the respective Accounts in which the funds used to purchase such investments are held in accordance with Article 10. To the maximum extent feasible, Assets shall be transferred to the Trustee as Security Entitlements in the manner set forth in clause (i) below. In the event that the measures set forth in clause (i) below cannot be taken as to any Assets, such Asset may be transferred to the Trustee in the manner set forth in clauses (ii) through (vi) below, as appropriate. The security interest of the Trustee in Assets shall be perfected and otherwise evidenced as follows:

(i) in the case of such Assets consisting of Security Entitlements, by the Issuer (A) causing the Custodial Securities Intermediary, in accordance with the Securities Account Control Agreement, to indicate by book entry that a Financial Asset has been credited to the Custodial Account and (B) causing the Custodial Securities Intermediary to agree pursuant to the Securities Account Control Agreement that it will comply with Entitlement Orders originated by the Trustee with respect to each such Security Entitlement without further consent by the Issuer;

(ii) in the case of Assets that are “uncertificated securities” (as such term is defined in the UCC), to the extent that any such uncertificated securities do not constitute Financial Assets forming the basis of Security Entitlements by the Trustee pursuant to clause (i) (the “Uncertificated Securities”), by the Issuer (A) causing the issuer(s) of such

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Uncertificated Securities to register on their respective books the Trustee as the registered owner thereof upon original issue or transfer thereof or (B) causing another Person, other than a Securities Intermediary, either to become the registered owner of such Uncertificated Securities on behalf of the Trustee, or such Person having previously become the registered owner, to acknowledge that it holds such Uncertificated Securities for the Trustee;

(iii) in the case of Assets consisting of Certificated Securities in registered form to the extent that any such Certificated Securities do not constitute Financial Assets forming the basis of Security Entitlements acquired by the Trustee pursuant to clause (i) (the “Registered Securities”), by the Issuer (A) causing (1) the Trustee to obtain possession of such Registered Securities in the State of Wisconsin or (2) another Person, other than a Securities Intermediary, either to acquire possession of such Registered Securities on behalf of the Trustee, or having previously acquired such Registered Securities, in either case, in the State of Wisconsin, to acknowledge that it holds such Registered Securities for the Trustee and (B) causing (1) the endorsement of such Registered Securities to the Trustee by an effective endorsement or (2) the registration of such Registered Securities in the name of the Trustee by the issuer thereof upon its original issue or registration of transfer;

(iv) in the case of Assets consisting of Certificated Securities in bearer form, to the extent that any such Certificated Securities do not constitute Financial Assets forming the basis of Security Entitlements acquired by the Trustee pursuant to clause (i) (each, a “Bearer Security”), by the Issuer causing (A) the Trustee to obtain possession of such Bearer Securities in the State of Wisconsin or (B) another Person, other than a Securities Intermediary, either to acquire possession of such Bearer Securities on behalf of the Trustee or, having previously acquired possession of such Bearer Securities, in either case, in the State of Wisconsin, to acknowledge that it holds such Bearer Securities for the Trustee;

(v) in the case of Assets that consist of Instruments (the “Minnesota Collateral”), to the extent that any such Minnesota Collateral does not constitute a Financial Asset forming the basis of a Security Entitlement acquired by the Trustee pursuant to clause (i), by the Issuer causing (A) the Trustee to acquire possession of such Minnesota Collateral in the State of Minnesota or (B) another Person (other than the Issuer or a Person controlling, controlled by, or under common control with, the Issuer) (1) to (x) take possession of such Minnesota Collateral in the State of Minnesota and (y) authenticate a record acknowledging that it holds such possession for the benefit of the Trustee or (2) to (x) authenticate a record acknowledging that it will hold possession of such Minnesota Collateral for the benefit of the Trustee and (y) take possession of such Minnesota Collateral in the State of Minnesota; and

(vi) in the case of Assets that consist of General Intangibles and all other Assets of the Issuer in which a security interest may be perfected by filing a financing statement under Article 9 of the UCC as in effect in the District of Columbia, filing or causing the filing of a UCC financing statement naming the Issuer as debtor and the Trustee as secured party, which financing statement reasonably identifies all such Assets, with the Recorder of Deeds of the District of Columbia.

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(b) The Issuer hereby authorizes the filing of UCC financing statements describing as the collateral covered thereby “all of the debtor’s personal property and assets,” or words to that effect, notwithstanding that such wording may be broader in scope than the Assets described in this Indenture.

(c) Without limiting the foregoing, the Issuer and the Trustee on behalf of the Bank agree, and the Bank shall cause the Custodial Securities Intermediary and Custodian, to take such different or additional action as the Trustee may reasonably request in order to maintain the perfection and priority of the security interest of the Trustee in the event of any change in applicable law or regulation, including Articles 8 and 9 of the UCC and Treasury Regulations governing transfers of interests in Government Items (it being understood that the Trustee shall be entitled to rely upon an Opinion of Counsel, including an Opinion of Counsel delivered in accordance with Section 3.1(d), as to the need to file any financing statements or continuation statements, the dates by which such filings are required to be made and the jurisdictions in which such filings are required to be made).

(d) Without limiting any of the foregoing, in connection with each Grant of a Mortgage Asset hereunder, the Issuer shall deliver (or cause to be delivered by the applicable Seller) to the Custodian, in each case to the extent specified on the Closing Document Checklist in the form of Exhibit H attached hereto for such Mortgage Asset provided to the Custodian by the Issuer (or the applicable Seller) the following documents (collectively, the “Mortgage Asset File”):

(i) The original mortgage note or promissory note, as applicable, bearing all intervening endorsements, endorsed in blank or endorsed “Pay to the order of U.S. Bank, National Association, as Trustee, without recourse,” and signed in the name of the last endorsee by an authorized Person;

(ii) An original of any participation certificate together with any and all intervening endorsements thereon, endorsed in blank on its face or by endorsement or stock power attached thereto (without recourse, representation or warranty, express or implied);

(iii) An original of any participation agreement relating to any item of collateral that is not evidenced by a promissory note;

(iv) An original blanket assignment of all unrecorded documents in blank (or, in the case of a Senior Participation, a copy of any omnibus assignment in blank), in each case in form and substance acceptable for recording;

(v) The original (or in the case of a Senior Participation, a copy) of any guarantee executed in connection with the promissory note;

(vi) The original mortgage with evidence of recording thereon, or a copy thereof together with an Officer's Certificate of the Issuer (or the applicable Seller) certifying that such represents a true and correct copy of the original and that such original has been submitted or delivered to an escrow agent for recordation in the appropriate governmental recording office of the jurisdiction where the encumbered property is located, in which case, recordation information shall not be required;

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(vii) The originals of all assumption, modification, consolidation or extension agreements with evidence of recording thereon (or a copy thereof together with an Officer's Certificate of the Issuer (or the applicable Seller) certifying that such represents a true and correct copy of the original and that such original has been submitted or delivered to an escrow agent for recordation in the appropriate governmental recording office of the jurisdiction where the encumbered property is located, in which case, recordation information shall not be required), together with any other recorded document relating to the Mortgage Asset otherwise included in the Mortgage Asset File;

(viii) The original assignment of mortgage in blank or in the name of the Issuer, in form and substance acceptable for recording and signed in the name of the last endorsee;

(ix) The originals of all intervening assignments of mortgage, if any, with evidence of recording thereon, showing an unbroken chain of title from the originator thereof to the last endorsee, or copies thereof together with an Officer's Certificate of the Issuer (or the applicable Seller) certifying that such represent true and correct copies of the originals and that such originals have each been submitted or delivered to an escrow agent for recordation in the appropriate governmental recording office of the jurisdiction where the encumbered property is located, in which case, recordation information shall not be required;

(x) An original mortgagee policy of title insurance or a conformed version of the mortgagee's title insurance commitment either marked as binding for insurance or attached to an escrow closing letter, countersigned by the title company or its authorized agent if the original mortgagee's title insurance policy has not yet been issued;

(xi) The original (or, in the case of a Senior Participation, a copy) of any security agreement, chattel mortgage or equivalent document executed in connection with the Mortgage Asset;

(xii) The original assignment of leases and rents, if any, with evidence of recording thereon, or a copy thereof together with an Officer's Certificate of the Issuer certifying that such copy represents a true and correct copy of the original that has been submitted or delivered to an escrow agent for recordation in the appropriate governmental recording office of the jurisdiction where the encumbered property is located, in which case, recordation information shall not be required;

(xiii) The original assignment of any assignment of leases and rents in blank, in form and substance acceptable for recording;

(xiv) A filed copy of the UCC-1 financing statements (and, with respect to Senior Participations, to the extent that the Issuer (or the applicable Seller) has been furnished with same) with evidence of filing thereon, and UCC-3 assignments in blank, which UCC-3 assignments shall be in form and substance acceptable for filing;

(xv) The original (or, in the case of a Senior Participation, a copy) of any environmental indemnity agreement;

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(xvi) The original (or, in the case of a Senior Participation, a copy) of any general collateral assignment of all other documents held by the Issuer (or, in the case of a Senior Participation, by the lead lender) in connection with the Mortgage Asset;

(xvii) An original (or, in the case of a Senior Participation, a copy) of any disbursement letter from the collateral obligor to the original mortgagee;

(xviii) An original of the survey of the encumbered property (or, in the case of a Senior Participation, a copy thereof provided same has been furnished to the Issuer (or the applicable Seller) by the related lead lender);

(xix) A copy of any opinion of counsel (and, with respect to a Senior Participation, only to the extent such copy shall have been furnished to the Issuer (or the applicable Seller) by the lead lender);

(xx) A copy of any property management agreement(s); and

(xxi) With respect to any Mortgage Asset secured by a ground lease, the related ground lease or a copy thereof and any related ground lessor estoppels.

With respect to any documents which have been delivered or are being delivered to recording offices for recording and have not been returned to the Issuer (or the applicable Seller) in time to permit their delivery hereunder at the time required, the Issuer (or the applicable Seller) shall deliver such original recorded documents to the Custodian promptly when received by the Issuer (or the applicable Seller) from the applicable recording office.

(e) The execution and delivery of this Indenture by the Custodian shall constitute certification by the Custodian that (i) each original note specified to the Trustee by the Issuer (or the applicable Seller) and all allonges thereto, if any, have been received by the Custodian; and (ii) such original note has been reviewed by the Custodian and (A) appears regular on its face (handwritten additions, changes or corrections shall not constitute irregularities if initialed by the borrower), (B) appears to have been executed and (C) purports to relate to the Mortgage Asset. The Trustee agrees to review or cause to be

reviewed the Mortgage Asset File within 30 days after the Closing Date, and to deliver to the Issuer, the CLO Servicer and the Collateral Manager an Asset Detail Report and Trust Receipt, in the form of Exhibit I attached hereto, indicating, subject to any exceptions found by it in such review, (A) those documents referred to in Section 3.3(d) that have been received, and (B) that such documents have been executed, appear on their face to be what they purport to be, purport to be recorded or filed (as applicable) and have not been torn, mutilated or otherwise defaced, and appear on their faces to relate to the Mortgage Loan. The Custodian shall have no responsibility for reviewing the Mortgage Asset File except as expressly set forth in this Section 3.3(e). Neither the Trustee nor the Custodian shall be under any duty or obligation to inspect, review, or examine any such documents, instruments or certificates to independently determine that they are valid, genuine, enforceable, legally sufficient, duly authorized, or appropriate for the represented purpose, whether the text of any assignment or endorsement is in proper or recordable form (except to determine if the endorsement conforms to the requirements of Section 3.3(d)), whether any document has been recorded in accordance with the requirements of any applicable jurisdiction, to independently

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determine that any document has actually been filed or recorded in the appropriate office, that any document is other than what it purports to be on its face, or whether the title insurance policies relate to the Underlying Mortgaged Property.

(f) Upon the first anniversary of the Closing Date, the Custodian shall (i) deliver to the Issuer and the Collateral Manager a final exception report as to any remaining documents that are not in the Mortgage Asset File and (ii) request that the Issuer cause such document deficiency to be cured.

(g) Without limiting the generality of the foregoing:

(i) from time to time upon the request of the Trustee, Collateral Manager or CLO Servicer, the Issuer shall deliver (or cause to be delivered) to the Custodian any Underlying Instrument in the possession of the Issuer and not previously delivered hereunder (including originals of Underlying Instruments not previously required to be delivered as originals) and as to which the Trustee, Collateral Manager or CLO Servicer, as applicable, shall have reasonably determined to be necessary or appropriate for the administration of such Mortgage Asset hereunder or under the Collateral Management Agreement or under the Servicing Agreement or for the protection of the security interest of the Trustee under this Indenture;

(ii) in connection with any delivery of documents to the Custodian pursuant to clause (i) above, the Trustee shall deliver to the Collateral Manager and the CLO Servicer, on behalf of the Issuer, a trust receipt in the form of Exhibit I acknowledging the receipt of such documents by the Custodian and that it is holding such documents subject to the terms of this Indenture; and

(iii) from time to time upon request of the Collateral Manager or the CLO Servicer, the Custodian shall, upon delivery by the Collateral Manager or the CLO Servicer of a duly completed request for release in the form of Exhibit J hereto, release to the Collateral Manager or the CLO Servicer such of the Underlying Instruments then in its custody as the Collateral Manager or the CLO Servicer reasonably so requests. By submission of any such request for release, the Collateral Manager or the CLO Servicer, as applicable, shall be deemed to have represented and warranted that it has determined in accordance with the Collateral Management Standard or the Accepted Servicing Practices, respectively, set forth in the Collateral Management Agreement or the Servicing Agreement, as the case may be, that the requested release is necessary for the administration of such Mortgage Asset hereunder or under the Collateral Management Agreement or under the Servicing Agreement or for the protection of the security interest of the Trustee under this Indenture. The Collateral Manager or the CLO Servicer shall return to the Custodian each Underlying Instrument released from custody pursuant to this clause (iii) within 20 Business Days after receipt thereof (except such Underlying Instruments as are released in connection with a sale, exchange or other disposition, in each case only as permitted under this Indenture, of the related Mortgage Asset that is consummated within such 20-day period). Notwithstanding the foregoing provisions of this clause (iii), (A) any note, certificate or other instrument evidencing a Pledged Mortgage Asset shall be released only for the purpose of (1) a sale, exchange or other

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disposition of such Pledged Mortgage Asset that is permitted in accordance with the terms of this Indenture, (2) presentation, collection, renewal or registration of transfer of such Mortgage Asset or (3) in the case of any note, in connection with a payment in full of all amounts owing under such note, and (B) the Custodian may refuse to honor any request for release following the occurrence of an Event of Default under this Indenture.

(h) As of the Closing Date (with respect to the Assets owned or existing as of the Closing Date) and each date on which an Asset is acquired (only with respect to each Asset so acquired or arising after the Closing Date), the Issuer represents and warrants as follows:

(i) this Indenture creates a valid and continuing security interest (as defined in the UCC) in the Assets in favor of the Trustee for the benefit of the Secured Parties, which security interest is prior to all other liens, and is enforceable as such against creditors of and purchasers from the Issuer;

(ii) the Issuer owns and has good and marketable title to such Assets free and clear of any lien, claim or encumbrance of any Person;

(iii) in the case of each Asset, the Issuer has acquired its ownership in such Asset in good faith without notice of any adverse claim as defined in Section 8-102(a)(1) of the UCC as in effect on the date hereof;

(iv) other than the security interest granted to the Trustee for the benefit of the Secured Parties pursuant to this Indenture, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Assets;

(v) the Issuer has not authorized the filing of, and is not aware of, any financing statements against the Issuer that include a description of collateral covering the Assets other than any financing statement (x) relating to the security interest granted to the Trustee for the benefit of the Secured Parties hereunder or (y) that has been terminated; the Issuer is not aware of any judgment lien, Pension Benefit Guarantee Corporation lien or tax lien filings against the Issuer;

(vi) the Issuer has received all consents and approvals required by the terms of each Asset and the Underlying Instruments to grant to the Trustee its interest and rights in such Asset hereunder;

(vii) the Issuer has caused or will have caused, within ten days, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Assets granted to the Trustee for the benefit of the Secured Parties hereunder;

(viii) each Asset is an Instrument, a General Intangible, a Certificated Security or an Uncertificated Security, or has been or will have been credited to a Securities Account;

(ix) the Custodial Securities Intermediary has agreed to treat all assets credited to any of the Accounts as Financial Assets;

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(x) the Issuer has delivered a fully executed Securities Account Control Agreement pursuant to which the Custodial Securities Intermediary has agreed to comply with all instructions originated by the Trustee relating to each of the Accounts without further consent of the Issuer; none of the Accounts is in the name of any person other than the Issuer or the Trustee; the Issuer has not consented to the Custodial Securities Intermediary to comply with any Entitlement Orders in respect of the Accounts and any Security Entitlement credited to any of the Accounts originated by any person other than the Trustee;

(xi) (A) all original executed copies of each promissory note or other writings that constitute or evidence any pledged obligation that constitutes an Instrument have been delivered to the Custodian for the benefit of the Trustee, (B) the Issuer has received a written acknowledgement from the Custodian that the Custodian is acting solely as agent of the Trustee and (C) none of the promissory notes or other writings that constitute or evidence such collateral has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed by the Issuer to any Person other than the Trustee; and

(xii) each of the Accounts constitutes a Securities Account in respect of which U.S. Bank National Association has accepted to be Custodial Securities Intermediary pursuant to the Securities Account Control Agreement on behalf of the Trustee as secured party under this Indenture.

(i) The Trustee shall cause all Eligible Investments purchased by the Trustee or the Collateral Manager on behalf of the Issuer to be promptly credited to the applicable Account.

ARTICLE 4

SATISFACTION AND DISCHARGE

Section 4.1 Satisfaction and Discharge of Indenture.

This Indenture shall be discharged and shall cease to be of further effect except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Notes, (iii) rights of Noteholders to receive payments of principal thereof and interest thereon, (iv) the rights, protections, indemnities and immunities of the Trustee and the specific obligations set forth below hereunder, (v) the rights, obligations and immunities of the Collateral Manager hereunder and under the Collateral Management Agreement, (vi) the rights, protections, indemnities and immunities of the Collateral Administrator hereunder and under the Collateral Administration Agreement and (vii) the rights of Noteholders as beneficiaries hereof with respect to the property deposited with the Trustee and payable to all or any of them (and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture) when:

(a) (i) either:

(1) all Notes theretofore authenticated and delivered to Noteholders (other than (A) Notes which have been mutilated, defaced, destroyed, lost or stolen

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and which have been replaced or paid as provided in Section 2.6 and (B) Notes for which payment has theretofore irrevocably been deposited in trust and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 7.3) have been delivered to the Trustee for cancellation; or

(2) all Notes not theretofore delivered to the Trustee for cancellation (A) have become due and payable, or (B) shall become due and payable at their Stated Maturity Date within one year, or (C) are to be called for redemption pursuant to Article 9 under an arrangement satisfactory to the Trustee for the giving of notice of redemption by the Issuer and the Co-Issuer pursuant to Section 9.3 and either (x) the Issuer has irrevocably deposited or caused to be deposited with the Trustee, in trust for such purpose, Cash or non-callable direct obligations of the United States of America; which obligations are entitled to the full faith and credit of the United States of America or are debt obligations which are rated "Aaa" by Moody's in an amount sufficient, as recalculated by a firm of Independent nationally-recognized certified public accountants, to pay and discharge the entire indebtedness (including, in the case of a redemption pursuant to Section 9.1 or Section 9.2, the Redemption Price) on such Notes not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit (in the case of Notes which have become due and payable), or to the respective Stated Maturity Date or the respective Redemption Date, as the case may be or (y) in the event all of the Assets are liquidated following the satisfaction of the conditions specified in Article 5, the Issuer shall have deposited or caused to be deposited with the Trustee, in trust, all proceeds of such liquidation of the Assets, for payment in accordance with the Priority of Payments;

(ii) the Issuer has paid or caused to be paid all other sums then due and payable hereunder (including any amounts then due and payable pursuant to the Collateral Administration Agreement and the Collateral Management Agreement) by the Issuer and no other amounts are scheduled to be due and payable by the Issuer other than Dissolution Expenses; and

(iii) the Co-Issuers have delivered to the Trustee Officer's certificates and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with;

provided, however, that in the case of clause (a)(i)(2)(x) above, the Issuer has delivered to the Trustee an opinion of Clifford Chance US LLP, or an opinion of another tax counsel of nationally recognized standing in the United States experienced in such matters to the effect that the Noteholders would recognize no income gain or loss for U.S. federal income tax purposes as a result of such deposit and satisfaction and discharge of this Indenture; or

(b) (i) the Trustee confirms to the Issuer that:

(1) the Trustee is not holding any Assets (other than (x) the Collateral Management Agreement, the Servicing Agreement, the Collateral Administration

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Agreement and the Securities Account Control Agreement and (y) Cash in an amount not greater than the Dissolution Expenses); and

(2) no assets (other than Excepted Assets or Cash in an amount not greater than the Dissolution Expenses) are on deposit in or to the credit of any Accounts in the name of the Issuer (or the Trustee for the benefit of the Issuer or any Secured Party);

(ii) each of the Co-Issuers has delivered to the Trustee a certificate stating that (1) there are no Assets (other than (x) the Collateral Management Agreement, the Servicing Agreement, the Collateral Administration Agreement and the Securities Account Control Agreement and (y) Cash in an amount not greater than the Dissolution Expenses) that remain subject to the lien of this Indenture, and (2) all funds on deposit in or to the credit of the Accounts have been distributed in accordance with the terms of this Indenture or have otherwise been irrevocably deposited with the Trustee for such purpose; and

(iii) the Co-Issuers have delivered to the Trustee Officer's certificates and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the rights and obligations of the Issuer, the Co-Issuer, the Trustee, and, if applicable, the Noteholders, as the case may be, under Sections 2.7, 4.2, 5.4(d), 5.9, 5.18, 6.7, 7.3 and 14.12 hereof shall survive.

Section 4.2 Application of Amounts held in Trust.

All amounts deposited with the Trustee pursuant to Section 4.1 shall be held in trust and applied by it in accordance with the provisions of the Notes and this Indenture (including, without limitation, the Priority of Payments) to the payment of the principal and interest, either directly or through any Paying Agent, as the Trustee may determine, and such amounts shall be held in a segregated account identified as being held in trust for the benefit of the Secured Parties.

Section 4.3 Repayment of Amounts Held by Paying Agent.

In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all amounts then held by any Paying Agent other than the Trustee under the provisions of this Indenture shall, upon demand of the Issuer and the Co-Issuer, be remitted to the Trustee to be held and applied pursuant to Section 7.3 hereof and, in the case of amounts payable on the Notes, in accordance with the Priority of Payments and thereupon such Paying Agent shall be released from all further liability with respect to such amounts.

Section 4.4 Limitation on Obligation to Incur Company Administrative Expenses.

If at any time after an Event of Default has occurred and the Notes have been declared immediately due and payable, the sum of (i) Eligible Investments, (ii) Cash and (iii) amounts reasonably expected to be received by the Issuer in Cash during the current Due Period (as certified by the Collateral Manager in its reasonable judgment) is less than the sum of

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Dissolution Expenses and any accrued and unpaid Company Administrative Expenses, then notwithstanding any other provision of this Indenture, the Issuer shall no longer be required to incur Company Administrative Expenses as otherwise required by this Indenture to any Person other than the Trustee and its Affiliates, and failure to pay such amounts or provide or obtain such opinions, reports or services no longer required hereunder shall not constitute a Default hereunder, and the Trustee shall have no liability for any failure to obtain or receive any of the foregoing opinions, reports or services.

ARTICLE 5

REMEDIES

Section 5.1 Events of Default.

"Event of Default," wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) a default in the payment of any interest on any Note (excluding, if any Class A Notes, Class A-S Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, the Class E Notes or the Class F Notes) when the same becomes due and payable and the continuation of any such default for three Business Days after a trust officer of the Trustee has actual knowledge or receives notice from any holder of Notes of such payment default;

provided that in the case of a failure to disburse funds due to an administrative error or omission by the Collateral Manager, Trustee, Collateral Administrator or any paying agent, such failure continues for five Business Days after a trust officer of the Trustee receives written notice or has actual knowledge of such administrative error or omission;

(b) a default in the payment of principal (or the related Redemption Price, if applicable) of any Class A Note when the same becomes due and payable, at its Stated Maturity Date or any Redemption Date, or if there are no Class A Notes Outstanding, a default in the payment of principal (or the related Redemption Price, if applicable) of any Class A-S Note when the same becomes due and payable, at its Stated Maturity Date or any Redemption Date, or if there are no Class A-S Notes Outstanding, a default in the payment of principal (or the related Redemption Price, if applicable) of any Class B Note when the same becomes due and payable at its Stated Maturity Date or any Redemption Date, or if there are no Class B Notes Outstanding, a default in the payment of principal (or the related Redemption Price, if applicable) of any Class C Note when the same becomes due and payable at its Stated Maturity Date or any Redemption Date, or if there are no Class C Notes Outstanding, a default in the payment of principal (or the related Redemption Price, if applicable) of any Class D Note when the same becomes due and payable at its Stated Maturity Date or any Redemption Date, or if there are no Class D Notes Outstanding, a default in the payment of principal (or the related Redemption Price, if applicable) of any Class E Note when the same becomes due and payable at its Stated Maturity Date or any Redemption Date, or if there are no Class E Notes Outstanding, a default in the payment of principal (or the related Redemption Price, if applicable) of any Class F Note when the same becomes due and payable at its Stated Maturity Date or any Redemption Date; provided, in each case, that in the case of a

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failure to disburse funds due to an administrative error or omission by the Collateral Manager, Trustee, Collateral Administrator or any paying agent, such failure continues for five Business Days after a trust officer of the Trustee receives written notice or has actual knowledge of such administrative error or omission;

(c) the failure on any Payment Date to disburse amounts in excess of U.S.\$100,000 available in the Payment Account in accordance with the Priority of Payments set forth under Section 11.1(a) (other than (i) a default in payment described in clause (a) or (b) above and (ii) unless the Holders of the Preferred Shares object, a failure to disburse any amounts to the Preferred Shares Paying Agent for distribution to the Holders of the Preferred Shares), which failure continues for a period of three Business Days or, in the case of a failure to disburse such amounts due to an administrative error or omission by the Trustee or Paying Agent, which failure continues for five Business Days;

(d) any of the Issuer, the Co-Issuer or the pool of Assets becomes an investment company required to be registered under the 1940 Act;

(e) a default in any material respect in the performance, or breach, of any other covenant or other agreement of the Issuer or Co-Issuer (other than the covenant to make the payments described in clause (a), (b) or (c) above or to meet the Note Protection Tests) or any representation or warranty of the Issuer or Co-Issuer hereunder or in any certificate or other writing delivered pursuant hereto or in connection herewith proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 days (or, if such default, breach or failure has an adverse effect on the validity, perfection or priority of the security interest granted hereunder, 15 days) after either the Issuer, the Co-Issuer or the Collateral Manager has actual knowledge thereof or after notice thereof to the Issuer, the Co-Issuer and the Collateral Manager by the Trustee or to the Issuer, the Co-Issuer, the Collateral Manager and the Trustee by Holders of at least 25% of the Aggregate Outstanding Amount of the Controlling Class;

(f) the entry of a decree or order by a court having competent jurisdiction adjudging the Issuer or the Co-Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer or the Co-Issuer under the Bankruptcy Code, or any bankruptcy, insolvency, reorganization or similar law enacted under the laws of the Cayman Islands or any other applicable law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the Issuer or the Co-Issuer or of any substantial part of its property, respectively, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days;

(g) the institution by the Issuer or the Co-Issuer of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Bankruptcy Code, or any bankruptcy, insolvency, reorganization or similar law enacted under the laws of the Cayman Islands or any other similar applicable law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or of any substantial part of its property, respectively, or the making by it of an assignment for the benefit

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of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of any action by the Issuer in furtherance of any such action;

(h) one or more final judgments being rendered against the Issuer or the Co-Issuer which exceed, in the aggregate, U.S.\$1,000,000 and which remain unstayed, undischarged and unsatisfied for 30 days after such judgment(s) becomes nonappealable, unless adequate funds have been reserved or set aside for the payment thereof, and unless (except as otherwise specified in writing by the Rating Agencies) a No Downgrade Confirmation has been received from each Rating Agency;

(i) the Issuer loses its status as a Qualified REIT Subsidiary or other disregarded entity of the Arbor Parent for U.S. federal income tax purposes, unless (A) within 90 days, the Issuer either (1) delivers an opinion of tax counsel of nationally recognized standing in the United States experienced in such matters to the effect that, notwithstanding the Issuer's loss of Qualified REIT Subsidiary or disregarded entity status for U.S. federal income tax purposes, the Issuer is not, and has not been, an association (or publicly traded partnership) taxable as a corporation, or is not, and has not been, otherwise subject to U.S. federal income tax on a net basis and such loss will not adversely affect the tax classification of the Notes as indebtedness for U.S. federal income tax purposes or constitute an event requiring a U.S. Holder to recognize gain or loss with respect to a Note for U.S. federal income tax purposes or (2) receives an amount from the Preferred Shareholders sufficient to discharge in full the amounts then due and unpaid on the Notes and amounts and expenses described in clauses (1) through (15) under Section 11.1(a)(i) in accordance with the Priority of Payments or (B) all Classes of the Notes are subject to a Tax Redemption announced by the Issuer in compliance with this Indenture, and such redemption has not been rescinded; or

(j) if the aggregate principal balance of (1) all Non-Controlling Participations owned by the Issuer (excluding Non-Controlling Participations that are Senior Pari Passu Participations as to which 100% of the controlling interests are collectively held by the Issuer and affiliates that are under 100% common control with the Issuer) and (2) all other assets that do not qualify as “qualifying interests” in real estate for purposes of Rule 3(c)(5) (c) of the 1940 Act (as described in the related no-action letters and other guidance provided by the SEC) owned by the Issuer is in excess of 35% of the aggregate principal balance of all Mortgage Assets and other assets then owned by the Issuer.

Upon becoming aware of the occurrence of an Event of Default, the Issuer shall promptly notify (or shall procure the prompt notification of) the Trustee, the Preferred Shares Paying Agent and the Preferred Shareholders in writing. If the Collateral Manager has actual knowledge of the occurrence of an Event of Default, the Collateral Manager shall promptly notify, in writing, the Trustee, the Noteholders and the Rating Agencies of the occurrence of such Event of Default.

Section 5.2 Acceleration of Maturity; Rescission and Annulment.

(a) If an Event of Default shall occur and be continuing (other than the Events of Default specified in Section 5.1(f) or 5.1(g)), the Trustee may (and shall at the direction of a Majority, by outstanding principal amount, of each Class of Offered Notes voting as a separate

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Class (excluding any Notes owned by the Collateral Manager or any of its Affiliates or by any accounts managed by them), or if no Class of Offered Notes is outstanding, a majority by outstanding principal amount, of the Class E Notes and the Class F Notes, declare the principal of and accrued and unpaid interest on all the Notes to be immediately due and payable (and any such acceleration shall automatically terminate the Reinvestment Period). Upon any such declaration such principal, together with all accrued and unpaid interest thereon, and other amounts payable thereunder in accordance with the Priority of Payments will become immediately due and payable (except that in the case of an Event of Default described in Section 5.1(f) or 5.1(g) above, such an acceleration shall occur automatically and without any further action and any such acceleration shall automatically terminate the Reinvestment Period). If the Notes are accelerated, payments shall be made in the order and priority set forth in Section 11.1(a) hereof.

(b) At any time after such a declaration of acceleration of Maturity of the Notes has been made, and before a judgment or decree for payment of the amounts due has been obtained by the Trustee as hereinafter provided in this Article 5, a Majority of each Class of Offered Notes (voting as a separate Class and excluding any Notes owned by the Collateral Manager or any of its Affiliates or by any accounts managed by them), or if no Class of Offered Notes is outstanding, a majority by outstanding principal amount, of the Class E Notes and the Class F Notes, other than with respect to an Event of Default specified in Section 5.1(d), 5.1(e), 5.1(h) or 5.1(i), by written notice to the Issuer, the Co-Issuer and the Trustee, may rescind and annul such declaration and its consequences if:

(i) the Issuer or the Co-Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(A) all unpaid installments of interest on and principal on the Notes that would be due and payable hereunder if the Event of Default giving rise to such acceleration had not occurred;

(B) all unpaid taxes of the Issuer and the Co-Issuer, Company Administrative Expenses and other sums paid or advanced by or otherwise due and payable to the Trustee hereunder;

(C) with respect to the Advancing Agent and the Backup Advancing Agent, any amount due and payable for unreimbursed Interest Advances and Reimbursement Interest; and

(D) with respect to the Collateral Management Agreement, any Collateral Manager Fee then due and any Company Administrative Expense due and payable to the Collateral Manager thereunder; and

(ii) the Trustee has determined that all Events of Default of which it has actual knowledge, other than the non-payment of the interest and principal on the Notes that have become due solely by such acceleration, have been cured and a Majority of the Controlling Class, by written notice to the Trustee, has agreed with such determination (which agreement shall not be unreasonably withheld or delayed) or waived as provided in Section 5.14.

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At any such time that the Trustee, subject to Section 5.2(b), shall rescind and annul such declaration and its consequences as permitted hereinabove, the Trustee shall preserve the Assets in accordance with the provisions of Section 5.5 with respect to the Event of Default that gave rise to such declaration; provided, however, that if such preservation of the Assets is rescinded pursuant to Section 5.5, the Notes may be accelerated pursuant to the first paragraph of this Section 5.2, notwithstanding any previous rescission and annulment of a declaration of acceleration pursuant to this paragraph.

No such rescission shall affect any subsequent Default or impair any right consequent thereon.

(c) Subject to Sections 5.4 and 5.5, a Majority of the Controlling Class shall have the right to direct the Trustee in the conduct of any Proceedings for any remedy available to the Trustee or in the sale of any or all of the Assets; provided that (i) such direction will not conflict with any rule of law or this Indenture; (ii) the Trustee may take any other action not inconsistent with such direction; (iii) the Trustee determines that such action will not subject it to liability (unless the Trustee has received satisfactory indemnity or reasonable security against any such liability); and (iv) any direction to undertake a sale of the Assets may be made only as described in Section 5.17.

(d) As security for the payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer, the Issuer hereby grants the Trustee a lien on the Assets, which lien is senior to the lien of the Noteholders. The Trustee's lien shall be subject to the Priority of Payments and exercisable by the Trustee only if the Notes have been declared due and payable following an Event of Default and such acceleration has not been rescinded or annulled.

(e) A Majority of the Aggregate Outstanding Amount of Notes of the Controlling Class, may, prior to the time a judgment or decree for the payment of amounts due has been obtained by the Trustee, waive any past Default on behalf of the holders of all the Notes and its consequences in accordance with Section 5.14.

Section 5.3 Collection of Indebtedness and Suits for Enforcement by Trustee.

(a) The Issuer covenants that if a Default shall occur in respect of the payment of any interest on any Class A Note, the payment of principal on any Class A Note (but only after interest with respect to the Class A Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full), the payment of interest on any Class A-S Note (but only after interest with respect to the Class A Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full), the payment of principal on any Class A-S Note (but only after interest and principal with respect to the Class A Notes and interest with respect to the Class A-S Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full), the payment of interest on any Class B Note (but only after interest with respect to the Class A Notes and the Class A-S Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full), the payment of principal on any Class B Note (but only after interest and principal with respect to the Class A Notes and the Class A-S Notes and interest with respect to the Class B Notes and any amounts

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payable pursuant to Section 11.1(a) having a higher priority have been paid in full), the payment of interest on any Class C Note (but only after interest with respect to the Class A Notes, the Class A-S Notes and the Class B Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full) or the payment of principal on any Class C Note (but only after interest and principal with respect to the Class A Notes, the Class A-S Notes and the Class B Notes and interest with respect to the Class C Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full), the payment of interest on any Class D Note (but only after interest with respect to the Class A Notes, the Class A-S Notes, the Class B Notes and the Class C Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full) or the payment of principal on any Class D Note (but only after interest and principal with respect to the Class A Notes, the Class A-S Notes, the Class B Notes and the Class C Notes and interest with respect to the Class D Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full), the payment of interest on any Class E Note (but only after interest with respect to the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full) or the payment of principal on any Class E Note (but only after interest and principal with respect to the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes and interest with respect to the Class E Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full), the payment of interest on any Class F Note (but only after interest with respect to the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full) or the payment of principal on any Class F Note (but only after interest and principal with respect to the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and interest with respect to the Class F Notes and any amounts payable pursuant to Section 11.1(a) having a higher priority have been paid in full), the Issuer and Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, shall, upon demand of the Trustee or any affected Noteholder, pay to the Trustee, for the benefit of the Holder of such Note, the whole amount, if any, then due and payable on such Note for principal and interest or other payment with interest on the overdue principal and, to the extent that payments of such interest shall be legally enforceable, upon overdue installments of interest, at the applicable interest rate and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee and such Noteholder and their respective agents and counsel.

If the Issuer or the Co-Issuer fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as Trustee of an express trust, may institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, or any other obligor upon the Notes and collect the amounts adjudged or decreed to be payable in the manner provided by law out of the Assets.

If an Event of Default occurs and is continuing, the Trustee shall proceed to protect and enforce its rights and the rights of the Noteholders by such Proceedings (x) as directed by a Majority of the Controlling Class or (y) in the absence of direction by a Majority of the Controlling

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Class, as deemed most effectual by the Trustee; provided, that (a) such direction must not conflict with any rule of law or with any express provision of this Indenture, (b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction, (c) the Trustee has been provided with security or indemnity reasonably satisfactory to it, and (d) notwithstanding the foregoing, any direction to the Trustee to undertake a sale of Assets may be given only in accordance with the preceding paragraph, in connection with any sale and liquidation of all or a portion of the Assets, the preceding sentence, and, in all cases, the applicable provisions of this Indenture. Such Proceedings shall be used for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or by law.

In the case where (x) there shall be pending Proceedings relative to the Issuer or the Co-Issuer under the Bankruptcy Code, any bankruptcy, insolvency, reorganization or similar law enacted under the laws of the Cayman Islands, or any other applicable bankruptcy, insolvency or other similar law, (y) a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for the Issuer or the Co-Issuer or shall have taken possession of their respective property, or (z) there shall be any other comparable Proceedings relative to the Issuer or the Co-Issuer, or the creditors or property of the Issuer or the Co-Issuer, regardless of whether the principal of any Notes shall then be due and payable as therein expressed or by declaration, or otherwise and regardless of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.3, the Trustee shall be entitled and empowered, by intervention in such Proceedings or otherwise:

(b) to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Noteholders

allowed in any Proceedings relative to the Issuer, the Co-Issuer or other obligor upon the Notes or to the creditors or property of the Issuer, the Co-Issuer or such other obligor;

(c) unless prohibited by applicable law and regulations, to vote on behalf of the Noteholders in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or of a Person performing similar functions in comparable Proceedings; and

(d) to collect and receive any amounts or other property payable to or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Noteholders and of the Trustee on their behalf; and any trustee, receiver or liquidator, custodian or other similar official is hereby authorized by each of the Noteholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Noteholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred, and all advances

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made, by the Trustee and each predecessor Trustee except as a result of its own negligence, willful misconduct or bad faith.

Nothing herein contained shall be deemed to authorize the Trustee to authorize, consent to, vote for, accept or adopt, on behalf of any Noteholder, any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Noteholder in any such Proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes or the production thereof in any trial or other Proceedings relative thereto, and any action or Proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, shall be applied as set forth in [Section 5.7](#).

In any Proceedings brought by the Trustee on behalf of the Noteholders, the Trustee shall be held to represent all the Holders of the Notes.

Notwithstanding anything in this [Section 5.3](#) to the contrary, the Trustee may not sell or liquidate the Assets or institute Proceedings in furtherance thereof pursuant to this [Section 5.3](#) unless the conditions specified in [Section 5.5\(a\)](#) are met.

Section 5.4 [Remedies](#).

(a) If an Event of Default has occurred and is continuing, and the Notes have been declared due and payable and such declaration and its consequences have not been rescinded and annulled, the Issuer and the Co-Issuer agree that the Trustee may, after notice to the Noteholders, and shall, upon direction by a Majority of the Controlling Class, to the extent permitted by applicable law, exercise one or more of the following rights, privileges and remedies:

(i) institute Proceedings for the collection of all amounts then payable on the Notes or otherwise payable under this Indenture (whether by declaration or otherwise), enforce any judgment obtained and collect from the Assets any amounts adjudged due;

(ii) sell all or a portion of the Assets or rights of interest therein, at one or more public or private sales called and conducted in any manner permitted by law and in accordance with [Section 5.17](#) hereof;

(iii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Assets;

(iv) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Secured Parties hereunder; and

(v) exercise any other rights and remedies that may be available at law or in equity;

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provided, however, that the Trustee may not sell or liquidate the Assets or institute Proceedings in furtherance thereof pursuant to this [Section 5.4](#) unless either of the conditions specified in [Section 5.5\(a\)](#) is met.

The Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking firm of national reputation with demonstrated capabilities in structuring and distributing notes or certificates similar to the Notes as to the feasibility of any action proposed to be taken in accordance with this [Section 5.4](#) and as to the sufficiency of the proceeds and other amounts receivable with respect to the Assets to make the required payments of principal of and interest on the Notes and other amounts payable hereunder, which opinion shall be conclusive evidence as to such feasibility or sufficiency.

(b) If an Event of Default as described in [Section 5.1\(e\)](#) hereof shall have occurred and be continuing, the Trustee may, and at the request of the Holders of not less than 25% of the Aggregate Outstanding Amount of the Controlling Class shall, institute a Proceeding solely to compel performance of the covenant or agreement or to cure the representation or warranty, the breach of which gave rise to the Event of Default under such Section, and enforce any equitable decree or order arising from such Proceeding.

(c) Upon any Sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, any Noteholder, Preferred Shareholder or the Collateral Manager or any of its Affiliates may bid for and purchase the Assets or any part thereof and, upon compliance with the terms of Sale, may hold, retain, possess or dispose of such property in its or their own absolute right without accountability; and any purchaser at any such Sale may, in paying the purchase money, turn in any of the Notes in lieu of Cash equal to the amount which shall, upon distribution of the net proceeds of such sale, be payable on the Notes so turned in by such Holder (taking into account the Class of such Notes). Such Notes, in case the amounts so payable thereon shall be

less than the amount due thereon, shall either be returned to the Holders thereof after proper notation has been made thereon to show partial payment or a new note shall be delivered to the Holders reflecting the reduced interest thereon.

Upon any Sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, the receipt of the Trustee or of the Officer making a sale under judicial proceedings shall be a sufficient discharge to the purchaser or purchasers at any sale for its or their purchase money and such purchaser or purchasers shall not be obliged to see to the application thereof.

Any such Sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall (x) bind the Issuer, the Co-Issuer, the Trustee, the Noteholders and the Preferred Shareholders, shall operate to divest all right, title and interest whatsoever, either at law or in equity, of each of them in and to the property sold and (y) be a perpetual bar, both at law and in equity, against each of them and their successors and assigns, and against any and all Persons claiming through or under them.

(d) Notwithstanding any other provision of this Indenture or any other Transaction Document, none of the Advancing Agent, the Trustee or any other Secured Party, any other party to any Transaction Document or third-party beneficiary of this Indenture may, prior to

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the date which is one year and one day, or, if longer, the applicable preference period then in effect (including any period established pursuant to the laws of the Cayman Islands) after the payment in full of all Notes, institute against, or join any other Person in instituting against, the Issuer, the Co-Issuer or any Issuer Permitted Subsidiary any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, or other proceedings under federal or State bankruptcy or similar laws of any jurisdiction. Nothing in this Section 5.4 shall preclude, or be deemed to stop, the Advancing Agent, the Trustee or any other Secured Party or any other party to any Transaction Document (i) from taking any action prior to the expiration of the aforementioned one year and one day period, or, if longer, the applicable preference period then in effect (including any period established pursuant to the laws of the Cayman Islands) period in (A) any case or proceeding voluntarily filed or commenced by the Issuer or the Co-Issuer or (B) any involuntary insolvency proceeding filed or commenced by a Person other than the Trustee or any other Secured Party or any other party to any Transaction Document, or (ii) from commencing against the Issuer or the Co-Issuer or any of their respective properties any legal action which is not a bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceeding.

Section 5.5 Preservation of Assets.

(a) Notwithstanding anything to the contrary herein, if an Event of Default shall have occurred and be continuing when any of the Notes are Outstanding, the Trustee shall (except as otherwise expressly permitted or required under this Indenture) retain the Assets securing the Notes, collect and cause the collection of the proceeds thereof and make and apply all payments and deposits and maintain all accounts in respect of the Assets and the Notes in accordance with the Priority of Payments and the provisions of Articles 10, 12 and 13 and shall not sell or liquidate the Assets, unless either:

(i) the Trustee, pursuant to Section 5.5(c), determines that the anticipated proceeds of a sale or liquidation of the Assets (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to discharge in full the amounts then due and unpaid on the Notes, Company Administrative Expenses due and payable pursuant to the Priority of Payments, the Collateral Manager Fees due and payable pursuant to the Priority of Payments and amounts due and payable to the Advancing Agent and the Backup Advancing Agent, in respect of unreimbursed Interest Advances and Reimbursement Interest, and the holders of a Majority of the Controlling Class agree with such determination;

(ii) the Holders of at least 66-²/₃% of the Aggregate Outstanding Amount of each Class of Notes (each voting as a separate Class) direct, subject to the provisions of this Indenture, the sale and liquidation of all or a portion of the Assets; or

(iii) an Event of Default as described in Section 5.1(j) occurs and is continuing, in which case the Collateral Manager shall promptly proceed to liquidate the Assets (or such portion of the Assets as is necessary to cure such Event of Default).

In the event of a sale of a portion of the Assets pursuant to clause (ii) above, the Trustee shall sell those Assets identified by requisite Noteholders pursuant to a written direction

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in form and substance satisfactory to the Trustee and all proceeds of such sale shall be distributed in the order set forth in Section 11.1(a)(iii).

The Trustee shall give written notice of the retention of the Assets to the Issuer, the Co-Issuer, the Collateral Manager and the Rating Agencies. So long as such Event of Default is continuing, any such retention pursuant to this Section 5.5(a) may be rescinded at any time when the conditions specified in clause (i) or (ii) above exist.

(b) Nothing contained in Section 5.5(a) shall be construed to require the Trustee to sell the Assets securing the Notes if the conditions set forth in Section 5.5(a) are not satisfied. Nothing contained in Section 5.5(a) shall be construed to require the Trustee to preserve the Assets securing the Notes if prohibited by applicable law.

(c) To assist the Trustee in determining whether the condition specified in Section 5.5(a)(i) exists, the Collateral Manager shall obtain bid prices with respect to each Pledged Mortgage Asset from two dealers (Independent of the Collateral Manager and any of its Affiliates) at the time making a market in such Mortgage Assets (or, if there is only one market maker, then the Collateral Manager shall obtain a bid price from that market maker or, if no market maker, from a pricing service). The Collateral Manager shall compute the anticipated proceeds of sale or liquidation on the basis of the lowest of such bid prices for each such Pledged Mortgage Asset and provide the Trustee with the results thereof. For the purposes of determining issues relating to the market value of any Pledged Mortgage Asset and the execution of a sale or other liquidation thereof, the Trustee may, but need not, retain at the expense of the Issuer and rely on an opinion of an Independent investment banking firm of national reputation in connection with a determination (notwithstanding that such opinion will not be the basis for such determination) as to whether the condition specified in Section 5.5(a)(i) exists.

The Trustee shall promptly deliver to the Noteholders a report stating the results of any determination required to be made pursuant to Section 5.5(a)(i). If requested by a Majority of the Controlling Class, the Trustee shall make the determinations required by Section 5.5(a)(i) within 30 days of such request.

Section 5.6 Trustee May Enforce Claims Without Possession of Notes.

All rights of action and claims under this Indenture or under any of the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any trial or other Proceeding relating thereto, and any such action or Proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment in respect of the Notes shall be applied as set forth in Section 5.7 hereof.

In any Proceedings brought by the Trustee (and in any Proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) in respect of the Notes, the Trustee shall be deemed to represent all the Holders of the Notes.

Section 5.7 Application of Amounts Collected.

Any amounts collected by the Trustee with respect to the Notes pursuant to this Article 5 and any amounts that may then be held or thereafter received by the Trustee with respect

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to the Notes hereunder shall be applied subject to Section 13.1 hereof and in accordance with the Priority of Payments set forth in Section 11.1 hereof, at the date or dates fixed by the Trustee.

Section 5.8 Limitation on Suits.

No Holder of any Notes shall have any right to institute any Proceedings (the right of a Noteholder to institute any proceeding with respect to this Indenture is subject to any non-petition covenants set forth in this Indenture), judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder has previously given to the Trustee written notice of an Event of Default;

(b) except as otherwise provided in Section 5.9 hereof, the Holders of at least 25% of the then Aggregate Outstanding Amount of the Controlling Class shall have made written request to the Trustee to institute Proceedings in respect of such Event of Default in its own name as Trustee hereunder and such Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(c) the Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute any such Proceeding; and

(d) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by a Majority of the Controlling Class; it being understood and intended that no one or more Holders of Notes shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Notes of the same Class or to obtain or to seek to obtain priority or preference over any other Holders of the Notes of the same Class or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Notes of the same Class subject to and in accordance with Section 13.1 hereof and the Priority of Payments.

In the event the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Holders of the Controlling Class, each representing less than a Majority of the Controlling Class, the Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture.

Section 5.9 Unconditional Rights of Noteholders to Receive Principal and Interest.

Notwithstanding any other provision in this Indenture (except for Section 2.7(h) and 2.7(q)), the Holder of any Class of Note shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest on such Class of Note as such principal, interest and other amounts become due and payable in accordance with the Priority of Payments and Section 13.1, and, subject to the provisions of Sections 5.4 and 5.8 to institute Proceedings for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder; provided, however, that the right of such Holder to institute

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proceedings for the enforcement of any such payment shall not be subject to the 25% threshold requirement set forth in Section 5.8(b).

Section 5.10 Restoration of Rights and Remedies.

If the Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Noteholder, then (and in every such case) the Issuer, the Co-Issuer, the Trustee, and the Noteholder shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 5.11 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.12 Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Noteholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein or a waiver of a subsequent Event of Default. Every right and remedy given by this Article 5 or by law to the Trustee, or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee, or by the Noteholders, as the case may be.

Section 5.13 Control by the Controlling Class.

Notwithstanding any other provision of this Indenture, if an Event of Default shall have occurred and be continuing when any of the Notes are Outstanding, a Majority of the Controlling Class shall have the right to cause the institution of, and direct the time, method and place of conducting, any Proceeding for any remedy available to the Trustee and for exercising any trust, right, remedy or power conferred on the Trustee in respect of the Notes; provided that:

- (a) such direction shall not conflict with any rule of law or with this Indenture;
- (b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction; provided, however, that, subject to Section 6.1, the Trustee shall not be required to take any action that it reasonably determines might subject it to liability;
- (c) the Trustee shall have been provided with indemnity satisfactory to it; and

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(d) any direction to the Trustee to undertake a Sale of the Assets shall be by the Holders of Notes secured thereby representing at least 66-²/₃% of the Aggregate Outstanding Amount of each Class of Notes.

Section 5.14 Waiver of Past Defaults.

Prior to the time a judgment or decree for payment of the amounts due has been obtained by the Trustee, as provided in this Article 5, a Majority of each and every Class of Notes (voting as a separate Class) may, on behalf of the Holders of all the Notes, waive any past Default in respect of the Notes and its consequences, except a Default:

- (a) in the payment of principal of any Note;
- (b) in the payment of interest in respect of the Controlling Class;
- (c) in respect of a covenant or provision hereof that, under Section 8.2, cannot be modified or amended without the waiver or consent of the Holder of each Outstanding Note adversely affected thereby; or
- (d) in respect of any right, covenant or provision hereof for the individual protection or benefit of the Trustee, without the Trustee's express written consent thereto.

In the case of any such waiver, the Issuer, the Co-Issuer, the Trustee, and the Holders of the Notes shall be restored to their respective former positions and rights hereunder, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto. The Trustee shall promptly give written notice of any such waiver to the Collateral Manager and each Noteholder.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Section 5.15 Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Note by its acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.15 shall not apply to any suit instituted by (x) the Trustee, (y) any Noteholder, or group of Noteholders, holding in the aggregate more than 10% of the Aggregate Outstanding Amount of the Controlling Class or (z) any Noteholder for the enforcement of the payment of the principal of or interest on any Note or any other amount payable hereunder on or after the Stated Maturity Date (or, in the case of redemption, on or after the applicable Redemption Date).

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Section 5.16 Waiver of Stay or Extension Laws.

Each of the Issuer and the Co-Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force (including

but not limited to filing a voluntary petition under Chapter 11 of the Bankruptcy Code and by the voluntary commencement of a proceeding or the filing of a petition seeking winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, reorganization, moratorium, receivership, conservatorship or other similar laws now or hereafter in effect), which may affect the covenants, the performance of or any remedies under this Indenture; and each of the Issuer and the Co-Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.17 Sale of Assets.

(a) The power to effect any sale (a “Sale”) of any portion of the Assets pursuant to Sections 5.4 and 5.5 hereof shall not be exhausted by any one or more Sales as to any portion of such Assets remaining unsold, but shall continue unimpaired until all amounts secured by the Assets shall have been paid or if there are insufficient proceeds to pay such amount until the entire Assets shall have been sold. The Trustee may, upon notice to the Securityholders, and shall, upon direction of a Majority of the Controlling Class, from time to time postpone any Sale by public announcement made at the time and place of such Sale; provided, however, that if the Sale is rescheduled for a date more than three Business Days after the date of the determination by the Trustee pursuant to Section 5.5(a)(i) hereof, such Sale shall not occur unless and until the Trustee has again made the determination required by Section 5.5(a)(i) hereof. The Trustee hereby expressly waives its rights to any amount fixed by law as compensation for any Sale; provided that the Trustee shall be authorized to deduct the reasonable costs, charges and expenses incurred by it in connection with such Sale from the proceeds thereof notwithstanding the provisions of Section 6.7 hereof.

(b) The Trustee may bid for and acquire any portion of the Assets in connection with a public Sale thereof, and may pay all or part of the purchase price by crediting against amounts owing on the Notes or other amounts secured by the Assets, all or part of the net proceeds of such Sale after deducting the reasonable costs, charges and expenses incurred by the Trustee in connection with such Sale notwithstanding the provisions of Section 6.7 hereof. The Notes need not be produced in order to complete any such Sale, or in order for the net proceeds of such Sale to be credited against amounts owing on the Notes. The Trustee may hold, lease, operate, manage or otherwise deal with any property so acquired in any manner permitted by law in accordance with this Indenture.

(c) If any portion of the Assets consists of securities issued without registration under the Securities Act (“Unregistered Securities”), the Trustee may seek an Opinion of Counsel, or, if no such Opinion of Counsel can be obtained and with the consent of a Majority of the Controlling Class, seek a no action position from the SEC or any other relevant federal or State regulatory authorities, regarding the legality of a public or private Sale of such Unregistered

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Securities. In no event shall the Trustee be required to register Unregistered Securities under the Securities Act.

(d) The Trustee shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Assets in connection with a Sale thereof. In addition, the Trustee is hereby irrevocably appointed the agent and attorney in fact of the Issuer to transfer and convey its interest in any portion of the Assets in connection with a Sale thereof, and to take all action necessary to effect such Sale. No purchaser or transferee at such a Sale shall be bound to ascertain the Trustee’s authority, to inquire into the satisfaction of any conditions precedent or to see to the application of any amounts.

(e) In the event of any Sale of the Assets pursuant to Section 5.4 or Section 5.5, payments shall be made in the order and priority set forth in Section 11.1(a) in the same manner as if the Notes had been accelerated.

Section 5.18 Action on the Notes.

The Trustee’s right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the application for or obtaining of any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Trustee against the Issuer or the Co-Issuer or by the levy of any execution under such judgment upon any portion of the Assets or upon any of the assets of the Issuer or the Co-Issuer.

ARTICLE 6

THE TRUSTEE AND THE CUSTODIAN

Section 6.1 Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of manifest error, or bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; provided, however, that in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they substantially conform to the requirements of this Indenture and shall promptly, but in any event within three Business Days in the case of an Officer’s Certificate furnished by the Collateral Manager, notify the party delivering the same if such certificate or opinion does not conform. If a corrected form shall not have been delivered to the

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Trustee within 15 days after such notice from the Trustee, the Trustee shall so notify the Noteholders.

(b) In case an Event of Default known to the Trustee has occurred and is continuing, the Trustee shall, prior to the receipt of directions, if any, from a Majority of the Controlling Class (or other Noteholders to the extent provided in Article 5 hereof), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(c) If, in performing its duties under this Indenture, the Trustee is required to decide between alternative courses of action, the Trustee may request written instructions from the Collateral Manager as to courses of action desired by it. If the Trustee does not receive such instructions within two Business Days after it has requested them, it may, but shall be under no duty to, take or refrain from taking such action. The Trustee shall act in accordance with instructions received after such two-Business Day period except to the extent it has already taken, or committed itself to take, action inconsistent with such instructions. The Trustee shall be entitled to rely on the advice of legal counsel, Independent accountants and experts in performing its duties hereunder and be deemed to have acted in good faith if it acts in accordance with such advice.

(d) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of Section 6.1(a);

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it shall be proven that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Issuer in accordance with this Indenture and/or the Controlling Class relating to the time, method and place of conducting any Proceeding for any remedy available to the Trustee in respect of any Note or exercising any trust or power conferred upon the Trustee under this Indenture;

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers contemplated hereunder, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it (if the amount of such funds or risk or liability does not exceed the amount payable to the Trustee pursuant to Section 11.1(a)(i)(3) and Section 11.1(a)(ii)(1) net of the amounts specified in Section 6.7(a)(i), the Trustee shall be deemed to be reasonably assured of such repayment) unless such risk or liability relates to its ordinary services under this Indenture, except where this Indenture provides otherwise; and

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(v) the Trustee shall not be liable to the Noteholders for any action taken or omitted by it at the direction of the Issuer, the Co-Issuer, the Collateral Manager, the Controlling Class and/or a Noteholder under circumstances in which such direction is required or permitted by the terms of this Indenture.

(e) For all purposes under this Indenture, the Trustee shall not be deemed to have notice or knowledge of any Event of Default described in Section 5.1(d), 5.1(f), 5.1(g), 5.1(h), 5.1(i) or 5.1(j) or any Default described in Section 5.1(e) unless a Trust Officer assigned to and working in the Corporate Trust Office has actual knowledge thereof or unless written notice of any event which is in fact such an Event of Default or Default is received by the Trustee at the Corporate Trust Office, and such notice references, as applicable, the Notes generally, the Issuer, the Assets or this Indenture. For purposes of determining the Trustee's responsibility and liability hereunder, whenever reference is made in this Indenture to such an Event of Default or a Default, such reference shall be construed to refer only to such an Event of Default or Default of which the Trustee is deemed to have notice as described in this Section 6.1.

(f) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of Sections 6.1(a), (b), (c), (d) and (e).

(g) The Trustee shall, upon reasonable prior written notice, permit the Issuer, the Co-Issuer, the Collateral Manager or the Rating Agencies, during the Trustee's normal business hours, to examine all books of account, records, reports and other papers of the Trustee relating to the Notes, to make copies and extracts therefrom (the reasonable out-of-pocket expenses incurred in making any such copies or extracts to be reimbursed to the Trustee by such Person) and to discuss the Trustee's actions, as such actions relate to the Trustee's duties with respect to the Notes, with the Trustee's officers and employees responsible for carrying out the Trustee's duties with respect to the Notes.

(h) The Trustee shall have no obligation to confirm the compliance by the Issuer, the Co-Issuer or any other party with the EU Retention Requirements or the EU Risk Retention Letter.

(i) The Trustee shall have no liability or responsibility for the determination or selection of an alternative base rate other than LIBOR (including, without limitation, whether the conditions for the designation of such rate have been satisfied).

Section 6.2 Notice of Default.

Promptly (and in no event later than three Business Days) after the occurrence of any Default known to the Trustee or after any declaration of acceleration has been made or delivered to the Trustee pursuant to Section 5.2, the Trustee shall transmit by mail to the Collateral Manager, the Rating Agencies (for so long as any Class of Notes is Outstanding and rated by the Rating Agencies) and to all Holders of Notes as their names and addresses appear on the Notes Register, notice of all Defaults hereunder known to the Trustee, unless such Default shall have been cured or waived.

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Except as otherwise provided in Section 6.1:

- (a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;
- (b) any request or direction of the Issuer or the Co-Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order, as the case may be;
- (c) whenever in the administration of this Indenture the Trustee shall (i) deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate or (ii) be required to determine the value of any Assets or funds hereunder or the cash flows projected to be received therefrom, the Trustee may, in the absence of bad faith on its part, rely on reports of nationally recognized accountants, investment bankers or other persons qualified to provide the information required to make such determination, including nationally recognized dealers in securities of the type being valued and securities quotation services;
- (d) as a condition to the taking or omitting of any action by it hereunder, the Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel (including with respect to any matters, other than factual matters, in connection with the execution by the Trustee of a supplemental indenture pursuant to Section 8.3) shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in reliance thereon;
- (e) the Trustee shall be under no obligation to exercise or to honor any of the rights or powers vested in it by this Indenture at the request or direction of any of the Noteholders pursuant to this Indenture, unless such Noteholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might reasonably be incurred by it in compliance with such request or direction;
- (f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note or other paper documents, but the Trustee, in its discretion, may and, upon the written direction of a Majority of the Controlling Class, shall make such further inquiry or investigation into such facts or matters as it may see fit or as it shall be directed and shall have received indemnification reasonably acceptable to the Trustee, and, the Trustee shall be entitled, on reasonable prior notice to the Issuer, the Co-Issuer, the Collateral Manager and the CLO Servicer, to examine the books and records relating to the Notes and the Assets, as applicable, at the premises of the Issuer, the Co-Issuer and the Collateral Manager, personally or by agent or attorney during the Issuer's, the Co-Issuer's or the Collateral Manager's normal business hours upon not less than three Business Days' prior written notice; provided that the Trustee shall, and shall cause its agents to, hold in confidence all such information, except (i) to the extent disclosure

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may be required by law by any regulatory authority and (ii) to the extent that the Trustee, in its sole judgment, may determine that such disclosure is consistent with its obligations hereunder;

- (g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder (except with respect to its duty to make any Interest Advance under the circumstances specified in Section 10.9) either directly or by or through agents or attorneys provided that the Trustee shall not be responsible for any willful misconduct or negligence on the part of any agent appointed and supervised, or attorney appointed, with due care by it hereunder (other than for affiliates of the Collateral Administrator); provided, however, that the Trustee in any event shall remain responsible for the performance of its duties hereunder;
- (h) the Trustee shall not be liable for any action it takes or omits to take in good faith that it reasonably and prudently believes to be authorized or within its rights or powers hereunder;
- (i) the Trustee shall not be responsible for the accuracy of the books or records of, or for any acts or omissions of, the Depository, any Transfer Agent (other than the Trustee itself acting in that capacity), Clearstream, Luxembourg, Euroclear, any Calculation Agent (other than the Trustee itself acting in that capacity) or any Paying Agent (other than the Trustee itself acting in that capacity);
- (j) the Trustee and Custodian shall not be liable for the actions or omissions of the Collateral Manager, the Issuer, the Co-Issuer, the CLO Servicer or the Advancing Agent; and without limiting the foregoing, the Trustee shall not (except to the extent, if at all, otherwise expressly stated in this Indenture) be under any obligation to monitor, evaluate or verify compliance by such Person with the terms hereof or the Transaction Documents, or to verify or independently determine the accuracy of information received by it from such Person (or from any selling institution, agent bank, trustee or similar source) with respect to the Mortgage Assets;
- (k) to the extent any defined term hereunder, or any calculation required to be made or determined by the Trustee hereunder, is dependent upon or defined by reference to generally accepted accounting principles in the United States in effect from time to time ("GAAP"), the Trustee shall be entitled to request and receive (and rely upon) instruction from the Issuer or the accountants appointed pursuant to Section 10.12 as to the application of GAAP in such connection, in any instance;
- (l) neither the Trustee nor the Collateral Administrator shall have any responsibility to the Issuer or the Secured Parties hereunder to make any inquiry or investigation as to, and shall have no obligation in respect of, the terms of any engagement of Independent accountants by the Issuer (or the Collateral Manager on behalf of the Issuer); provided, however, that the Trustee shall be authorized, upon receipt of an Issuer Order directing the same, to execute any acknowledgement or other agreement with the Independent accountants required for the Trustee to receive any of the reports or instructions provided for herein, which acknowledgement or agreement may include, among other things, (i) acknowledgement that the Issuer has agreed that the "agreed upon procedures" between the Issuer and the Independent accountants are sufficient for its purposes, (ii) releases by the Trustee (on behalf of itself and the Holders) of claims and acknowledgement of other limitation of liability in favor of the Independent accounts, and (iii)

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restrictions or prohibitions on the disclosure of information or documents provided to it by such firm of Independent accounts (including to the Holders). Notwithstanding the foregoing, in no event shall the Trustee be required to execute any agreement in respect of the Independent accountants that the Trustee determines adversely affects it in its individual capacity;

(m) neither the Trustee nor the Collateral Administrator shall be responsible for determining if a Mortgage Asset meets the criteria or eligibility restrictions imposed by this Indenture; and

(n) to help fight the funding of terrorism and money laundering activities, the Trustee will obtain, verify, and record information that identifies individuals or entities that establish a relationship or open an account with the Trustee. The Trustee will ask for the name, address, tax identification number and other information that will allow the Trustee to identify the individual or entity who is establishing the relationship or opening the account. The Trustee may also ask for formation documents such as articles of incorporation, an offering memorandum, or other identifying documents to be provided;

(o) the Trustee is hereby authorized and directed to execute and deliver the other Transaction Documents to which it is a party;

(p) the Bank shall be entitled to all of the same rights, protections, immunities and indemnities afforded to it as Trustee as it serves in each capacity (as Trustee or otherwise) hereunder and under the Transaction Documents (including without limitation, as Paying Agent, Calculation Agent, Transfer Agent, Custodial Securities Intermediary, Backup Advancing Agent, Notes Registrar and Custodian);

(q) in no event shall the Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits) even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 6.4 Not Responsible for Recitals or Issuance of Notes.

The recitals contained herein and in the Notes, other than the Certificate of Authentication thereon, shall be taken as the statements of the Issuer and the Co-Issuer, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representation as to the validity or sufficiency of this Indenture (except as may be made with respect to the validity of the Trustee's obligations hereunder), the Assets or the Notes. The Trustee shall not be accountable for the use or application by the Issuer or the Co-Issuer of the Notes or the proceeds thereof or any amounts paid to the Issuer or the Co-Issuer pursuant to the provisions hereof.

Section 6.5 May Hold Notes.

The Trustee, the Paying Agent, the Notes Registrar or any other agent of the Issuer or the Co-Issuer, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer and the Co-Issuer with the same rights it would have if it were not Trustee, Paying Agent, Notes Registrar or such other agent.

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Section 6.6 Amounts Held in Trust.

Amounts held by the Trustee hereunder shall be held in trust to the extent required herein. The Trustee shall be under no liability for interest on any amounts received by it hereunder except as otherwise agreed upon with the Issuer and except to the extent of income or other gain on investments which are deposits in or certificates of deposit of the Trustee in its commercial capacity and income or other gain actually received by the Trustee on Eligible Investments.

Section 6.7 Compensation and Reimbursement.

(a) Subject to the Priority of Payments, the Issuer agrees:

(i) to pay the Trustee on each Payment Date in accordance with the Priority of Payments reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(ii) except as otherwise expressly provided herein, to reimburse the Trustee and the Custodian (subject to any written agreement between the Issuer and the Trustee) in a timely manner upon its request for all reasonable expenses, disbursements and advances (except as otherwise provided herein with respect to Interest Advances) incurred or made by the Trustee and the Custodian in accordance with any provision of this Indenture (including securities transaction charges to the extent not waived due to the Trustee's receipt of payments from a financial institution with respect to certain Eligible Investments, as specified by the Collateral Manager and the reasonable compensation and expenses and disbursements of its agents and legal counsel and of any accounting firm or investment banking firm employed by the Trustee pursuant to Section 5.4, 5.5, 10.11 or 10.13 hereof, except any such expense, disbursement or advance as may be attributable to its negligence, willful misconduct or bad faith);

(iii) to indemnify the Trustee and the Custodian and its Officers, directors, employees and agents for, and to hold them harmless against, any loss, liability or expense incurred without negligence, willful misconduct or bad faith on their part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder; and

(iv) to pay the Trustee reasonable additional compensation together with its expenses (including reasonable counsel fees) for any collection action taken pursuant to Section 6.13 hereof.

(b) The Issuer may remit payment for such fees and expenses to the Trustee or, in the absence thereof, the Trustee may from time to time deduct payment of its fees and expenses hereunder from amounts on deposit in the Payment Account in accordance with the Priority of Payments.

Notes Registrar, hereby agrees not to cause the filing of a petition in bankruptcy against the Issuer, the Co-Issuer or any Permitted Subsidiary until at least one year and one day (or, if longer, the applicable preference period then in effect) after the payment in full of all Notes issued under this Indenture. This Section 6.7 shall survive termination of this Indenture or the resignation or removal of the Trustee (or the Custodian).

(d) The Trustee agrees that the payment of all amounts to which it is entitled pursuant to Sections 6.7(a)(i), (a)(ii), (a)(iii) and (a)(iv) shall be subject to the Priority of Payments, shall be payable only to the extent funds are available in accordance with such Priority of Payments, shall be payable solely from the Assets and following realization of the Assets, any such claims of the Trustee against the Issuer, and all obligations of the Issuer, shall be extinguished. The Trustee will have a lien upon the Assets to secure the payment of such payments to it in accordance with the Priority of Payments; provided that the Trustee shall not institute any proceeding for enforcement of such lien except in connection with an action taken pursuant to Section 5.3 hereof for enforcement of the lien of this Indenture for the benefit of the Noteholders.

Fees shall be accrued on the actual number of days in the related Interest Accrual Period. The Trustee shall receive amounts pursuant to this Section 6.7 and Section 11.1(a) only to the extent that such payment is made in accordance with the Priority of Payments and the failure to pay such amounts to the Trustee will not, by itself, constitute an Event of Default. Subject to Section 6.9, the Trustee shall continue to serve as Trustee under this Indenture notwithstanding the fact that the Trustee shall not have received amounts due to it hereunder. No direction by a Majority of the Controlling Class shall affect the right of the Trustee to collect amounts owed to it under this Indenture.

If on any Payment Date when any amount shall be payable to the Trustee pursuant to this Indenture is not paid because there are insufficient funds available for the payment thereof, all or any portion of such amount not so paid shall be deferred and payable on any later Payment Date on which a fee shall be payable and sufficient funds are available therefor in accordance with the Priority of Payments.

Section 6.8 Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any State thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least U.S.\$200,000,000, subject to supervision or examination by federal or State authority, having a rating of at least "Baa1" by Moody's and "A" by DBRS or, if not rated by DBRS, an equivalent (or higher) rating by any two other NRSROs (which may include Moody's) (or such other lower rating as may be approved by the Rating Agencies from time to time) and having an office within the United States. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.8, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.8, it shall resign immediately in the manner and with the effect hereinafter specified in this Article 6.

Section 6.9 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee (or Custodian) and no appointment of a successor Trustee (or Custodian) pursuant to this Article 6 shall become effective until the acceptance of appointment by such successor Trustee (or Custodian) under Section 6.10.

(b) The Trustee (or Custodian) may resign at any time by giving written notice thereof to the Issuer, the Co-Issuer, the Collateral Manager, the Noteholders and the Rating Agencies. Upon receiving such notice of resignation, the Issuer and the Co-Issuer shall promptly appoint a successor trustee or trustees (or custodian or custodians), by written instrument, in duplicate, executed by an Authorized Officer of the Issuer and an Authorized Officer of the Co-Issuer, one copy of which shall be delivered to the Trustee (or Custodian) so resigning and one copy to the successor Trustee or Trustees (or Custodian or Custodians), together with a copy to each Noteholder and the Collateral Manager; provided that such successor Trustee (or Custodian) shall be appointed only upon the written consent of a Majority of the Notes (or if there are no Notes Outstanding, a Majority of Preferred Shareholders) or, at any time when an Event of Default shall have occurred and be continuing or when a successor Trustee (or Custodian) has been appointed pursuant to Section 6.10, by Act of a Majority of the Controlling Class. If no successor Trustee (or Custodian) shall have been appointed and an instrument of acceptance by a successor Trustee (or Custodian) shall not have been delivered to the Trustee (or Custodian) within 30 days after the giving of such notice of resignation, the resigning Trustee (or Custodian), the Controlling Class of Notes or any Holder of a Note, on behalf of himself and all others similarly situated, may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee (or Custodian) may be removed (i) at any time by Act of at least 66-²/₃% of the Notes, in aggregate outstanding principal amount, voting as a single Class (or if there are no Notes Outstanding, a Majority of Preferred Shareholders) or (ii) at any time when an Event of Default shall have occurred and be continuing or when a successor Trustee (or Custodian) has been appointed pursuant to Section 6.10, by Act of a Majority of the Controlling Class, in each case, upon written notice delivered to the Trustee (or Custodian) and to the Issuer and the Co-Issuer.

(d) If at any time:

(i) the Trustee (or Custodian) shall cease to be eligible under Section 6.8 and shall fail to resign after written request therefor by the Issuer, the Co-Issuer, or by any Holder; or

(ii) the Trustee (or Custodian) shall become incapable of acting or there shall be instituted any proceeding pursuant to which it could be adjudged as bankrupt or insolvent or a receiver or liquidator of the Trustee (or Custodian) or of its respective property shall be appointed or any public officer shall take charge or control of the Trustee (or Custodian) or of its respective property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case (subject to Section 6.9(a)), (a) the Issuer or the Co-Issuer, by Issuer Order, may remove the Trustee (or Custodian) or (b) subject to Section 5.15, a Majority of the Controlling

Class or any Holder may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee (or Custodian) and the appointment of a successor Trustee (or Custodian).

(e) If the Trustee (or Custodian) shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any reason, the Issuer and the Co-Issuer, by Issuer Order, subject to the written consent of the Collateral Manager, shall promptly appoint a successor Trustee (or Custodian). If the Issuer and the Co-Issuer shall fail to appoint a successor Trustee (or Custodian) within 60 days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee (or Custodian) may be appointed by Act of a Majority of the Controlling Class delivered to the Issuer, the Co-Issuer, the Collateral Manager and the retiring Trustee (or Custodian). The successor Trustee (or Custodian) so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee (or Custodian) and supersede any successor Trustee (or Custodian) proposed by the Issuer and the Co-Issuer. If no successor Trustee (or Custodian) shall have been so appointed by the Issuer and the Co-Issuer or a Majority of the Controlling Class and shall have accepted appointment in the manner hereinafter provided, subject to Section 5.15, the Controlling Class or any Holder may, on behalf of itself or himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee (or Custodian).

(f) The Issuer and the Co-Issuer shall give prompt notice of each resignation and each removal of the Trustee (or Custodian) and each appointment of a successor Trustee (or Custodian) by mailing written notice of such event by first class mail, postage prepaid, to the Rating Agencies, the Preferred Shares Paying Agent, the Collateral Manager and to the Holders of the Notes as their names and addresses appear in the Notes Register. Each notice shall include the name of the successor Trustee (or Custodian) and the address of its Corporate Trust Office. If the Issuer or the Co-Issuer fail to mail such notice within ten days after acceptance of appointment by the successor Trustee (or Custodian), the successor Trustee (or Custodian) shall cause such notice to be given at the expense of the Issuer or the Co-Issuer, as the case may be.

Section 6.10 Acceptance of Appointment by Successor.

Every successor Trustee (or Custodian) appointed hereunder shall execute, acknowledge and deliver to the Issuer, the Co-Issuer, the Collateral Manager, the CLO Servicer and the retiring Trustee (or Custodian) an instrument accepting such appointment. Upon delivery of the required instruments, the resignation or removal of the retiring Trustee (or Custodian) shall become effective and such successor Trustee (or Custodian), without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of the retiring Trustee (or Custodian); but, on request of the Issuer and the Co-Issuer or a Majority of the Controlling Class or the Collateral Manager or the successor Trustee (or Custodian), such retiring Trustee (or Custodian) shall, upon payment of its charges then unpaid, execute and deliver an instrument transferring to such successor Trustee (or Custodian) all the rights, powers and trusts of the retiring Trustee (or Custodian), and shall duly assign, transfer and deliver to such successor Trustee (or Custodian) all property and amounts held by such retiring Trustee (or Custodian) hereunder, subject nevertheless to its lien, if any, provided for in Section 6.7(d). Upon request of any such successor Trustee (or Custodian), the Issuer and the Co-Issuer shall execute any and all

instruments for more fully and certainly vesting in and confirming to such successor Trustee (or Custodian) all such rights, powers and trusts.

No successor Trustee (or Custodian) shall accept its appointment unless (a) at the time of such acceptance such successor shall be qualified and eligible under this Article 6, (b) such successor shall have long-term debt rated within the four highest rating categories by the Rating Agencies, and (c) the Rating Agency Condition is satisfied.

Section 6.11 Merger, Conversion, Consolidation or Succession to Business of Trustee (or Custodian).

Any corporation or banking association into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or banking association resulting from any merger, conversion or consolidation to which the Trustee (or Custodian) shall be a party, or any corporation or banking association succeeding to all or substantially all of the corporate trust business of the Trustee (or Custodian), shall be the successor of the Trustee hereunder; provided such corporation or banking association shall be otherwise qualified and eligible under this Article 6, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any of the Notes have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes.

Section 6.12 Co-Trustees and Separate Trustee.

At any time or times, including for the purpose of meeting the legal requirements of any jurisdiction in which any part of the Assets may at the time be located, the Issuer, the Co-Issuer and the Trustee shall have power to appoint, one or more Persons to act as co-trustee jointly with the Trustee of all or any part of the Assets, with the power to file such proofs of claim and take such other actions pursuant to Section 5.6 herein and to make such claims and enforce such rights of action on behalf of the Holders of the Notes as such Holders themselves may have the right to do, subject to the other provisions of this Section 6.12.

Each of the Issuer and the Co-Issuer shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint a co-trustee. If the Issuer and the Co-Issuer do not both join in such appointment within 15 days after the receipt by them of a request to do so, the Trustee shall have power to make such appointment on its own.

Should any written instrument from the Issuer or the Co-Issuer be required by any co-trustee, so appointed, more fully confirming to such co-trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Issuer or the Co-

Every co-trustee, shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms:

- (a) the Notes shall be authenticated and delivered and all rights, powers, duties and obligations hereunder in respect of the custody of securities, Cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely by the Trustee;
- (b) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by the appointment of a co-trustee shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such co-trustee jointly in the case of the appointment of a co-trustee as shall be provided in the instrument appointing such co-trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by a co-trustee;
- (c) the Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Issuer and the Co-Issuer evidenced by an Issuer Order, may accept the resignation of, or remove, any co-trustee appointed under this Section 6.12, and in case an Event of Default has occurred and is continuing, the Trustee shall have the power to accept the resignation of, or remove, any such co-trustee without the concurrence of the Issuer or the Co-Issuer. A successor to any co-trustee so resigned or removed may be appointed in the manner provided in this Section 6.12;
- (d) no co-trustee hereunder shall be personally liable by reason of any act or omission of the Trustee hereunder;
- (e) the Trustee shall not be liable by reason of any act or omission of a co-trustee; and
- (f) any Act of Securityholders delivered to the Trustee shall be deemed to have been delivered to each co-trustee.

Section 6.13 Certain Duties of Trustee Related to Delayed Payment of Proceeds.

In the event that in any month the Trustee shall not have received a Scheduled Distribution, (a) the Trustee shall promptly notify the Issuer and the Collateral Manager in writing and (b) unless within three Business Days (or the end of the applicable grace period for such payment, if longer) after such notice such payment shall have been received by the Trustee, or the Issuer, in its absolute discretion (but only to the extent permitted by Section 10.2(a)), shall have made provision for such payment satisfactory to the Trustee in accordance with Section 10.2(a), the Trustee shall request the obligor of such Asset, the trustee under the related Underlying Instrument or paying agent designated by either of them, as the case may be, to make such payment as soon as practicable after such request but in no event later than three Business Days after the date of such request. In the event that such payment is not made within such time period, the Trustee, subject to the provisions of Section 6.1(d)(iv), shall take such action as the Collateral Manager reasonably shall direct in writing. Any such action shall be without prejudice to any right

to claim a Default or Event of Default under this Indenture. In the event that the Issuer or the Collateral Manager requests a release of an Asset in connection with any such action under the Collateral Management Agreement, such release shall be subject to Section 10.12 and Article 12 of this Indenture, as the case may be. Notwithstanding any other provision hereof, the Trustee shall deliver to the Issuer or its designee any payment with respect to any Asset received after the Due Date thereof to the extent the Issuer previously made provisions for such payment satisfactory to the Trustee in accordance with this Section 6.13 and such payment shall not be deemed part of the Assets.

Section 6.14 Representations and Warranties of the Trustee.

The Trustee represents and warrants that:

- (a) the Trustee is a national banking association with trust powers, duly and validly existing under the laws of the United States of America, with corporate power and authority to execute, deliver and perform its obligations under this Indenture, and is duly eligible and qualified to act as trustee under this Indenture;
- (b) this Indenture has been duly authorized, executed and delivered by the Trustee and constitutes the valid and binding obligation of the Trustee, enforceable against it in accordance with its terms except (i) as limited by bankruptcy, fraudulent conveyance, fraudulent transfer, insolvency, reorganization, liquidation, receivership, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and by general equitable principles, regardless of whether considered in a proceeding in equity or at law, and (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought;
- (c) neither the execution or delivery by the Trustee of this Indenture nor the performance by the Trustee of its obligations under this Indenture requires the consent or approval of, the giving of notice to or the registration or filing with, any governmental authority or agency under any existing law of the United States of America governing the banking or trust powers of the Trustee;
- (d) neither the execution, delivery and performance of this Indenture, nor the consummation of the transactions contemplated by this Indenture, (i) is prohibited by, or requires the Trustee to obtain any consent, authorization, approval or registration under, any law, statute, rule, regulation, or any judgment, order, writ, injunction or decree that is binding upon the Trustee or any of its properties or assets, (ii) will violate the provisions of the Governing Documents of the Trustee or (iii) will violate any provision of, result in any default or acceleration of any obligations under, result in the creation or imposition of any lien pursuant to, or require any consent under, any material agreement to which the Trustee is a party or by which it or any of its property is bound, the violation of which would have a material adverse effect on the Trustee or its property; and

could have a material adverse effect on the Assets or the performance by the Trustee of its obligations under this Indenture.

Section 6.15 Requests for Consents.

In the event that the Trustee receives written notice of any proposed amendment, consent or waiver under the Underlying Instruments of any Mortgage Asset (before or after any default) or in the event any action is required to be taken in respect to an Underlying Instrument, the Trustee shall promptly contact the Issuer and the Collateral Manager. The Collateral Manager may, on behalf of the Issuer, instruct the Trustee pursuant to an Issuer Order to, and the Trustee shall, with respect to which a Mortgage Asset as to which a consent or waiver under the Underlying Instruments of such Mortgage Asset (before or after any default) has been proposed or with respect to action required to be taken in respect of an Underlying Instrument, give consent, grant a waiver, vote or exercise any or all other rights or remedies with respect to any such Mortgage Asset in accordance with such Issuer Order. In the absence of any instruction from the Collateral Manager, the Trustee shall not engage in any vote or take any action with respect to such a Mortgage Asset.

Section 6.16 Withholding.

If any amount is required to be deducted or withheld from any payment to any Noteholder, such amount shall reduce the amount otherwise distributable to such Noteholder. The Trustee is hereby authorized to withhold or deduct from amounts otherwise distributable to any Noteholder sufficient funds for the payment of any tax that is legally required to be withheld or deducted (but such authorization shall not prevent the Trustee from contesting any such tax in appropriate proceedings and legally withholding payment of such tax, pending the outcome of such proceedings). The amount of any withholding tax imposed with respect to any Noteholder shall be treated as Cash distributed to such Noteholder at the time it is deducted or withheld by the Issuer or the Trustee, as applicable, and remitted to the appropriate taxing authority. If there is a possibility that withholding tax is payable with respect to a distribution, the Trustee may in its sole discretion withhold such amounts in accordance with this Section 6.16. If any Noteholder wishes to apply for a refund of any such withholding tax, the Trustee shall reasonably cooperate with such Noteholder in making such claim so long as such Noteholder agrees to reimburse the Trustee for any out-of-pocket expenses incurred. Nothing herein shall impose an obligation on the part of the Trustee to determine the amount of any tax or withholding obligation on the part of the Issuer or in respect of the Notes.

ARTICLE 7

COVENANTS

Section 7.1 Payment of Principal and Interest.

The Issuer and the Co-Issuer, with respect to each class of Offered Notes, and the Issuer, with respect to the Class E Notes and the Class F Notes, shall duly and punctually pay the principal of and interest on such Class of Notes in accordance with the terms of this Indenture. Amounts properly withheld under the Code or other applicable law by any Person from a payment to any Noteholder of interest and/or principal shall be considered as having been paid by the Issuer

and the Co-Issuer, with respect to the Offered Notes and by the Issuer, with respect to the Class E Notes, the Class F Notes and the Preferred Shares, for all purposes of this Indenture.

The Trustee shall, unless prevented from doing so for reasons beyond its reasonable control, give notice to each Securityholder of any such withholding requirement no later than ten days prior to the related Payment Date from which amounts are required (as directed by the Issuer (or the Collateral Manager on behalf of the Issuer)) to be withheld, provided that, despite the failure of the Trustee to give such notice, amounts withheld pursuant to applicable tax laws shall be considered as having been paid by the Issuer and, as applicable, the Co-Issuer, as provided above.

Section 7.2 Maintenance of Office or Agency.

The Issuer and the Co-Issuer, with respect to the Offered Notes, and the Issuer, with respect to the Class E Notes and the Class F Notes, hereby appoint the Trustee as a Paying Agent for the payment of principal of and interest on the Notes and where Notes may be surrendered for registration of transfer or exchange and the Issuer and the Co-Issuer, with respect to the Offered Notes, and the Issuer, with respect to the Class E Notes and the Class F Notes, hereby appoint CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, New York 10011, as their agent where notices and demands to or upon the Co-Issuer in respect of the Offered Notes or this Indenture, or the Issuer in respect of the Notes or this Indenture, may be served.

The Issuer or the Co-Issuer may at any time and from time to time vary or terminate the appointment of any such agent or appoint any additional agents for any or all of such purposes; provided, however, that the Issuer and the Co-Issuer, if applicable, will maintain in the Borough of Manhattan, The City of New York, an office or agency where notices and demands to or upon the Issuer and the Co-Issuer in respect of the Notes and this Indenture may be served, and, subject to any laws or regulations applicable thereto, an office or agency outside of the United States where Notes may be presented and surrendered for payment; provided, further, that no paying agent shall be appointed in a jurisdiction which subjects payments on the Notes to withholding tax. The Issuer or the Co-Issuer, as the case may be, shall give prompt written notice to the Trustee, the Rating Agencies and the Noteholders of the appointment or termination of any such agent and of the location and any change in the location of any such office or agency.

If at any time the Issuer and the Co-Issuer, if applicable, shall fail to maintain any such required office or agency in the Borough of Manhattan, The City of New York, or outside the United States, or shall fail to furnish the Trustee with the address thereof, presentations and surrenders may be made (subject to the limitations described in the preceding paragraph) at and notices and demands may be served on the Issuer and the Co-Issuer, and Notes may be presented and surrendered for payment to the appropriate Paying Agent at its main office and the Issuer and the Co-Issuer hereby appoint the same as their agent to receive such respective presentations, surrenders, notices and demands.

(a) All payments of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the Payment Account shall be made, with respect to the Offered Notes, on behalf of the Issuer and the Co-Issuer, or, with respect to the Class E Notes and

the Class F Notes, on behalf of the Issuer by the Trustee or a Paying Agent (in each case, from and to the extent of available funds in the Payment Account and subject to the Priority of Payments) with respect to payments on the Notes.

When the Paying Agent is not also the Notes Registrar, the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, shall furnish, or cause the Notes Registrar to furnish, no later than the fifth calendar day after each Record Date a list, in such form as such Paying Agent may reasonably request, of the names and addresses of the Holders of Notes and of the certificate numbers of individual Notes held by each such Holder.

Whenever the Paying Agent is not also the Trustee, the Issuer, the Co-Issuer, and such Paying Agent shall, on or before the Business Day next preceding each Payment Date or Redemption Date, as the case may be, direct the Trustee to deposit on such Payment Date with such Paying Agent, if necessary, an aggregate sum sufficient to pay the amounts then becoming due pursuant to the terms of this Indenture (to the extent funds are then available for such purpose in the Payment Account, and subject to the Priority of Payments), such sum to be held for the benefit of the Persons entitled thereto and (unless such Paying Agent is the Trustee) the Issuer and the Co-Issuer shall promptly notify the Trustee of its action or failure so to act. Any amounts deposited with a Paying Agent (other than the Trustee) in excess of an amount sufficient to pay the amounts then becoming due on the Notes with respect to which such deposit was made shall be paid over by such Paying Agent to the Trustee for application in accordance with Article 11. Any such Paying Agent shall be deemed to agree by assuming such role not to cause the filing of a petition in bankruptcy against the Issuer, the Co-Issuer or any Permitted Subsidiary for the non-payment to the Paying Agent of any amounts payable thereto until at least one year and one day (or, if longer, the applicable preference period then in effect) after the payment in full of all Notes issued under this Indenture.

The initial Paying Agent shall be as set forth in Section 7.2. Any additional or successor Paying Agents shall be appointed by Issuer Order of the Issuer and Issuer Order of the Co-Issuer with written notice thereof to the Trustee; provided, however, that so long as any Class of the Notes are rated by a Rating Agency and with respect to any additional or successor Paying Agent for the Notes, either (i) such Paying Agent has a long-term debt rating of "Aa3" or higher by Moody's, "AA-" or higher by Fitch, "AA-" or higher by S&P and "AA (low)" or higher by DBRS (or, if not rated by DBRS, an equivalent rating by any two other NRSROs (which may include Moody's)) or a short-term debt rating of "P-1" by Moody's, "F1+" by Fitch and "A-1+" by S&P or (ii) each of the Rating Agencies confirms that employing such Paying Agent shall not adversely affect the then-current ratings of the Notes. In the event that such successor Paying Agent ceases to have a long-term debt rating of "Aa3" or higher by Moody's, "AA-" or higher by Fitch, "AA-" or higher by S&P or "AA (low)" or higher by DBRS (or, if not rated by DBRS, an equivalent rating by any two other NRSROs (which may include Moody's)) or a short-term debt rating of at least "P-1" by Moody's, "F1+" by Fitch and "A-1+" by S&P, the Issuer and the Co-Issuer shall promptly remove such Paying Agent and appoint a successor Paying Agent. The Issuer and the Co-Issuer shall not appoint any Paying Agent that is not, at the time of such appointment, a depository institution or trust company subject to supervision and examination by federal and/or state and/or national banking authorities. The Issuer and the Co-Issuer shall cause the Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying

Agent shall agree with the Trustee (and if the Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 7.3, that such Paying Agent will:

- (a) allocate all sums received for payment to the Holders of Notes for which it acts as Paying Agent on each Payment Date and Redemption Date among such Holders in the proportion specified in the applicable report or Redemption Date Statement, as the case may be, in each case to the extent permitted by applicable law;
- (b) hold all sums held by it for the payment of amounts due with respect to the Notes for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;
- (c) if such Paying Agent is not the Trustee, immediately resign as a Paying Agent and forthwith pay to the Trustee all sums held by it for the payment of Notes if at any time it ceases to meet the standards set forth above required to be met by a Paying Agent at the time of its appointment;
- (d) if such Paying Agent is not the Trustee, immediately give the Trustee notice of any Default by the Issuer or the Co-Issuer (or any other obligor upon the Notes) in the making of any payment required to be made; and
- (e) if such Paying Agent is not the Trustee at any time during the continuance of any such Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held by such Paying Agent.

The Issuer or the Co-Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Issuer Order direct the Paying Agent to pay, to the Trustee all sums held by the Issuer or the Co-Issuer or held by the Paying Agent for payment of the Notes, such sums to be held by the Trustee in trust for the same Noteholders as those upon which such sums were held by the Issuer, the Co-Issuer or the Paying Agent; and, upon such payment by the Paying Agent to the Trustee, the Paying Agent shall be released from all further liability with respect to such amounts.

Except as otherwise required by applicable law, any amounts deposited with the Trustee in trust or deposited with the Paying Agent for the payment of the principal of or interest on any Note and remaining unclaimed for two years after such principal or interest has become due and payable shall be paid to the Issuer on request; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer for payment of such amounts and all liability of the Trustee or the Paying Agent with respect to such amounts (but only to the extent of the amounts so paid to the Issuer or the Co-Issuer, as applicable) shall thereupon cease. The Trustee or the Paying Agent, before being required to make any such release of payment, may, but shall

not be required to, adopt and employ, at the expense of the Issuer or the Co-Issuer, as the case may be, any reasonable means of notification of such release of payment, including, but not limited to, mailing notice of such release to Holders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in amounts due and payable but not claimed is determinable from the records of the Paying Agent, at the last address of record of each such Holder.

Section 7.4 Existence of the Issuer and Co-Issuer.

(a) So long as any Note is Outstanding, the Issuer shall, to the maximum extent permitted by applicable law, maintain in full force and effect its existence and rights as an exempted company incorporated with limited liability under the laws of the Cayman Islands and shall obtain and preserve its qualification to do business as a foreign limited liability company in each jurisdiction in which such qualifications are or shall be necessary to protect the validity and enforceability of this Indenture, the Notes or any of the Assets; provided that the Issuer shall be entitled to change its jurisdiction of registration from the Cayman Islands to any other jurisdiction reasonably selected by the Issuer so long as (i) such change is not disadvantageous in any material respect to the Holders of the Notes or the Preferred Shares, (ii) written notice of such change shall have been given by the Trustee to the Holders of the Notes or Preferred Shares, the Preferred Shares Paying Agent and the Rating Agencies 15 Business Days prior to such change and (iii) on or prior to the 15th Business Day following such notice the Trustee shall not have received written notice from a Majority of the Controlling Class or a Majority of Preferred Shareholders objecting to such change. So long as any Note is Outstanding, the Issuer will maintain at all times at least one director who is Independent of the Collateral Manager and its Affiliates.

(b) So long as any Note is Outstanding, the Co-Issuer shall maintain in full force and effect its existence and rights as a limited liability company organized under the laws of Delaware and shall obtain and preserve its qualification to do business as a foreign limited liability company in each jurisdiction in which such qualifications are or shall be necessary to protect the validity and enforceability of this Indenture or the Notes; provided, however, that the Co-Issuer shall be entitled to change its jurisdiction of formation from Delaware to any other jurisdiction reasonably selected by the Co-Issuer so long as (i) such change is not disadvantageous in any material respect to the Holders of the Notes, (ii) written notice of such change shall have been given by the Trustee to the Holders of the Notes and the Rating Agencies 15 Business Days prior to such change and (iii) on or prior to the 15th Business Day following such notice the Trustee shall not have received written notice from a Majority of the Controlling Class objecting to such change. So long as any Note is Outstanding, the Co-Issuer shall maintain at all times at least one manager who is Independent of the Collateral Manager and its Affiliates.

(c) So long as any Note is Outstanding, the Issuer shall ensure that all corporate or other formalities regarding its existence are followed (including correcting any known misunderstanding regarding its separate existence). So long as any Note is Outstanding, the Issuer shall not take any action or conduct its affairs in a manner that is likely to result in its separate existence being ignored or its assets and liabilities being substantively consolidated with any other Person in a bankruptcy, reorganization or other insolvency proceeding. So long as any Note is Outstanding, the Issuer shall maintain and implement administrative and operating procedures reasonably necessary in the performance of the Issuer's obligations hereunder, and the Issuer shall at all times keep and maintain, or cause to be kept and maintained, separate books, records, accounts and other information customarily maintained for the performance of the Issuer's obligations hereunder. Without limiting the foregoing, so long as any Note is Outstanding, (i) the Issuer shall (A) pay its own liabilities only out of its own funds and (B) use separate stationery, invoices and checks, (C) hold itself out and identify itself as a separate and distinct entity under its own name and (ii) the Issuer shall not (A) have any subsidiaries (other than a Permitted Subsidiary and, in the case of the Issuer, the Co-Issuer), (B) have any employees (other than its directors), (C)

engage in any transaction with any shareholder that is not permitted under the terms of the Collateral Management Agreement, (D) pay dividends other than in accordance with the terms of this Indenture, its governing documents and the Preferred Share Paying Agency Agreement, (E) conduct business under an assumed name (i.e., no "DBAs"), (F) commingle its funds or assets with those of any other Person, or (G) enter into any contract or agreement with any of its Affiliates, except upon terms and conditions that are commercially reasonable and substantially similar to those available in arm's-length transactions; provided that the foregoing shall not prohibit the Issuer from entering into the transactions contemplated by the Registered Office Agreement with the registered office provider, the Company Administration Agreement with the Company Administrator, the Preferred Share Paying Agency Agreement with the Share Registrar and any other agreement contemplated or permitted by the Collateral Management Agreement or this Indenture.

(d) So long as any Note is Outstanding, the Co-Issuer shall ensure that all limited liability company or other formalities regarding its existence are followed, as well as correcting any known misunderstanding regarding its separate existence. The Co-Issuer shall not take any action or conduct its affairs in a manner, that is likely to result in its separate existence being ignored or its assets and liabilities being substantively consolidated with any other Person in a bankruptcy, reorganization or other insolvency proceeding. The Co-Issuer shall maintain and implement administrative and operating procedures reasonably necessary in the performance of the Co-Issuer's obligations hereunder, and the Co-Issuer shall at all times keep and maintain, or cause to be kept and maintained, books, records, accounts and other information customarily maintained for the performance of the Co-Issuer's obligations hereunder. Without limiting the foregoing, the Co-Issuer shall not (A) have any subsidiaries, (B) have any employees (other than its managers), (C) join in any transaction with any member that is not permitted under the terms of the Collateral Management Agreement, (D) pay dividends other than in accordance with the terms of this Indenture, (E) commingle its funds or assets with those of any other Person, or (F) enter into any contract or agreement with any of its Affiliates, except upon terms and conditions that are commercially reasonable and substantially similar to those available in arm's-length transactions with an unrelated party.

Section 7.5 Protection of Assets.

(a) The Trustee, on behalf of the Issuer, pursuant to any Opinion of Counsel received pursuant to Section 7.5(d) shall execute and deliver all such Financing Statements, continuation statements, instruments of further assurance and other instruments, and shall take such other action as may be necessary or advisable or desirable to secure the rights and remedies of the Holders and to:

(i) Grant more effectively all or any portion of the Assets;

(ii) maintain or preserve the lien (and the priority thereof) of this Indenture or to carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations);

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(iv) enforce any of the Assets or other instruments or property included in the Assets;

(v) preserve and defend title to the Assets and the rights of the Trustee, the Holders of the Notes in the Assets against the claims of all persons and parties; and

(vi) pursuant to Sections 11.1(a)(i)(1) and 11.1(a)(ii)(1), pay or cause to be paid any and all taxes levied or assessed upon all or any part of the Assets.

The Issuer hereby designates the Trustee as its agent and attorney-in-fact to execute any Financing Statement, continuation statement or other instrument required pursuant to this Section 7.5. The Trustee agrees that it will from time to time execute and cause to be filed Financing Statements and continuation statements (it being understood that the Trustee shall be entitled to rely upon an Opinion of Counsel described in Section 7.5(d), at the expense of the Issuer, as to the need to file such Financing Statements and continuation statements, the dates by which such filings are required to be made and the jurisdictions in which such filings are required to be made).

(b) The Trustee shall not (except in accordance with Section 10.12(a), (b) or (c) and except for payments, deliveries and distributions otherwise expressly permitted under this Indenture) (i) remove any portion of the Assets that consists of Cash or is evidenced by an instrument, certificate or other writing (A) from the jurisdiction in which it was held at the date as described in the Opinion of Counsel delivered at the Closing Date pursuant to Section 3.1(d) or (B) from the possession of the Person who held it on such date or (ii) cause or permit the Custodial Account or the Custodial Securities Intermediary to be located in a different jurisdiction from the jurisdiction in which such securities accounts and Custodial Securities Intermediary were located on the Closing Date, unless the Trustee shall have first received an Opinion of Counsel to the effect that the lien and security interest created by this Indenture with respect to such property will continue to be maintained after giving effect to such action or actions.

(c) The Issuer shall (i) pay or cause to be paid taxes, if any, levied on account of the beneficial ownership by the Issuer of any Assets that secure the Notes and timely file all tax returns and information statements as required, (ii) take all actions necessary or advisable to prevent the Issuer from becoming subject to any withholding or other taxes or assessments and to allow the Issuer to comply with FATCA or Cayman FATCA Legislation, and (iii) if required to prevent the withholding or imposition of United States income tax, deliver or cause to be delivered a United States Internal Revenue Service Form W-9 (or the applicable form W-8, if appropriate) or successor applicable form, to each borrower, counterparty or paying agent with respect to (as applicable) an item included in the Assets at the time such item is purchased or entered into and thereafter prior to the expiration or obsolescence of such form.

(d) For so long as the Notes are Outstanding, (i) on June 1, 2023 and (ii) every 60 months after such date, the Issuer (or the Collateral Manager on behalf of the Issuer) shall deliver to the Trustee for the benefit of the Trustee, the Collateral Manager and the Rating Agencies, at the expense of the Issuer, an Opinion of Counsel stating what is required, in the opinion of such counsel, as of the date of such opinion, to maintain the lien and security interest created by this Indenture with respect to the Assets, and confirming the matters set forth in the

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Opinion of Counsel, furnished pursuant to Section 3.1(d), with regard to the perfection and priority of such security interest (and such Opinion of Counsel may likewise be subject to qualifications and assumptions similar to those set forth in the Opinion of Counsel delivered pursuant to Section 3.1(d)).

Section 7.6 Notice of Any Amendments.

Each of the Issuer and the Co-Issuer shall give notice to each Rating Agency of, and satisfy the Rating Agency Condition with respect to, any amendments to its Governing Documents.

Section 7.7 Performance of Obligations.

(a) Each of the Issuer and the Co-Issuer shall not take any action, and will use commercially reasonable efforts not to permit any action to be taken by others, that would release any Person from any of such Person's covenants or obligations under any instrument included in the Assets, except in the case of enforcement action taken with respect to any Defaulted Mortgage Asset in accordance with the provisions hereof and as otherwise required hereby.

(b) The Issuer or the Co-Issuer may, with the prior written consent of the Majority of the Notes (or if there are no Notes Outstanding, a Majority of Preferred Shareholders), contract with other Persons, including the Collateral Manager or the Trustee, for the performance of actions and obligations to be performed by the Issuer or the Co-Issuer, as the case may be, hereunder by such Persons and the performance of the actions and other obligations with respect to the Assets of the nature set forth in the Collateral Management Agreement by the Collateral Manager. Notwithstanding any such arrangement, the Issuer or the Co-Issuer, as the case may be, shall remain primarily liable with respect thereto. In the event of such contract, the performance of such actions and obligations by such Persons shall be deemed to be performance of such actions and obligations by the Issuer or the Co-Issuer; and the Issuer or the Co-Issuer shall punctually perform, and use commercially reasonable efforts to cause the Collateral Manager or such other Person to perform, all of their obligations and agreements contained in the Collateral Management Agreement or such other agreement.

(c) Unless the Rating Agency Condition is satisfied with respect thereto, the Issuer shall maintain the Servicing Agreement in full force and effect so long as any Notes remain Outstanding and shall not terminate the Servicing Agreement with respect to any Mortgage Asset except upon the sale or other liquidation of such Mortgage Asset in accordance with the terms and conditions of this Indenture.

(d) If the Co-Issuers receive a notice from the Rating Agencies stating that they are not in compliance with Rule 17g-5, the Co-Issuers shall take such action as mutually agreed between the Co-Issuers and the Rating Agencies in order to comply with Rule 17g-5.

Section 7.8 Negative Covenants.

(a) The Issuer and the Co-Issuer shall not:

(i) sell, assign, participate, transfer, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (or permit such to occur or suffer such to exist), any part of the Assets, except as otherwise expressly permitted by this Indenture or the Collateral Management Agreement;

(ii) claim any credit on, make any deduction from, or dispute the enforceability of, the payment of the principal or interest payable in respect of the Notes (other than amounts required to be paid, deducted or withheld in accordance with any applicable law or regulation of any governmental authority) or assert any claim against any present or future Noteholder by reason of the payment of any taxes levied or assessed upon any part of the Assets;

(iii) (A) incur or assume or guarantee any indebtedness, other than the Notes and this Indenture and the transactions contemplated hereby; (B) issue any additional class of securities, other than the Notes, the Preferred Shares, the ordinary shares of the Issuer and the limited liability company membership interests of the Co-Issuer; or (C) issue any additional shares of stock, other than the ordinary shares of the Issuer and the Preferred Shares;

(iv) (A) permit the validity or effectiveness of this Indenture or any Grant hereunder to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to this Indenture or the Notes, except as may be expressly permitted hereby; (B) permit any lien, charge, adverse claim, security interest, mortgage or other encumbrance (other than the lien of this Indenture) to be created on or extend to or otherwise arise upon or burden the Assets or any part thereof, any interest therein or the proceeds thereof, except as may be expressly permitted hereby; or (C) take any action that would permit the lien of this Indenture not to constitute a valid first priority security interest in the Assets, except as may be expressly permitted hereby;

(v) amend the Collateral Management Agreement, except pursuant to the terms thereof;

(vi) amend the Preferred Share Paying Agency Agreement, except pursuant to the terms thereof;

(vii) to the maximum extent permitted by applicable law, dissolve or liquidate in whole or in part, except as permitted hereunder;

(viii) make or incur any capital expenditures, except as reasonably required to perform its functions in accordance with the terms of this Indenture and, in the case of the Issuer, the Preferred Share Paying Agency Agreement;

(ix) become liable in any way, whether directly or by assignment or as a guarantor or other surety, for the obligations of the lessee under any lease, hire any employees or pay any dividends to its shareholders, except with respect to the Preferred Shares in accordance with the Priority of Payments;

(x) maintain any bank accounts other than the Accounts and the bank account in the Cayman Islands in which (*inter alia*) the proceeds of the Issuer's issued share capital and the transaction fees paid to the Issuer for agreeing to issue the Securities will be kept;

(xi) conduct business under an assumed name, or change its name without first delivering at least 30 days' prior written notice to the Trustee, the Noteholders and the Rating Agencies and an Opinion of Counsel to the effect that such name change will not adversely affect the security interest hereunder of the Trustee or the Secured Parties;

(xii) take any action that would result in it failing to qualify as a Qualified REIT Subsidiary of the Arbor Parent for U.S. federal income tax purposes (including, but not limited to, an election to treat the Issuer as a "taxable REIT subsidiary," as defined in Section 856(l) of the Code), unless the Issuer receives (A) an Opinion of Counsel that the Issuer will be treated as a Qualified REIT Subsidiary or other disregarded entity of a REIT other than Arbor Parent, or (B) a No Trade or Business Opinion;

(xiii) except for any agreements involving the purchase and sale of Mortgage Assets having customary purchase or sale terms and documented with customary loan trading documentation, enter into any agreements unless such agreements contain "non-petition" and "limited recourse" provisions;

(xiv) amend their respective organizational documents without satisfaction of the Rating Agency Condition in connection therewith;

(xv) with respect to any Mortgage Asset that by its terms permits the conversion from a LIBOR-based interest rate to a fixed interest rate, convert such Mortgage Asset from a LIBOR-based interest rate to a fixed interest rate; or

(xvi) acquire (whether directly or indirectly, in any Account or in any sub-account) any assets that do not consist of Mortgage Assets, Eligible Investments or cash (or the proceeds with respect to the foregoing). The foregoing is not intended to limit the Issuer's ability to enter into or enforce its rights under the Collateral Management Agreement, each Mortgage Asset Purchase Agreement (including any Mortgage Asset Purchase Agreement entered into after the Closing Date) or the Servicing Agreement.

(b) Neither the Issuer nor the Trustee shall sell, transfer, exchange or otherwise dispose of Assets, or enter into or engage in any business with respect to any part of the Assets, except as expressly permitted or required by this Indenture or the Collateral Management Agreement.

(c) The Co-Issuer shall not invest any of its assets in “securities” (as such term is defined in the 1940 Act) and shall keep all of the Co-Issuer’s assets in Cash.

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(d) For so long as any of the Notes are Outstanding, the Co-Issuer shall not issue or transfer any limited liability company membership interests of the Co-Issuer to any Person other than the Issuer Parent or an Issuer Parent Disregarded Entity.

(e) The Issuer shall not enter into any material new agreements (other than any Mortgage Asset, Mortgage Asset Purchase Agreement or other agreement (including, without limitation, in connection with the sale of Assets by the Issuer) contemplated by this Indenture) without the prior written consent of the Holders of a Majority of the Notes (or if there are no Notes Outstanding, a Majority of Preferred Shareholders) and shall provide notice of all new agreements (other than any Mortgage Asset or other agreement specifically contemplated by this Indenture) to the Holders of the Notes. The foregoing notwithstanding, the Issuer may agree to any material new agreements; provided that (i) the Issuer (or the Collateral Manager on behalf of the Issuer) determines that such new agreements would not, upon or after becoming effective, adversely affect the rights or interests of any Class or Classes of Noteholders and (ii) subject to satisfaction of the Rating Agency Condition.

(f) As long as any Note is Outstanding, Issuer Parent or any Issuer Parent Disregarded Entity may not transfer (whether by means of actual transfer or transfer of beneficial ownership for U.S. federal income tax purposes), pledge or hypothecate any retained or repurchased Notes or Preferred Shares (whether issued on the Closing Date or reissued in a single or multiple classes on a later date) or ordinary shares of the Issuer to any other Person (except to Issuer Parent or any Issuer Parent Disregarded Entity) unless the Issuer receives a No Entity-Level Tax Opinion, or has previously received a No Trade or Business Opinion.

(g) Any financing arrangement pursuant to Section 7.8(f) shall prohibit any further transfer (whether by means of actual transfer or a transfer of beneficial ownership for U.S. federal income tax purposes) of the retained or repurchased Notes or Preferred Shares, including a transfer in connection with any exercise of remedies under such financing unless the Issuer receives a No Entity-Level Tax Opinion.

Section 7.9 Statement as to Compliance.

On or before January 31, in each calendar year, commencing in 2019 or immediately if there has been a Default in the fulfillment of an obligation under this Indenture, the Issuer shall deliver to the Trustee (which will deliver a copy to each Rating Agency) an Officer’s Certificate given on behalf of the Issuer and without personal liability stating, as to each signer thereof, that, since the date of the last certificate or, in the case of the first certificate, the Closing Date, to the best of the knowledge, information and belief of such Officer, the Issuer has fulfilled all of its obligations under this Indenture or, if there has been a Default in the fulfillment of any such obligation, specifying each such Default known to them and the nature and status thereof.

Section 7.10 Issuer and Co-Issuer May Consolidate or Merge Only on Certain Terms.

(a) The Issuer shall not consolidate or merge with or into any other Person or transfer or convey all or substantially all of its assets to any Person, unless permitted by the Governing Documents and Cayman Islands law and unless:

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(i) the Issuer shall be the surviving entity, or the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred shall be an entity organized and existing under the laws of the Cayman Islands or such other jurisdiction approved by a Majority of each and every Class of the Notes (each voting as a separate Class), and a Majority of Preferred Shareholders; provided that no such approval shall be required in connection with any such transaction undertaken solely to effect a change in the jurisdiction of registration pursuant to Section 7.4 hereof; and provided, further, that the surviving entity shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee and each Noteholder, the due and punctual payment of the principal of and interest on all Notes and other amounts payable hereunder and under the Collateral Management Agreement and the performance and observance of every covenant of this Indenture and the Collateral Management Agreement on the part of the Issuer to be performed or observed, all as provided herein;

(ii) the Rating Agency Condition shall be satisfied;

(iii) if the Issuer is not the surviving entity, the Person formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred shall have agreed with the Trustee (A) to observe the same legal requirements for the recognition of such formed or surviving entity as a legal entity separate and apart from any of its Affiliates as are applicable to the Issuer with respect to its Affiliates and (B) not to consolidate or merge with or into any other Person or transfer or convey all or substantially all of the Assets or all or substantially all of its assets to any other Person except in accordance with the provisions of this Section 7.10, unless in connection with a sale of the Assets pursuant to Article 5, Article 9 or Article 12;

(iv) if the Issuer is not the surviving entity, the Person formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred shall have delivered to the Trustee, the Collateral Manager and the Rating Agencies an Officer’s Certificate and an Opinion of Counsel each stating that such Person is duly organized, validly existing and in good standing in the jurisdiction in which such Person is organized; that such Person has sufficient power and authority to assume the obligations set forth in Section 7.10(a)(i) above and to execute and deliver an indenture supplemental hereto for the purpose of assuming such obligations; that such Person has duly authorized the execution, delivery and performance of an indenture supplemental hereto for the purpose of assuming such obligations and that such supplemental indenture is a valid, legal and binding obligation of such Person, enforceable in accordance with its terms, subject only to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors’ rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); that, immediately following the event which causes such Person to become the successor to the Issuer, (A) such Person has good and marketable title, free and clear of any lien, security interest

or charge, other than the lien and security interest of this Indenture, to the Assets securing, in the case of a consolidation or merger of the Issuer, all of the Notes or, in the case of any transfer or conveyance of the Assets securing any of the Notes, such Notes, (B) the Trustee continues to have a valid perfected

first priority security interest in the Assets securing, in the case of a consolidation or merger of the Issuer, all of the Notes, or, in the case of any transfer or conveyance of the Assets securing any of the Notes, such Notes and (C) such other matters as the Trustee, the Collateral Manager or any Noteholder may reasonably require;

(v) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(vi) the Issuer shall have delivered to the Trustee, the Preferred Shares Paying Agent, the Collateral Manager and each Noteholder, an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, merger, transfer or conveyance and such supplemental indenture comply with this Article 7 and that all conditions precedent in this Article 7 provided for relating to such transaction have been complied with;

(vii) the Issuer has received an opinion from Clifford Chance US LLP or an opinion of other nationally recognized U.S. tax counsel experienced in such matters that the Issuer or the Person referred to in clause (a) either will (a) be treated as a Qualified REIT Subsidiary or other disregarded entity of a REIT or (b) be treated as (or part of) a foreign corporation not engaged in a U.S. trade or business or otherwise not subject to U.S. federal income tax on a net income tax basis;

(viii) the Issuer has received an opinion from Clifford Chance US LLP or an opinion of other nationally recognized U.S. tax counsel experienced in such matters that such action will not adversely affect the tax treatment of the Noteholders as described in the Offering Memorandum under the heading "Certain U.S. Federal Income Tax Considerations" to any material extent; and

(ix) after giving effect to such transaction, the Issuer shall not be required to register as an investment company under the 1940 Act.

(b) The Co-Issuer shall not consolidate or merge with or into any other Person or transfer or convey all or substantially all of its assets to any Person, unless no Notes remain Outstanding or:

(i) the Co-Issuer shall be the surviving entity, or the Person (if other than the Co-Issuer) formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets of the Co-Issuer are transferred shall be a company organized and existing under the laws of Delaware or such other jurisdiction approved by a Majority of the Controlling Class; provided that no such approval shall be required in connection with any such transaction undertaken solely to effect a change in the jurisdiction of formation pursuant to Section 7.4; and provided, further, that the surviving entity shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee and each Noteholder, the due and punctual payment of the principal of and interest on all Notes and the performance and observance of every covenant of this Indenture on the part of the Co-Issuer to be performed or observed, all as provided herein;

(ii) the Rating Agency Condition has been satisfied;

(iii) if the Co-Issuer is not the surviving entity, the Person formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets of the Co-Issuer are transferred shall have agreed with the Trustee (A) to observe the same legal requirements for the recognition of such formed or surviving entity as a legal entity separate and apart from any of its Affiliates as are applicable to the Co-Issuer with respect to its Affiliates and (B) not to consolidate or merge with or into any other Person or transfer or convey all or substantially all of its assets to any other Person except in accordance with the provisions of this Section 7.10;

(iv) if the Co-Issuer is not the surviving entity, the Person formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets of the Co-Issuer are transferred shall have delivered to the Trustee and the Rating Agencies an Officer's Certificate and an Opinion of Counsel each stating that such Person is duly organized, validly existing and in good standing in the jurisdiction in which such Person is organized; that such Person has sufficient power and authority to assume the obligations set forth in Section 7.10(b)(i) above and to execute and deliver an indenture supplemental hereto for the purpose of assuming such obligations; that such Person has duly authorized the execution, delivery and performance of an indenture supplemental hereto for the purpose of assuming such obligations and that such supplemental indenture is a valid, legal and binding obligation of such Person, enforceable in accordance with its terms, subject only to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); such other matters as the Trustee or any Noteholder may reasonably require;

(v) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(vi) the Co-Issuer shall have delivered to the Trustee, the Preferred Shares Paying Agent and each Noteholder an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, merger, transfer or conveyance and such supplemental indenture comply with this Article 7 and that all conditions precedent in this Article 7 provided for relating to such transaction have been complied with and that no adverse tax consequences will result therefrom to the Holders of the Notes or the Preferred Shareholders; and

(vii) after giving effect to such transaction, the Co-Issuer shall not be required to register as an investment company under the 1940 Act.

Upon any consolidation or merger, or transfer or conveyance of all or substantially all of the assets of the Issuer or the Co-Issuer, in accordance with Section 7.10 hereof, the Person formed by or surviving such consolidation or merger (if other than the Issuer or the Co-Issuer), or the Person to which such consolidation, merger, transfer or conveyance is made, shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer or the Co-Issuer, as the case may be, under this Indenture with the same effect as if such Person had been named as

the Issuer or the Co-Issuer, as the case may be, herein. In the event of any such consolidation, merger, transfer or conveyance, the Person named as the “Issuer” or the “Co-Issuer” in the first paragraph of this Indenture or any successor which shall theretofore have become such in the manner prescribed in this Article 7 may be dissolved, wound-up and liquidated at any time thereafter, and such Person thereafter shall be released from its liabilities as obligor and maker on all the Notes and from its obligations under this Indenture.

Section 7.12 No Other Business.

The Issuer shall not engage in any business or activity other than issuing and selling the Notes pursuant to this Indenture and any supplements thereto, issuing its ordinary shares and issuing and selling the Preferred Shares in accordance with its Governing Documents, the Collateral Management Agreement, and acquiring, owning, holding, disposing of and pledging the Assets in connection with the Notes and such other activities which are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith. The Co-Issuer shall not engage in any business or activity other than issuing and selling the Notes pursuant to this Indenture and any supplements thereto and such other activities which are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith.

Section 7.13 Reporting.

At any time when the Issuer and/or the Co-Issuer is not subject to Section 13 or 15(d) of the Exchange Act and is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, upon the request of a Holder or beneficial owner of a Note, the Issuer and/or the Co-Issuer shall promptly furnish or cause to be furnished “Rule 144A Information” (as defined below) to such Holder or beneficial owner, to a prospective purchaser of such Note designated by such Holder or beneficial owner or to the Trustee for delivery to such Holder or beneficial owner or a prospective purchaser designated by such Holder or beneficial owner, as the case may be, in order to permit compliance by such Holder or beneficial owner with Rule 144A under the Securities Act in connection with the resale of such Note by such Holder or beneficial owner. “Rule 144A Information” shall be such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto). The Trustee shall reasonably cooperate with the Issuer and/or the Co-Issuer in mailing or otherwise distributing (at the Issuer’s expense) to such Noteholders or prospective purchasers, at and pursuant to the Issuer’s and/or the Co-Issuer’s written direction the foregoing materials prepared by or on behalf of the Issuer and/or the Co-Issuer; provided, however, that the Trustee shall be entitled to prepare and affix thereto or enclose therewith reasonable disclaimers to the effect that such Rule 144A Information was not assembled by the Trustee, that the Trustee has not reviewed or verified the accuracy thereof, and that it makes no representation as to such accuracy or as to the sufficiency of such information under the requirements of Rule 144A or for any other purpose.

Section 7.14 Calculation Agent.

(a) The Issuer and the Co-Issuer hereby agree that for so long as any Notes remain Outstanding there shall at all times be an agent appointed to calculate LIBOR in respect of each Interest Accrual Period in accordance with the terms of Schedule B attached hereto (the “Calculation Agent”). The Issuer and the Co-Issuer initially have appointed the Trustee as

Calculation Agent for purposes of determining LIBOR for each Interest Accrual Period. The Calculation Agent may be removed by the Issuer at any time. The Calculation Agent may resign at any time by giving written notice thereof to the Issuer, the Co-Issuer, the Collateral Manager, the Noteholders and the Rating Agencies. If the Calculation Agent is unable or unwilling to act as such or is removed by the Issuer, or if the Calculation Agent fails to determine LIBOR or the Interest Distribution Amount for any Class of Notes for any Interest Accrual Period, the Issuer shall promptly appoint as a replacement Calculation Agent a leading bank which is engaged in transactions in Eurodollar deposits in the international Eurodollar market and which does not control or is not controlled by or under common control with the Issuer or its Affiliates. The Calculation Agent may not resign its duties without a successor having been duly appointed. If no successor Calculation Agent shall have been appointed within 30 days after giving of a notice of resignation, the resigning Calculation Agent, a Majority of the Notes or any Holder of a Note, on behalf of himself and all others similarly situated, may petition a court of competent jurisdiction for the appointment of a successor Calculation Agent.

(b) The Calculation Agent shall be required to agree that, as soon as practicable after 11:00 a.m. (London time) on each LIBOR Determination Date (as defined in Schedule B attached hereto), but in no event later than 11:00 a.m. (New York time) on the London Banking Day immediately following each LIBOR Determination Date, the Calculation Agent shall calculate LIBOR for the next Interest Accrual Period and will communicate such rates to the Issuer, the Co-Issuer, the Trustee, the Collateral Manager, the Paying Agent and, if any Note is in the form of a Regulation S Global Security, to Euroclear and Clearstream, Luxembourg. The Calculation Agent shall also specify to the Issuer and the Co-Issuer the quotations upon which LIBOR is based, and in any event the Calculation Agent shall notify the Issuer and the Co-Issuer before 5:00 p.m. (New York time) on each LIBOR Determination Date if it has not determined and is not in the process of determining LIBOR and the Interest Distribution Amounts for each Class of Notes, together with the reasons therefor. The determination of the Class A Rate, Class A-S Rate, Class B Rate, Class C Rate, Class D Rate, Class E Rate and Class F Rate and the related Class A Interest Distribution Amount, Class A-S Interest Distribution Amount, Class B Interest Distribution Amount, Class C Interest Distribution Amount, Class D Interest Distribution Amount, Class E Interest Distribution Amount and Class F Interest Distribution Amount, respectively, by the Calculation Agent shall, absent manifest error, be final and binding on all parties.

Section 7.15 REIT Status.

(a) The Issuer Parent shall not take any action that results in the Issuer failing to qualify as a Qualified REIT Subsidiary of the Issuer Parent for U.S. federal income tax purposes, unless the Issuer receives (A) an Opinion of Counsel that the Issuer will be treated as a Qualified REIT Subsidiary or other disregarded entity of a REIT other than Arbor Parent, or (B) a No Trade or Business Opinion.

(b) If the Issuer is no longer a Qualified REIT Subsidiary or other disregarded entity of a REIT, prior to the time that:

(i) any Mortgage Asset would cause the Issuer to be treated as engaged in a trade or business in the United States or to become subject to U.S. federal tax on a net income basis,

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(ii) the Issuer would acquire or receive any asset in connection with a workout or restructuring of a Mortgage Asset that could cause the Issuer to be treated as engaged in a trade or business in the United States or to become subject to U.S. federal tax on a net income basis,

(iii) the Issuer would acquire the real property underlying any Mortgage Asset pursuant to a foreclosure or deed-in-lieu of foreclosure, or

(iv) any Mortgage Asset is modified in such a manner that could cause the Issuer to be treated as engaged in a trade or business in the United States or to become subject to U.S. federal tax on a net income basis,

the Issuer will either (x) organize one or more Permitted Subsidiaries and contribute the subject property to such Permitted Subsidiary, (y) contribute such Mortgage Asset to an existing Permitted Subsidiary, or (z) sell such Mortgage Asset in accordance with Section 12.1.

(c) At the direction of 100% of the Preferred Shareholders (including any party that will become the beneficial owner of 100% of the Preferred Shares because of a default under any financing arrangement for which the Preferred Shares are security), the Issuer may operate as a foreign corporation that is not engaged in a trade or business in the United States for U.S. federal income tax purposes, provided that (i) the Issuer receives a No Entity-Level Tax Opinion; (ii) this Indenture and the Servicing Agreement, as applicable, are revised (A) to adopt written tax guidelines governing the Issuer's origination, acquisition, disposition and modification of the mortgage loans designed to prevent the Issuer from being treated as engaged in a trade or business in the United States for U.S. federal income tax purposes, (B) to form one or more "grantor trusts" to hold the mortgage loans and (C) to implement any other provisions deemed necessary (as determined by the tax counsel providing the opinion) to prevent the Issuer from being treated as a foreign corporation engaged in a trade or business in the United States for U.S. federal income tax purposes or otherwise becoming subject to U.S. federal withholding tax or U.S. federal income tax on a net income basis; (iii) the Preferred Shareholder shall pay the administrative and other costs related to the Issuer converting from a Qualified REIT Subsidiary to operating as a foreign corporation, including the costs of any opinions and amendments; and (iv) the Preferred Shareholder agrees to pay any ongoing expenses related to the Issuer's status as a foreign corporation not engaged in a trade or business in the United States for U.S. federal income tax purposes, including but not limited to U.S. federal income tax filings required by the Issuer, the "grantor trusts" or any taxable subsidiaries or required under FATCA or the Cayman FATCA Legislation.

Section 7.16 Permitted Subsidiaries.

Notwithstanding any other provision of this Indenture, the Collateral Manager on behalf of the Issuer shall be permitted to sell to a Permitted Subsidiary at any time any Sensitive Asset for consideration consisting entirely of the equity interests of such Permitted Subsidiary (or for an increase in the value of equity interests already owned). The Trustee shall, upon receipt of an Issuer Order certifying that the sale of a Sensitive Asset is being made in accordance with satisfaction of all requirements of this Indenture, release such Sensitive Asset and shall deliver

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such Sensitive Asset as specified in such Issuer Order. The following provisions shall apply to all Sensitive Assets and Permitted Subsidiaries:

(a) For all purposes under this Indenture, any Sensitive Asset transferred to a Permitted Subsidiary shall be treated as if it were an asset owned directly by the Issuer.

(b) Any distribution of Cash by a Permitted Subsidiary to the Issuer shall be characterized as Interest Proceeds or Principal Proceeds to the same extent that such Cash would have been characterized as Interest Proceeds or Principal Proceeds if received directly by the Issuer and each Permitted Subsidiary shall cause all proceeds of and collections on each Sensitive Asset owned by such Permitted Subsidiary to be deposited into the applicable Collection Account.

(c) To the extent applicable, the Issuer shall form one or more Securities Accounts with the Custodial Securities Intermediary for the benefit of each Permitted Subsidiary and shall, to the extent applicable, cause Sensitive Assets to be credited to such Securities Accounts.

(d) Notwithstanding the complete and absolute transfer of a Sensitive Asset to a Permitted Subsidiary, for purposes of measuring compliance with the Note Protection Tests, the ownership interests of the Issuer in a Permitted Subsidiary or any property distributed to the Issuer by a Permitted Subsidiary shall be treated as a continuation of its ownership of the Sensitive Asset that was transferred to such Permitted Subsidiary (and shall be treated as having the same characteristics as such Sensitive Asset).

(e) If the Trustee or any other authorized party takes any action under this Indenture to sell, liquidate or dispose of all or substantially all of the Assets, the Issuer or the Collateral Manager on the Issuer's behalf shall cause each Permitted Subsidiary to sell each Sensitive Asset and all other assets held by such Permitted Subsidiary and distribute the proceeds of such sale, net of any amounts necessary to satisfy any related expenses and tax liabilities, to the Issuer in exchange for the equity interest in such Permitted Subsidiary held by the Issuer.

Section 7.17 Repurchase Requests.

If the Issuer, the Trustee or the Collateral Manager receives or otherwise becomes aware of any request or demand whether oral or written that a Mortgage Asset be repurchased or replaced arising from any breach of a representation or warranty made with respect to such Mortgage Asset (any such request or demand, a "Repurchase Request") or a withdrawal of a Repurchase Request from any Person other than the CLO Servicer, then the Trustee or the Collateral Manager on behalf of the Issuer, as applicable, shall promptly forward or otherwise provide written notice of such Repurchase Request or withdrawal of a Repurchase Request, as the case may be, to the CLO Servicer, and include the following statement in the related correspondence: "This is a

“[Repurchase Request]/[withdrawal of a Repurchase Request]” relating to Arbor Realty Commercial Real Estate Notes 2018-FL1, Ltd. requiring action by you as the “Repurchase Request Recipient” thereunder. Upon receipt of such Repurchase Request or withdrawal of a Repurchase Request by the Trustee or Collateral Manager pursuant to the prior sentence, the CLO Servicer shall be deemed to be the Repurchase Request Recipient in respect of such Repurchase Request or withdrawal of a Repurchase Request, as the case may be, and shall

be responsible for complying with the applicable procedures with respect to such Repurchase Request. If the Trustee, the Issuer or the Collateral Manager receives notice or has knowledge of a withdrawal of a Repurchase Request of which notice has been previously received or given, and such notice was not received from or copied to the CLO Servicer, then the Trustee or the Collateral Manager on behalf of the Issuer, as applicable, shall promptly give notice of such withdrawal to the CLO Servicer.

Section 7.18 Purchase of Ramp-Up Mortgage Assets.

The Issuer (or the Collateral Manager on behalf of the Issuer) shall, prior to the Ramp-Up Completion Date, use commercially reasonable efforts to apply amounts on deposit in the Unused Proceeds Account to purchase Ramp-Up Mortgage Assets in accordance with Section 10.4(d) (which shall be, and hereby are, Granted to the Trustee pursuant to the Granting Clause of this Indenture) for inclusion in the Assets upon receipt by the Trustee of an Issuer Order executed by the Issuer (or the Collateral Manager on behalf of the Issuer) with respect thereto directing the Trustee to pay out the amount specified therein against delivery of the Ramp-Up Mortgage Asset specified therein and a certificate of an Authorized Officer of the Issuer (or the Collateral Manager), dated as of the trade date, and delivered to the Trustee on or prior to the date of such purchase and Grant, to the effect that after giving effect to such purchase and Grant of the Ramp-Up Mortgage Assets, except for Initial Mortgage Assets acquired during the Ramp-Up Acquisition Period, the Eligibility Criteria are met with respect to the Ramp-Up Mortgage Assets purchased. Each Ramp-Up Mortgage Asset shall satisfy the applicable Eligibility Criteria.

Section 7.19 Ramp-Up Completion Date Actions.

(a) The Issuer (or the Collateral Manager on behalf of the Issuer) shall cause to be delivered to the Trustee and the Rating Agencies on the Ramp-Up Completion Date an amended Schedule A listing all Mortgage Assets Granted to the Trustee pursuant to Section 7.18 on or before the Ramp-Up Completion Date and included in the Assets on the Ramp-Up Completion Date, which schedule shall supersede any prior Schedule A delivered to the Trustee.

(b) Within 30 Business Days after the Ramp-Up Completion Date, the Issuer shall provide, or (at the Issuer’s expense) cause the Collateral Manager to provide, the following documents to the Trustee and the Rating Agencies: (A) a report of the Collateral Administrator (x) confirming the name of the borrower, the unpaid principal balance, coupon and maturity date with respect to each Ramp-Up Mortgage Asset owned by the Issuer as of the Ramp-Up Completion Date, and (y) confirming that, as of the Ramp-Up Completion Date, the Note Protection Tests were satisfied (the “Ramp-Up Completion Date Report”) and (B) a certificate of the Collateral Manager on behalf of the Issuer (x) certifying the satisfaction of the items set forth in clause (A) above, and the receipt of an accountants’ report specifying the agreed-upon procedures performed, at the request of the Issuer, on the items set forth in the Ramp-Up Completion Date Report and (y) certifying that each Ramp-Up Mortgage Asset satisfied all of the Eligibility Criteria applicable to Ramp-Up Mortgage Assets. If within such 30 Business Day period (i) the Issuer, or the Collateral Manager on behalf of the Issuer, fails to provide the items described in foregoing subclauses (A) and (B), (ii) the Moody’s Ramp-Up Condition is not satisfied, or (iii) any rating assigned as of the Closing Date to any Class of Offered Notes has been downgraded or withdrawn, a “Rating Confirmation Failure” shall occur; provided that Issuer Parent or an Issuer Parent Disregarded

Entity may contribute additional Cash, Eligible Investments and/or Mortgage Assets to the Issuer in accordance with Section 12.2(c) of this Agreement.

For the avoidance of doubt, the Collateral Manager’s certificate described in the foregoing clause (B) shall not include the Accountants’ Report.

ARTICLE 8

SUPPLEMENTAL INDENTURES

Section 8.1 Supplemental Indentures Without Consent of Securityholders.

(a) Without the consent of the Holders of any Notes or any Preferred Shareholders, the Issuer, the Co-Issuer, when authorized by Board Resolutions of the Co-Issuers, and when authorized by the Trustee, the Trustee and, at any time and from time to time subject to the requirement provided below in this Section 8.1, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(i) evidence the succession of any Person to the Issuer or the Co-Issuer and the assumption by any such successor of the covenants of the Issuer or the Co-Issuer, as applicable, herein and in the Notes;

(ii) add to the covenants of the Issuer, the Co-Issuer or the Trustee for the benefit of the Holders of the Notes, Preferred Shareholders or to surrender any right or power herein conferred upon the Issuer or the Co-Issuer, as applicable;

(iii) convey, transfer, assign, mortgage or pledge any property to or with the Trustee, or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery of the Notes;

(iv) evidence and provide for the acceptance of appointment hereunder of a successor Trustee and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Sections 6.9, 6.10 and 6.12 hereof;

(v) correct or amplify the description of any property at any time subject to the lien of this Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subject to the lien of this Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or to subject any additional property to the lien of this Indenture;

(vi) modify the restrictions on and procedures for resales and other transfers of Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) or to enable the Issuer and the Co-Issuer to rely upon any exemption from registration under the Securities Act, the Exchange Act or the 1940 Act or to remove restrictions on resale and transfer to the extent not required thereunder;

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(vii) otherwise correct any inconsistency or cure any ambiguity, omission or mistake;

(viii) take any action commercially reasonably necessary or advisable for the Issuer to comply with FATCA or Cayman FATCA Legislation or to prevent the Issuer from failing to qualify as a Qualified REIT Subsidiary or other disregarded entity of a REIT for U.S. federal income tax purposes or from being treated as a foreign corporation engaged in a trade or business in the United States for U.S. federal income tax purposes, or to prevent the Issuer, the Holders of the Notes, the Holders of the Preferred Shares or the Trustee from being subject to withholding or other taxes, fees or assessments or otherwise subject to U.S. federal, state, local or foreign income or franchise tax on a net income tax basis;

(ix) evidence any waiver or elimination by a Rating Agency of any requirement or condition of such Rating Agency set forth herein or to amend or supplement any provision of this Indenture to the extent necessary to maintain the then-current ratings assigned to the Notes;

(x) accommodate the issuance or settlement of the Notes in global or book-entry form through the facilities of DTC, Euroclear or Clearstream, Luxembourg or otherwise;

(xi) authorize the appointment of any listing agent, transfer agent, paying agent or additional registrar for any Class of Notes required or advisable in connection with the listing of any Class of Notes on any stock exchange, and otherwise to amend this Indenture to incorporate any changes required or requested by any governmental authority, stock exchange authority, listing agent, transfer agent, paying agent or additional registrar for any Class of Notes in connection therewith;

(xii) evidence changes to applicable laws and regulations;

(xiii) to modify, eliminate or add to any of its provisions in the event the U.S. Credit Risk Retention Rules or any other regulations applicable to the risk retention requirements for this securitization transaction are amended or repealed, in order to modify or eliminate the risk retention requirements in the event of such amendment or repeal; provided that the Trustee has received an opinion of counsel to the effect the action is consistent with and will not cause a violation of the U.S. Credit Risk Retention Rules;

(xiv) reduce the minimum denominations required for transfer of the Notes (except as provided in Section 8.2(i));

(xv) modify the provisions of this Indenture with respect to reimbursement of Nonrecoverable Interest Advances if (a) the Collateral Manager determines that the commercial mortgage securitization industry standard for such provisions has changed, in order to conform to such industry standard and (b) such modification does not adversely affect the status of Issuer for U.S. federal income tax purposes, as evidenced by an Opinion of Counsel;

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(xvi) modify the procedures set forth in this Indenture relating to compliance with Rule 17g-5 of the Exchange Act; provided that the change would not materially increase the obligations of the Collateral Manager, the Trustee, any paying agent, the servicer or the special servicer (in each case, without such party's consent) and would not adversely affect in any material respect the interests of any Noteholder or holder of the Preferred Shares; provided, further, that the Collateral Manager must provide a copy of any such amendment to the Information Agent for posting to the Rule 17g-5 Website and provide notice of any such amendment to the Rating Agencies;

(xvii) at the direction of 100% of the holders of the Preferred Shares (including any party that will become the beneficial owner of 100% of the Preferred Shares because of a default under any financing arrangement for which the Preferred Shares are security), modify the provisions of this Indenture to adopt restrictions provided by tax counsel in order to prevent the Issuer from being treated as a foreign corporation that is engaged in a trade or business in the United States for U.S. federal income tax purposes or otherwise become subject to U.S. federal withholding tax or U.S. federal income tax on a net income basis;

(xviii) make any change to any other provisions with respect to matters or questions arising under this Indenture; provided that the required action will not adversely affect in any material respect the interests of any Noteholder not consenting thereto, as evidenced by (A) an Opinion of Counsel or (B) an Officer's Certificate of the Collateral Manager; and

(xix) make any modification or amendment determined by the Issuer or the Collateral Manager (in consultation with legal counsel of national reputation experienced in such matters and independent of the Issuer and any Affiliates thereof) as necessary or advisable (A) for any Class of Notes to not be considered an "ownership interest" as defined for purposes of the Volcker Rule or (B) (1) to enable the Issuer to rely upon the exemption or exclusion from registration as an investment company provided by Rule 3a-7 under the Investment Company Act or another exemption or exclusion from registration as an investment company under the Investment Company Act (other than Section 3(c)(1) or Section 3(c)(7) thereof) or (2) for the Issuer to not otherwise be considered a "covered fund" as defined for purposes of the Volcker Rule, in each case so long as any such modification or amendment would not have a material adverse effect on any Class of Notes;

provided that (subject to further provisions on modification and amendment of this Indenture) such action will not adversely affect the tax classification of the Notes as indebtedness for U.S. federal income tax purposes or constitute an event requiring a U.S. Holder to recognize gain or loss with respect to a Note for

The Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise, except to the extent required by law.

If any Class of Notes is Outstanding and rated, the Trustee shall not enter into any such supplemental indenture unless the Rating Agency Condition has been satisfied, the notice of which may be in electronic form. At the cost of the Issuer, the Trustee shall provide to each Noteholder and each holder of Preferred Shares and, for so long as any Class of Notes shall remain Outstanding and is rated, the Trustee shall provide to the Rating Agencies a copy of any proposed supplemental indenture at least 15 Business Days prior to the execution thereof by the Trustee, and, for so long as such Notes are Outstanding and so rated, request written confirmation, which may be in electronic form, from each noteholder and holder of Preferred Shares, that such proposed supplemental indenture will not materially and adversely affect such Noteholder or holder of Preferred Shares, and, as soon as practicable after the execution by the Trustee, the Issuer and the Co-Issuer of any such supplemental indenture, provide to the Rating Agencies a copy of the executed supplemental indenture. Following such initial 15 Business Day period, the Trustee will provide an additional 15 Business Days' notice to any Noteholder or holder of Preferred Shares that did not respond to the initial notice and, unless the Trustee is notified (after giving such initial 15 Business Days' notice and second 15 Business Days' notice, as applicable) by such Noteholder or such holder of Preferred Shares that such Person will be materially and adversely affected by the proposed supplemental indenture, the interests of such Person will be deemed not to be materially and adversely affected by such proposed supplemental indenture.

The Trustee shall not enter into any such supplemental indenture if such action would adversely affect the tax classification of the Notes as indebtedness for U.S. federal income tax purposes or constitute an event requiring a U.S. Holder to recognize gain or loss with respect to a Note for U.S. federal income tax purposes. The Trustee shall be entitled to rely upon (i) the receipt of notice from the Rating Agencies or the Requesting Party, which may be in electronic form, that the Rating Agency Condition has been satisfied and (ii) receipt of an Officer's Certificate of the Collateral Manager certifying that, following provision of notice of such supplemental indenture to the Noteholders and holders of the Preferred Shares and expiry of the time period set forth in the above paragraph, that the Holders of Securities would not be materially and adversely affected by such supplemental indenture. Such determination shall be conclusive and binding on all present and future Holders of Securities. The Trustee shall not be liable for any such determination made in good faith and in reliance upon such Officer's Certificate.

Furthermore, the Trustee shall not enter into any such supplemental indenture unless the Trustee has received an Opinion of Counsel from Clifford Chance US LLP or other nationally recognized U.S. tax counsel experienced in such matters that the proposed supplemental indenture will not cause the Issuer to (x) fail to be treated as a Qualified REIT Subsidiary or other disregarded entity of a REIT for U.S. federal income tax purposes or (y) be treated as a foreign corporation that is engaged in a trade or business in the United States for U.S. federal income tax purposes or to otherwise become subject to U.S. federal income tax on a net income basis.

(b) Notwithstanding Section 8.1(a) or any other provision of this Indenture,

(i) without the consent of the Holders of any Notes or any Preferred Shareholders, the Issuer, the Co-Issuer, when authorized by Board Resolutions of the Co-Issuers, and when authorized by the Trustee, the Trustee, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

- (1) conform this Indenture to the provisions described in the Offering Memorandum (or any supplement thereto);
- (2) to correct any defect or ambiguity in this Indenture in order to address any manifest error in any provision of this Indenture;
- (3) to conform this Indenture to any Moody's Test Modification in the manner set forth in Section 12.4 hereof; and

(ii) at the direction of the Collateral Manager, the Issuer, the Co-Issuer and the Trustee may also enter into supplemental indentures to provide for the Notes of each Class to bear interest based on a Successor Benchmark Rate instead of LIBOR from and after a Payment Date specified in such supplemental indenture following the occurrence of a Successor Benchmark Rate Event; provided that no such supplemental indenture shall become effective unless there shall have occurred (A) satisfaction of the Rating Agency Condition with respect thereto and (B) approval by a majority of each Class of outstanding Notes, following delivery to each Noteholder of not less than 60 days prior notice of such supplemental indenture. For purposes of the foregoing in this clause (ii), absence of objection by a 50% or more in outstanding principal amount of any Class of Notes for a period of 30 days following delivery to it of such prior notice shall be deemed, for all purposes of this Indenture, to constitute consent by a majority or more of such Class of Noteholders.

Section 8.2 Supplemental Indentures with Consent of Securityholders.

Except as set forth below, the Trustee and the Co-Issuers may enter into one or more indentures supplemental hereto to add any provisions to, or change in any manner or eliminate any of the provisions of, this Indenture or modify in any manner the rights of the Holders of any Class of Notes or the Preferred Shares under this Indenture only (x) with the written consent of the Holders of a Majority in Aggregate Outstanding Amount of the Notes of each Class materially and adversely affected thereby (excluding any Notes owned by the Collateral Manager or any of its Affiliates or by any accounts managed by them) and the Holder of Preferred Shares if materially and adversely affected thereby, by Act of said Securityholders delivered to the Trustee and the Co-Issuers, and (y) subject to satisfaction of the Rating Agency Condition, notice of which may be in electronic form. Unless the Trustee is notified (after giving (x) 15 Business Days' notice of such change to the Holders of each Class of Notes and the Holder of the Preferred Shares requesting notification by such Noteholders and holders of the Preferred Shares if any such Noteholders or holders of the Preferred Shares would be materially and adversely affected by the proposed supplemental indenture and (y) following such initial 15 Business Day period, an additional 15 Business Days' notice to any holder of Notes or Preferred Shares that did not respond to the initial notice) by Holders of a Majority in Aggregate Outstanding Amount of the Notes of any Class that such

Class of Notes will be materially and adversely affected by the proposed supplemental indenture (and upon receipt of an Officer's Certificate of the Collateral Manager), the interests of such Class and the interests of the Preferred Shares will be deemed not to be materially and adversely affected by such proposed supplemental indenture and the Trustee will be permitted to enter into such supplemental indenture. Such determinations shall be conclusive and binding on all present and future Noteholders. The consent of the Holders of the Preferred

Shares shall be binding on all present and future Holders of the Preferred Shares. The Trustee shall not be liable for any such determination made in good faith and in reliance upon an Officer's Certificate of the Collateral Manager.

Without the consent of (x) all of the Holders of each Outstanding Class of Notes materially adversely affected and (y) all of the Holders of the Preferred Shares materially adversely affected thereby, no supplemental indenture may:

- (a) change the Stated Maturity Date of the principal of or the due date of any installment of interest on any Note, reduce the principal amount thereof or the Note Interest Rate thereon or the Redemption Price with respect to any Note, change the date of any scheduled distribution on the Preferred Shares, or the Redemption Price with respect thereto, change the earliest date on which any Note may be redeemed at the option of the Issuer, change the provisions of this Indenture that apply proceeds of any Assets to the payment of principal of or interest on Notes or of distributions to the Preferred Shares Paying Agent for the payment of distributions in respect of the Preferred Shares or change any place where, or the coin or currency in which, any Note or the principal thereof or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity Date thereof (or, in the case of redemption, on or after the applicable Redemption Date);
- (b) reduce the percentage of the Aggregate Outstanding Amount of Holders of Notes of each Class or the Notional Amount of Preferred Shares of the Holders thereof whose consent is required for the authorization of any such supplemental indenture or for any waiver of compliance with certain provisions of this Indenture or certain Defaults hereunder or their consequences provided for in this Indenture;
- (c) impair or adversely affect the Assets except as otherwise permitted in this Indenture;
- (d) permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of the Assets or terminate such lien on any property at any time subject hereto or deprive the Holder of any Note, or the Holder of any Preferred Share as an indirect beneficiary, of the security afforded to such Holder by the lien of this Indenture;
- (e) reduce the percentage of the Aggregate Outstanding Amount of Holders of Notes of each Class whose consent is required to request the Trustee to preserve the Assets or rescind the Trustee's election to preserve the Assets pursuant to Section 5.5 or to sell or liquidate the Assets pursuant to Section 5.4 or 5.5 hereof;
- (f) modify any of the provisions of this Section 8.2, except to increase the percentage of Outstanding Notes whose holders' consent is required for any such action or to provide that other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby;
- (g) modify the definition of the term "Outstanding" or the provisions of Section 11.1 or Section 13.1 hereof;

- (h) modify any of the provisions of this Indenture in such a manner as to affect the calculation of the amount of any payment of interest on or principal of any Note on any Payment Date or of distributions to the Preferred Shares Paying Agent for the payment of distributions in respect of the Preferred Shares on any Payment Date (or any other date) or to affect the rights of the Holders of Securities to the benefit of any provisions for the redemption of such Securities contained herein;
- (i) reduce the permitted minimum denominations of the Notes below the minimum denomination necessary to maintain an exemption from the registration requirements of the Securities Act or the 1940 Act; or
- (j) modify any provisions regarding non-recourse or non-petition covenants with respect to the Issuer and the Co-Issuer.

The Trustee shall be entitled to rely upon an Officer's Certificate of the Issuer or the Collateral Manager on behalf of the Issuer in determining whether or not the Holders of Securities would be adversely affected by such change (after giving notice of such change to the Holders of Securities). Such determination shall be conclusive and binding on all present and future Holders of Securities. The Trustee shall not be liable for any such determination made in good faith and in reliance upon such Officer's Certificate of the Issuer or the Collateral Manager on behalf of the Issuer, as described in Section 8.3 hereof.

It shall not be necessary for any Act of Securityholders under this Section 8.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Promptly after the execution by the Issuer, the Co-Issuer and the Trustee of any supplemental indenture pursuant to this Section 8.2, the Trustee, at the expense of the Issuer, shall mail to the Securityholders, the Preferred Shares Paying Agent, the Collateral Manager, and, so long as the Notes are Outstanding and so rated, the Rating Agencies a copy thereof based on an outstanding rating. Any failure of the Trustee to publish or mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 8.3 Execution of Supplemental Indentures.

In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article 8 or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Officer's Certificate of the Issuer or the Collateral Manager on behalf of the Issuer stating that the execution of such supplemental indenture is authorized or permitted by this

Indenture and that all conditions precedent thereto have been satisfied. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise. The Collateral Manager will be bound to follow any amendment or supplement to this Indenture of which it has received written notice at least ten Business Days prior to the execution and delivery of such amendment or supplement; provided, however, that with respect to any amendment or supplement to this Indenture which may, in the judgment of the Collateral Manager adversely affect the Collateral Manager, the Collateral

Manager shall not be bound (and the Issuer agrees that it will not permit any such amendment to become effective) unless the Collateral Manager gives written consent to the Trustee and the Issuer to such amendment. The Issuer and the Trustee shall give written notice to the Collateral Manager of any amendment made to this Indenture pursuant to its terms. In addition, the Collateral Manager's written consent shall be required prior to any amendment to this Indenture by which it is adversely affected.

Section 8.4 Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article 8, this Indenture shall be modified in accordance therewith, such supplemental indenture shall form a part of this Indenture for all purposes and every Holder of Notes theretofore and thereafter authenticated and delivered hereunder, and every Holder of Preferred Shares, shall be bound thereby.

Section 8.5 Reference in Notes to Supplemental Indentures.

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article 8 may, and if required by the Trustee shall, bear a notice in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Issuer and the Co-Issuer, with respect to the Offered Notes, or the Issuer, with respect to the Class E Notes and the Class F Notes, shall so determine, new Notes, so modified as to conform in the opinion of the Trustee and the Issuer and the Co-Issuer to any such supplemental indenture, may be prepared and executed by the Issuer and the Co-Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Notes. Notwithstanding the foregoing, any Note authenticated and delivered hereunder shall be subject to the terms and provisions of this Indenture, and any supplemental indenture.

ARTICLE 9

REDEMPTION OF SECURITIES; REDEMPTION PROCEDURES

Section 9.1 Clean-up Call; Tax Redemption and Optional Redemption.

(a) The Notes may be redeemed by the Issuer and, as applicable, the Co-Issuer, at the option of and at the direction of the Collateral Manager (such redemption, a "Clean-up Call"), in whole but not in part, at a price equal to the applicable Redemption Prices on any Payment Date on or after the Payment Date on which the Aggregate Outstanding Amount of the Offered Notes has been reduced to 10% or less of the Aggregate Outstanding Amount of the Offered Notes on the Closing Date; provided that that the funds available to be used for such Clean-up Call will be sufficient to pay the Total Redemption Price.

(b) The Notes and the Preferred Shares shall be redeemable, in whole but not in part, by Act of a Majority of Preferred Shareholders delivered to the Trustee, on the Payment Date following the occurrence of a Tax Event if the Tax Materiality Condition is satisfied at a price equal to the applicable Redemption Prices (such redemption, a "Tax Redemption"); provided that that the funds available to be used for such Tax Redemption will be sufficient to pay the Total

Redemption Price. Upon the occurrence of a Tax Event, the Issuer and, as applicable, the Co-Issuer, at the direction of the Collateral Manager shall provide written notice thereof to the Trustee and the Rating Agencies.

(c) The Notes and the Preferred Shares shall be redeemable, in whole but not in part, at a price equal to the applicable Redemption Prices, on any Payment Date after the end of the Non-Call Period, at the direction of the Issuer and, as applicable, the Co-Issuer (such redemption, an "Optional Redemption") by Act of a Majority of Preferred Shareholders delivered to the Trustee; provided, however, that the funds available to be used for such Optional Redemption will be sufficient to pay the Total Redemption Price. Notwithstanding anything herein to the contrary, the Issuer shall not sell any Asset to the Collateral Manager or any Affiliate of the Collateral Manager other than ARMS Equity in connection with an Optional Redemption.

(d) The election by the Collateral Manager to redeem the Notes pursuant to a Clean-up Call shall be evidenced by an Officer's Certificate from the Collateral Manager directing the Trustee to make the payment to the Paying Agent of the applicable Redemption Price of all of the Notes to be redeemed from funds in the Payment Account in accordance with the Priority of Payments. In connection with a Tax Redemption, the occurrence of a Tax Event and satisfaction of the Tax Materiality Condition shall be evidenced by an Issuer Order from the Issuer and, as applicable, the Co-Issuer or from the Collateral Manager on behalf of the Issuer and, as applicable, the Co-Issuer certifying that such conditions for a Tax Redemption have occurred. The election by the Collateral Manager to redeem the Notes pursuant to an Optional Redemption shall be evidenced by an Officer's Certificate from the Collateral Manager on behalf of the Issuer and, as applicable, the Co-Issuer, certifying that the conditions for an Optional Redemption have occurred.

(e) A redemption pursuant to Section 9.1(a), 9.1(b) or 9.1(c) shall not occur unless (i) at least six Business Days before the scheduled Redemption Date, (A) the Collateral Manager shall have certified to the Trustee that the Collateral Manager, on behalf of the Issuer and, as applicable, the Co-Issuer, has entered into a binding agreement or agreements with (1) one or more financial institutions whose long-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a Person other than such institution) have a credit rating from Moody's and DBRS (if rated by DBRS) at least equal to the highest rating of any Notes then Outstanding or whose short-term unsecured debt obligations have a credit rating of "P-1" by Moody's (as long as the term of such agreement is 90 days or less) and "A-1" by S&P or (2) one or more Affiliates of the Collateral Manager, to sell all or part of the Assets not later than the Business Day immediately preceding the scheduled Redemption Date or (B) the Trustee shall have received written confirmation that the method of redemption satisfies the Rating Agency Condition and (ii) the related Sale Proceeds (in immediately available funds),

together with all other available funds (including proceeds from the sale of the Assets, Eligible Investments maturing on or prior to the scheduled Redemption Date, all amounts in the Collection Accounts and available Cash), shall be an aggregate amount sufficient to pay all amounts, payments, fees and expenses in accordance with the Priority of Payments due and owing on such Redemption Date.

Section 9.2 Notice of Redemption.

(a) In connection with an Optional Redemption, a Clean-up Call or a Tax Redemption pursuant to Section 9.1, the Trustee on behalf of the Issuer and, as applicable, the Co-

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Issuer shall (i) set the applicable Record Date and (ii) at least 45 days prior to the proposed Redemption Date, notify the Collateral Manager, the Rating Agencies, the Preferred Shares Paying Agent and each Preferred Shareholder at such Preferred Shareholder's address in the register maintained by the Share Registrar, of such proposed Redemption Date, the applicable Record Date, the principal amount of Notes to be redeemed on such Redemption Date and the Redemption Price of such Notes in accordance with Section 9.1. The Redemption Price shall be determined no earlier than 60 days prior to the proposed Redemption Date.

(b) Any such notice of an Optional Redemption, a Clean-up Call or a Tax Redemption may be withdrawn by the Issuer and, as applicable, the Co-Issuer at the direction of the Collateral Manager up to the fourth Business Day prior to the scheduled Redemption Date by written notice to the Trustee, the Preferred Shares Paying Agent, to each Holder of Notes to be redeemed, and the Collateral Manager only if the Collateral Manager is unable to deliver the sale agreement or agreements or certifications referred to in Section 9.1(e), as the case may be.

Section 9.3 Notice of Redemption or Maturity by the Issuer.

Notice of redemption pursuant to Section 9.1 or the Maturity of any Notes shall be given by first class mail, postage prepaid, mailed not less than ten Business Days (or four Business Days where the notice of an Optional Redemption, a Clean-up Call or a Tax Redemption is withdrawn pursuant to Section 9.2(b)) prior to the applicable Redemption Date or Maturity, to each Holder of Notes to be redeemed, at its address in the Notes Register.

All notices of redemption shall state:

(a) the applicable Redemption Date;

(b) the applicable Redemption Price;

(c) that all the Notes are being paid in full and that interest on the Notes shall cease to accrue on the Redemption Date specified in the notice; and

(d) the place or places where such Notes to be redeemed in whole are to be surrendered for payment of the Redemption Price which shall be the office or agency of the Paying Agent as provided in Section 7.2.

Notice of redemption shall be given by the Issuer and, as applicable, Co-Issuer, or at their request, by the Trustee in their names, and at the expense of the Issuer. Failure to give notice of redemption, or any defect therein, to any Holder of any Note shall not impair or affect the validity of the redemption of any other Notes.

Section 9.4 Notes Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Notes to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer shall Default in the payment of the Redemption Price and accrued interest thereon) the Notes shall cease to bear interest on the Redemption Date. Upon final payment on a Note to be redeemed, the Holder shall present and

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surrender such Note at the place specified in the notice of redemption on or prior to such Redemption Date; provided, however, that if there is delivered to the Issuer, the Co-Issuer (as applicable) and the Trustee such security or indemnity as may be required by them to hold each of them harmless (an unsecured indemnity agreement delivered to the Issuer, the Co-Issuer (as applicable) and the Trustee by an institutional investor with a net worth of at least U.S.\$200,000,000 being deemed to satisfy such security or indemnity requirement) and an undertaking thereafter to surrender such Note, then, in the absence of notice to the Issuer, the Co-Issuer (as applicable) and the Trustee that the applicable Note has been acquired by a bona fide purchaser, such final payment shall be made without presentation or surrender. Payments of interest on Notes of a Class so to be redeemed whose Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such at the close of business on the relevant Record Date according to the terms and provisions of Section 2.7(j).

If any Note called for redemption shall not be paid upon surrender thereof for redemption, the principal thereof shall, until paid, bear interest from the Redemption Date at the applicable Note Interest Rate for each successive Interest Accrual Period the Note remains Outstanding.

Section 9.5 Mandatory Redemption.

On any Payment Date on which any of the Note Protection Tests applicable to any Class of Notes is not satisfied as of the most recent Measurement Date, the Offered Notes shall be redeemed (a "Mandatory Redemption"), first from Interest Proceeds, net of amounts set forth in Section 11.1(a)(i)(1) through (9), and then from Principal Proceeds, as set forth in clause (1) of Section 11.1(a)(ii), in an amount necessary, and only to the extent necessary, to cause each of the Note Protection Tests to be satisfied). Such Principal Proceeds and Interest Proceeds shall be applied to each of the Outstanding Classes of Notes in accordance with its relative seniority in accordance with the Priority of Payments. On or promptly after such Mandatory

ARTICLE 10

ACCOUNTS, ACCOUNTINGS AND RELEASES

Section 10.1 Collection of Amounts; Custodial Account.

(a) Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all amounts and other property payable to or receivable by the Trustee pursuant to this Indenture, including all payments due on the Assets in accordance with the terms and conditions of such Assets. The Trustee shall segregate and hold all such amounts and property received by it in trust for the Secured Parties, and shall apply it as provided in this Indenture.

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(b) The Trustee shall credit all Mortgage Assets and Eligible Investments to an Eligible Account in the name of the Issuer for the benefit of the Secured Parties designated as the "Custodial Account."

Section 10.2 Collection Accounts.

(a) The Trustee shall, prior to the Closing Date, establish a Securities Account with the Custodial Securities Intermediary which shall be designated as the "Collection Account" (which may be a subaccount of the Custodial Account) and shall consist of two subaccounts, the "Interest Collection Account" and the "Principal Collection Account" (collectively, the "Collection Accounts"), which shall be held in trust in the name of the Trustee for the benefit of the Secured Parties, into which Collection Accounts, as applicable, the Trustee shall from time to time deposit (i) all Sale Proceeds (unless simultaneously reinvested in Reinvestment Mortgage Assets in accordance with terms set forth in Section 12.2(a)) and (ii) all Interest Proceeds and all Principal Proceeds. In addition, the Issuer may, but under no circumstances shall, be required to, deposit from time to time such amounts in the Collection Accounts as it deems, in its sole discretion, to be advisable. All amounts deposited from time to time in the Collection Accounts pursuant to this Indenture shall be held by the Trustee as part of the Assets and shall be applied to the purposes herein provided. The Collection Accounts shall remain at all times with the Corporate Trust Office or a financial institution having a long-term debt rating at least equal to "Aa3" by Moody's and a short-term debt rating at least equal to "P-1" by Moody's.

(b) All distributions of principal or interest received in respect of the Assets, and any Sale Proceeds from the sale or disposition of a Mortgage Asset or other Assets received by the Trustee shall be immediately credited to the Interest Collection Account or the Principal Collection Account, as Interest Proceeds or Principal Proceeds, respectively (unless, in the case of proceeds received from the sale or disposition of any Assets, such proceeds are simultaneously reinvested pursuant to Section 10.2(d) in Reinvestment Mortgage Assets, in accordance with Section 12.2(a)). Subject to Sections 10.2(d), 10.2(e) and 11.2, all such property, together with any securities in which funds included in such property are or will be invested or reinvested during the term of this Indenture, and any income or other gain realized from such investments, shall be held by the Trustee in the Collection Accounts as part of the Assets subject to disbursement and withdrawal as provided in this Section 10.2. Subject to Section 10.2(e) by Issuer Order (which may be in the form of standing instructions), the Issuer (or the Collateral Manager on behalf of the Issuer) shall at all times direct the Trustee to, and, upon receipt of such Issuer Order, the Trustee shall, invest all funds received into the Collection Accounts during a Due Period, and amounts received in prior Due Periods and retained in the Collection Accounts, as so directed in Eligible Investments having stated maturities no later than the Business Day immediately preceding the next Payment Date. The Trustee, within one Business Day after receipt of any Scheduled Distribution or other proceeds in respect of the Assets which is not Cash, shall so notify the Issuer and the Collateral Manager and the Issuer (or the Collateral Manager on behalf of the Issuer) shall, within five Business Days after receipt of such notice from the Trustee, sell such Scheduled Distribution or other non-Cash proceeds for Cash in an arm's length transaction to a Person which is not an Affiliate of the Issuer or the Collateral Manager and deposit the proceeds thereof in the applicable Collection Account for investment pursuant to this Section 10.2; provided, however, that the Issuer (or the Collateral Manager on behalf of the Issuer) need not sell such Scheduled Distributions or other non-Cash proceeds if it delivers an Officer's Certificate to the Trustee

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certifying that such Scheduled Distributions or other proceeds constitute Mortgage Assets or Eligible Investments.

(c) If prior to the occurrence of an Event of Default, the Issuer (or the Collateral Manager on behalf of the Issuer) shall not have given any investment directions pursuant to Section 10.2(b), the Trustee shall seek instructions from the Issuer (or the Collateral Manager on behalf of the Issuer) within three Business Days after transfer of such funds to the applicable Collection Account. If the Trustee does not thereupon receive written instructions from the Issuer (or the Collateral Manager on behalf of the Issuer) within five Business Days after transfer of such funds to the applicable Collection Account, it shall invest and reinvest the funds held in the applicable Collection Account in one or more Eligible Investments described in clause (ii) of the definition of Eligible Investments maturing no later than the Business Day immediately preceding the next Payment Date (unless such Eligible Investments are issued by the Trustee in its capacity as a banking institution, in which event such Eligible Investments may mature on such Payment Date). If after the occurrence of an Event of Default, the Issuer (or the Collateral Manager on behalf of the Issuer) shall not have given investment directions to the Trustee pursuant to Section 10.2(b) for three consecutive days, the Trustee shall invest and reinvest such amounts as fully as practicable in Eligible Investments described in clause (ii) of the definition of Eligible Investments with maturities of less than 30 days and that are sold by the Issuer not later than two Business Days immediately preceding the next Payment Date (unless such Eligible Investments are issued by the Trustee in its capacity as a banking institution, in which event such Eligible Investments may mature on such Payment Date). All interest and other income from such investments shall be deposited in the applicable Collection Account, any gain realized from such investments shall be credited to the applicable Collection Account, and any loss resulting from such investments shall be charged to the applicable Collection Account. The Trustee shall not in any way be held liable (except as a result of negligence, willful misconduct or bad faith) by reason of any insufficiency of such applicable Collection Account resulting from any loss relating to any such investment, except with respect to investments in obligations of the Trustee or any Affiliate thereof.

(d) During the Reinvestment Period (and up to 60 days thereafter to the extent necessary to acquire Mortgage Assets pursuant to binding commitments entered into during the Reinvestment Period using Principal Proceeds received during or after the Reinvestment Period), the Collateral

Manager on behalf of the Issuer may by Issuer Order direct the Trustee to, and upon receipt of such Issuer Order the Trustee shall, reinvest Principal Proceeds in Mortgage Assets selected by the Collateral Manager as permitted under and in accordance with the requirements of Article 12 and such Issuer Order. Any Principal Proceeds standing to the credit of the Principal Collection Account may be designated by the Collateral Manager for application to reinvestment in Reinvestment Mortgage Assets (such Principal Proceeds, “Designated Principal Proceeds”) and, if and for so long as such Principal Proceeds are Designated Principal Proceeds, such Principal Proceeds shall remain in the Principal Collection Account (or invested in Eligible Investments) until the earlier of (i) the time the Collateral Manager notifies the Trustee in writing that such Principal Proceeds are no longer so designated, (ii) the Collateral Manager notifies the Trustee in writing that such Principal Proceeds are to be applied to the purchase of Reinvestment Mortgage Assets in accordance with Section 12.2(a) and (iii) the later of (x) the first Business Day after the last day of the Reinvestment Period and (y) if after the last day of the Reinvestment Period, the last settlement date within 60 days of the last day of the Reinvestment Period with respect to the last Reinvestment Mortgage Asset that the Issuer has entered into an irrevocable commitment to

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purchase. Any Principal Proceeds that are not Designated Principal Proceeds as of the Determination Date related to any Payment Date shall be applied pursuant to Section 11.1(a)(ii) or Section 11.1(a)(iii), as applicable.

(e) The Trustee shall transfer to the Payment Account for application pursuant to Section 11.1(a) and in accordance with the calculations and the instructions contained in the Monthly Report prepared by the Trustee on behalf of the Issuer pursuant to Section 10.11(e), on or prior to the Business Day prior to each Payment Date, any amounts then held in the Collection Accounts other than (i) Interest Proceeds or Principal Proceeds received after the end of the Due Period with respect to such Payment Date and (ii) amounts that the Issuer is entitled to reinvest in accordance with Section 12.2 and which the Issuer so elects to reinvest in accordance with the terms of this Indenture, except that, to the extent that Principal Proceeds in the Principal Collection Account as of such date are in excess of the amounts required to be applied pursuant to the Priority of Payments up to and including the next Payment Date as shown in the Monthly Report with respect to such Payment Date, the Issuer may direct the Trustee to retain such excess amounts in the Principal Collection Account and not to transfer such excess amounts to the Payment Account and the Trustee shall do so.

Section 10.3 Payment Account.

The Trustee shall, prior to the Closing Date, establish a Securities Account with the Custodial Securities Intermediary which shall be designated as the “Payment Account,” which shall be held in trust for the benefit of the Secured Parties and over which the Trustee shall have exclusive control and the sole right of withdrawal. Any and all funds at any time on deposit in, or otherwise to the credit of, the Payment Account shall be held in trust by the Trustee for the benefit of the Secured Parties. Except as provided in Sections 11.1 and 11.2, the only permitted withdrawal from or application of funds on deposit in, or otherwise to the credit of, the Payment Account shall be (i) to pay the interest on and the principal on the Notes and make other payments in respect of the Notes in accordance with their terms and the provisions of this Indenture, (ii) to pay the Preferred Shares Paying Agent for deposit into the Preferred Share Distribution Account for distributions to the Preferred Shareholders in accordance with the terms and the provisions of the Preferred Share Paying Agency Agreement, (iii) upon Issuer Order, to pay other amounts specified therein, and (iv) otherwise to pay amounts payable pursuant to and in accordance with the terms of this Indenture, each in accordance with the Priority of Payments. The Trustee agrees to give the Issuer and the Co-Issuer immediate notice if it becomes aware that the Payment Account or any funds on deposit therein, or otherwise to the credit of the Payment Account, shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process. Neither the Issuer nor the Co-Issuer shall have any legal, equitable or beneficial interest in the Payment Account other than in accordance with the Priority of Payments. The Payment Account shall remain at all times with the Corporate Trust Office or a financial institution having a long-term debt rating of at least “Aa3” by Moody’s and “A (low)” by DBRS (or, if not rated by DBRS, an equivalent (or higher) rating by any two other NRSROs (which may include Moody’s)) or a short-term debt rating of at least “P-1” by Moody’s and the equivalent by DBRS (if rated by DBRS) (or, in each case, such lower rating as the applicable Rating Agency shall approve). Amounts on deposit in the Payment Account shall remain uninvested.

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Section 10.4 Unused Proceeds Account.

(a) The Trustee shall, on or prior to the Closing Date, establish a single, segregated trust account (the “Unused Proceeds Account”) which shall be held in trust in the name of the Trustee for the benefit of the Secured Parties, into which the amount specified in Section 3.2(f) shall be deposited. All amounts credited from time to time to the Unused Proceeds Account pursuant to this Indenture shall be held by the Trustee as part of the Assets and shall be applied to the purposes herein provided.

(b) The Trustee agrees to give the Issuer immediate notice if it becomes aware that the Unused Proceeds Account or any funds on deposit therein, or otherwise to the credit of the Unused Proceeds Account, becomes subject to any writ, order, judgment, warrant of attachment, execution or similar process. The Unused Proceeds Account shall remain at all times with the Corporate Trust Office or a financial institution having a long-term debt rating of at least “Aa3” by Moody’s or a short-term debt rating of at least “P-1” by Moody’s.

(c) Amounts remaining in the Unused Proceeds Account shall, on the Business Day after the Ramp-Up Completion Date, be transferred by the Trustee to the Principal Collection Account (for subsequent transfer to the Payment Account) and treated as Principal Proceeds and applied in accordance with the Priority of Payments on the next Payment Date after the Ramp-Up Completion Date.

(d) During the Ramp-Up Acquisition Period, the Issuer (or the Collateral Manager on behalf of the Issuer) may by Issuer Order direct the Trustee to, and upon receipt of such Issuer Order the Trustee shall, apply amounts on deposit in the Unused Proceeds Account to acquire Ramp-Up Mortgage Assets selected by the Collateral Manager as permitted under and in accordance with the requirements of Section 7.18 and such Issuer Order.

(e) To the extent not applied pursuant to Section 7.18, the Collateral Manager, on behalf of the Issuer, may direct the Trustee to, and upon such direction the Trustee shall, invest all funds in the Unused Proceeds Account in Eligible Investments designated by the Collateral Manager. All interest and other income from such investments shall be deposited in the Unused Proceeds Account, any gain realized from such investments shall be credited to the Unused Proceeds Account, and any loss resulting from such investments shall be charged to the Unused Proceeds Account. The Trustee shall not in any way be held liable (except as a result of negligence, willful misconduct or bad faith) by reason of any insufficiency of the Unused Proceeds Account resulting from any loss relating to any such investment, except with respect to investments in obligations of the Trustee or any Affiliate thereof. If

the Trustee does not receive investment instructions from an Authorized Officer of the Collateral Manager, the Trustee may invest funds received in the Unused Proceeds Account in Eligible Investments of the type described in clause (ii) of the definition thereto.

Section 10.5 [Reserved]

Section 10.6 RDD Funding Account.

(a) The Trustee shall, on or prior to the Closing Date, establish a Securities Account with the Custodial Securities Intermediary (the “RDD Funding Account”) which shall be

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held in trust for the benefit of the Secured Parties, into which the amount specified in Section 3.2(g) shall be deposited. In addition, in the event the Issuer acquires any Ramp-Up Mortgage Asset and/or Reinvestment Mortgage Asset that is an RDD Mortgage Asset, the Issuer will deposit into the RDD Funding Account the full amount of all RDD Funding Advances that it may be required to make with respect to such RDD Mortgage Asset. All amounts in the RDD Funding Account shall be deposited in overnight funds in Eligible Investments and released to fulfill such commitments. If an RDD Mortgage Asset is sold or otherwise disposed before the full commitment thereunder has been drawn, or if excess funds remain following the termination of the funding obligation giving rise to the deposit of such funds in the RDD Funding Account, such Eligible Investments on deposit in the RDD Funding Account for the purpose of fulfilling such commitment shall be transferred to the Principal Collection Account, treated as Principal Proceeds and applied in accordance with the Priority of Payments. The RDD Funding Account shall remain at all times with the Corporate Trust Office or a financial institution having a long-term debt rating from Moody’s at least equal to “A-” or “A2,” as applicable, and “A” by DBRS (or, if not rated by DBRS, an equivalent (or higher) rating by any two other NRSROs (which may include Moody’s)) or a short-term debt rating at least equal to “A-1,” “P-1” or “F1,” as applicable, and “R-1(middle)” by DBRS (or, if not rated by DBRS, an equivalent (or higher) rating by any two other NRSROs (which may include Moody’s)) (or, in each case, such lower rating as the applicable Rating Agency shall approve).

(b) Except as provided in Section 10.6(c) below, funds in the RDD Funding Account shall be available solely to fund RDD Funding Advances under any RDD Mortgage Assets included in the Mortgage Assets.

(c) The Collateral Manager or the CLO Servicer, as applicable, shall direct the Trustee to withdraw funds from the RDD Funding Account to fund any required RDD Funding Advances for any RDD Mortgage Asset. Pursuant to an Issuer Order, all or a portion of the funds, as specified in such Issuer Order, on deposit in the RDD Funding Account in respect of amounts previously held on deposit in respect of unfunded commitments for RDD Mortgage Assets that have been sold or otherwise disposed of before such commitments thereunder have been drawn or as to which excess funds remain shall be transferred by the Trustee to the Collection Account as Principal Proceeds.

Section 10.7 Expense Account.

(a) The Trustee shall prior to the Closing Date establish a Securities Account with the Custodial Securities Intermediary which shall be designated as the “Expense Account” which shall be held in trust in the name of the Trustee for the benefit of the Secured Parties. The only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, the Expense Account shall be to pay (on any day other than a Payment Date), accrued and unpaid Company Administrative Expenses (other than accrued and unpaid expenses and indemnities payable to the Collateral Manager under the Collateral Management Agreement); provided that the Trustee shall be entitled (but not required) without liability on its part, to refrain from making any such payment of a Company Administrative Expense on any day other than a Payment Date if, in its reasonable determination, taking into account the Priority of Payments, the payment of such amounts is likely to leave insufficient funds available to pay in full each of the items payable prior thereto in the Priority of Payments on the next succeeding Payment Date. On

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the Closing Date, Arbor Parent or its Affiliates shall deposit into the Expense Account an amount equal to U.S.\$125,000. On or after the first Payment Date, any amount remaining in the Expense Account may, at the election of the Collateral Manager be designated as Interest Proceeds. On the date on which all or substantially all of the Issuer’s assets have been sold or otherwise disposed of, the Issuer by Issuer Order executed by an Authorized Officer of the Collateral Manager shall direct the Trustee to, and, upon receipt of such Issuer Order, the Trustee shall, transfer all amounts on deposit in the Expense Account to the Interest Collection Account for application pursuant to Section 11.1(a)(i) as Interest Proceeds. Amounts credited to the Expense Account may be applied on or prior to the Determination Date preceding the first Payment Date to pay amounts due in connection with the offering of the Notes.

(b) On each Payment Date, the Collateral Manager may designate Interest Proceeds (in an amount not to exceed U.S.\$100,000 on such Payment Date) after application of amounts payable pursuant to clauses (1) through (13) of Section 11.1(a)(i) for deposit into the Expense Account.

(c) The Trustee agrees to give the Issuer immediate notice if it becomes aware that the Expense Account or any funds on deposit therein, or otherwise to the credit of the Expense Account, shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process. The Issuer shall not have any legal, equitable or beneficial interest in the Expense Account. The Expense Account shall remain at all times with the Corporate Trust Office or a financial institution having capital and surplus of at least U.S.\$200,000,000 and a long-term debt rating at least equal to “Baa1” by Moody’s and “A” by DBRS (or, if not rated by DBRS, an equivalent (or higher) rating by any two other NRSROs (which may include Moody’s)).

(d) The Collateral Manager, on behalf of the Issuer, may direct the Trustee to, and upon such direction the Trustee shall, invest all funds in the Expense Account in Eligible Investments designated by the Collateral Manager. All interest and other income from such investments shall be deposited in the Expense Account, any gain realized from such investments shall be credited to the Expense Account, and any loss resulting from such investments shall be charged to the Expense Account. The Trustee shall not in any way be held liable (except as a result of negligence, willful misconduct or bad faith) by reason of any insufficiency of such Expense Account resulting from any loss relating to any such investment, except with respect to investments in obligations of the Trustee or any Affiliate thereof. If the Trustee does not receive investment instructions from an Authorized Officer of the Collateral Manager, the Trustee shall invest funds received in the Expense Account in Eligible Investments of the type described in clause (ii) of the definition thereto.

Section 10.8 [Reserved]

(a) With respect to each Determination Date for which the sum of Interest Proceeds and, if applicable, Principal Proceeds, collected during the related Due Period that are available to pay interest on the Offered Notes in accordance with the Priority of Payments, are insufficient to remit the interest due and payable with respect to the Offered Notes on the following Payment Date as a result of interest shortfalls on the Mortgage Assets (the amount of such

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insufficiency, an “Interest Shortfall”), the Trustee shall provide the Advancing Agent with written notice of such Interest Shortfall no later than the close of business on the Business Day following such Determination Date. The Trustee shall provide the Advancing Agent with notice, prior to any funding of an Interest Advance by the Advancing Agent, of any additional interest remittances received by the Trustee after delivery of such initial notice that reduce such Interest Shortfall. No later than 5:00 p.m. (New York time) on the Business Day immediately preceding the related Payment Date (but in any event no earlier than one Business Day following the Advancing Agent’s receipt of notice of such Interest Shortfall), the Advancing Agent shall advance the difference between such amounts (each such advance, an “Interest Advance”) by deposit of an amount equal to such Interest Advance in the Payment Account, subject to a determination of recoverability by the Advancing Agent as described in Section 10.9(b), and subject in all events to a maximum limit in respect of any Payment Date equal to the lesser of (i) the aggregate of such Interest Shortfalls that would otherwise occur on the Offered Notes and (ii) the aggregate of the interest payments not received in respect of Mortgage Assets. Notwithstanding the foregoing, in no circumstance will the Advancing Agent be required to make an Interest Advance in respect of a Mortgage Asset to the extent that the aggregate outstanding amount of all unreimbursed Interest Advances would exceed the aggregate outstanding principal amount of the Offered Notes. Any Interest Advance made by the Advancing Agent with respect to a Payment Date that is in excess of the actual Interest Shortfall for such Payment Date shall be refunded to the Advancing Agent by the Trustee on the same Business Day that such Interest Advance was made (or, if such Interest Advance is made prior to final determination by the Trustee of such Interest Shortfall, on the Business Day of such final determination). The Advancing Agent shall provide the Trustee written notice of a determination by the Advancing Agent that a proposed Interest Advance would constitute a Nonrecoverable Interest Advance no later than the close of business on the Business Day immediately preceding the related Payment Date (or, in the event that the Advancing Agent did not receive notice of the related Interest Shortfall on the related Determination Date, no later than the close of business on the Business Day immediately following the Advancing Agent’s receipt of notice of such Interest Shortfall). If the Advancing Agent shall fail to make any required Interest Advance at or prior to the time at which distributions are to be made pursuant to Section 11.1(a), the Backup Advancing Agent shall be required to make such Interest Advance, subject to a determination of recoverability by the Backup Advancing Agent as described in Section 10.9(b). The Backup Advancing Agent shall be entitled to conclusively rely on any affirmative determination by the Advancing Agent that an Interest Advance would constitute a Nonrecoverable Interest Advance. Based upon available information at the time, the Backup Advancing Agent, the Collateral Manager or the Advancing Agent will provide 15 days prior notice to the Rating Agencies if recovery of a Nonrecoverable Interest Advance would result in an Interest Shortfall on the next succeeding Payment Date. No later than the close of business on the Determination Date related to a Payment Date on which the recovery of a Nonrecoverable Interest Advance would result in an Interest Shortfall, the Collateral Manager will provide the Rating Agencies notice of such recovery.

(b) Notwithstanding anything herein to the contrary, neither the Advancing Agent nor the Backup Advancing Agent, as applicable, shall be required to make any Interest Advance unless such Person determines, in its sole discretion, exercised in good faith that such Interest Advance, or such proposed Interest Advance, plus interest expected to accrue thereon at the Reimbursement Rate, will be recoverable from subsequent payments or collections with respect to all Mortgage Assets and has determined in its reasonable judgment that the recovery

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would not result in an Interest Shortfall. In determining whether any proposed Interest Advance will be, or whether any Interest Advance previously made is, a Nonrecoverable Interest Advance, the Advancing Agent or the Backup Advancing Agent, as applicable, will take into account:

- (i) amounts that may be realized on each Underlying Mortgaged Property in its “as is” or then-current condition and occupancy;
- (ii) the potential length of time before such Interest Advance may be reimbursed and the resulting degree of uncertainty with respect to such reimbursement; and
- (iii) the possibility and effects of future adverse changes with respect to the Underlying Mortgaged Properties, and
- (iv) the fact that Interest Advances are intended to provide liquidity only and not credit support to the Holders of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes.

For purposes of any such determination of whether an Interest Advance constitutes or would constitute a Nonrecoverable Interest Advance, an Interest Advance will be deemed to be nonrecoverable if the Advancing Agent or the Backup Advancing Agent, as applicable, determines that future Interest Proceeds and Principal Proceeds may be ultimately insufficient to fully reimburse such Interest Advance, plus interest thereon at the Reimbursement Rate within a reasonable period of time. Absent bad faith, the determination by the Advancing Agent or the Backup Advancing Agent, as applicable, as to the nonrecoverability of any Interest Advance shall be conclusive and binding on the Holders of the Offered Notes.

(c) Each of the Advancing Agent and the Backup Advancing Agent will be entitled to recover any previously unreimbursed Interest Advance made by it (including any Nonrecoverable Interest Advance to the extent made), together with interest thereon, *first*, from Interest Proceeds and *second* (to the extent that there are insufficient Interest Proceeds for such reimbursement), from Principal Proceeds to the extent that such reimbursement would not trigger an additional Interest Shortfall; provided that if at any time an Interest Advance is determined to be a Nonrecoverable Interest Advance, the Advancing Agent or the Backup Advancing Agent shall be entitled to recover all outstanding Interest Advances from the Collection Accounts on any Business Day during any Interest Accrual Period prior to the related Determination Date (or on a Payment Date prior to any payment of interest on or principal of the Notes in accordance with the Priority of Payments). The Advancing Agent shall be permitted (but not obligated) to defer or otherwise structure the timing of recoveries of Nonrecoverable Interest Advances in such manner as the Advancing Agent determines is in the best interest of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes, as a collective whole, which may include being reimbursed for Nonrecoverable Interest Advances in installments.

(d) The Advancing Agent and the Backup Advancing Agent will each be entitled with respect to any Interest Advance made by it (including any Nonrecoverable Interest Advance to the extent made) to interest accrued on the amount of such Interest Advance for so long as it is outstanding at the Reimbursement Rate.

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(e) The obligations of the Advancing Agent and the Backup Advancing Agent to make Interest Advances in respect of the Mortgage Assets will continue through the Stated Maturity Date, unless the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes are previously redeemed or repaid in full.

(f) In no event will the Advancing Agent, in its capacity as such hereunder or the Trustee, in its capacity as Backup Advancing Agent hereunder, be required to advance any amounts in respect of payments of principal of any Mortgage Asset.

(g) In consideration of the performance of its obligations hereunder, the Advancing Agent shall be entitled to receive, at the times set forth herein and subject to the Priority of Payments, to the extent funds are available therefor, the Advancing Agent Fee. In consideration of the Backup Advancing Agent's obligations hereunder, the Backup Advancing Agent shall be entitled to receive, at the times set forth herein and subject to the Priority of Payments, to the extent funds are available therefor, the Backup Advancing Agent Fee. If the Backup Advancing Agent makes an Interest Advance that the Advancing Agent failed to make and did not determine to be nonrecoverable, the Backup Advancing Agent will be entitled to receive the Advancing Agent's Fee for so long as such Interest Advance is outstanding.

(h) The determination by the Advancing Agent or the Backup Advancing Agent, as applicable, (i) that it has made a Nonrecoverable Interest Advance or (ii) that any proposed Interest Advance, if made, would constitute a Nonrecoverable Interest Advance, shall be evidenced by an Officer's Certificate delivered promptly to the Trustee (or, if applicable, retained thereby), the Issuer and the Rating Agencies, setting forth the basis for such determination; provided that failure to give such notice, or any defect therein, shall not impair or affect the validity of, or the Advancing Agent or the Backup Advancing Agent, entitlement to reimbursement with respect to, any Interest Advance.

(i) If a Scheduled Distribution on any Mortgage Asset is not paid to the Trustee on the Due Date therefor, the Trustee shall provide the Advancing Agent with notice of such default on the Business Day immediately following such default. In addition, upon request, the Trustee shall provide the Advancing Agent (either electronically or in hard-copy format), with copies of all reports received from any trustee, trust administrator, master servicer or similar administrative entity with respect to the Mortgage Assets and the Trustee shall promptly make available to the Advancing Agent any other information reasonably available to the Trustee by reason of its acting as Trustee hereunder to permit the Advancing Agent to make a determination of recoverability with respect to any Interest Advance and to otherwise perform its advancing functions under this Indenture.

Section 10.10 Reports by Parties.

(a) The Trustee shall supply, in a timely fashion, to the Issuer, the Co-Issuer, the Preferred Shares Paying Agent and the Collateral Manager any information regularly maintained by the Trustee that the Issuer, the Co-Issuer, the Preferred Shares Paying Agent or the Collateral Manager may from time to time request with respect to the Assets or the Accounts and provide any other information reasonably available to the Trustee by reason of its acting as Trustee hereunder and required to be provided by Section 10.11 or to permit the Collateral Manager to

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perform its obligations under the Collateral Management Agreement. The Trustee shall forward to the Collateral Manager copies of notices and other writings received by it from the borrower with respect to any Mortgage Asset advising the holders of such Mortgage Asset of any rights that the holders might have with respect thereto as well as all periodic financial reports received from such borrower with respect to such borrower. Each of the Issuer and Collateral Manager shall promptly forward to the Trustee any information in their possession or reasonably available to them concerning any of the Assets that the Trustee reasonably may request or that reasonably may be necessary to enable the Trustee to prepare any report or perform any duty or function on its part to be performed under the terms of this Indenture.

Section 10.11 Reports; Accountings.

(a) The Collateral Administrator shall update the Assets on a database with information provided to it on an ongoing basis and provide access to the information maintained by the Collateral Administrator to, and upon reasonable request of the Collateral Manager, shall assist the Collateral Manager in performing its duties under the Collateral Management Agreement, each in accordance with this Indenture.

(b) The Collateral Administrator shall perform the following functions during the term of this Indenture:

(i) create and maintain a database with respect to the Mortgage Assets (the "Database");

(ii) permit access to the information contained in the Database by the Collateral Manager and the Issuer;

(iii) on a monthly basis monitor and update the Database for ratings changes;

(iv) update the Database for Mortgage Assets or Eligible Investments acquired or sold or otherwise disposed of;

(v) prepare and arrange for the delivery to the Rating Agencies, the Collateral Manager, the Placement Agent and upon request therefor, any Holder of a Note shown on the Notes Registrar, any Preferred Shareholder shown on the register maintained by the Share Registrar;

(vi) prepare and arrange for the delivery to the Collateral Manager and upon request therefor, any Holder of a Note shown on the register maintained by the Notes Registrar, any Preferred Shareholder shown on the register maintained by the Share Registrar, the firm of

Independent certified public accountants appointed pursuant to Section 10.13(a) hereof, the Rating Agencies, the Depository (with instructions to forward it to each of its participants who are holders of any Notes);

- (vii) assist in preparing and arrange for the delivery to the Collateral Manager of the Redemption Date Statement;

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- (viii) arrange for the delivery to the Rating Agencies of all information or reports required under this Indenture, including, but not limited to, providing the Rating Agencies with (A) written notice of (1) any breaches under any of the Transaction Documents and (2) the termination or change of any parties to the Transaction Documents, in each case, for which the Collateral Administrator has received prior written notice pursuant to the terms of the Transaction Document and (B) each Monthly Report in Microsoft Excel spreadsheet format; and

- (ix) assist the Independent certified public accountants in the preparation of those reports required under Section 10.13 hereof by providing access to the information contained in the Database.

- (c) The Collateral Administrator, on behalf of the Issuer, shall compile and provide or make available, on its website initially located at <https://usbtrustgateway.usbank.com>, to the Rating Agencies, the Trustee, the Collateral Manager, the Placement Agent and, upon request therefor, any Holder of a Note shown on the Notes Register, any Preferred Shareholder shown on the register maintained by the Share Registrar, the firm of Independent certified public accountants appointed pursuant to Section 10.13(a) hereof or the Depository, on each Payment Date, determined as of the preceding Determination Date, a monthly report (the "Monthly Report"). The Monthly Report shall contain the following information and instructions with respect to the Mortgage Assets and Eligible Investments included in the Assets based in part on information provided by the Collateral Manager:

- (i) the Aggregate Principal Balance of all Mortgage Assets, together with a calculation, in reasonable detail, of the sum of (A) the Aggregate Principal Balance of all Mortgage Assets (other than Defaulted Mortgage Assets) plus (B) the Principal Balance of each Asset which is a Defaulted Mortgage Asset;

- (ii) the balance of all Eligible Investments and Cash in each of the Interest Collection Account, the Principal Collection Account, the RDD Funding Account and the Expense Account;

- (iii) the nature, source and amount of any proceeds in the Collection Accounts, including Interest Proceeds, Principal Proceeds, Unscheduled Principal Payments and Sale Proceeds, received since the date of determination of the last Monthly Report;

- (iv) with respect to each Mortgage Asset and each Eligible Investment that is part of the Assets, its Principal Balance, annual interest rate, average life and borrower;

- (v) the identity of each Mortgage Asset that was sold or disposed of pursuant to Section 12.1 (indicating whether such Mortgage Asset is a Defaulted Mortgage Asset or a Credit Risk Mortgage Asset (in each case, as reported in writing to the Issuer by the Collateral Manager) and whether such Mortgage Asset was sold pursuant to Section 12.1(a)(i) or (ii)) or Granted to the Trustee since the date of determination of the most recent Monthly Report;

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- (vi) the identity of each Mortgage Asset which became a Defaulted Mortgage Asset or a Credit Risk Mortgage Asset since the date of determination of the last Monthly Report;

- (vii) the Aggregate Principal Balance of all Mortgage Assets that are backed or otherwise invested in properties located in any single U.S. state (for each such state) based on information provided by the Collateral Manager;

- (viii) the Par Value Ratio and the Interest Coverage Ratio, and a statement as to whether the Interest Coverage Test and the Par Value Test are satisfied;

- (ix) the Weighted Average Spread;

- (x) based upon information supplied by the Collateral Manager, the Average Life of each Mortgage Asset and the Weighted Average Life of all the Mortgage Assets;

- (xi) based upon information supplied by the Collateral Manager, the Moody's Weighted Average Rating Factor;

- (xii) the Principal Balance of each Mortgage Asset that is on credit watch with negative implications;

- (xiii) the Principal Balance of each Mortgage Asset that is on credit watch with positive implications;

- (xiv) the amount of the current portion and the unpaid and unwaived portion, if any, of the Collateral Manager Fee with respect to the related Payment Date;

- (xv) the amount of all RDD Funding Advances that were advanced;

- (xvi) the percentage (based on the outstanding Aggregate Principal Balances of the Mortgage Assets) of the Mortgage Assets which have a maturity date occurring on or prior to each Payment Date;

- (xvii) Principal Proceeds and Interest Proceeds received by the Issuer received in the related Due Period;

(xviii) the Net Outstanding Portfolio Balance as of the close of business on the last Business Day of each Due Period after giving effect to the Principal Proceeds as of the last Business Day of such Due Period, principal collections received from Mortgage Assets in the related Due Period, the reinvestment of such proceeds in Eligible Investments during such Due Period and the Mortgage Assets that were released during such Due Period;

(xix) the Aggregate Outstanding Amount of the Notes of each Class at the beginning of the Due Period and such Aggregate Outstanding Amount as a percentage of the original Aggregate Outstanding Amount of the Notes of such Class, the amount of principal payments to be made on the Notes of each Class on the next Payment Date, the Aggregate Outstanding Amount of the Notes of each Class after giving effect to the

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payment of principal on the related Payment Date and such Aggregate Outstanding Amount as a percentage of the original Aggregate Outstanding Amount of the Notes of such Class;

(xx) the Class A Interest Distribution Amount, the Class A-S Interest Distribution Amount, the Class B Interest Distribution Amount, the Class C Interest Distribution Amount, the Class D Interest Distribution Amount, the Class E Interest Distribution Amount and the Class F Interest Distribution Amount for the related Payment Date and the aggregate amount paid for all prior Payment Dates in respect of such amounts;

(xxi) with the assistance of the Collateral Manager, the Company Administrative Expenses on an itemized basis, the Collateral Manager Fee payable by the Issuer on the related Payment Date;

(xxii) with the assistance of the Collateral Manager as set forth in Section 10.11(e), (A) the balance on deposit in the Interest Collection Account and the Principal Collection Account at the end of the related Due Period, (B) the amounts payable from the Collection Accounts to the Payment Account in order to make payments pursuant to Section 11.1(a) on the related Payment Date (the amounts payable pursuant to each such clause to be set forth and identified separately) and (C) the balance of Principal Proceeds and the balance of Interest Proceeds remaining in the Collection Accounts immediately after all payments and deposits to be made on the related Payment Date;

(xxiii) the amount to be paid to the Advancing Agent or the Backup Advancing Agent, as applicable, as reimbursement of Interest Advances and Reimbursement Interest and calculate the amount of the Nonrecoverable Interest Advances to be paid to the Advancing Agent or the Backup Advancing Agent, as applicable;

(xxiv) the amount on deposit in the Expense Account, the Unused Proceeds Account and the RDD Funding Account;

(xxv) the nature, source and amount of any proceeds in the Collection Accounts, including Interest Proceeds, Principal Proceeds, Unscheduled Principal Payments and Sale Proceeds, received since the date of determination of the last Monthly Report; and

(xxvi) with respect to each Mortgage Asset and each Eligible Investment that is part of the Assets, its Principal Balance, annual interest rate, average life, issuer and Moody's Rating;

(xxvii) the identity of each Mortgage Asset that was sold or disposed of pursuant to Section 12.1 (indicating whether such Mortgage Asset is a Defaulted Mortgage Asset or Credit Risk Mortgage Asset or otherwise (in each case, as reported in writing to the Issuer by the Collateral Manager) and whether such Mortgage Asset was sold pursuant to Section 12.1(a) or (b)) or Granted to the Trustee since the date of determination of the most recent Monthly Report;

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(xxviii) the identity of each Mortgage Asset which became a Defaulted Mortgage Asset or a Credit Risk Mortgage Asset since the date of determination of the last Monthly Report; and

(xxix) subject to the availability of such information to the Collateral Manager and the delivery of such information by the Collateral Manager to the Collateral Administrator, with respect to each Mortgage Asset on a semi-annual basis, the net cash flow on each real property underlying or related to such Mortgage Asset;

(xxx) the identity of each bond, note and other security held by the Issuer (together with a notation with respect thereto as to whether such bond, note or other security is a Permitted Exchange Security);

(xxxi) confirmation that the Collateral Manager has received written confirmation from ARMS Equity (in such capacity, the "Retention Holder") and Arbor Parent that the Retention Holder continues to retain the Retained Interest, that Arbor Parent continues to retain a 100% ownership interest in the Retention Holder; and that none of the Retention Holder, Arbor Parent and any of its respective affiliates has sold, hedged or otherwise mitigated its credit risk under or associated with the Retained Interest, the 100% ownership interest in the Retention Holder or the underlying portfolio of Mortgage Assets, except to the extent permitted in accordance with the EU Retention Requirements; and

(xxxii) such other information as the Collateral Manager, the Collateral Administrator or the Trustee may reasonably request.

(d) The Collateral Administrator, on behalf of the Issuer and upon request of the Collateral Manager shall calculate the Par Value Ratio and the Interest Coverage Ratio in respect of each Measurement Date and indicate pursuant to clause (viii) of each Monthly Report whether the Par Value Test and the Interest Coverage Test are met and report to the Issuer, the Co-Issuer and the Collateral Manager on each Measurement Date.

(e) Upon receipt of each Monthly Report and each Redemption Date Statement, the Collateral Manager shall compare the information contained in its records with respect to the Assets and shall, within five Business Days after receipt of each such Monthly Report or such Redemption Date Statement, notify the Issuer and the Collateral Administrator whether such information contained in the Monthly Report or the Redemption Date Statement, as the case may be, conforms to the information maintained by the Collateral Manager with respect to the Assets, or detail any discrepancies. If any

discrepancy exists, the Collateral Administrator, the Issuer and the Collateral Manager shall attempt to resolve the discrepancy. If such discrepancy cannot be promptly resolved, the Collateral Administrator shall cause the firm of Independent certified public accountants appointed by the Issuer pursuant to Section 10.13 hereof to review such Monthly Report or Redemption Date Statement, as the case may be, and the Collateral Manager's records and the Collateral Administrator's records to determine the cause of such discrepancy. If such review reveals an error in the Monthly Report or Redemption Date Statement, as the case may be, or the Collateral Administrator's or the Collateral Manager's records, the Monthly Report or Redemption Date Statement, as the case may be, or the Collateral Administrator's or the Collateral Manager's records, shall be revised accordingly and, as so revised, shall be utilized in making all

calculations pursuant to this Indenture. The Rating Agencies (in each case only so long as any Class of Notes is rated), the Placement Agent and the Collateral Manager shall be notified in writing of any such revisions by the Collateral Administrator, on behalf of the Issuer.

(f) All information made available on the Collateral Administrator's website will be restricted and the Collateral Administrator will only provide access to such reports to those parties entitled thereto pursuant to this Indenture. In connection with providing access to its website, the Collateral Administrator may require registration and the acceptance of a disclaimer.

The Monthly Report shall also contain the following statements:

“Instruction to Participant: Please send
this to the beneficial owners of the Notes”

Reminder to Owners of each Class of Notes:

Each owner or beneficial owner of Notes must be (A) either (1) a U.S. Person who is a QIB or (2) solely with respect to Notes issued as Definitive Notes, a U.S. Person who is an IAI that is, in each case, also a Qualified Purchaser as defined by the Investment Company Act of 1940 or an entity owned exclusively by one or more Qualified Purchasers or (B) not a U.S. Person, and if a U.S. Person, can represent as follows:

- (i) it is not a broker-dealer which owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers;
- (ii) it is not a participant-directed employee plan such as a 401(k) plan or a trust fund that holds the assets of such a plan;
- (iii) it is acting for its own account or for the account of another person who is a QIB and a Qualified Purchaser that is not included in (i) or (ii) above;
- (iv) it is not formed for the purpose of investing in the Notes;
- (v) it, and each account for which it holds the Notes, shall hold at least the minimum denomination therefor; and
- (vi) it will provide notice of these transfer restrictions to any transferee from it.

(g) Each Monthly Report (after approval by the Collateral Manager after giving effect to any revisions thereto in accordance with Section 10.11(e)) shall constitute instructions from the Collateral Manager, on behalf of the Issuer, to the Trustee to transfer funds from the Collection Accounts to the Payment Account pursuant to Section 10.2(d) and to withdraw on the related Payment Date from the Payment Account and pay or transfer the amounts set forth in the Monthly Report, as applicable, in the manner specified, and in accordance with the priorities established, in Section 11.1 hereof.

(h) Not more than five Business Days after receiving an Issuer Request requesting information regarding a redemption of the Notes of a Class as of a proposed

Redemption Date set forth in such Issuer Request, the Trustee shall compute the following information and provide such information in a statement (the “Redemption Date Statement”) delivered to the Collateral Manager (which shall review such statement in the manner provided for in Section 10.11(e)), the Preferred Shares Paying Agent:

- (i) the Aggregate Outstanding Amount of the Notes of the Class or Classes to be redeemed as of such Redemption Date;
- (ii) the amount of accrued interest due on such Notes as of the last day of the Interest Accrual Period immediately preceding such Redemption Date;
- (iii) the Redemption Price;
- (iv) the sum of all amounts due and unpaid under Section 11.1(a) (other than amounts payable on the Notes being redeemed or to the Noteholders thereof); and
- (v) the amount in the Accounts (other than the Preferred Share Distribution Account) available for application to the redemption of such Notes.

(i) After the Closing Date, the Trustee shall make available via its website the following “risk retention special notices”, if any, in each case to the extent received by the Trustee from the Collateral Manager:

(i) the fair value (expressed as a percentage of the fair value of all of the Securities and dollar amount) of the eligible horizontal residual interest that the Retaining Sponsor is required to retain under the U.S. Credit Risk Retention Rules; and

(ii) any material differences between the valuation methodology or any of the key inputs and assumptions that were used in calculating the fair value or range of fair values prior to the pricing of the Notes and the Closing Date.

The Trustee shall have no responsibility for the accuracy or completeness of such received risk retention special notice.

(j) The Collateral Administrator, on behalf of the Issuer, shall provide or make available, on its website initially located at <https://usbtrustgateway.usbank.com>, to the Rating Agencies, the Trustee, the Collateral Manager, the Placement Agent and, upon request therefor, any Holder of a Note shown on the Notes Register, any Preferred Shareholder shown on the register maintained by the Share Registrar, the firm of Independent certified public accountants appointed pursuant to Section 10.13(a) hereof or the Depository (i) on each Payment Date, reports received from the CLO Servicer setting forth the information in the reports comprising the "CREFC® Investor Reporting Package" and (ii) on a quarterly or other periodic basis, any such additional information as shall be instructed by the Collateral Manager with respect to the Mortgage Assets, which may include certain updated property-level information that the CLO Servicer in its sole discretion elects to make available.

(k) Certain information concerning the Collateral and the Notes, including Monthly Reports, the CREFC® Investor Reporting Packages and supplemental notices, shall be

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provided by the Collateral Administrator to each of certain market data providers authorized by the Issuer, or the Collateral Manager on its behalf, upon (in each case) receipt by the Collateral Administrator of a certification in the form of Exhibit M hereto. The Issuer hereby authorizes the provision of such information to Bloomberg, L.P., Trepp, LLC, Intex Solutions, Inc., Interactive Data Corp., Markit Group Limited, BlackRock Financial Management, Inc., CMBS.com, Inc., Moody's Analytics, Thomson Reuters Corporation and PricingDirect Inc.

Section 10.12 Release of Mortgage Assets; Release of Assets.

(a) If no Event of Default has occurred and is continuing and subject to Article 12 hereof, the Issuer (or the Collateral Manager on behalf of the Issuer) may direct the Trustee to release such Pledged Mortgage Asset from the lien of this Indenture, by Issuer Order delivered to the Trustee at least two Business Days prior to the settlement date for any sale of a Pledged Mortgage Asset certifying that (i) it has sold such Pledged Mortgage Asset pursuant to and in compliance with Article 12 or (ii) in the case of a redemption pursuant to Section 9.1, the proceeds from any such sale of Mortgage Assets are sufficient to redeem the Notes pursuant to Section 9.1 (which certifications shall be deemed to be made upon delivery of an Issuer Order in respect of such sale), and, upon receipt of such Issuer Order, the Trustee shall deliver any such Pledged Mortgage Asset, if in physical form, duly endorsed to the broker or purchaser designated in such Issuer Order or to the Issuer if so requested in the Issuer Order, or, if such Pledged Mortgage Asset is represented by a Security Entitlement, cause an appropriate transfer thereof to be made, in each case against receipt of the sales price therefor as set forth in such Issuer Order. If requested, the Trustee may deliver any such Pledged Mortgage Asset in physical form for examination (prior to receipt of the sales proceeds) in accordance with street delivery custom. The Trustee shall (i) deliver any agreements and other documents in its possession relating to such Pledged Mortgage Asset and (ii) if applicable, duly assign each such agreement and other document, in each case, to the broker or purchaser designated in such Issuer Order or to the Issuer if so requested in the Issuer Order.

(b) The Issuer (or the Collateral Manager on behalf of the Issuer) may, by Issuer Order, delivered to the Trustee at least three Business Days prior to the date set for redemption or payment in full of a Pledged Mortgage Asset, certifying that such Pledged Mortgage Asset is being paid in full, direct the Trustee, or at the Trustee's instructions, the Custodial Securities Intermediary, to deliver such Pledged Mortgage Asset and the related Mortgage Asset File therefor on or before the date set for redemption or payment, in each case against receipt of the applicable redemption price or payment in full thereof.

(c) With respect to any Mortgage Asset subject to a workout or restructured, the Issuer (or the Collateral Manager on behalf of the Issuer) may, by Issuer Order delivered to the Trustee at least two Business Days prior to the date set for an exchange, tender or sale, certifying that a Mortgage Asset is subject to a workout or restructuring and setting forth in reasonable detail the procedure for response thereto, direct the Trustee or at the Trustee's instructions, the Custodial Securities Intermediary, to deliver any Assets in accordance with such Issuer Order, in each case against receipt of payment therefor.

(d) The Trustee shall deposit any proceeds received by it from the disposition of a Pledged Mortgage Asset in the Principal Collection Account unless simultaneously applied to

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the purchase of Reinvestment Mortgage Assets, subject to the Reinvestment Criteria, or Eligible Investments under and in accordance with the requirements of Article 12 and this Article 10. Neither the Trustee nor the Custodial Securities Intermediary shall be responsible for any loss resulting from delivery or transfer of any such proceeds prior to receipt of payment in accordance herewith.

(e) The Trustee shall, upon receipt of an Issuer Order at such time as there are no Notes Outstanding and all obligations of the Issuer hereunder have been satisfied, release the Assets from the lien of this Indenture.

(f) Upon receiving actual notice of any offer or any request for a waiver, consent, amendment or other modification with respect to any Mortgage Asset, the Trustee on behalf of the Issuer will promptly notify the Collateral Manager and the CLO Servicer of such request, and the Trustee shall grant any waiver or consent, and enter into any amendment or other modification as instructed in writing by the CLO Servicer in accordance with the Servicing Agreement. In the case of any modification or amendment that results in the release of the related Mortgage Asset, notwithstanding anything to the contrary in Section 5.5(a), the Trustee shall release of the related Mortgage Asset and the related Mortgage Asset File from the lien of this Indenture upon the written instruction of the CLO Servicer in accordance with the Servicing Agreement. In the absence of such instruction from the CLO Servicer, the Trustee shall have no obligation to take any such action.

Section 10.13 Reports by Independent Accountants.

(a) On or about the Closing Date, the Issuer shall appoint a firm of Independent certified public accountants of recognized national reputation for purposes of preparing and delivering the reports or certificates of such accountants required by this Indenture. The Collateral Manager, on behalf of the Issuer, shall have the right to remove such firm or any successor firm. Upon any resignation by or removal of such firm, the Collateral Manager, on behalf of the Issuer, shall promptly appoint, by Issuer Order delivered to the Trustee, a successor thereto that shall also be a firm of Independent certified public accountants of recognized national reputation. If the Collateral Manager, on behalf of the Issuer, shall fail to appoint a successor to a firm of Independent certified public accountants which has resigned or been removed, within 30 days after such resignation or removal, the Issuer shall promptly notify the Trustee of such failure in writing. If the Collateral Manager, on behalf of the Issuer, shall not have appointed a successor within ten days thereafter, the Trustee shall promptly appoint a successor firm of Independent certified public accountants of recognized national reputation. The fees of such Independent certified public accountants and its successor shall be payable by the Issuer as provided in the Priority of Payments.

(b) Within 60 days after December 31 of each year (commencing with December 31, 2018), the Issuer shall cause to be delivered to the Trustee and the Collateral Manager an Accountants' Report specifying the procedures applied and the associated findings with respect to the Monthly Reports and any Redemption Date Statements prepared in the year ending on such date. If at any time a successor firm of Independent certified public accountants is appointed, prior to the Payment Date following the date of such appointment, the Issuer shall deliver to the Trustee a draft of an (or form of) Accountant's Report specifying in advance the procedures that such firm will be applying in making the aforementioned findings throughout the

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term of its service as accountants to the Issuer. The Trustee shall promptly forward a copy of such draft of an (or form of) Accountant's Report to the Collateral Manager.

Section 10.14 Reports to Rating Agencies.

(a) In addition to the information and reports specifically required to be provided to the Rating Agencies pursuant to the terms of this Indenture, the Trustee shall provide the Rating Agencies with all information or reports delivered by the Trustee hereunder, and such additional information as the Rating Agencies may from time to time reasonably request and the Trustee determines in its sole discretion may be obtained and provided without unreasonable burden or expense. The Issuer shall promptly notify the Trustee and the Preferred Shares Paying Agent if a Rating Agency's rating of any Class of Notes has been, or it is known by the Issuer that such rating will be, downgraded or withdrawn.

(b) The Issuer (or the Collateral Manager on behalf of the Issuer) shall provide the Rating Agencies with all information and reports delivered to the Trustee hereunder.

(c) All additional reports to be sent to the Rating Agencies pursuant to clause (a) above shall be reviewed prior to such transmission by the Collateral Manager.

(d) The Issuer shall cause to be provided all 17g-5 Information to the Rating Agencies in the manner specified in Section 14.13.

For the avoidance of doubt, any such information referred to in this Section 10.14 shall not include any of the Accountants' Reports.

Section 10.15 Certain Procedures.

(a) For so long as the Notes may be transferred only in accordance with Rule 144A or another exemption from registration under the Securities Act, the Issuer (or the Collateral Manager on behalf of the Issuer) will ensure that any Bloomberg screen containing information about the Rule 144A Global Securities includes the following (or similar) language:

- (i) the "Note Box" on the bottom of the "Security Display" page describing the Rule 144A Global Securities will state: "Iss'd Under 144A/3c7";
- (ii) the "Security Display" page will have the flashing red indicator "See Other Available Information"; and
- (iii) the indicator will link to the "Additional Security Information" page, which will state that the Offered Notes "are being offered in reliance on the exemption from registration under Rule 144A of the Securities Act to persons who are both (i) qualified institutional buyers (as defined in Rule 144A under the Securities Act) and (ii) qualified purchasers (as defined under Section 3(c)(7) under the 1940 Act of 1940).

(b) For so long as the Rule 144A Global Securities are registered in the name of DTC or its nominee, the Issuer (or the Collateral Manager on behalf of the Issuer) will instruct DTC to take these or similar steps with respect to the Rule 144A Global Securities:

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(i) the DTC 20-character security descriptor and 48-character additional descriptor will indicate with marker "3c7" that sales are limited to (i) QIBs and (ii) Qualified Purchasers;

(ii) where the DTC deliver order ticket sent to purchasers by DTC after settlement is physical, it will have the 20-character security descriptor printed on it. Where the DTC deliver order ticket is electronic, it will have a "3c7" indicator and a related user manual for participants, which will contain a description of the relevant restriction; and

(iii) DTC will send an "Important Notice" outlining the 3(c)(7) restrictions applicable to the Rule 144A Global Securities to all DTC participants in connection with the initial offering of the Offered Notes by the Co-Issuers.

APPLICATION OF AMOUNTS

Section 11.1 Disbursements of Amounts from Payment Account.

(a) Notwithstanding any other provision in this Indenture, but subject to the other subsections of this Section 11.1 hereof, on each Payment Date, the Trustee shall disburse amounts transferred to the Payment Account from the Interest Collection Account and the Principal Collection Account pursuant to Section 10.2 hereof in accordance with the following priorities (the "Priority of Payments"):

(i) Interest Proceeds. On each Payment Date that is not a Redemption Date or a Payment Date following the occurrence and continuation of an acceleration of the Notes as a result of an Event of Default, Interest Proceeds with respect to the related Due Period shall be distributed in the following order of priority:

(1) to the payment of taxes and filing fees (including any registered office and government fees) owed by the Issuer, if any;

(2) (a) *first*, to the extent not previously reimbursed, to the Advancing Agent or the Backup Advancing Agent, the aggregate amount of any Nonrecoverable Interest Advances due and payable to such party, (b) *second*, to the Advancing Agent or the Backup Advancing Agent (if the Advancing Agent has failed to make any Interest Advance required to be made by the Advancing Agent pursuant to the terms hereof), the Advancing Agent Fee and any previously due but unpaid Advancing Agent Fee (unless waived by the Advancing Agent) (provided that the Advancing Agent or Backup Advancing Agent, as applicable, has not failed to make any Interest Advance required to be made in respect of any Payment Date pursuant to the terms of this Indenture) and (c) *third*, to the Advancing Agent and the Backup Advancing Agent, (i) to the extent due and payable to such party, Reimbursement Interest and (ii) reimbursement of any outstanding Interest Advances not (in the case of this clause (ii)) to exceed the amount that would result in an Interest Shortfall with respect to such Payment Date;

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(3) (a) *first*, to the Backup Advancing Agent, the Backup Advancing Agent Fee and any previously due but unpaid Backup Advancing Agent Fees (provided that the Backup Advancing Agent has not failed to make any Interest Advance required to be made in respect of any Payment Date pursuant to the terms of this Indenture), (b) *second*, to the payment to the Trustee of the accrued and unpaid fees in respect of its services equal to the greater of (i) 0.020% *per annum* of the Aggregate Collateral Balance and (ii) U.S.\$15,000 *per annum*, (c) *third*, to the payment of other accrued and unpaid Company Administrative Expenses of the Trustee, the Custodian, the Collateral Administrator, the Custodial Securities Intermediary, the Paying Agent, the Preferred Shares Paying Agent and the Calculation Agent, (d) *fourth*, to the CLO Servicer for payment of the Servicing Fee under the Servicing Agreement (but only in the event that Arbor Multifamily Lending, LLC or an affiliate thereof is not acting as the servicer of the Mortgage Assets and only to the extent such fees were not previously retained by the CLO Servicer out of amounts collected in respect of the Mortgage Assets in accordance with the terms of the Servicing Agreement) and (e) *fifth*, to the payment of any other accrued and unpaid Company Administrative Expenses, the aggregate of all such amounts in clauses (c), (d) and (e) above (including such amounts paid since the previous Payment Date from the Expense Account) not to exceed the greater of (i) 0.1% *per annum* of the Aggregate Collateral Balance and (ii) U.S.\$125,000 *per annum*;

(4) to the payment of the Collateral Manager Fee and any previously due but unpaid Collateral Manager Fees (but only in the event that Arbor Realty Collateral Management, LLC or an affiliate thereof is not acting as Collateral Manager);

(5) to the payment of the Class A Interest Distribution Amount, plus, any Class A Defaulted Interest Amount;

(6) to the payment of the Class A-S Interest Distribution Amount, plus, any Class A-S Defaulted Interest Amount;

(7) to the payment of the Class B Interest Distribution Amount, plus, any Class B Defaulted Interest Amount;

(8) to the payment of the Class C Interest Distribution Amount, plus, any Class C Defaulted Interest Amount;

(9) to the payment of the Class D Interest Distribution Amount, plus, any Class D Defaulted Interest Amount;

(10) if either of the Note Protection Tests is not satisfied as of the Determination Date relating to such Payment Date, to the payment of, (i) *first*, principal on the Class A Notes, (ii) *second*, principal on the Class A-S Notes, (iii) *third*, principal on the Class B Notes, (iv) *fourth*, principal on the Class C Notes and (v) *fifth*, principal on the Class D Notes, in each case to the extent necessary to

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cause each of the Note Protection Tests to be satisfied or, if sooner, until the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes and Class D Notes have been paid in full;

(11) on each Payment Date following the occurrence of a Rating Confirmation Failure, to the payment of principal of each Class of the Offered Notes, (i) *first*, to the Class A Notes, (ii) *second*, to the Class A-S Notes, (iii) *third*, to the Class B Notes, (iv) *fourth*, to the Class C Notes and (v) *fifth*, to the Class D Notes, in each case until the rating assigned on the Closing Date to each Class of Notes has been reinstated or such Class has been paid in full;

(12) to the payment of the Class E Interest Distribution Amount, plus, any Class E Defaulted Interest Amount;

(13) to the payment of the Class E Deferred Interest (if any);

- (14) to the payment of the Class F Interest Distribution Amount, plus, any Class F Defaulted Interest Amount;
- (15) to the payment of the Class F Deferred Interest (if any);
- (16) to the payment of any Company Administrative Expenses not paid pursuant to clause (3) above in the order specified therein;
- (17) upon direction of the Collateral Manager, for deposit into the Expense Account in an amount not to exceed U.S.\$100,000 in respect of such Payment Date; and
- (18) any remaining Interest Proceeds to be released from the lien of this Indenture and paid (upon standing order of the Issuer) to the Preferred Shares Paying Agent for deposit into the Preferred Share Distribution Account for distribution to the Holder of the Preferred Shares as payment of the Preferred Shares Distribution Amount subject to and in accordance with the provisions of the Preferred Share Paying Agency Agreement.

(ii) **Principal Proceeds.** On each Payment Date that is not a Redemption Date or a Payment Date following the occurrence and continuation of an acceleration of the Notes as a result of an Event of Default, Principal Proceeds with respect to the related Due Period shall be distributed in the following order of priority:

- (1) to the payment of the amounts referred to in clauses (1) through (9) of Section 11.1(a)(i) in the same order of priority specified therein, without giving effect to any limitations on amounts payable set forth therein, but only to the extent not paid in full thereunder;
- (2) on the Payment Date following the Ramp-Up Completion Date, to the payment of principal, in an amount equal to all amounts remaining in the Unused Proceeds Account as of the Ramp-Up Completion Date, (i) *first*, to the

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Class A Notes, (ii) *second*, to the Class A-S Notes, (iii) *third*, to the Class B Notes, (iv) *fourth*, to the Class C Notes and (v) *fifth*, to the Class D Notes in each case until such Class has been paid in full;

(3) on each Payment Date following the occurrence of a Rating Confirmation Failure, to the extent that application of Interest Proceeds pursuant to Section 11.1(a)(i)(11) is insufficient to cause the ratings assigned to each Class of the Notes to be reinstated or to cause any affected Class to be paid in full, to the payment of principal (i) *first*, to the Class A Notes, (ii) *second*, to the Class A-S Notes, (iii) *third*, to the Class B Notes, (iv) *fourth*, to the Class C Notes and (v) *fifth*, to the Class D Notes, in each case until the rating assigned on the Closing Date to each Class of Notes has been reinstated or such Class has been paid in full;

(4) during the Reinvestment Period, so long as the Issuer is permitted to purchase Reinvestment Mortgage Assets in accordance with Section 12.2, at the direction of the Collateral Manager, the amount designated by the Collateral Manager during the related Interest Accrual Period for payment of the purchase price of Reinvestment Mortgage Assets;

- (5) to the payment of principal of the Class A Notes until the Class A Notes have been paid in full;
- (6) to the payment of principal of the Class A-S Notes until the Class A-S Notes have been paid in full;
- (7) to the payment of principal of the Class B Notes until the Class B Notes have been paid in full;
- (8) to the payment of principal of the Class C Notes until the Class C Notes have been paid in full; and
- (9) to the payment of principal of the Class D Notes until the Class D Notes have been paid in full;
- (10) to the payment of principal of the Class E Notes (including Class E Deferred Interest) until the Class E Notes have been paid in full;
- (11) to the payment of principal of the Class F Notes (including Class F Deferred Interest) until the Class F Notes have been paid in full; and

(12) any remaining Principal Proceeds to be released from the lien of this Indenture and paid (upon standing order of the Issuer) to the Preferred Shares Paying Agent for deposit into the Preferred Share Distribution Account for distribution to the Holders of the Preferred Shares as payment of the Preferred Shares Distribution Amount subject to and in accordance with the provisions of the Preferred Share Paying Agency Agreement.

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(iii) **Redemption Dates During Events of Default.** On any Redemption Date or a Payment Date following the occurrence and continuation of an acceleration of the Notes as result of an Event of Default, Interest Proceeds and Principal Proceeds with respect to the related Due Period will be distributed in the following order of priority:

- (1) to the payment of the amounts referred to in clauses (1) through (4) of Section 11.1(a)(i) in the same order of priority specified therein, but without giving effect to any limitations on amounts payable set forth therein;

(2) to the payment of any out-of-pocket fees and expenses of the Issuer and Trustee (including legal fees and expenses) incurred in connection with an acceleration of the Notes following an Event of Default, including in connection with sale and liquidation of any of the Assets in connection therewith;

(3) to the payment of the Class A Interest Distribution Amount, plus, any Class A Defaulted Interest Amount;

(4) to the payment in full of principal of the Class A Notes;

(5) to the payment of the Class A-S Interest Distribution Amount, plus, any Class A Defaulted Interest Amount;

(6) to the payment in full of principal of the Class A-S Notes;

(7) to the payment of the Class B Interest Distribution Amount, plus, any Class B Defaulted Interest Amount;

(8) to the payment in full of principal of the Class B Notes;

(9) to the payment of the Class C Interest Distribution Amount, plus, any Class C Defaulted Interest Amount;

(10) to the payment in full of principal of the Class C Notes;

(11) to the payment of the Class D Interest Distribution Amount, plus, any Class D Defaulted Interest Amount;

(12) to the payment in full of principal of the Class D Notes;

(13) to the payment of the Class E Interest Distribution Amount, plus, any Class E Defaulted Interest Amount;

(14) to the payment in full of principal of the Class E Notes (including any Class E Deferred Interest);

(15) to the payment of the Class F Interest Distribution Amount, plus, any Class E Defaulted Interest Amount;

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(16) to the payment in full of principal of the Class F Notes (including any Class F Deferred Interest); and

(17) any remaining Principal Proceeds to be released from the lien of this Indenture and paid (upon standing order of the Issuer) to the Preferred Shares Paying Agent for deposit into the Preferred Share Distribution Account for distribution to the holder of the Preferred Shares as payment of the Preferred Shares Distribution Amount subject to and in accordance with the provisions of the Preferred Share Paying Agency Agreement.

(b) On or before the Business Day prior to each Payment Date, the Issuer shall, pursuant to [Section 10.2\(e\)](#), remit or cause to be remitted to the Trustee for deposit in the Payment Account an amount of Cash sufficient to pay the amounts described in [Section 11.1\(a\)](#) required to be paid on such Payment Date.

(c) If on any Payment Date the amount available in the Payment Account from amounts received in the related Due Period is insufficient to make the full amount of the disbursements required by the statements furnished by the Trustee pursuant to [Section 10.11\(e\)](#) hereof, the Trustee shall make the disbursements called for in the order and according to the priority set forth under [Section 11.1\(a\)](#) above, subject to [Section 13.1](#) hereof, to the extent funds are available therefor.

(d) If on any Payment Date the amount available in the Payment Account from amounts received in the related Due Period are insufficient to make the full amount of the disbursements required by any lettered clause of [Section 11.1\(a\)\(i\)](#), [Section 11.1\(a\)\(ii\)](#) or [Section 11.1\(a\)\(iii\)](#), the Trustee shall make the disbursements called for by such clause ratably in accordance with the respective amounts of such disbursements then due and payable to the extent funds are available therefor.

(e) In the event that Interest Proceeds or Principal Proceeds on any Payment Date are to be applied to the payment of principal of or interest on any Class of Notes pursuant to [Section 11.1\(a\)\(i\)](#), [Section 11.1\(a\)\(ii\)](#) or [Section 11.1\(a\)\(iii\)](#), such payments will be made to Noteholders of each applicable Class, as to each such Section, *pro rata* based on the amounts thereof then due and payable.

(f) In connection with any required payment by the Issuer to the CLO Servicer pursuant to the Servicing Agreement of any amount scheduled to be paid from time to time between Payment Dates from amounts received with respect to the Mortgage Assets, such amounts shall be distributed to the CLO Servicer pursuant to the terms of the Servicing Agreement.

Section 11.2 Securities Accounts.

All amounts held by, or deposited with the Trustee in the Collection Accounts, the Payment Account, the Expense Account, the Unused Proceeds Account or the RDD Funding Account pursuant to the provisions of this Indenture, and not invested in Eligible Investments as herein provided, shall be credited to one or more securities accounts established and maintained pursuant to the Securities Account Control Agreement at the Corporate Trust Office of the Trustee, in its capacity as Custodial Securities Intermediary or at another financial institution whose long-

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Intermediary on behalf of the Trustee on behalf of the Secured Parties pursuant to an account control agreement in form and substance similar to the Securities Account Control Agreement. To the extent amounts deposited in such trust account exceed amounts insured by the Bank Insurance Fund or Savings Association Insurance Fund administered by the Federal Deposit Insurance Corporation, or any agencies succeeding to the insurance functions thereof, and are not fully collateralized by direct obligations of the United States of America, such excess shall be invested in Eligible Investments as directed by Issuer Order.

ARTICLE 12

SALE OF MORTGAGE ASSETS

Section 12.1 Sales of Mortgage Assets.

(a) Except as otherwise expressly permitted or required by this Indenture, the Issuer shall not sell or otherwise dispose of any Mortgage Asset. The Collateral Manager, on behalf of the Issuer, acting pursuant to the Collateral Management Agreement may direct the Trustee in writing to sell:

(i) any Defaulted Mortgage Asset at any time;

(ii) a Buy/Sell Interest at any time; and

(iii) any Credit Risk Mortgage Asset on or prior to the last day of the Reinvestment Period unless (x) either of the Note Protection Tests were not satisfied as of the immediately preceding Determination Date and have not been cured as of the proposed sale date or (y) the Trustee, upon written direction of a majority of the Controlling Class, has provided written notice to the Collateral Manager that no further sales of Credit Risk Mortgage Assets shall be permitted. The Trustee shall sell any Mortgage Asset in any sale permitted pursuant to this Section 12.1(a), as directed by the Collateral Manager.

(b) In addition with respect to any Defaulted Mortgage Asset or Credit Risk Mortgage Asset permitted to be sold pursuant to Section 12.1(a), the Collateral Manager may, on behalf of the Issuer, instruct the Trustee to dispose of such Defaulted Mortgage Asset or Credit Risk Mortgage Asset in one of the following additional manners:

(i) by purchasing or causing its affiliate to purchase (x) such Credit Risk Mortgage Asset or Defaulted Mortgage Asset from the Issuer for a cash purchase price that will be equal to the sum of (i) the Principal Balance thereof plus (ii) all accrued and unpaid interest thereon (such purchase, a "Credit Risk/Defaulted Mortgage Asset Cash Purchase") (and no Advisory Committee consent will be required in connection with a Credit Risk/Defaulted Mortgage Asset Cash Purchase); or

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(ii) with respect to Defaulted Mortgage Assets upon disclosure to, and with the prior consent of, the Advisory Committee, directing the Issuer to exchange such Defaulted Mortgage Asset for (1) a Reinvestment Mortgage Asset owned by an affiliate of the Collateral Manager that satisfies the Eligibility Criteria (such Reinvestment Mortgage Asset, an "Exchange Mortgage Asset") or (2) a combination of an Exchange Mortgage Asset and cash; provided that:

(1) the sum of (1) the Principal Balance of such Exchange Mortgage Asset plus (2) all accrued and unpaid interest thereon plus (3) the Cash amount (if any) to be paid to the Issuer in respect of such exchange by such affiliate of the Collateral Manager, is equal to or greater than:

(2) the sum of (1) the Principal Balance of the Defaulted Mortgage Asset sought to be exchanged plus (2) all accrued and unpaid interest thereon.

If a Mortgage Asset that is a Defaulted Mortgage Asset is not sold by the Issuer (at the direction of the Collateral Manager) within three years of such Mortgage Asset becoming a Defaulted Mortgage Asset, the Collateral Manager, on behalf of the Issuer, will use its commercially reasonable efforts to sell such Mortgage Asset as soon as commercially practicable thereafter.

(c) After the Issuer has notified the Trustee of an Optional Redemption, a Clean-Up Call or a Tax Redemption in accordance with Section 9.1, the Collateral Manager, on behalf of the Issuer, and acting pursuant to the Collateral Management Agreement, may at any time direct the Trustee in writing to sell, and the Trustee shall sell in the manner directed by the

Collateral Manager in writing, any Mortgage Asset without regard to the foregoing limitations in Section 12.1(a); provided that:

(i) the Sale Proceeds therefrom must be used to pay certain expenses and redeem all of the Notes in whole but not in part pursuant to Section 9.1, and upon any such sale the Trustee shall release such Mortgage Asset pursuant to Section 10.12;

(ii) the Issuer may not direct the Trustee to sell (and the Trustee shall not be required to release) a Mortgage Asset pursuant to this Section 12.1(c) unless:

(1) the Collateral Manager certifies to the Trustee that, in the Collateral Manager's reasonable business judgment based on calculations included in the certification (which shall include the sales prices of the Mortgage Assets), the Sale Proceeds from the sale of one or more of the Mortgage Assets and all Cash and proceeds from Eligible Investments will be at least equal to the Total Redemption Price; and

(2) the Independent accountants appointed by the Issuer pursuant to Section 10.13 shall recalculate the calculations made in clause (1) above and prepare an agreed-upon procedures report.

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(iii) in connection with an Optional Redemption, a Clean-up Call or a Tax Redemption, all the Mortgage Assets to be sold pursuant to this Section 12.1(c) must be sold in accordance with the requirements set forth in Section 9.1(e).

(d) In the event that any Notes remain Outstanding as of the Payment Date occurring six months prior to the Stated Maturity Date of the Notes, the Collateral Manager will be required to determine whether the proceeds expected to be received on the Assets prior to the Stated Maturity Date of the Notes will be sufficient to pay in full the principal amount of (and accrued interest on) the Notes on the Stated Maturity Date. If the Collateral Manager determines, in its sole discretion, that such proceeds will not be sufficient to pay the outstanding principal amount of and accrued interest on the Notes on the Stated Maturity Date of the Notes, the Issuer will, at the direction of the Collateral Manager, be obligated to liquidate the portion of Mortgage Assets sufficient to pay the remaining principal amount of and interest on the Notes on or before the Stated Maturity Date. The Mortgage Assets to be liquidated by the Issuer will be selected by the Collateral Manager.

(e) Notwithstanding anything herein to the contrary, (a) in the event that a “buy/sell” arrangement has been initiated with respect to a Buy/Sell Interest, or (b) a Mortgage Asset is subject to a workout and, in either case, the Collateral Manager determines in accordance with the Collateral Management Standard that the sale of any such Mortgage Asset is in the best interest of the Noteholders, the Collateral Manager may, on behalf of the Issuer, direct the Trustee to sell such Mortgage Asset in accordance with the terms of the related Underlying Instruments; provided that, in the event any such sale is to be made to an Affiliate of the Issuer or the Collateral Manager, such sale may be made only upon disclosure to, and with the prior consent of, the Advisory Committee.

(f) Notwithstanding anything herein to the contrary, the Collateral Manager on behalf of the Issuer shall be permitted to sell to a Permitted Subsidiary any Sensitive Asset for consideration consisting of equity interests in such Permitted Subsidiary (or an increase in the value of equity interests already owned).

(g) Notwithstanding anything herein to the contrary, to the extent the Collateral Manager deems necessary or advisable in accordance with the Collateral Management Standard, the Issuer may, at the direction of the Collateral Manager (but only upon disclosure to, and with the prior consent of, the Advisory Committee), assign its right to purchase under a “buy/sell” arrangement in respect of a Mortgage Asset to the Holder of the Preferred Shares or any Affiliate thereof.

Section 12.2 Reinvestment Mortgage Assets.

(a) Except as provided in Section 12.3(c), during the Reinvestment Period (or within 60 days after the end of the Reinvestment Period with respect to reinvestments made pursuant to binding commitments to purchase entered into during the Reinvestment Period), Principal Proceeds received may, but are not required to, be reinvested in Reinvestment Mortgage Assets (which shall be, and hereby are upon acquisition by the Issuer, Granted to the Trustee pursuant to the Granting Clause of this Indenture) that satisfy the applicable Eligibility Criteria and the following additional criteria (the “Reinvestment Criteria”), as evidenced by an Officer’s

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Certificate of the Collateral Manager on behalf of the Issuer delivered to the Trustee, delivered as of the date of the commitment to purchase such Reinvestment Mortgage Assets:

- (i) the Note Protection Tests are satisfied; and
- (ii) no Event of Default has occurred and is continuing.

(b) Notwithstanding the foregoing provisions, (i) Cash on deposit in the Collection Accounts may be invested in Eligible Investments, pending investment in Reinvestment Mortgage Assets and (ii) if an Event of Default shall have occurred and be continuing, no Reinvestment Mortgage Asset may be acquired unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default.

(c) Notwithstanding the foregoing provisions, at any time when ARMS Equity or an Affiliate that is wholly-owned by the Arbor Parent and is a disregarded entity for U.S. federal income tax purposes holds 100% of the Class E Notes, the Class F Notes and the Preferred Shares, it may contribute additional Cash, Eligible Investments and/or Mortgage Assets to the Issuer so long as any such contributions satisfy the Eligibility Criteria at the time of such contribution, including, but not limited to, for purposes of avoiding a Rating Confirmation Failure and effecting any cure rights reserved for the holder of the Senior Participations, pursuant to and in accordance with the terms of the related participation agreement. Cash contributed to the Issuer by ARMS Equity (during the Reinvestment Period) may be reinvested by the Issuer in Reinvestment Mortgage Assets so long as no Event of Default has occurred and is continuing.

Section 12.3 Conditions Applicable to all Transactions Involving Sale or Grant.

(a) Any transaction effected after the Closing Date under this Article 12 or Section 10.12 shall be conducted in accordance with the requirements of the Collateral Management Agreement; provided that (1) the Collateral Manager shall not direct the Trustee to acquire any Reinvestment Mortgage Asset for inclusion in the Assets from the Collateral Manager or any of its Affiliates as principal or to sell any Mortgage Asset from the Assets to the Collateral Manager or any of its Affiliates as principal unless the transaction is effected in accordance with the Collateral Management Agreement and (2) the Collateral Manager shall not direct the Trustee to acquire any Reinvestment Mortgage Asset for inclusion in the Assets from any account or portfolio for which the Collateral Manager serves as investment adviser or direct the Trustee to sell any Mortgage Asset to any account or portfolio for which the Collateral Manager serves as investment adviser unless such transactions comply with the Collateral Management Agreement and Section 206(3) of the Advisers Act. The Trustee shall have no responsibility to oversee compliance with this clause by the other parties.

(b) Upon any Grant pursuant to this Article 12, all of the Issuer’s right, title and interest to the Asset or Securities shall be Granted to the Trustee pursuant to this Indenture, such Asset or Securities shall be registered in the name of the Trustee, and, if applicable, the Trustee shall receive such Pledged Mortgage Asset or Securities. The Trustee also shall receive, not later than the date of delivery of any Mortgage Asset delivered after the Closing Date, an Officer’s Certificate of the Collateral Manager certifying that, as of the date of such Grant, such Grant

complies with the applicable conditions of and is permitted by this Article 12 (and setting forth, to the extent appropriate, calculations in reasonable detail necessary to determine such compliance).

(c) Notwithstanding anything contained in this Article 12 to the contrary, the Issuer shall, subject to this Section 12.3(c), have the right to effect any transaction which has been consented to by the Holders of Notes evidencing 100% of the Aggregate Outstanding Amount of each and every Class of Notes (or if there are no Notes Outstanding, 100% of the Preferred Shares).

Section 12.4 Modifications to Moody's Tests.

In the event Moody's modifies the definitions or calculations relating to any of the Eligibility Criteria or either of the Note Protection Tests (each, a "Moody's Test Modification"), in any case in order to correspond with published changes in the guidelines, methodology or standards established by Moody's, the Issuer may, but is under no obligation solely as a result of this Section 12.4 to, incorporate corresponding changes into this Indenture by an amendment or supplement hereto without the consent of the Holders of the Notes (except as provided below) (but with written notice to the Noteholders) or the Preferred Shares if (x) the Rating Agency Condition is satisfied and (y) written notice of such modification is delivered by the Collateral Manager to the Trustee and the Holders of the Notes and Preferred Shares (which notice may be included in the next regularly scheduled report to Noteholders). Any such Moody's Test Modification shall be effected without execution of a supplemental indenture; provided, however, that such amendment shall be (i) evidenced by a written instrument executed and delivered by each of the Co-Issuers and the Collateral Manager and delivered to the Trustee, (ii) accompanied by delivery by the Issuer to the Trustee of an Officer's Certificate of the Issuer (or the Collateral Manager on behalf of the Issuer) certifying that such amendment has been made pursuant to and in compliance with this Section 12.4.

ARTICLE 13

SECURITYHOLDERS' RELATIONS

Section 13.1 Subordination.

(a) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders agree that, for the benefit of the Holders of the Class A Notes that the rights of the Holders of the Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes, the Class E Notes, the Class F Notes and the Preferred Shares shall be subordinate and junior to the Class A Notes to the extent and in the manner set forth in Article XI of this Indenture. On each Redemption Date and each Payment Date as a result of the occurrence and continuation of the acceleration of the Notes following the occurrence of an Event of Default, all accrued and unpaid interest on and outstanding principal on the Class A Notes shall be paid pursuant to Section 11.1(a)(iii) in full in Cash or, to the extent 100% of Holders of the Class A Notes consent, other than in Cash, before any further payment or distribution is made on account of any other Class of Notes, or the Preferred Shares, to the extent and in the manner provided in Section 11.1(a)(iii).

(b) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders agree that, for the benefit of the Holders of the Class A-S Notes that the

rights of the Holders of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Preferred Shares shall be subordinate and junior to the Class A-S Notes to the extent and in the manner set forth in Article XI of this Indenture. On each Redemption Date and each Payment Date as a result of the occurrence and continuation of the acceleration of the Notes following the occurrence of an Event of Default, all accrued and unpaid interest on and outstanding principal on the Class A-S Notes shall be paid pursuant to Section 11.1(a)(iii) in full in Cash or, to the extent 100% of Holders of the Class A-S Notes consent, other than in Cash, before any further payment or distribution is made on account of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes or the Preferred Shares, to the extent and in the manner provided in Section 11.1(a)(iii).

(c) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders agree that, for the benefit of the Holders of the Class B Notes that the rights of the Holders of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Preferred Shares shall be subordinate and junior to the Class B Notes to the extent and in the manner set forth in Article XI of this Indenture. On each Redemption Date and each Payment Date as a result of the occurrence and continuation of the acceleration of the Notes following the occurrence of an Event of Default, all accrued and unpaid interest on and outstanding principal on the Class B Notes shall be paid pursuant to Section 11.1(a)(iii) in full in Cash or, to the extent 100% of Holders of the Class B Notes consent, other than in Cash, before any further payment or distribution is made on account of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes or the Preferred Shares, to the extent and in the manner provided in Section 11.1(a)(iii).

(d) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders agree that, for the benefit of the Holders of the Class C Notes that the rights of the Holders of the Class D Notes, the Class E Notes, the Class F Notes and the Preferred Shares shall be subordinate and junior to the Class C Notes to the extent and in the manner set forth in Article XI of this Indenture. On each Redemption Date and each Payment Date as a result of the occurrence and continuation of the acceleration of the Notes following the occurrence of an Event of Default, all accrued and unpaid interest on and outstanding principal on the Class C Notes shall be paid pursuant to Section 11.1(a)(iii) in full in Cash or, to the extent 100% of Holders of the Class C Notes consent, other than in Cash, before any further payment or distribution is made on account of the Class D Notes, the Class E Notes, the Class F Notes or the Preferred Shares to the extent and in the manner provided in Section 11.1(a)(iii).

(e) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders agree that, for the benefit of the Holders of the Class D Notes that the rights of the Holders of the Class E Notes, the Class F Notes and the Preferred Shares shall be subordinate and junior to the Class D Notes to the extent and in the manner set forth in Article XI of this Indenture. On each Redemption Date and each Payment Date as a result of the occurrence and continuation of the acceleration of the Notes following the occurrence of an Event of Default, all accrued and unpaid interest on and outstanding principal on the Class D Notes shall be paid pursuant to Section 11.1(a)(iii) in full in Cash or, to the extent 100% of Holders of the Class D Notes consent, other than in Cash, before any further payment or distribution is made on account of the Class E Notes, the Class F Notes or the Preferred Shares, to the extent and in the manner provided in Section 11.1(a)(iii).

(f) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders agree that, for the benefit of the Holders of the Class E Notes that the rights of the Holders of the Class F Notes or the Preferred Shares shall be subordinate and junior to the Class E Notes to the extent and in the manner set forth in Article XI of this Indenture. On each Redemption Date and each Payment Date as a result of the occurrence and continuation of the acceleration of the Notes following the occurrence of an Event of Default, all accrued and unpaid interest on and outstanding principal on the Class E Notes shall be paid pursuant to Section 11.1(a)(iii) in full in Cash or, to the extent 100% of Holders of the Class E Notes consent, other than in Cash, before any further payment or distribution is made on account of the Class F Notes or the Preferred Shares, to the extent and in the manner provided in Section 11.1(a)(iii).

(g) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders agree that, for the benefit of the Holders of the Class F Notes that the rights of the Holders of the Preferred Shares shall be subordinate and junior to the Class F Notes to the extent and in the manner set forth in Article XI of this Indenture. On each Redemption Date and each Payment Date as a result of the occurrence and continuation of the acceleration of the Notes following the occurrence of an Event of Default, all accrued and unpaid interest on and outstanding principal on the Class F Notes shall be paid pursuant to Section 11.1(a)(iii) in full in Cash or, to the extent 100% of Holders of the Class F Notes consent, other than in Cash, before any further payment or distribution is made on account of the Preferred Shares, to the extent and in the manner provided in Section 11.1(a)(iii).

(h) In the event that notwithstanding the provisions of this Indenture, any Holders of any Class of Notes shall have received any payment or distribution in respect of such Class contrary to the provisions of this Indenture, then, unless and until all accrued and unpaid interest on and outstanding principal of all more senior Classes of Notes has been paid in full in accordance with this Indenture, such payment or distribution shall be received and held in trust for the benefit of, and shall forthwith be paid over and delivered to, the Trustee, which shall pay and deliver the same to the Holders of the more senior Class of Notes in accordance with this Indenture.

(i) Each Holder of Class A Notes agrees with the Trustee on behalf of the Secured Parties that such Holder shall not demand, accept, or receive any payment or distribution in respect of the Class A Notes in violation of the provisions of this Indenture including Section 11.1(a) and this Section 13.1. Nothing in this Section 13.1 shall affect the obligation of the Issuer to pay Holders of the Class A Notes any amounts due and payable hereunder.

(j) Each Holder of Class A-S Notes agrees with the Trustee on behalf of the Secured Parties that such Holder shall not demand, accept, or receive any payment or distribution in respect of the Class A-S Notes in violation of the provisions of this Indenture including Section 11.1(a) and this Section 13.1; provided, however, that after all accrued and unpaid interest on, and principal of, the Class A Notes have been paid in full, the Holders of the Class A-S Notes shall be fully subrogated to the rights of the Holders of the Class A Notes. Nothing in this Section 13.1 shall affect the obligation of the Issuer to pay Holders of the Class A-S Notes any amounts due and payable hereunder.

(k) Each Holder of Class B Notes agrees with the Trustee on behalf of the Secured Parties that such Holder shall not demand, accept, or receive any payment or distribution

in respect of the Class B Notes in violation of the provisions of this Indenture including Section 11.1(a) and this Section 13.1; provided, however, that after all accrued and unpaid interest on, and principal of, the Class A Notes and the Class A-S Notes have been paid in full, the Holders of the Class B Notes shall be fully subrogated to the rights of the Holders of the Class A Notes and the Class A-S Notes. Nothing in this Section 13.1 shall affect the obligation of the Issuer to pay Holders of the Class B Notes any amounts due and payable hereunder.

(l) Each Holder of Class C Notes agrees with the Trustee on behalf of the Secured Parties that such Holder shall not demand, accept, or receive any payment or distribution in respect of the Class C Notes in violation of the provisions of this Indenture including Section 11.1(a) and this Section 13.1; provided, however, that after all accrued and unpaid interest on, and principal of, the Class A Notes, Class A-S Notes and the Class B Notes have been paid in full, the Holders of the Class C Notes shall be fully subrogated to the rights of the Holders of the Class A Notes, Class A-S Notes and the Class B Notes. Nothing in this Section 13.1 shall affect the obligation of the Issuer to pay Holders of the Class C Notes any amounts due and payable hereunder.

(m) Each Holder of Class D Notes agrees with the Trustee on behalf of the Secured Parties that such Holder shall not demand, accept, or receive any payment or distribution in respect of the Class D Notes in violation of the provisions of this Indenture including Section 11.1(a) and this Section 13.1; provided, however, that after all accrued and unpaid interest on, and principal of, the Class A Notes, Class A-S Notes, the Class B Notes and the Class C Notes have been paid in full, the Holders of the Class D Notes shall be fully subrogated to the rights of the Holders of the Class A Notes, Class A-S Notes, the Class B Notes and the Class C Notes. Nothing in this Section 13.1 shall affect the obligation of the Issuer to pay Holders of the Class D Notes any amounts due and payable hereunder.

(n) Each Holder of Class E Notes agrees with the Trustee on behalf of the Secured Parties that such Holder shall not demand, accept, or receive any payment or distribution in respect of the Class E Notes in violation of the provisions of this Indenture including Section 11.1(a) and this Section 13.1; provided, however, that after all accrued and unpaid interest on, and principal of, the Class A Notes, Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes have been paid in full, the Holders of the Class E Notes shall be fully subrogated to the rights of the Holders of the Class A Notes, Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes. Nothing in this Section 13.1 shall affect the obligation of the Issuer to pay Holders of the Class E Notes any amounts due and payable hereunder.

(o) Each Holder of Class F Notes agrees with the Trustee on behalf of the Secured Parties that such Holder shall not demand, accept, or receive any payment or distribution in respect of the Class F Notes in violation of the provisions of this Indenture including Section 11.1(a) and this Section 13.1; provided, however, that after all accrued and unpaid interest on, and principal of, the Class A Notes, Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes have been paid in full, the Holders of the Class F Notes shall be fully subrogated to the rights of the Holders of the Class A Notes, Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. Nothing in this Section 13.1 shall affect the obligation of the Issuer to pay Holders of the Class F Notes any amounts due and payable hereunder.

(p) The Holders of each Class of Notes agree, for the benefit of all Holders of each Class of Notes, not to cause the filing of a petition in bankruptcy against the Issuer, the Co-Issuer or any Permitted Subsidiary until the payment in full of the Notes and not before one year and a day, or if longer, the applicable preference period then in effect, has elapsed since such payment.

Section 13.2 Standard of Conduct.

In exercising any of its or their voting rights, rights to direct and consent or any other rights as a Securityholder under this Indenture, a Securityholder or Securityholders shall not have any obligation or duty to any Person or to consider or take into account the interests of any Person and shall not be liable to any Person for any action taken by it or them or at its or their direction or any failure by it or them to act or to direct that an action be taken, without regard to whether such action or inaction benefits or adversely affects any Securityholder, the Issuer, or any other Person, except for any liability to which such Securityholder may be subject to the extent the same results from such Securityholder's taking or directing an action, or failing to take or direct an action, in bad faith or in violation of the express terms of this Indenture.

Section 13.3 Information Regarding Holders.

Each purchaser and subsequent transferee of a Note, by its acceptance of an interest in such notes, agrees to comply with the Holder AML Obligations.

ARTICLE 14

MISCELLANEOUS

Section 14.1 Form of Documents Delivered to the Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of the Issuer or the Co-Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such Authorized Officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer of the Issuer or the Co-Issuer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, the Issuer, the Co-Issuer, the Collateral Manager or any other Person, stating that the information with respect to such factual matters is in the possession of the Issuer, the Co-Issuer, the Collateral Manager or such other Person, unless such Authorized Officer of the Issuer or the Co-Issuer or such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous. Any

Opinion of Counsel also may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an Authorized Officer of the Issuer or the Co-Issuer, or the Collateral Manager on behalf of the Issuer, certifying as to the factual matters that form a basis for such Opinion of Counsel and stating that the information with respect to such matters is in the possession of the Issuer or the Co-Issuer or the Collateral Manager on behalf of the Issuer, unless such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture it is provided that the absence of the occurrence and continuation of a Default or Event of Default is a condition precedent to the taking of any action by the Trustee at the request or direction of the Issuer or the Co-Issuer, then notwithstanding that the satisfaction of such condition is a condition precedent to the Issuer's or the Co-Issuer's rights to make such request or direction, the Trustee shall be protected in acting in accordance with such request or direction if it does not have knowledge of the occurrence and continuation of such Default or Event of Default as provided in Section 6.1(e).

Section 14.2 Acts of Securityholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer and/or the Co-Issuer. Such instrument or instruments (and the action or actions embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Securityholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee, the Issuer and the Co-Issuer, if made in the manner provided in this Section 14.2.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which the Trustee deems sufficient.

(c) The principal amount and registered numbers of Notes held by any Person, and the date of his holding the same, shall be proved by the Notes Register. The Notional Amount and registered numbers of the Preferred Shares held by any Person, and the date of his holding the same, shall be proved by the register maintained with respect to the Preferred Shares.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Securityholder shall bind such Securityholder (and any transferee thereof) of such Security and of every Security issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Trustee, the

Preferred Shares Paying Agent, the Share Registrar, the Issuer or the Co-Issuer in reliance thereon, whether or not notation of such action is made upon such Security.

Section 14.3 Notices, etc., to the Trustee, the Issuer, the Co-Issuer, the Advancing Agent, the Collateral Manager, the Placement Agent and the Rating Agencies.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Securityholders or other documents provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(a) the Trustee by any Securityholder or by the Issuer or the Co-Issuer shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to and mailed, by certified mail, return receipt requested, hand delivered, sent by overnight courier service guaranteeing next day delivery or by facsimile in legible form, to the Trustee addressed to it at its Corporate Trust Office, or at any other address previously furnished in writing to the Issuer, the Co-Issuer or Securityholders by the Trustee;

(b) the Issuer by the Trustee or by any Securityholder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by facsimile in legible form, to the Issuer addressed to it at Arbor Realty Commercial Real Estate Notes 2018-FL1, Ltd. at c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102 Cayman Islands, facsimile number: 345-945-7100, Attention: The Directors, or at any other address previously furnished in writing to the Trustee by the Issuer, with a copy to the Collateral Manager at its address set forth below;

(c) the Co-Issuer by the Trustee or by any Securityholder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by facsimile in legible form, to the Co-Issuer addressed to it in c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, Attention: Donald J. Puglisi, facsimile number: (302) 738-7210, or at any other address previously furnished in writing to the Trustee by the Co-Issuer, with a copy to the Collateral Manager at its address set forth below;

(d) the Advancing Agent by the Trustee, the Issuer or the Co-Issuer shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by facsimile in legible form, to the Advancing Agent addressed to it at Arbor Realty SR, Inc., 333 Earle Ovington Boulevard, 9th Floor, Uniondale, New York 11553, Attention: Executive Vice President — Structured Securitization, or at any other address previously furnished in writing to the Trustee and the Co-Issuers, with a copy to the Collateral Manager at its address set forth below.

(e) the Preferred Shares Paying Agent shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to and mailed, by certified mail, return receipt requested, hand delivered, sent by overnight courier service guaranteeing next day delivery or by facsimile in legible form, to the Preferred Shares Paying Agent addressed to it at its Corporate Trust Office or at any other address previously furnished in writing by the Trustee;

(f) the Collateral Manager by the Issuer, the Co-Issuer or the Trustee shall be sufficient for every purpose hereunder if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by facsimile in legible form, to the Collateral Manager addressed to it at Arbor Realty Collateral Management, LLC, 333 Earle Ovington Boulevard, 9th Floor, Uniondale, New York 11553, Attention: Executive Vice President — Structured Securitization, or at any other address previously furnished in writing to the Issuer, the Co-Issuer or the Trustee;

(g) the Rating Agencies, as applicable, by the Issuer, the Co-Issuer, the Collateral Manager or the Trustee shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by facsimile in legible form, to the Rating Agencies addressed to it at (i) Moody's Investor Services, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Attention: CRE CDO Surveillance (or by electronic mail at moodys_cre_cdo_monitoring@moodys.com) and (ii) DBRS, Inc., 333 West Wacker Drive, Suite 1800, Chicago, Illinois 60606, Attention: Commercial Mortgage Surveillance, Fax: (312) 332-3492 (or by electronic mail at cmbs.surveillance@DBRS.com) or such other address that either Rating Agency shall designate in the future; provided that any request, demand, authorization, direction, order, notice, consent, waiver or Act of Securityholders or other documents provided or permitted by this Indenture to be made upon, given or furnished to, or filed with the Rating Agency ("17g-5 Information") shall be given in accordance with, and subject to, the provisions of Section 14.13 hereof; and

(h) the Placement Agent by the Issuer, the Co-Issuer, the Trustee or the Collateral Manager shall be sufficient for every purpose hereunder if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by facsimile in legible form to the Placement Agent at J.P. Morgan Securities LLC, 383 Madison Avenue, 8th Floor, New York, New York 10179, Attention: SPG Syndicate, e-mail: ABS_Synd@jpmorgan.com, with a copy to: J.P. Morgan Securities LLC, 4 New York Plaza, 21st Floor, New York, New York 10004-2413, Attention: Bianca A. Russo, Esq., e-mail: US_CMBS_Notice@jpmorgan.com.

Section 14.4 Notices to Noteholders; Waiver.

Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of Notes of any event,

(a) such notice shall be sufficiently given to Holders of Notes if in writing and mailed, first class postage prepaid, to each Holder of a Note affected by such event, at the address of such Holder as it appears in the Notes Register, not earlier than the earliest date and not later than the latest date, prescribed for the giving of such notice;

(b) such notice shall be in the English language; and

(c) all reports or notices to Preferred Shareholders shall be sufficiently given if provided in writing and mailed, first class postage prepaid, to the Preferred Shares Paying Agent.

Notwithstanding clause (a) above, a Holder of Notes may give the Trustee written notice that it is requesting that notices to it be given by facsimile transmissions and stating the

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facsimile number for such transmission. Thereafter, the Trustee shall give notices to such Holder by facsimile transmission; provided that if such notice also requests that notices be given by mail, then such notice shall also be given by mail in accordance with clause (a) above.

The Trustee shall deliver to the Holders of the Notes any information or notice related to this Indenture in the possession of the Trustee requested to be so delivered by at least 25% of the Holders of any Class of Notes. The Trustee shall have no liability for such disclosure or, subject to its duties herein, the accuracy thereof.

Neither the failure to mail any notice, nor any defect in any notice so mailed, to any particular Holder of a Note shall affect the sufficiency of such notice with respect to other Holders of Notes. In case by reason of the suspension of regular mail service or by reason of any other cause, it shall be impracticable to give such notice by mail, then such notification to Holders of Notes shall be made with the approval of the Trustee and shall constitute sufficient notification to such Holders of Notes for every purpose hereunder.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In the event that, by reason of the suspension of the regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

Section 14.5 Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 14.6 Successors and Assigns.

All covenants and agreements in this Indenture by the Issuer and the Co-Issuer shall bind their respective successors and assigns, whether so expressed or not.

Section 14.7 Severability.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 14.8 Benefits of Indenture.

Nothing in this Indenture or in the Securities, expressed or implied, shall give to any Person, other than (i) the parties hereto and their successors hereunder and (ii) the Collateral

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Manager, the Preferred Shareholders, the Preferred Shares Paying Agent, the Share Registrar and the Noteholders (each of whom, in the case of this clause (ii), shall be an express third-party beneficiary hereunder), any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 14.9 Governing Law.

THIS INDENTURE AND EACH NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

Section 14.10 Submission to Jurisdiction.

Each of the Issuer and the Co-Issuer hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan in The City of New York in any action or proceeding arising out of or relating to the Notes or this Indenture, and each of the Issuer and the Co-Issuer hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or federal court. Each of the Issuer and the Co-Issuer hereby irrevocably waives, to the fullest extent that they may legally do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. Each of the Issuer and the Co-Issuer irrevocably consents to the service of any and all process in any action or proceeding by the mailing or delivery of copies of such process to it at the office of the Issuer's and the Co-Issuer's agent set forth in

Section 7.2. Each of the Issuer and the Co-Issuer agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Section 14.11 Counterparts.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 14.12 Liability of Co-Issuers.

Notwithstanding any other terms of this Indenture, the Notes or any other agreement entered into between, *inter alios*, the Issuer and the Co-Issuer or otherwise, neither the Issuer nor the Co-Issuer shall have any liability whatsoever to the Co-Issuer or the Issuer, respectively, under this Indenture, the Notes, any such agreement or otherwise and, without prejudice to the generality of the foregoing, neither the Issuer nor the Co-Issuer shall be entitled to take any steps to enforce, or bring any action or proceeding, in respect of this Indenture, the Notes, any such agreement or otherwise against the other Co-Issuer or the Issuer, respectively. In particular, neither the Issuer nor the Co-Issuer shall be entitled to petition or take any other steps for the winding up or bankruptcy of the Co-Issuer or the Issuer, respectively or shall have any claim in respect of any assets of the Co-Issuer or the Issuer, respectively.

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Section 14.13 17g-5 Information.

(a) The parties hereto agree that all 17g-5 Information provided to the Rating Agencies, or any of its officers, directors or employees, to be given or provided to the Rating Agencies pursuant to, in connection with or related, directly or indirectly, to this Indenture, any other Transaction Document, the Assets or the Notes, shall be in each case furnished directly to the Rating Agencies at the address set forth in Section 14.3(h) with a prior electronic copy to the Issuer or the Information Agent, as provided in Section 2A of the Collateral Administration Agreement (for forwarding to the 17g-5 Website in accordance with the Collateral Administration Agreement). The Co-Issuers also shall furnish such other information regarding the Co-Issuers or the Assets as may be reasonably requested by the Rating Agencies to the extent such party has or can obtain such information without unreasonable effort or expense. Notwithstanding the foregoing, the failure to deliver such notices or copies shall not constitute an Event of Default under this Indenture. Any confirmation of the rating by the Rating Agencies required hereunder shall be in writing. For the avoidance of doubt, such information under this Section 14.13 (except as set forth under clause (f)) shall not include any Accountants' Reports.

(b) The Co-Issuers shall comply with their obligations under Rule 17g-5 promulgated under the Exchange Act ("Rule 17g-5"), by their or their agent's posting on the 17g-5 Website, no later than the time such information is provided to the Rating Agencies, all 17g-5 Information. At all times while any Notes are rated by the Rating Agencies or any other NRSRO, the Co-Issuers shall engage a third-party to post 17g-5 Information to the 17g-5 Website, which shall initially be the Collateral Administrator (in such capacity, the "Information Agent").

(c) To the extent any of the Co-Issuers, the Trustee or the Collateral Manager are engaged in oral communications with the Rating Agencies, for the purposes of determining the initial credit rating of the Notes or credit rating surveillance of the Notes, the party communicating with the Rating Agencies shall cause such oral communication to either be (x) recorded and an audio file containing the recording to be promptly delivered to the Information Agent for posting to the 17g-5 Website or (y) summarized in writing and the summary to be promptly delivered to the Information Agent for posting to the 17g-5 Website.

(d) Notwithstanding the requirements herein, the Trustee shall have no obligation to engage in or respond to any oral communications, for the purposes of determining the initial credit rating of the Notes or undertaking credit rating surveillance of the Notes, with the Rating Agencies or any of their respective officers, directors or employees.

(e) Notwithstanding anything to the contrary in this Indenture, a breach of this Section 14.13 shall not constitute a Default or Event of Default.

(f) If any of the parties to this Indenture receives a Form ABS Due Diligence-15E from any party in connection with any third-party due diligence services such party may have provided with respect to the Mortgage Assets ("Due Diligence Service Provider"), such receiving party shall promptly forward such Form ABS Due Diligence-15E to the 17g-5 Information Provider for posting on the 17g-5 Information Provider's Website. The 17g-5 Information Provider shall post on the 17g-5 Information Provider's Website any Form ABS Due Diligence-

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15E it receives directly from a Due Diligence Service Provider or from another party to this Indenture, promptly upon receipt thereof.

Section 14.14 Rating Agency Condition.

Any request for satisfaction of the Rating Agency Condition made by the Issuer, Co-Issuer or Trustee, as applicable, pursuant to this Indenture, shall be made in writing, which writing shall contain a cover page indicating the nature of the request for satisfaction of the Rating Agency Condition, and shall contain all back-up material necessary for the Rating Agencies to process such request. Such written request for satisfaction of the Rating Agency Condition shall be provided in electronic format to the Information Agent for posting on the 17g-5 Website in accordance with Section 14.13 hereof and after receiving actual knowledge of such posting (which may be in the form of an automatic email notification of posting delivered by the 17g-5 Website to such party), the Requesting Party shall send the request for satisfaction of such Rating Agency Condition to the Rating Agencies in accordance with the instructions for notices set forth in Section 14.3(h) hereof.

ARTICLE 15

ASSIGNMENT OF MORTGAGE ASSET PURCHASE AGREEMENTS AND LOAN MANAGEMENT AGREEMENT

(a) The Issuer, in furtherance of the covenants of this Indenture and as security for the Notes and amounts payable to the Secured Parties hereunder and the performance and observance of the provisions hereof, hereby collaterally assigns, transfers, conveys and sets over to the Trustee, for the benefit of the Noteholders, all of the Issuer's estate, right, title and interest in, to and under each Mortgage Asset Purchase Agreement (now or hereafter entered into) and the Collateral Management Agreement (each, an "Article 15 Agreement"), including, without limitation, (i) the right to give all notices, consents and releases thereunder; (ii) the right to give all notices of termination and to take any legal action upon the breach of an obligation of a Seller or the Collateral Manager thereunder, including the commencement, conduct and consummation of proceedings at law or in equity; (iii) the right to receive all notices, accountings, consents, releases and statements thereunder and (iv) the right to do any and all other things whatsoever that the Issuer is or may be entitled to do thereunder; provided, however, that the Trustee hereby grants the Issuer a license to exercise all of the Issuer's rights pursuant to the Article 15 Agreements without notice to or the consent of the Trustee (except as otherwise expressly required by this Indenture, including, without limitation, as set forth in Section 15.1(f)) which license shall be and is hereby deemed to be automatically revoked upon the occurrence of an Event of Default hereunder until such time, if any, that such Event of Default is cured or waived.

(b) The assignment made hereby is executed as collateral security, and the execution and delivery hereby shall not in any way impair or diminish the obligations of the Issuer under the provisions of each of the Article 15 Agreements, nor shall any of the obligations contained in each of the Article 15 Agreements be imposed on the Trustee.

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(c) Upon the retirement of the Notes and the release of the Assets from the lien of this Indenture, this assignment and all rights herein assigned to the Trustee for the benefit of the Noteholders shall cease and terminate and all the estate, right, title and interest of the Trustee in, to and under each of the Article 15 Agreements shall revert to the Issuer and no further instrument or act shall be necessary to evidence such termination and reversion.

(d) The Issuer represents that it has not executed any assignment of any of the Article 15 Agreements other than this collateral assignment.

(e) The Issuer agrees that this assignment is irrevocable, and that it shall not take any action which is inconsistent with this assignment or make any other assignment inconsistent herewith. The Issuer shall, from time to time upon the request of the Trustee, execute all instruments of further assurance and all such supplemental instruments with respect to this assignment as the Trustee may specify.

(f) The Issuer hereby agrees, and hereby undertakes to obtain the agreement and consent of the Sellers and the Collateral Manager, as applicable, in the Mortgage Asset Purchase Agreements and the Collateral Management Agreement, as applicable, to the following:

(i) each of the Sellers and the Collateral Manager consents to the provisions of this collateral assignment and agrees to perform any provisions of this Indenture made expressly applicable to each of the Sellers and the Collateral Manager pursuant to the applicable Article 15 Agreement;

(ii) each of the Sellers and the Collateral Manager, as applicable, acknowledges that the Issuer is collaterally assigning all of its right, title and interest in, to and under the Mortgage Asset Purchase Agreements and the Collateral Management Agreement, as applicable, to the Trustee for the benefit of the Noteholders, and each of the Sellers and the Collateral Manager, as applicable, agrees that all of the representations, covenants and agreements made by each of the Sellers and the Collateral Manager, as applicable, in the applicable Article 15 Agreement are also for the benefit of, and enforceable by, the Trustee and the Noteholders;

(iii) each of the Sellers and the Collateral Manager, as applicable, shall deliver to the Trustee duplicate original copies of all notices, statements, communications and instruments delivered or required to be delivered to the Issuer pursuant to the applicable Article 15 Agreement;

(iv) none of the Issuer, the Sellers or the Collateral Manager shall enter into any agreement amending, modifying or terminating the applicable Article 15 Agreement, (other than in respect of an amendment or modification to cure any inconsistency, ambiguity or manifest error) or selecting or consenting to a successor Collateral Manager, as applicable, without notifying the Rating Agencies and without the prior written consent and written confirmation of the Rating Agencies that such amendment, modification or termination will not cause its then-current ratings of the Notes to be downgraded or withdrawn;

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(v) except as otherwise set forth herein and therein (including, without limitation, pursuant to Section 12 of the Collateral Management Agreement), the Collateral Manager shall continue to serve as Collateral Manager under the Collateral Management Agreement, notwithstanding that the Collateral Manager shall not have received amounts due it under the Collateral Management Agreement because sufficient funds were not then available hereunder to pay such amounts pursuant to the Priority of Payments. The Collateral Manager agrees not to cause the filing of a petition in bankruptcy against the Issuer for the nonpayment of the fees or other amounts payable to the Collateral Manager under the Collateral Management Agreement until the payment in full of all Notes issued under this Indenture and the expiration of a period equal to the applicable preference period under the Bankruptcy Code plus ten days following such payment; and

(vi) the Collateral Manager irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan in The City of New York in any action or proceeding arising out of or relating to the Notes or this Indenture, and the Collateral Manager irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or federal court. The Collateral Manager irrevocably waives, to the fullest extent it may legally do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Collateral Manager irrevocably consents to the service of any and all process in any action or Proceeding by the mailing by certified mail, return receipt requested, or delivery requiring signature and proof of delivery of copies of such initial process to it at Arbor Realty Trust, Inc., 333 Earle Ovington Boulevard, 9th Floor, Uniondale, New York 11553, Attention: Executive Vice President—Structured Securitization. The Collateral Manager agrees that a final and non-appealable judgment by a court of competent jurisdiction in any

such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

ARTICLE 16

CURE RIGHTS; PURCHASE RIGHTS; RAMP-UP MORTGAGE ASSETS AND REINVESTMENT MORTGAGE ASSETS

Section 16.1 [Reserved]

Section 16.2 Mortgage Asset Purchase Agreements.

Following the Closing Date, unless a Mortgage Asset Purchase Agreement is necessary to comply with the provisions of this Indenture, the Issuer may acquire Mortgage Assets in accordance with customary settlement procedures in the relevant markets. In any event, the Issuer (or the Collateral Manager on behalf of the Issuer) shall obtain from any seller of a Mortgage Asset, all Underlying Instruments with respect to each Mortgage Asset that govern, directly or indirectly, the rights and obligations of the owner of the Mortgage Asset with respect to the Mortgage Asset and any certificate evidencing the Mortgage Asset.

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Section 16.3 Representations and Warranties Related to Ramp-Up Mortgage Assets and Reinvestment Mortgage Assets.

(a) Upon the acquisition of a Ramp-Up Mortgage Asset or a Reinvestment Mortgage Asset by the Issuer, the related seller shall be required to make representations and warranties substantially in the form attached as Exhibit L hereto.

(b) The representations and warranties in Section 16.3(a) with respect to the acquisition of a Ramp-Up Mortgage Asset or a Reinvestment Mortgage Asset may be subject to any modification, limitation or qualification that the Collateral Manager determines to be reasonably acceptable in accordance with the Collateral Management Standard; provided that the Collateral Manager will provide the Rating Agencies with a report attached to each Monthly Report identifying each such affected representation or warranty and the modification, exception, limitation or qualification received with respect to the acquisition of any Ramp-Up Mortgage Asset or Reinvestment Mortgage Asset during the period covered by the Monthly Report, which report may contain explanations by the Collateral Manager as to its determinations.

(c) The Issuer (or the Collateral Manager on behalf of the Issuer) shall obtain a covenant from the Person making any representation or warranty to the Issuer pursuant to Section 16.3(a) that such Person shall repurchase the related Mortgage Asset if any such representation or warranty is breached (but only after the expiration of any permitted cure periods and failure to cure such breach). The purchase price for any Mortgage Asset repurchased shall be a price equal to the sum of the following (in each case, without duplication) as of the date of such repurchase: (i) the then outstanding Principal Balance of such Mortgage Asset, discounted based on the percentage amount of any discount that was applied when such Mortgage Asset was purchased by the Issuer, *plus* (ii) accrued and unpaid interest on such Mortgage Asset, *plus* (iii) any unreimbursed advances, *plus* (iv) accrued and unpaid interest on advances on the Mortgage Asset, *plus* (v) any reasonable costs and expenses (including, but not limited to, the cost of any enforcement action, incurred by the Issuer or the Trustee in connection with any such purchase by a seller).

Section 16.4 Operating Advisor.

If the Issuer, as holder of a Senior Participation has the right pursuant to the related Underlying Instruments to appoint the operating advisor, directing holder or Person serving a similar function under the Underlying Instruments, each of the Issuer, the Trustee and the Collateral Manager shall take such actions as are reasonably necessary to appoint the Collateral Manager to such position.

Section 16.5 Purchase Right; Holder of a Majority of the Preferred Shares.

If the Issuer, as holder of a Senior Participation, has the right pursuant to the related Underlying Instruments to purchase any other interest in the same Underlying Whole Loan as the Senior Participation (an "Other Tranche"), the Issuer shall, if directed by the Holder of a Majority of the Preferred Shares, exercise such right, if the Collateral Manager determines, in accordance with the Collateral Management Standard, that the exercise of the option would be in the best interest of the Noteholders, but shall not exercise such right if the Collateral Manager determines otherwise. The Collateral Manager shall deliver to the Trustee an Officer's Certificate certifying

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such determination, accompanied by an Act of the Holder of a Majority of the Preferred Shares directing the Issuer to exercise such right. In connection with the purchase of any such Other Tranche(s), the Issuer shall assign to the Holder of a Majority of the Preferred Shares or its designee all of its right, title and interest in such Other Tranche(s) in exchange for a purchase price (such price and any other associated expense of such exercise to be paid by the Holder of a Majority of the Preferred Shares) of the Other Tranche(s) (or, if the Underlying Instruments permit, the Issuer may assign the purchase right to the Holder of a Majority of the Preferred Shares or its designee; otherwise the Holder of a Majority of the Preferred Shares or its designee shall fund the purchase by the Issuer, which shall then assign the Other Tranche(s) to the Holder of a Majority of the Preferred Shares or its designee), which amount shall be delivered by such Holder or its designee from its own funds to or upon the instruction of the Collateral Manager in accordance with terms of the Underlying Instruments related to the acquisition of such Other Tranche(s). The Issuer shall execute and deliver at the direction of such Holder of a Majority of the Preferred Shares such instruments of transfer or assignment prepared by such Holder, in each case without recourse, as shall be necessary to transfer title to such Holder of the Majority of Preferred Shares or its designee of the Other Tranche(s) and the Trustee shall have no responsibility with regard to such Other Tranche(s). Notwithstanding anything to the contrary herein, any Other Tranche purchased hereunder by the Issuer shall not be subject to the Grant to the Trustee under the Granting Clauses.

ARTICLE 17

Section 17.1 Liability of the Advancing Agent.

The Advancing Agent shall be liable in accordance herewith only to the extent of the obligations specifically imposed upon and undertaken by the Advancing Agent.

Section 17.2 Merger or Consolidation of the Advancing Agent.

(a) The Advancing Agent will keep in full effect its existence, rights and franchises as a corporation under the laws of the jurisdiction in which it was formed, and will obtain and preserve its qualification to do business as a foreign corporation in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture to perform its duties under this Indenture.

(b) Any Person into which the Advancing Agent may be merged or consolidated, or any corporation resulting from any merger or consolidation to which the Advancing Agent shall be a party, or any Person succeeding to the business of the Advancing Agent shall be the successor of the Advancing Agent, hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding (it being understood and agreed by the parties hereto that the consummation of any such transaction by the Advancing Agent shall have no effect on the Trustee's obligations under Section 10.9, which obligations shall continue pursuant to the terms of Section 10.9).

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Section 17.3 Limitation on Liability of the Advancing Agent and Others.

None of the Advancing Agent or any of its affiliates, directors, officers, employees or agents shall be under any liability for any action taken or for refraining from the taking of any action in good faith pursuant to this Indenture, or for errors in judgment; provided, however, that this provision shall not protect the Advancing Agent against liability to the Issuer or Noteholders for any breach of warranties or representations made herein or any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or negligence in the performance of duties or by reason of negligent disregard of obligations and duties hereunder. The Advancing Agent and any director, officer, employee or agent of the Advancing Agent may rely in good faith on any document of any kind prima facie properly executed and submitted by any Person respecting any matters arising hereunder. The Advancing Agent and any director, officer, employee or agent of the Advancing Agent shall be indemnified by the Issuer pursuant to the priorities set forth in Section 11.1(a) and held harmless against any loss, liability or expense incurred in connection with any legal action relating to this Indenture or the Notes, other than any loss, liability or expense (i) specifically required to be borne by the Advancing Agent pursuant to the terms hereof or otherwise incidental to the performance of obligations and duties hereunder (except as any such loss, liability or expense shall be otherwise reimbursable pursuant to this Indenture); or (ii) incurred by reason of any breach of a representation, warranty or covenant made herein, any misfeasance, bad faith or negligence by the Advancing Agent in the performance of or negligent disregard of, obligations or duties hereunder or any violation of any state or federal securities law.

Section 17.4 Representations and Warranties of the Advancing Agent.

The Advancing Agent represents and warrants that:

(a) the Advancing Agent (i) has been duly organized, is validly existing and is in good standing under the laws of the State of Maryland, (ii) has full power and authority to own the Advancing Agent's assets and to transact the business in which it is currently engaged, and (iii) is duly qualified and in good standing under the laws of each jurisdiction where the Advancing Agent's ownership or lease of property or the conduct of the Advancing Agent's business requires, or the performance of this Indenture would require, such qualification, except for failures to be so qualified that would not in the aggregate have a material adverse effect on the business, operations, assets or financial condition of the Advancing Agent or the ability of the Advancing Agent to perform its obligations under, or on the validity or enforceability of, the provisions of this Indenture applicable to the Advancing Agent;

(b) the Advancing Agent has full power and authority to execute, deliver and perform this Indenture; this Indenture has been duly authorized, executed and delivered by the Advancing Agent and constitutes a legal, valid and binding agreement of the Advancing Agent, enforceable against it in accordance with the terms hereof, except that the enforceability hereof may be subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(c) neither the execution and delivery of this Indenture nor the performance by the Advancing Agent of its duties hereunder conflicts with or will violate or result in a breach or

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violation of any of the terms or provisions of, or constitutes a default under: (i) the charter and bylaws of the Advancing Agent, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement or other evidence of indebtedness or other agreement, obligation, condition, covenant or instrument to which the Advancing Agent is a party or is bound, (iii) any law, decree, order, rule or regulation applicable to the Advancing Agent of any court or regulatory, administrative or governmental agency, body or authority or arbitrator having jurisdiction over the Advancing Agent or its properties, and which would have, in the case of any of (i), (ii) or (iii) of this Section 17.4(c), either individually or in the aggregate, a material adverse effect on the business, operations, assets or financial condition of the Advancing Agent or the ability of the Advancing Agent to perform its obligations under this Indenture;

(d) no litigation is pending or, to the best of the Advancing Agent's knowledge, threatened, against the Advancing Agent that would materially and adversely affect the execution, delivery or enforceability of this Indenture or the ability of the Advancing Agent to perform any of its obligations under this Indenture in accordance with the terms hereof; and

(e) no consent, approval, authorization or order of or declaration or filing with any government, governmental instrumentality or court or other Person is required for the performance by the Advancing Agent of its duties hereunder, except such as have been duly made or obtained.

Section 17.5 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Advancing Agent and no appointment of a successor Advancing Agent pursuant to this Article 17 shall become effective until the acceptance of appointment by the successor Advancing Agent under Section 17.6.

(b) The Advancing Agent may resign at any time by giving written notice thereof to the Issuer, the Co-Issuer, the Trustee, the Collateral Manager, the Noteholders and the Rating Agencies.

(c) The Advancing Agent may be removed at any time by Act of at least 66-²/₃% of the Preferred Shares upon written notice delivered to the Trustee and to the Issuer and the Co-Issuer.

(d) If the Advancing Agent fails to make an Interest Advance required by this Indenture with respect to a Payment Date, the Backup Advancing Agent shall be required to make such Interest Advance and shall be entitled to receive, in consideration thereof, the Advancing Agent Fee (in lieu of the Backup Advancing Agent Fee) in accordance with the Priority of Payments. If the Advancing Agent fails to make a required Interest Advance and it has not determined such Interest Advance to be a Nonrecoverable Interest Advance, the Collateral Manager may, and at the direction of the Controlling Class shall, terminate such Advancing Agent and replace such Advancing Agent with a successor advancing agent, subject to the satisfaction of the Rating Agency Condition. In the event that the Collateral Manager has not terminated and replaced such Advancing Agent within 30 days of such Advancing Agent's failure to make a required Interest Advance, the Trustee may terminate such Advancing Agent and appoint a successor Advancing Agent.

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(e) Subject to Section 17.5(d), if the Advancing Agent shall resign or be removed, upon receiving such notice of resignation or removal, the Issuer and the Co-Issuer shall promptly appoint a successor advancing agent by written instrument, in duplicate, executed by an Authorized Officer of the Issuer and an Authorized Officer of the Co-Issuer, one copy of which shall be delivered to the Advancing Agent so resigning and one copy to the successor Advancing Agent, together with a copy to each Noteholder, the Trustee and the Collateral Manager; provided that such successor Advancing Agent shall be appointed only subject to satisfaction of the Rating Agency Condition, upon the written consent of a Majority of Preferred Shareholders. If no successor Advancing Agent shall have been appointed and an instrument of acceptance by a successor Advancing Agent shall not have been delivered to the Advancing Agent within 30 days after the giving of such notice of resignation, the resigning Advancing Agent, the Trustee or any Preferred Shareholder, on behalf of himself and all others similarly situated, may petition any court of competent jurisdiction for the appointment of a successor Advancing Agent.

(f) The Issuer and the Co-Issuer shall give prompt notice of each resignation and each removal of the Advancing Agent and each appointment of a successor Advancing Agent by mailing written notice of such event by first class mail, postage prepaid, to the Rating Agencies and to the Holders of the Notes as their names and addresses appear in the Notes Register.

Section 17.6 Acceptance of Appointment by Successor Advancing Agent.

(a) Every successor Advancing Agent appointed hereunder shall execute, acknowledge and deliver to the Issuer, the Co-Issuer, the Collateral Manager, the Trustee and the retiring Advancing Agent an instrument accepting such appointment. Upon delivery of the required instruments, the resignation or removal of the retiring Advancing Agent shall become effective and such successor Advancing Agent, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of the retiring Advancing Agent.

(b) No appointment of a successor Advancing Agent shall become effective unless the Rating Agencies have confirmed in writing that the employment of such successor would not adversely affect the rating on the Notes.

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Indenture as of the day and year first above written.

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2018-FL1, LTD., as Issuer

By _____

Name:

Title:

In the presence of:

Witness:

Name:

Title:

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2018-FL1, LLC,
as Co-Issuer

By: _____

Name:

Title:

U.S. BANK NATIONAL ASSOCIATION, solely as Trustee, Paying Agent,
Calculation Agent, Transfer Agent, Custodial Securities Intermediary,

Backup Advancing Agent and Notes Registrar and not in its individual capacity

By: _____

Name:

Title:

1

ARBOR REALTY SR, INC., as Advancing Agent

By: _____

Name:

Title:

2

Acknowledged and Agreed:

U.S. BANK NATIONAL ASSOCIATION, solely as Custodian and not in its individual capacity

By: _____

Name:

Title:

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SCHEDULE A

INITIAL MORTGAGE ASSETS

<u>Mortgage Asset</u>	<u>Unpaid Principal Balance(1)</u>
Planet Self Storage Portfolio	\$ 48,000,000.00
Central West End	\$ 48,000,000.00(2)
Georgia Portfolio	\$ 34,000,000.00
The Redford	\$ 32,350,000.00
Preston Hollow	\$ 29,000,000.00
The Katy Apartments	\$ 29,000,000.00
Oaks at Park South	\$ 28,789,132.98
Maystone at Wakefield	\$ 20,000,000.00
Blue Lake Villas	\$ 18,500,000.00
Landmark at Mountain View	\$ 18,000,000.00
St. Moritz Apartments	\$ 17,150,000.00
Willow Point Apartments	\$ 16,500,000.00
Captain's Quarters I	\$ 16,000,000.00
Wilshire Victoria Apartments	\$ 14,873,607.19
Hudson Valley Portfolio	\$ 13,100,000.00
Carrington Park I	\$ 13,080,090.94
Campus Commons	\$ 13,000,000.00
King Arthur - Draper	\$ 13,000,000.00
The Mark Apartments	\$ 13,000,000.00
309 East 75th Street	\$ 12,910,000.00
Cypress Village Apartments	\$ 12,600,000.00
160 Van Brunt Street	\$ 12,151,000.00
Raintree Apartments	\$ 6,200,000.00
King Arthur — West Valley City	\$ 5,800,000.00
528 East 85th Street	\$ 5,060,000.00
Grancare	\$ 4,625,000.00
Carrington Park II	\$ 4,000,136.30
Housing Investors Portfolio Alabama II	\$ 3,400,000.00
Total	\$ 502,088,967.41

(1) For each Initial Mortgage Asset, as of the Reference Date.

(2) Including all RDD Funding Advances in connection with Central West End, in an aggregate amount of \$7,664,744.00.

SCHEDULE B

LIBOR

The London interbank offered rate (“LIBOR”) shall be determined by the Calculation Agent in accordance with the following provisions:

(1) On the second London Banking Day preceding the first Business Day of an Interest Accrual Period (each such day, a “LIBOR Determination Date”), LIBOR (other than for the initial Interest Accrual Period) will equal the rate, as obtained by the Calculation Agent, for deposits in U.S. Dollars for a period of one month, which appears on the Reuters Page LIBOR01 (or such other page that may replace that page on such service for the purpose of displaying comparable rates) as reported by Bloomberg Financial Markets Commodities News as of 11:00 a.m., London time, on the LIBOR Determination Date. “London Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, England.

(2) If, on any LIBOR Determination Date, such rate does not appear on Reuters Screen LIBOR01, the Calculation Agent will determine LIBOR on the basis of the rates at which deposits in U.S. Dollars are offered by Reference Banks at approximately 11:00 a.m. (London time) on the LIBOR Determination Date to prime banks in the London interbank market for a period of one month commencing on the LIBOR Determination Date and in a representative amount of U.S.\$1,000. The Calculation Agent will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the rate for that LIBOR Determination Date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that LIBOR Determination Date will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Calculation Agent, at approximately 11:00 a.m. (New York City time) on the LIBOR Determination Date for loans in U.S. Dollars to leading European banks for a period of one month commencing on the LIBOR Determination Date and in a representative amount of U.S.\$1,000. As used herein, “Reference Banks” means four major banks in the London interbank market selected by the Calculation Agent and approved by the Collateral Manager. If the Calculation Agent is unable to determine a rate in accordance with any procedure in clauses (1) or (2) hereof, LIBOR shall be as determined on the immediately preceding LIBOR Determination Date.

(3) In respect of the initial Interest Accrual Period, LIBOR will be determined on the second London Banking Day preceding the Closing Date.

(4) In no event shall LIBOR be less than zero.

In making the above calculations, (A) all percentages resulting from the calculation (other than the calculation determined pursuant to clause (c) above) will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (0.00001%) and (B) all percentages determined pursuant to clause (c) above will be rounded, if necessary, in accordance with the method set forth in (A), but to the same degree of accuracy as the two rates used to make the

determination (except that such percentages will not be rounded to a lower degree of accuracy than the nearest one thousandth of a percentage point (0.001%)).

SCHEDULE C

LIST OF AUTHORIZED OFFICERS OF COLLATERAL MANAGER

1. Ivan Kaufman
 2. Paul Elenio
 3. Fred Weber
 4. Gene Kilgore
-

MORTGAGE ASSET PURCHASE AGREEMENT

This MORTGAGE ASSET PURCHASE AGREEMENT (this “Agreement”) is made as of June 14, 2018 by and between Arbor Realty SR, Inc., a Maryland corporation (the “Seller”), and Arbor Realty Commercial Real Estate Notes 2018-FL1, Ltd., an exempted company incorporated in the Cayman Islands with limited liability (the “Issuer” and, in some instances, the “Purchaser”).

W I T N E S S E T H:

WHEREAS, the Issuer desires to purchase from the Seller and the Seller desires to sell to the Issuer an initial portfolio of mortgage assets (“Initial Mortgage Assets”);

WHEREAS, in connection with the sale of such mortgage assets to the Issuer, the Seller desires to release any interest it may have in the mortgage assets and desires to make certain representations and warranties regarding the mortgage assets;

WHEREAS, pursuant to an indenture, dated as of June 14, 2018 (the “Indenture”), by and among the Issuer, the Co-Issuer (hereinafter defined), U.S. Bank National Association, as trustee, paying agent, calculation agent, transfer agent, custodial securities intermediary, backup advancing agent and notes registrar (together with any successor trustee permitted under the Indenture, the “Trustee”), U.S. Bank National Association, as custodian and Arbor Realty SR, Inc., as advancing agent, (A) the Issuer and Arbor Realty Commercial Real Estate Notes 2018-FL1, LLC, a Delaware limited liability company (the “Co-Issuer”), intend to issue the U.S.\$308,000,000 Class A Senior Secured Floating Rate Notes Due 2028 (the “Class A Notes”), the U.S.\$50,400,000 Class A-S Senior Secured Floating Rate Notes Due 2028 (the “Class A-S Notes”), the U.S.\$22,400,000 Class B Secured Floating Rate Notes Due 2028 (the “Class B Notes”), the U.S.\$23,100,000 Class C Secured Floating Rate Notes Due 2028 (the “Class C Notes”) and the U.S.\$37,100,000 Class D Secured Floating Rate Notes Due 2028 (the “Class D Notes”, and together with Class A Notes, Class A-S Notes, Class B Notes and Class C Notes, the “Offered Notes”), and (B) the Issuer intends to issue the U.S.\$30,800,000 Class E Floating Rate Notes Due 2028 (the “Class E Notes”) and the U.S.\$22,400,000 Class F Floating Rate Notes Due 2028 (the “Class F Notes” and, together with the Class E Notes and the Offered Notes, the “Notes”);

WHEREAS, pursuant to its Governing Documents, certain resolutions of its Board of Directors and a preferred share paying agency agreement, the Issuer also intends to issue the U.S.\$65,800,000 aggregate notional amount preferred shares (the “Preferred Shares” and, together with the Notes, the “Securities”);

WHEREAS, the Issuer intends to pledge the mortgage assets purchased hereunder by the Issuer to the Trustee as security for the Offered Notes;

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NOW, THEREFORE, the parties hereto agree as follows:

1. Defined Terms.

Capitalized terms used and not otherwise defined herein shall have the same meanings ascribed to such terms in the Indenture.

“Accountants’ Due Diligence Report”: The meaning specified in Section 4(l) hereof.

“Assignment of Leases, Rents and Profits”: With respect to any Mortgage, an assignment of leases thereunder, notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the Underlying Mortgaged Property is located to reflect the assignment of leases to the Mortgagee.

“Assignment of Mortgage”: With respect to any Mortgage, an assignment of the Mortgage, notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the related Underlying Mortgaged Property is located to reflect the assignment of the Mortgage to the Mortgagee.

“Borrower”: The borrower under a Mortgage Loan.

“Closing Date”: The meaning specified in Section 2(b) hereof.

“Collateral File”: With respect to any Mortgage Asset, the Underlying Instruments.

“Companion Loan”: Any Non-Acquired Participation.

“Cut-off Date”: Has the same meaning as Reference Date.

“Cut-off Date Stated Principal Balance”: With respect to each Mortgage Loan, the outstanding principal balance of the Underlying Note as of the Cut-off Date.

“Exception Schedule”: The schedule identifying any exceptions to the representations and warranties made with respect to the Mortgage Assets conveyed hereunder, which is attached hereto as Schedule 1(a).

“Exchange Act”: The meaning specified in Section 4(l) hereof.

“Form 15G”: The meaning specified in Section 4(m) hereof.

“Junior Participation”: One or more junior participation interests (or B notes in a Whole Loan).

“Loan Documents”: The documents evidencing a Mortgage Loan.

“Loss Value Payment”: The meaning specified in Section 4(e) hereof.

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“Mortgage”: With respect to each Mortgage Asset, the mortgage, deed of trust, deed to secure debt or similar instrument that secures the Underlying Note and creates a lien on the fee or leasehold interest in the related Underlying Mortgaged Property.

“Mortgagee”: With respect to each Mortgage Loan, the party secured by the related Mortgage.

“Mortgage Asset”: Each Whole Loan or Participation identified on Exhibit A hereto.

“Mortgage File”: The file containing the Loan Documents.

“Mortgage Loan”: With respect to (1) each Mortgage Asset that is a Whole Loan, such Whole Loan and (2) with respect to each Mortgage Asset that is a Participation, the underlying Whole Loan in which such Participation represents an interest.

“Mortgage Rate”: The stated rate of interest on a Mortgage Loan.

“Mortgaged Property”: With respect to each Mortgage Loan, the real property securing such Mortgage Loan.

“Participation”: Any Senior Participation or Junior Participation.

“Participation Agreement”: With respect to each Mortgage Asset that is a Participation, the participation agreement and/or sub-participation agreement that governs the rights and obligations of the holders of such Participation and the related Non-Acquired Participations.

“Qualifying REIT Subsidiary”: As defined in the Indenture.

“Reference Date”: With respect to each Mortgage Asset and Mortgage Loan, the later of April 1, 2018, or the related asset origination date.

“Senior Participation”: A senior participation interest in a Whole Loan.

“Servicing File”: The file maintained by the servicer with respect to each Mortgage Asset.

“Stated Principal Balance”: With respect to each Mortgage Asset and Mortgage Loan, the outstanding principal balance thereof.

“UCC”: The applicable Uniform Commercial Code.

“Underlying Note or Note”: With respect to each Mortgage Loan, the promissory note evidencing the indebtedness of the related Underlying Obligor, together with any rider, addendum or amendment thereto, or any renewal, substitution or replacement of such note.

“Underlying Obligor”: With respect to any Mortgage Loan, the related Borrower or other obligor thereunder.

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“Whole Loan”: A mortgage loan secured by a first mortgage lien on one or more multi-family properties (including student housing properties) or office properties, industrial properties, retail properties, healthcare properties, hospitality properties or self-storage properties.

2. Purchase and Sale of the Mortgage Assets.

(a) Set forth in Exhibit A hereto is a list of Mortgage Assets and certain other information with respect to each of the Mortgage Assets. The Seller agrees to sell to the Issuer, and the Issuer agrees to purchase from the Seller, all of the Mortgage Assets at an aggregate purchase price of U.S.\$494,281,207.91 plus accrued interest (the “Purchase Price”). Immediately prior to such sale, the Seller hereby conveys and assigns all right, title and interest it may have in such Mortgage Asset to the Issuer.

(b) Delivery or transfer of the Mortgage Assets shall be made on or about June 14, 2018 (the “Closing Date”) at the time and in the manner agreed upon by the parties. Upon receipt of evidence of the delivery or transfer of the Mortgage Assets to the Issuer or its designee, the Issuer shall pay or cause to be paid to the Seller the Purchase Price in the manner agreed upon by the Seller and the Issuer.

3. Conditions.

The obligations of the parties under this Agreement are subject to satisfaction of the following conditions:

(a) the representations and warranties contained herein shall be accurate and complete;

(b) on the Closing Date, counsel for the Issuer shall have been furnished with all such documents, certificates and opinions as such counsel may reasonably request in order to evidence the accuracy and completeness of any of the representations, warranties or statements of the Seller, the performance of any of the obligations of the Seller hereunder or the fulfillment of any of the conditions herein contained; and

(c) the issuance of the Securities and receipt by the Issuer of full payment therefor.

4. Covenants, Representations and Warranties.

(a) Each party hereby represents and warrants to the other party that (i) it is duly organized or incorporated, as the case may be, and validly existing as an entity under the laws of the jurisdiction in which it is incorporated, chartered or organized, (ii) it has the requisite power and authority to enter into and perform this Agreement, and (iii) this Agreement has been duly authorized by all necessary action, has been duly executed by one or more duly authorized officers and is the valid and binding agreement of such party enforceable against such party in accordance with its terms.

(b) The Seller further represents and warrants to the Issuer that:

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(i) immediately prior to the sale of the Mortgage Assets to the Issuer, the Seller shall own the Mortgage Assets, shall have good and marketable title thereto, free and clear of any pledge, lien, security interest, charge, claim, equity, or encumbrance of any kind, and upon the delivery or transfer of the Mortgage Assets to the Issuer as contemplated herein, the Issuer shall receive good and marketable title to the Mortgage Assets, free and clear of any pledge, lien, security interest, charge, claim, equity or encumbrance of any kind;

(ii) the Seller acquired its ownership in the Mortgage Assets in good faith without notice of any adverse claim, and upon the delivery or transfer of the Mortgage Assets to the Issuer as contemplated herein, the Issuer shall acquire ownership in the Mortgage Assets in good faith without notice of any adverse claim;

(iii) the Seller has not assigned, pledged or otherwise encumbered any interest in the Mortgage Assets (or, if any such interest has been assigned, pledged or otherwise encumbered, it has been released);

(iv) none of the execution, delivery or performance by the Seller of this Agreement shall (x) conflict with, result in any breach of or constitute a default (or an event which, with the giving of notice or passage of time, or both, would constitute a default) under, any term or provision of the organizational documents of the Seller, or any material indenture, agreement, order, decree or other material instrument to which the Seller is party or by which the Seller is bound which materially adversely affects the Seller's ability to perform its obligations hereunder or (y) violate any provision of any law, rule or regulation applicable to the Seller of any regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Seller or its properties which has a material adverse effect;

(v) no consent, license, approval or authorization from, or registration or qualification with, any governmental body, agency or authority, nor any consent, approval, waiver or notification of any creditor or lessor is required in connection with the execution, delivery and performance by the Seller of this Agreement the failure of which to obtain would have a material adverse effect except such as have been obtained and are in full force and effect;

(vi) it has adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations. It is generally able to pay, and as of the date hereof is paying, its debts as they come due. It has not become or is not presently, financially insolvent nor will it be made insolvent by virtue of its execution of or performance under any of the provisions of this Agreement within the meaning of the bankruptcy laws or the insolvency laws of any jurisdiction. It has not entered into this Agreement or the transactions effectuated hereby in contemplation of insolvency or with intent to hinder, delay or defraud any creditor;

(vii) no proceedings are pending or, to its knowledge, threatened against it before any federal, state or other governmental agency, authority, administrative or regulatory body, arbitrator, court or other tribunal, foreign or domestic, which, singularly

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or in the aggregate, could materially and adversely affect the ability of the Seller to perform any of its obligations under this Agreement; and

(viii) the consideration received by it upon the sale of the Mortgage Assets owned by it constitutes fair consideration and reasonably equivalent value for such Mortgage Assets.

(c) the Seller further represents and warrants to the Issuer that:

(i) the Underlying Instruments with respect to each Mortgage Asset do not prohibit the Issuer from granting a security interest in and assigning and pledging such Mortgage Asset to the Trustee;

(ii) the information set forth with respect to the Mortgage Assets in Schedule A of the Indenture is true and correct;

(iii) none of the Mortgage Assets will cause the Issuer to have payments subject to foreign or United States withholding tax;

(iv) with respect to each Mortgage Asset, except as set forth in the Exception Schedule, the representations and warranties set forth in Schedule 1 are true and correct; and

(v) the Seller has delivered to the Issuer or its designee (A) the original of any note (or a copy of such note together with a lost note affidavit and indemnity), certificate or other instrument, if any, constituting or evidencing such Mortgage Asset together with an assignment in blank and all other assignment documents reasonably necessary to evidence the transfer of the Mortgage Asset including, where applicable, UCC assignments and any other Underlying Instrument and copies of any other documents related to the Mortgage Asset in the Seller's possession, including copies of any related mortgage loan documents if the Mortgage Asset is a Mortgage Loan, related to such Mortgage Asset the delivery of which is necessary to perfect the security interest of the Trustee in such Mortgage Asset and (B) copies of the Underlying Instruments.

(d) For purposes of the representations and warranties set forth in Schedule 1, the phrases “to the knowledge of the Seller” or “to the Seller’s knowledge” shall mean, except where otherwise expressly set forth in a particular representation and warranty, the actual state of knowledge of the Seller or any servicer acting on its behalf regarding the matters referred to, in each case: (i) at the time of the Seller’s origination or acquisition of the particular Mortgage Asset, after the Seller having conducted such inquiry and due diligence into such matters as would be customarily performed by a prudent institutional commercial or multifamily, as applicable, mortgage lender; and (ii) subsequent to such origination, the Seller having utilized monitoring practices that would be utilized by a prudent institutional commercial or multifamily, as applicable, mortgage lender and having made prudent inquiry as to the knowledge of the servicer servicing such Mortgage Asset on its behalf. Also, for purposes of such representations and warranties, the phrases “to the actual knowledge of the Seller” or “to the Seller’s actual knowledge” shall mean, except where otherwise expressly set forth below, the actual state of knowledge of the Seller or any servicer acting on its behalf without any express or implied

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obligation to make inquiry. All information contained in documents which are part of or required to be part of a Collateral File shall be deemed to be within the knowledge and the actual knowledge of the Seller. Wherever there is a reference to receipt by, or possession of, the Seller of any information or documents, or to any action taken by the Seller or not taken by the Seller, such reference shall include the receipt or possession of such information or documents by, or the taking of such action or the failure to take such action by, the Seller or any servicer acting on its behalf.

(e) If the Seller receives written notice of a breach of a representation or a warranty pursuant to this Agreement relating to any Mortgage Asset, which breach materially and adversely affects the value of such Mortgage Asset, the value of the related Mortgaged Property or the interests of the Trustee or any Noteholder therein, then the Seller shall (1) not later than 90 days from receipt of such notice or discovery by the Seller, cure such breach (to the extent such breach is capable of being cured), (2) subject to the consent of a Majority of each Class of Notes (excluding any Note held by the Seller or any of its affiliates), make a Cash payment to the Issuer in an amount that the Collateral Manager, on behalf of the Issuer, subject to the consent of a Majority of each Class of Notes (excluding any Note held by the Seller or any of its affiliates), determines is sufficient to compensate the Issuer for such breach of representation or warranty (such payment, a “Loss Value Payment”), which Loss Value Payment will be deemed to cure such breach of representation or warranty, or (3) if such breach cannot be cured within such 90-day period, repurchase the affected Mortgage Asset not later than the end of such 90-day period at the Repurchase Price (as defined in Section 16.3(c) of the Indenture)

(f) The Seller hereby acknowledges and consents to the collateral assignment by the Issuer of this Agreement and all right, title and interest thereto to the Trustee, for the benefit of the Noteholders, as required in Sections 15.1(f)(i) and (ii) of the Indenture.

(g) The Seller hereby covenants and agrees that it shall perform any provisions of the Indenture made expressly applicable to the Seller by the Indenture, as required by Section 15.1(f)(i) of the Indenture.

(h) The Seller hereby covenants and agrees that all of the representations, covenants and agreements made by or otherwise entered into by it in this Agreement shall also be for the benefit of the Trustee and the Noteholders, as required by Section 15.1(f)(ii) of the Indenture and agrees that enforcement of any rights hereunder by the Trustee shall have the same force and effect as if the right or remedy had been enforced or executed by the Issuer but that such rights and remedies shall not be any greater than the rights and remedies of the Issuer under Section 4(e) above.

(i) On or prior to the Closing Date, the Seller shall deliver the Underlying Instruments to the Issuer or, at the direction of the Issuer, to the Trustee, with respect to each Mortgage Asset sold to the Issuer hereunder. The Seller hereby covenants and agrees, as required by Section 15.1(f)(iii) of the Indenture, that it shall deliver to the Trustee duplicate original copies of all notices, statements, communications and instruments delivered or required to be delivered to the Issuer by each party pursuant to this Agreement.

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(j) The Seller hereby covenants and agrees, as required by Section 15.1(f)(iv) of the Indenture, that it shall not enter into any agreement amending, modifying or terminating this Agreement (other than in respect of an amendment or modification to cure any inconsistency, ambiguity or manifest error), without notifying the Rating Agencies.

(k) The Seller hereby covenants, that at all times (1) Seller will qualify as a REIT for federal income tax purposes and the Issuer will qualify as a Qualified REIT Subsidiary (or other disregarded entity) of Seller for federal income tax purposes, (2) based on an Opinion of Counsel, the Issuer will be treated as a Qualified REIT Subsidiary (or other disregarded entity) of a REIT other than Seller, or (3) based on an Opinion of Counsel, the Issuer will be treated as a foreign corporation that will not be treated as engaged in a trade or business in the United States for U.S. federal income tax purposes.

(l) Except for the agreed-upon procedures report obtained from a nationally recognized accounting firm for due diligence services with respect to certain information regarding the Mortgage Assets to be conveyed to the Issuer (such report, the “Accountants’ Due Diligence Report”), the Seller has not obtained and shall not obtain any “third party due diligence report” (as defined in Rule 15Ga-2 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) in connection with the securitization transaction contemplated by the recitals hereto.

(m) The Purchaser (A) prepared or caused to be prepared a report on Form ABS-15G (the “Form 15G”) containing the findings and conclusions of the Accountants’ Due Diligence Report and meeting all other requirements of that Rule 15Ga-2 under the Exchange Act, any other rules and regulations of the Securities and Exchange Commission and the Exchange Act; (B) provided a copy of the final draft of the Form 15G to the Placement Agent at least seven Business Days before the first sale of any Notes; and (C) furnished the Form 15G to the Securities and Exchange Commission on Electronic Data Gathering, Analysis and Retrieval System (EDGAR) at least five Business Days before the first sale of any Notes as required by Rule 15Ga-2 under the Exchange Act.

5. Sale.

It is the intention of the parties hereto that the transfer and assignment contemplated by this Agreement shall constitute a sale of the Mortgage Assets from the Seller to the Issuer and the beneficial interest in and title to the Mortgage Assets shall not be part of the Seller’s estate in the event of the filing of a bankruptcy petition by or against the Seller under any bankruptcy law. In the event that, notwithstanding the intent of the parties hereto, the transfer and assignment contemplated hereby is held not to be a sale (for non-tax purposes), this Agreement shall constitute a security agreement under

applicable law, and, in such event, the Seller shall be deemed to have granted, and the Seller hereby grants, to the Issuer a security interest in the Mortgage Assets for the benefit of the Secured Parties and its assignees as security for the Seller's obligations hereunder and the Seller consents to the pledge of the Mortgage Assets to the Trustee.

6. Non-Petition.

The Seller agrees not to institute against, or join any other Person in instituting against the Issuer any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings or other proceedings under U.S. federal or state bankruptcy or similar laws in any jurisdiction until at least one year and one day or, if longer, the applicable preference period then in effect after the payment in full of all Notes issued under the Indenture. This Section 6 shall survive the termination of this Agreement for any reason whatsoever.

7. Amendments.

This Agreement may not be modified, amended, altered or supplemented, except upon the execution and delivery of a written agreement by the parties hereto and receipt by the parties hereto of prior written confirmation of each Rating Agency that such amendment or modification shall not cause the rating of the Notes to be reduced.

8. Communications.

Except as may be otherwise agreed between the parties, all communications hereunder shall be made in writing to the relevant party by personal delivery or by courier or first-class registered mail, or the closest local equivalent thereto, or by facsimile transmission confirmed by personal delivery or by courier or first-class registered mail as follows:

To the Seller: Arbor Realty SR, Inc.
333 Earle Ovington Boulevard, 9th Floor
Uniondale, New York 11553
Attention: Executive Vice President — Structured Securitization
Telephone Number: (212) 389-6546
Facsimile Number: (212) 389-6573

To the Issuer: Arbor Realty Commercial Real Estate Notes 2018-FL1, Ltd.
c/o MaplesFS Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman, KY1-1102 Cayman Islands
Attention: The Directors
Telephone Number: (345) 945-7099
Facsimile Number: (345) 945-7100

with a copy to the Collateral Manager (as addressed above);

or to such other address, telephone number or facsimile number as either party may notify to the other in accordance with the terms hereof from time to time. Any communications hereunder shall be effective upon receipt.

9. Governing Law and Consent to Jurisdiction.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICTS OF LAW PROVISIONS THEREOF (OTHER THAN TITLE 14 OF ARTICLE 5 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

(b) The parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York and any court in the State of New York located in the City and County of New York, and any appellate court hearing appeals from the Courts mentioned above, in any action, suit or proceeding brought against it and to or in connection with this Agreement or the transaction contemplated hereunder or for recognition or enforcement of any judgment, and the parties hereto hereby irrevocably and unconditionally agree that all claims in respect of any such action or proceeding may be heard or determined in such New York State court or, to the extent permitted by law, in such federal court. The parties hereto agree that a final judgment in any such action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. To the extent permitted by applicable law, the parties hereto hereby waive and agree not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such courts, that the suit, action or proceeding is brought in any inconvenient forum, that the venue of the suit, action or proceeding is improper or that the subject matter thereof may not be litigated in or by such courts.

(c) To the extent permitted by applicable law, the parties hereto shall not seek and hereby waive the right to any review of the judgment of any such court by any court of any other nation or jurisdiction which may be called upon to grant an enforcement of such judgment.

(d) The Issuer appoints CT Corporation System, 111 8th Avenue, 13th Floor, New York, New York 10011, as its agent for service of process in New York in respect of any such suit, action or proceeding. The Issuer agrees that service of such process upon such agent shall constitute personal service of such process upon it.

(e) The Seller irrevocably consents to the service of any and all process in any action or proceeding by the mailing by certified mail, return receipt requested, or delivery requiring proof of delivery of copies of such process to it at the address set forth in Section 8 hereof.

10. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same agreement.

11. Limited Recourse Agreement.

All obligations of the Issuer arising hereunder or in connection herewith are limited in recourse to the Pledged Mortgage Assets and to the extent the proceeds of the Pledged Mortgage Assets, when applied in accordance with the Priority of Payments, are insufficient to

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meet the obligations of the Issuer hereunder in full, the Issuer shall have no further liability in respect of any such outstanding obligations and any obligations of, and claims against, the Issuer, arising hereunder or in connection herewith, shall be extinguished and shall not thereafter revive. The obligations of the Issuer hereunder or in connection herewith will be solely the corporate obligations of the Issuer and the Seller will not have recourse to any of the directors, officers, employees, shareholders or affiliates of the Issuer with respect to any claims, losses, damages, liabilities, indemnities or other obligations in connection with any transactions contemplated hereby or in connection herewith. This Section 11 shall survive the termination of this Agreement for any reason whatsoever.

12. Assignment and Assumption

With respect to the Mortgage Assets that are subject to a Participation Agreement, the parties hereto intend that the provisions of this Section 12 serve as an assignment and assumption agreement between the Seller, as the assignor, and the Issuer, as the assignee. Accordingly, the Seller hereby (and in accordance with and subject to all other applicable provisions of this Agreement) assigns, grants, sells, transfers, delivers, sets over, and conveys to the Issuer all right, title and interest of the Seller in, to and arising out of the related Participation Agreement and the Issuer hereby accepts (subject to applicable provisions of this Agreement) the foregoing assignment and assumes all of the rights and obligations of the Seller with respect to related Participation Agreement from and after the Closing Date.

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Mortgage Assets Purchase Agreement as of the day and year first above written.

ARBOR REALTY SR, INC.

By: _____

Name:

Title:

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2018-FL1, LTD.

By: _____

Name:

Title:

Mortgage Asset Purchase
Agreement

Exhibit A

LIST OF INITIAL MORTGAGE ASSETS

<u>Mortgage Asset</u>	<u>Unpaid Principal Balance(1)</u>
Planet Self Storage Portfolio	\$ 48,000,000.00
Central West End	\$ 48,000,000.00(2)
Georgia Portfolio	\$ 34,000,000.00
The Redford	\$ 32,350,000.00
Preston Hollow	\$ 29,000,000.00
The Katy Apartments	\$ 29,000,000.00
Oaks at Park South	\$ 28,789,132.98
Maystone at Wakefield	\$ 20,000,000.00
Blue Lake Villas	\$ 18,500,000.00
Landmark at Mountain View	\$ 18,000,000.00
St. Moritz Apartments	\$ 17,150,000.00
Willow Point Apartments	\$ 16,500,000.00
Captain's Quarters I	\$ 16,000,000.00

Wilshire Victoria Apartments	\$	14,873,607.19
Hudson Valley Portfolio	\$	13,100,000.00
Carrington Park I	\$	13,080,090.94
Campus Commons	\$	13,000,000.00
King Arthur - Draper	\$	13,000,000.00
The Mark Apartments	\$	13,000,000.00
Cypress Village Apartments	\$	12,600,000.00
309 East 75th Street	\$	12,910,000.00
160 Van Brunt Street	\$	12,151,000.00
Raintree Apartments	\$	6,200,000.00
King Arthur — West Valley City	\$	5,800,000.00
528 East 85th Street	\$	5,060,000.00
Grancare	\$	4,625,000.00
Carrington Park II	\$	4,000,136.30
Housing Investors Portfolio Alabama II	\$	3,400,000.00
Total	\$	502,088,967.41

- (1) For each Initial Mortgage Asset, as of the Reference Date.
(2) Including all RDD Funding Advances in connection with Central West End, in an aggregate amount of \$7,664,744.00.

Ex. A-1

SCHEDULE 1

REPRESENTATIONS AND WARRANTIES REGARDING MORTGAGE ASSETS

- (1) **Whole Loan; Ownership of Mortgage Assets.** Except for the Mortgage Assets identified that are Senior Participations, each Closing Date Mortgage Asset is a whole loan and not a participation interest in a Mortgage Loan. Each Ramp-Up Mortgage Asset and Reinvestment Mortgage Asset that is a Senior Participation is a senior portion (or a pari passu interest in a senior portion) of a whole mortgage loan. At the time of the sale, transfer and assignment to Purchaser, no Note, Mortgage or Senior Participation was subject to any assignment (other than assignments to the Seller), participation (other than with respect to the Senior Participations) or pledge, and the Seller had good title to, and was the sole owner of, each Mortgage Asset free and clear of any and all liens, charges, pledges, encumbrances, participations (other than with respect to the Senior Participations), any other ownership interests on, in or to such Mortgage Asset other than any servicing rights appointment or similar agreement. The Seller has full right and authority to sell, assign and transfer each Mortgage Asset, and the assignment to Purchaser constitutes a legal, valid and binding assignment of such Mortgage Asset free and clear of any and all liens, charges, pledges, encumbrances, participations (other than with respect to the Senior Participations), any other ownership interests on, in or to such Mortgage Asset other than any servicing rights appointment or similar agreement.
- (2) **Loan Document Status.** Each related Note, Mortgage, Assignment of Leases, Rents and Profits (if a separate instrument), guaranty and other agreement executed by or on behalf of the related borrower, guarantor or other obligor in connection with such Mortgage Loan is the legal, valid and binding obligation of the related borrower, guarantor or other obligor (subject to any non-recourse provisions contained in any of the foregoing agreements and any applicable state anti-deficiency or market value limit deficiency legislation), as applicable, and is enforceable in accordance with its terms, except (i) as such enforcement may be limited by (a) bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law) and (ii) that certain provisions in such Loan Documents (including, without limitation, provisions requiring the payment of default interest, late fees or prepayment/yield maintenance or prepayment fees, charges and/or premiums) are, or may be, further limited or rendered unenforceable by or under applicable law, but (subject to the limitations set forth in clause (i) above) such limitations or unenforceability will not render such Loan Documents invalid as a whole or materially interfere with the mortgagee's realization of the principal benefits and/or security provided thereby (clauses (i) and (ii) collectively, the "Standard Qualifications").
- Except as set forth in the immediately preceding sentences, there is no valid offset, defense, counterclaim or right of rescission available to the related borrower with respect to any of the related Notes, Mortgages or other Loan Documents, including, without limitation, any such valid offset, defense, counterclaim or right based on intentional fraud by the Seller in connection with the origination of the Mortgage Loan, that would deny the mortgagee the principal benefits intended to be provided by the Note, Mortgage or other Loan Documents.
- (3) **Mortgage Provisions.** The Loan Documents for each Mortgage Loan contain provisions that render the rights and remedies of the holder thereof adequate for the practical realization against the Mortgaged Property of the principal benefits of the security intended to be provided thereby, including realization by judicial or, if applicable, nonjudicial foreclosure subject to the limitations set forth in the Standard Qualifications.
- (4) **Mortgage Status; Waivers and Modifications.** Since origination and except prior to the Reference Date by written instruments set forth in the related Mortgage File (a) the material terms of such Mortgage, Note, Mortgage Loan guaranty, participation agreement, if applicable, and related Loan Documents have not

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been waived, impaired, modified, altered, satisfied, canceled, subordinated or rescinded in any respect which materially interferes with the security intended to be provided by such Mortgage; (b) no related Mortgaged Property or any portion thereof has been released from the lien of the related Mortgage in any manner which materially interferes with the security intended to be provided by such Mortgage or the use or operation of the

remaining portion of such Mortgaged Property; and (c) neither the related borrower nor the related guarantor nor the related Participating Institution has been released from its material obligations under the Mortgage Loan or participation agreement, if applicable.

- (5) **Lien; Valid Assignment.** Subject to the Standard Qualifications, each assignment of Mortgage and assignment of Assignment of Leases, Rents and Profits from the Seller constitutes a legal, valid and binding assignment from the Seller. Each related Mortgage is a legal, valid and enforceable first lien on the related borrower's fee or leasehold interest in the Mortgaged Property in the principal amount of such Mortgage Loan or allocated loan amount subject to the Title Exceptions, Permitted Encumbrances and Standard Qualifications (each as defined herein). Each related Assignment of Mortgage and Assignment of Leases, Rents and Profits from the Seller to the Purchaser constitutes the legal, valid and binding first priority assignment from the Seller, except as such enforcement may be limited by the Standard Qualifications, any Permitted Encumbrances and any Title Exceptions (as defined herein). Each Mortgage and Assignment of Leases, Rents and Profits is freely assignable. Notwithstanding anything herein to the contrary, no representation is made as to the perfection of any security interest in rents or other personal property to the extent that possession or control of such items or actions other than the filing of Uniform Commercial Code ("UCC") financing statements is required in order to effect such perfection.
- (6) **Permitted Liens; Title Insurance.** Each Mortgaged Property securing a Mortgage Loan is covered by an American Land Title Association loan title insurance policy or a comparable form of loan title insurance policy approved for use in the applicable jurisdiction (or, if such policy is yet to be issued, by a pro forma policy, a preliminary title policy with escrow instructions or a "marked up" commitment, in each case binding on the title insurer) (the "Title Policy") in the original principal amount of such Mortgage Loan (or with respect to a Mortgage Loan secured by multiple properties, an amount equal to at least the allocated loan amount with respect to the Title Policy for each such property) after all advances of principal (including any advances held in escrow or reserves), that insures for the benefit of the owner of the indebtedness secured by the Mortgage, the first priority lien of the Mortgage, which lien is subject only to the following title exceptions (each such title exception, including any exceptions set forth on Schedule 1(a) hereto, a "Title Exception" and collectively, the "Title Exceptions"): (a) the lien of current real property taxes, water charges, sewer rents and assessments not yet due and payable; (b) covenants, conditions and restrictions, rights of way, easements and other matters of public record; (c) the exceptions (general and specific) and exclusions set forth in such Title Policy; (d) other matters to which like properties are commonly subject; (e) the rights of tenants (as tenants only) under leases (including subleases) pertaining to the related Mortgaged Property and condominium declarations; and (f) if the related Mortgage Loan is cross-collateralized and cross-defaulted with another Mortgage Loan (each a "Crossed Mortgage Loan"), the lien of the Mortgage for another Mortgage Loan that is cross-collateralized and cross-defaulted with such Crossed Mortgage Loan; provided that none of items (a) through (f), individually or in the aggregate, materially and adversely interferes with the value or current use of the Mortgaged Property or the security intended to be provided by such Mortgage or the borrower's ability to pay its obligations when they become due (collectively, the "Permitted Encumbrances"). Except as contemplated by clause (f) of the preceding sentence, none of the Permitted Encumbrances are mortgage liens that are senior to or coordinate and co-equal with the lien of the related Mortgage. Such Title Policy (or, if it has yet to be issued, the coverage to be provided thereby) is in full force and effect, all premiums thereon have been paid and no claims have been made by the Seller thereunder and no claims have been paid thereunder. Neither the Seller, nor to the Seller's knowledge, any other holder of the Mortgage Loan, has done, by act or omission, anything that would materially impair the coverage under such Title Policy.
- (7) **Junior Liens.** It being understood that B notes and junior participation interests secured by the same Mortgage as a Mortgage Loan are not subordinate mortgages or junior liens, except for any Crossed Mortgage Loan, there are, as of origination, and to the Seller's knowledge, as of the Reference Date, no subordinate mortgages or junior liens securing the payment of money encumbering the related Mortgaged Property (other than Permitted Encumbrances and the Title Exceptions, taxes and assessments, mechanics

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and materialmen's liens (which are the subject of the representation in paragraph (5) above), and equipment and other personal property financing). Except as set forth in Schedule 1(b) to this Schedule 1, the Seller has no knowledge of any mezzanine debt secured directly by interests in the related borrower.

- (8) **Assignment of Leases, Rents and Profits.** There exists as part of the related Mortgage File an Assignment of Leases, Rents and Profits (either as a separate instrument or incorporated into the related Mortgage). Subject to the Permitted Encumbrances and the Title Exceptions, each related Assignment of Leases, Rents and Profits creates a valid first-priority collateral assignment of, or a valid first-priority lien or security interest in, rents and certain rights under the related lease or leases, subject only to a license granted to the related borrower to exercise certain rights and to perform certain obligations of the lessor under such lease or leases, including the right to operate the related leased property, except as the enforcement thereof may be limited by the Standard Qualifications. The related Mortgage or related Assignment of Leases, Rents and Profits, subject to applicable law, provides that, upon an event of default under the Mortgage Loan, a receiver is permitted to be appointed for the collection of rents or for the related mortgagee to enter into possession to collect the rents or for rents to be paid directly to the mortgagee.
- (9) **UCC Filings.** The Seller has filed and/or recorded or caused to be filed and/or recorded (or, if not filed and/or recorded, such have been submitted in proper form for filing and/or recording), UCC financing statements in the appropriate public filing and/or recording offices necessary at the time of the origination of the Mortgage Loan to perfect a valid security interest in all items of physical personal property reasonably necessary to operate such Mortgaged Property owned by such borrower and located on the related Mortgaged Property (other than any non-material personal property, any personal property subject to a purchase money security interest, a sale and leaseback financing arrangement as permitted under the terms of the related Mortgage Loan documents or any other personal property leases applicable to such personal property), to the extent perfection may be effected pursuant to applicable law by recording or filing, as the case may be. Subject to the Standard Qualifications, each related Mortgage (or equivalent document) creates a valid and enforceable lien and security interest on the items of personal property described above. No representation is made as to the perfection of any security interest in rents or other personal property to the extent that possession or control of such items or actions other than the filing of UCC financing statements are required in order to effect such perfection.
- (10) **Condition of Property.** The Seller or the originator of the Mortgage Loan (i) inspected or caused to be inspected each related Mortgaged Property at least six months prior to origination of the Mortgage Loan and, (ii) if the term of the Mortgage Loan has already continued for at least twelve months, inspected or caused to be inspected each related Mortgaged Property at least once during the past twelve months.

An engineering report (or if the mortgaged property is a ground-up development, a Construction Cost to Complete report in lieu thereof, as applicable) or property condition assessment was prepared in connection with the origination of each Mortgage Loan not more than twelve months prior to the origination of such Mortgage Loan. To the Seller's knowledge, based solely upon due diligence customarily performed in connection with the origination of comparable mortgage loans, as of the Closing Date, each related Mortgaged Property was free and clear of any material

damage (other than (i) deferred maintenance or repairs for which escrows were established at origination and (ii) any damage fully covered by insurance) that would affect materially and adversely the use or value of such Mortgaged Property as security for the Mortgage Loan.

- (11) **Taxes and Assessments.** All taxes, governmental assessments and other outstanding governmental charges (including, without limitation, water and sewage charges), or installments thereof, that could be a lien on the related Mortgaged Property that would be of equal or superior priority to the lien of the Mortgage and that prior to the Reference Date have become delinquent in respect of each related Mortgaged Property have been paid, or an escrow of funds has been established in an amount sufficient to cover such payments and reasonably estimated interest and penalties, if any, thereon. For purposes of this representation and warranty, real estate taxes and governmental assessments and other outstanding governmental charges and installments thereof shall not be considered delinquent until the earlier of (a) the date on which interest and/or penalties would first be payable thereon and (b) the date on which enforcement action is entitled to be taken by the related taxing authority.

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- (12) **Condemnation.** As of the date of origination and to the Seller's knowledge as of the Reference Date, there is no proceeding pending, and, to the Seller's knowledge as of the date of origination and as of the Reference Date, there is no proceeding threatened, for the total or partial condemnation of such Mortgaged Property that would have a material adverse effect on the value, use or operation of the Mortgaged Property.
- (13) **Actions Concerning Mortgage Loan.** As of the date of origination and to the Seller's knowledge as of the Reference Date, there was no pending or filed action, suit or proceeding, arbitration or governmental investigation involving any borrower, guarantor, or borrower's interest in the Mortgaged Property that would materially and adversely affect (a) such borrower's title to the Mortgaged Property, (b) the validity or enforceability of the Mortgage, (c) such borrower's ability to perform under the related Mortgage Loan, (d) such guarantor's ability to perform under the related guaranty, (e) the principal benefit of the security intended to be provided by the Mortgage Loan documents or (f) the current principal use of the Mortgaged Property.
- (14) **Escrow Deposits.** All escrow deposits and payments required to be escrowed with lender pursuant to each Mortgage Loan are in the possession, or under the control, of the Seller or its servicer, and there are no deficiencies (subject to any applicable grace or cure periods) in connection therewith, and all such escrows and deposits (or the right thereto) that are required to be escrowed with lender under the related Loan Documents are being conveyed by the Seller to Purchaser or its servicer.
- (15) **No Holdbacks.** The Stated Principal Balance as of the Reference Date of the Mortgage Loan set forth on the mortgage loan schedule attached as Exhibit A to this Agreement has been fully disbursed as of the Closing Date and there is no requirement for future advances thereunder (except in those cases where the full amount of the Mortgage Loan has been disbursed but a portion thereof is being held in escrow or reserve accounts pending the satisfaction of certain conditions relating to leasing, repairs or other matters with respect to the related Mortgaged Property, the borrower or other considerations determined by the Seller to merit such holdback).
- (16) **Insurance.** Each related Mortgaged Property is, and is required pursuant to the related Mortgage to be, insured by a property insurance policy providing coverage for loss in accordance with coverage found under a "special cause of loss form" or "all risk form" that includes replacement cost valuation issued by an insurer meeting the requirements of the related Loan Documents and having a claims-paying or financial strength rating of at least A or better and a financial class of VIII or better by A.M. Best Company, Inc. (collectively the "Insurance Rating Requirements"), in an amount (subject to a customary deductible) not less than the lesser of (1) the original principal balance of the Mortgage Loan and (2) the full insurable value on a replacement cost basis of the improvements, furniture, furnishings, fixtures and equipment owned by the borrower and included in the Mortgaged Property (with no deduction for physical depreciation), but, in any event, not less than the amount necessary or containing such endorsements as are necessary to avoid the operation of any coinsurance provisions with respect to the related Mortgaged Property.

Each related Mortgaged Property is also covered, and required to be covered pursuant to the related Loan Documents, by business interruption or rental loss insurance which (subject to a customary deductible) covers a period of not less than 12 months (or with respect to each Mortgage Loan on a single asset with a principal balance of \$50 million or more, 18 months).

If any material part of the improvements, exclusive of a parking lot, located on a Mortgaged Property is in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards, the related borrower is required to maintain insurance in the maximum amount available under the National Flood Insurance Program.

If the Mortgaged Property is located within 25 miles of the coast of the Gulf of Mexico or the Atlantic coast of Florida, Georgia, South Carolina or North Carolina, the related borrower is required to maintain coverage for windstorm and/or windstorm-related perils and/or "named storms" issued by an insurer meeting the Insurance Rating Requirements or endorsement covering damage from windstorm and/or windstorm-related perils and/or named storms.

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The Mortgaged Property is covered, and required to be covered pursuant to the related Loan Documents, by a commercial general liability insurance policy issued by an insurer meeting the Insurance Rating Requirements including coverage for property damage, contractual damage and personal injury (including bodily injury and death) in amounts as are generally required by the Seller for loans originated for securitization, and in any event not less than \$1 million per occurrence and \$1 million in the aggregate.

An architectural or engineering consultant has performed an analysis of each of the Mortgaged Properties located in seismic zones 3 or 4 in order to evaluate the structural and seismic condition of such property, for the sole purpose of assessing the scenario expected limit ("SEL") for the Mortgaged Property in the event of an earthquake. In such instance, the SEL was based on a 475-year return period, an exposure period of 50 years and a 10% probability of exceedance. If the resulting report concluded that the SEL would exceed 20% of the amount of the replacement costs of the improvements, earthquake insurance on such Mortgaged Property was obtained by an insurer rated least "A:VIII" by A.M. Best Company, Inc. or "A3" (or the equivalent) from Moody's Investors Service, Inc. or "A-" by Standard & Poor's Financial Services, LLC in an amount not less than 100% of the SEL.

The Loan Documents provide that if a specified percentage (which is in no event greater than 20%) of the reasonably estimated aggregate fair market value of the Mortgaged Property is damaged or destroyed, the lender shall have the option, in its sole discretion, to apply the net casualty insurance proceeds received to the payment of the Mortgage Loan or to allow such proceeds to be used for the repair or restoration of the Mortgaged Property.

All premiums on all insurance policies referred to in this section required to be paid as of the Reference Date have been paid, and such insurance policies name the lender under the Mortgage Loan and its successors and assigns as a loss payee under a mortgagee endorsement clause or, in the case of the general liability insurance policy, as named or additional insured. Such insurance policies will inure to the benefit of the Trustee. Each related Mortgage Loan obligates the related borrower to maintain all such insurance and, at such borrower's failure to do so, authorizes the lender to maintain such insurance at the borrower's cost and expense and to charge such borrower for related premiums. All such insurance policies (other than commercial liability policies) require at least 30 days prior notice to the lender of termination or cancellation (or such lesser period, not less than 10 days, as may be required by applicable law) arising for any reason other than non-payment of a premium and no such notice has been received by the Seller.

- (17) **Access; Utilities; Separate Tax Lots.** Each Mortgaged Property (a) is located on or adjacent to a public road and has direct legal access to such road, or has access via an irrevocable easement or irrevocable right of way permitting ingress and egress to/from a public road, (b) is served by or has uninhibited access rights to public or private water and sewer (or well and septic) and all required utilities, all of which are appropriate for the current use of the Mortgaged Property, and (c) constitutes one or more separate tax parcels which do not include any property which is not part of the Mortgaged Property or is subject to an endorsement under the related Title Policy insuring the Mortgaged Property, or in certain cases, an application has been, or will be, made to the applicable governing authority for creation of separate tax lots, in which case the Mortgage Loan requires the borrower to escrow an amount sufficient to pay taxes for the existing tax parcel of which the Mortgaged Property is a part until the separate tax lots are created.
- (18) **No Encroachments.** To the Seller's knowledge based solely on surveys obtained in connection with origination and the lender's Title Policy (or, if such policy is not yet issued, a pro forma title policy, a preliminary title policy with escrow instructions or a "marked up" commitment) obtained in connection with the origination of each Mortgage Loan, all material improvements that were included for the purpose of determining the appraised value of the related Mortgaged Property at the time of the origination of such Mortgage Loan are within the boundaries of the related Mortgaged Property, except encroachments that do not materially and adversely affect the value or current use of such Mortgaged Property or for which insurance or endorsements were obtained under the Title Policy. No improvements on adjoining parcels encroach onto the related Mortgaged Property except for encroachments that do not materially and adversely affect the value or current use of such Mortgaged Property or for which insurance or endorsements were obtained under the Title Policy. No improvements encroach upon any easements except for encroachments the removal of which would not materially and adversely affect the value or

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current use of such Mortgaged Property or for which insurance or endorsements were obtained with respect to the Title Policy.

- (19) **No Contingent Interest or Equity Participation.** No Mortgage Loan has a shared appreciation feature, any other contingent interest feature or a negative amortization feature or an equity participation by the Seller.
- (20) **Compliance with Usury Laws.** The Mortgage Rate (exclusive of any default interest, late charges, yield maintenance charge, or prepayment premiums) of such Mortgage Loan complied as of the date of origination with, or was exempt from, applicable state or federal laws, regulations and other requirements pertaining to usury.
- (21) **Authorized to Do Business.** To the extent required under applicable law, as of the Reference Date or as of the date that such entity held the Note, each holder of the Note was authorized to transact and do business in the jurisdiction in which each related Mortgaged Property is located, or the failure to be so authorized does not materially and adversely affect the enforceability of such Mortgage Loan.
- (22) **Trustee under Deed of Trust.** With respect to each Mortgage which is a deed of trust, as of the date of origination and, to the Seller's knowledge, as of the Closing Date, a trustee, duly qualified under applicable law to serve as such, currently so serves and is named in the deed of trust or has been substituted in accordance with the Mortgage and applicable law or may be substituted in accordance with the Mortgage and applicable law by the related mortgagee.
- (23) **Local Law Compliance.** To the Seller's knowledge, based upon any of a letter from any governmental authorities, a legal opinion, an architect's letter, a zoning consultant's report, an endorsement to the related Title Policy, or other affirmative investigation of local law compliance consistent with the investigation conducted by the Seller for similar commercial, healthcare and multi-family mortgage loans intended for securitization, with respect to the improvements located on or forming part of each Mortgaged Property securing a Mortgage Loan as of the date of origination of such Mortgage Loan and as of the Reference Date, there are no material violations of applicable zoning ordinances, building codes and land laws (collectively "Zoning Regulations") other than those which (i) are insured by the Title Policy or a law and ordinance or other insurance policy or (ii) would not have a material adverse effect on the Mortgage Loan. The terms of the Loan Documents require the borrower to comply in all material respects with all applicable governmental regulations, zoning and building laws
- (24) **Licenses and Permits.** Each borrower covenants in the Loan Documents that it shall keep all material licenses, permits and applicable governmental authorizations necessary for its operation of the Mortgaged Property in full force and effect, and to the Seller's knowledge based upon a letter from any government authorities or other affirmative investigation of local law compliance consistent with the investigation conducted by the Seller for similar commercial, healthcare and multi-family mortgage loans intended for securitization, all such material licenses, permits and applicable governmental authorizations are in effect. The Mortgage Loan requires the related borrower to be qualified to do business in the jurisdiction in which the related Mortgaged Property is located.
- (25) **Recourse Obligations.** The Loan Documents for each Mortgage Loan provide that such Mortgage Loan is non-recourse to the related parties thereto except for certain carve-outs, including but not limited to the following: (a) the related borrower and at least one individual or entity shall be fully liable for actual losses, liabilities, costs and damages arising from certain acts of the related borrower and/or its principals specified in the related Loan Documents, which acts generally include the following: (i) acts of fraud or intentional material misrepresentation, (ii) misapplication or misappropriation of rents, insurance proceeds or condemnation awards, (iii) intentional material physical waste of the Mortgaged Property, and (iv) any breach of the environmental covenants contained in the related Loan Documents, and (b) the Mortgage Loan shall become full recourse to

the related borrower and at least one individual or entity, if the related borrower files a voluntary petition under federal or state bankruptcy or insolvency law.

- (26) **Mortgage Releases.** The terms of the related Mortgage or related Loan Documents do not provide for release of any material portion of the Mortgaged Property from the lien of the Mortgage except (a) a partial

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release, accompanied by principal repayment of not less than a specified percentage at least equal to the lesser of (i) 110% of the related allocated loan amount of such portion of the Mortgaged Property and (ii) the outstanding principal balance of the Mortgage Loan, (b) upon repayment in full of such Mortgage Loan, (c) releases of out-parcels that are unimproved or other portions of the Mortgaged Property which will not have a material adverse effect on the underwritten value of the Mortgaged Property and which were not afforded any value in the appraisal obtained at the origination of the Mortgage Loan and are not necessary for physical access to the Mortgaged Property or compliance with zoning requirements, or (d) as required pursuant to an order of condemnation.

- (27) **Financial Reporting and Rent Rolls.** Each Mortgage requires the borrower to provide the owner or holder of the Mortgage with quarterly and annual operating statements, and quarterly rent rolls for properties and annual financial statements, which annual financial statements with respect to each Mortgage Loan with more than one borrower are in the form of an annual combined balance sheet of the borrower entities (and no other entities), together with the related combined statements of operations, members' capital and cash flows, including a combining balance sheet and statement of income for the Mortgaged Properties on a combined basis.

- (28) **Acts of Terrorism Exclusion.** With respect to each Mortgage Loan over \$20 million, the related special-form all-risk insurance policy and business interruption policy (issued by an insurer meeting the Insurance Rating Requirements) do not specifically exclude Acts of Terrorism, as defined in the Terrorism Risk Insurance Act of 2002, as amended by the Terrorism Risk Insurance Program Reauthorization Act of 2007 and further amended by the Terrorism Risk Insurance Program Reauthorization Act of 2015 (collectively referred to as "TRIA"), from coverage, or if such coverage is excluded, it is covered by a separate terrorism insurance policy. With respect to each other Mortgage Loan, the related special-form all-risk insurance policy and business interruption policy (issued by an insurer meeting the Insurance Rating Requirements) did not, as of the date of origination of the Mortgage Loan, and, to the Seller's knowledge, do not, as of the Reference Date, specifically exclude Acts of Terrorism, as defined in TRIA, from coverage, or if such coverage is excluded, it is covered by a separate terrorism insurance policy. With respect to each Mortgage Loan, the related Loan Documents do not expressly waive or prohibit the mortgagee from requiring coverage for Acts of Terrorism, as defined in TRIA, or damages related thereto except to the extent that any right to require such coverage may be limited by commercial availability on commercially reasonable terms, or as otherwise indicated in Schedule 1(a) to this Schedule 1; provided, however, that if TRIA or a similar or subsequent statute is not in effect, then; provided that terrorism insurance is commercially available, the borrower under each Mortgage Loan is required to carry terrorism insurance, but in such event the borrower shall not be required to spend on terrorism insurance coverage more than two times the amount of the insurance premium that is payable in respect of the property and business interruption/rental loss insurance required under the related Loan Documents (without giving effect to the cost of terrorism and earthquake components of such casualty and business interruption/rental loss insurance) at the time of the origination of the Mortgage Loan, and if the cost of terrorism insurance exceeds such amount, the borrower is required to purchase the maximum amount of terrorism insurance available with funds equal to such amount.

- (29) **Due on Sale or Encumbrance.** Subject to specific exceptions set forth below, each Mortgage Loan contains a "due on sale" or other such provision for the acceleration of the payment of the unpaid principal balance of such Mortgage Loan if, without the consent of the holder of the Mortgage (which consent, in some cases, may not be unreasonably withheld) and/or complying with the requirements of the related Loan Documents (which provide for transfers without the consent of the lender which are customarily acceptable to the Seller lending on the security of property comparable to the related Mortgaged Property, including, without limitation, transfers of worn-out or obsolete furnishings, fixtures, or equipment promptly replaced with property of equivalent value and functionality and transfers by leases entered into in accordance with the Loan Documents), (a) the related Mortgaged Property, or any equity interest of greater than 50% in the related borrower, is directly or indirectly pledged, transferred or sold, other than as related to (i) family and estate planning transfers or transfers upon death or legal incapacity, (ii) transfers to certain affiliates as defined in the related Loan Documents, (iii) transfers of less than, or other than, a controlling interest in the related borrower, (iv) transfers to another holder of direct or indirect equity in the borrower, a specific Person designated in the related Loan Documents or a Person satisfying specific criteria identified

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in the related Loan Documents, such as a qualified equityholder, (v) transfers of stock or similar equity units in publicly traded companies, (vi) a substitution or release of collateral within the parameters of paragraph (26) herein or the exceptions thereto set forth in Schedule 1(a) to this Schedule 1 or (vii) as set forth in Schedule 1(b) to this Schedule 1 by reason of any mezzanine debt that existed at the origination of the related Mortgage Loan, or future permitted mezzanine debt as set forth in Schedule 1(c) to this Schedule 1 or (b) the related Mortgaged Property is encumbered with a subordinate lien or security interest against the related Mortgaged Property, other than (i) any Companion Loan or any subordinate debt that existed at origination and is permitted under the related Loan Documents, (ii) purchase money security interests, (iii) any Crossed Mortgage Loan as set forth in Schedule 1(d) hereto, or (iv) Permitted Encumbrances. The Mortgage or other Loan Documents provide that to the extent any Rating Agency fees are incurred in connection with the review of and consent to any transfer or encumbrance, the borrower is responsible for such payment along with all other reasonable fees and expenses incurred by the Mortgagee relative to such transfer or encumbrance.

- (30) **Single-Purpose Entity.** Each Mortgage Loan requires the borrower to be a Single-Purpose Entity for at least as long as the Mortgage Loan is outstanding. Both the Loan Documents and the organizational documents of the borrower with respect to each Mortgage Loan with a Reference Date Stated Principal Balance in excess of \$5 million provide that the borrower is a Single-Purpose Entity, and each Mortgage Loan with a Reference Date Stated Principal Balance of \$20 million or more has a counsel's opinion regarding non-consolidation of the borrower. For this purpose, a "Single-Purpose Entity" shall mean an entity, other than an individual, whose organizational documents (or if the Mortgage Loan has a Reference Date Stated Principal Balance equal to \$5 million or less, its organizational documents or the related Loan Documents) provide substantially to the effect that it was formed or organized solely for the purpose of owning and operating one or more of the Mortgaged Properties securing the Mortgage Loans and prohibit it from engaging in any business unrelated to such Mortgaged Property or Properties, and whose organizational documents further provide, or which entity represented in the related Loan Documents, substantially to the effect that it does not have

any assets other than those related to its interest in and operation of such Mortgaged Property or Properties, or any indebtedness other than as permitted by the related Mortgage(s) or the other related Loan Documents, that it has its own books and records and accounts separate and apart from those of any other person (other than a borrower for a Crossed Mortgage Loan), and that it holds itself out as a legal entity, separate and apart from any other person or entity.

(31) **Ground Leases.** For purposes of this Agreement, a “Ground Lease” shall mean a lease creating a leasehold estate in real property where the fee owner as the ground lessor conveys for a term or terms of years its entire interest in the land and buildings and other improvements, if any, comprising the premises demised under such lease to the ground lessee (who may, in certain circumstances, own the building and improvements on the land), subject to the reversionary interest of the ground lessor as fee owner and does not include industrial development agency (IDA) or similar leases for purposes of conferring a tax abatement or other benefit.

1. With respect to any Mortgage Loan where the Mortgage Loan is secured by a leasehold estate under a Ground Lease in whole or in part, and the related Mortgage does not also encumber the related lessor’s fee interest in such Mortgaged Property, based upon the terms of the Ground Lease and any estoppel or other agreement received from the ground lessor in favor of the Seller, its successors and assigns, the Seller represents and warrants that:

- (a) The Ground Lease or a memorandum regarding such Ground Lease has been duly recorded or submitted for recordation in a form that is acceptable for recording in the applicable jurisdiction. The Ground Lease or an estoppel or other agreement received from the ground lessor permits the interest of the lessee to be encumbered by the related Mortgage and does not restrict the use of the related Mortgaged Property by such lessee, its successors or assigns in a manner that would materially adversely affect the security provided by the related Mortgage;
- (b) The lessor under such Ground Lease has agreed in a writing included in the related Mortgage File (or in such Ground Lease) that the Ground Lease may not be amended or modified, or canceled or terminated by agreement of lessor and lessee, without the prior written consent of the lender, and

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no such consent has been granted by the Seller since the origination of the Mortgage Loan except as reflected in any written instruments which are included in the related Mortgage File;

- (c) The Ground Lease has an original term (or an original term plus one or more optional renewal terms, which, under all circumstances, may be exercised, and will be enforceable, by either borrower or the mortgagee) that extends not less than 20 years beyond the stated maturity of the related Mortgage Loan, or 10 years past the stated maturity if such Mortgage Loan fully amortizes by the stated maturity (or with respect to a Mortgage Loan that accrues on an actual 360 basis, substantially amortizes);
- (d) The Ground Lease either (i) is not subject to any liens or encumbrances superior to, or of equal priority with, the Mortgage, except for the related fee interest of the ground lessor and the Permitted Encumbrances, or (ii) is subject to a subordination, non-disturbance and attornment agreement to which the mortgagee on the lessor’s fee interest in the Mortgaged Property is subject;
- (e) The Ground Lease does not place commercially unreasonable restrictions on the identity of the Mortgagee and the Ground Lease is assignable to the holder of the Mortgage Loan and its successors and assigns without the consent of the lessor thereunder, and in the event it is so assigned, it is further assignable by the holder of the Mortgage Loan and its successors and assigns without the consent of the lessor;
- (f) The Seller has not received any written notice of material default under or notice of termination of such Ground Lease. To the Seller’s knowledge, there is no material default under such Ground Lease and no condition that, but for the passage of time or giving of notice, would result in a material default under the terms of such Ground Lease and to the Seller’s knowledge, such Ground Lease is in full force and effect as of the Closing Date;
- (g) The Ground Lease or ancillary agreement between the lessor and the lessee requires the lessor to give to the lender written notice of any default, and provides that no notice of default or termination is effective against the lender unless such notice is given to the lender;
- (h) A lender is permitted a reasonable opportunity (including, where necessary, sufficient time to gain possession of the interest of the lessee under the Ground Lease through legal proceedings) to cure any default under the Ground Lease which is curable after the lender’s receipt of notice of any default before the lessor may terminate the Ground Lease;
- (i) The Ground Lease does not impose any restrictions on subletting that would be viewed as commercially unreasonable by the Seller in connection with loans originated for securitization;
- (j) Under the terms of the Ground Lease, an estoppel or other agreement received from the ground lessor and the related Mortgage (taken together), any related insurance proceeds or the portion of the condemnation award allocable to the ground lessee’s interest (other than (i) de minimis amounts for minor casualties or (ii) in respect of a total or substantially total loss or taking as addressed in clause (k) below) will be applied either to the repair or to the restoration of all or part of the related Mortgaged Property with (so long as such proceeds are in excess of the threshold amount specified in the related Loan Documents) the lender or a trustee appointed by it having the right to hold and disburse such proceeds as repair or restoration progresses, or to the payment of the outstanding principal balance of the Mortgage Loan, together with any accrued interest;
- (k) In the case of a total or substantially total loss or taking, under the terms of the Ground Lease, an estoppel or other agreement and the related Mortgage (taken together), any related insurance proceeds, or portion of the condemnation award allocable to ground lessee’s interest in respect of a total or substantially total loss or taking of the related Mortgaged Property to the extent not applied to restoration, will be applied first to the payment of the outstanding principal balance of the Mortgage Loan, together with any accrued interest; and

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- (l) Provided that the lender cures any defaults which are susceptible to being cured, the ground lessor has agreed to enter into a new lease with the lender upon termination of the Ground Lease for any reason, including rejection of the Ground Lease in a bankruptcy proceeding.
- (32) **Servicing.** The servicing and collection practices used by the Seller with respect to the Mortgage Loan have been, in all respects, legal and have met customary industry standards for servicing of commercial loans for conduit loan programs.
- (33) **Origination and Underwriting.** The origination practices of the Seller (or the related originator if the Seller was not the originator) with respect to each Mortgage Loan have been, in all material respects, legal and as of the date of its origination, such Mortgage Loan and the origination thereof complied in all material respects with, or was exempt from, all requirements of federal, state or local law relating to the origination of such Mortgage Loan; provided that such representation and warranty does not address or otherwise cover any matters with respect to federal, state or local law otherwise covered in this Schedule 1.
- (34) **No Material Default; Payment Record.** No Mortgage Loan has been more than 30 days delinquent, without giving effect to any grace or cure period, in making required payments since origination, and as of the date hereof, no Mortgage Loan is more than 30 days delinquent (beyond any applicable grace or cure period) in making required payments as of the Closing Date. To the Seller's knowledge, there is (a) no material default, breach, violation or event of acceleration existing under the related Mortgage Loan or participation agreement, if applicable, or (b) no event (other than payments due but not yet delinquent) which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a material default, breach, violation or event of acceleration, which default, breach, violation or event of acceleration, in the case of either clause (a) or clause (b), materially and adversely affects the value of the Mortgage Loan or participation agreement, if applicable, or the value, use or operation of the related Mortgaged Property; provided, however, that this representation and warranty does not cover any default, breach, violation or event of acceleration that specifically pertains to or arises out of an exception scheduled to any other representation and warranty made by the Seller in this Schedule 1. No person other than the holder of such Mortgage Loan may declare any event of default under the Mortgage Loan or accelerate any indebtedness under the Loan Documents.
- (35) **Bankruptcy.** As of the date of origination of the related Mortgage Loan and to the Seller's knowledge as of the Reference Date, no borrower, guarantor or tenant occupying a single-tenant property is a debtor in any state or federal bankruptcy, insolvency or similar proceeding.
- (36) **Organization of Borrower.** With respect to each Mortgage Loan, in reliance on certified copies of the organizational documents of the borrower delivered by the borrower in connection with the origination of such Mortgage Loan, the borrower is an entity organized under the laws of a state of the United States of America, the District of Columbia or the Commonwealth of Puerto Rico. Except with respect to any Crossed Mortgage Loan, no Mortgage Loan has a borrower that is an Affiliate of another borrower. (An "Affiliate" for purposes of this paragraph (36) means, a borrower that is under direct or indirect common ownership and control with another borrower.)
- (37) **Environmental Conditions.** A Phase I environmental site assessment (or update of a previous Phase I and or Phase II site assessment) and, with respect to certain Mortgage Loans, a Phase II environmental site assessment (collectively, an "ESA") meeting ASTM requirements conducted by a reputable environmental consultant in connection with such Mortgage Loan was delivered to the Seller within 12 months prior to the origination date of each Mortgage Loan (or an update of a previous ESA was prepared), and such ESA (i) did not identify the existence of recognized environmental conditions (as such term is defined in ASTM E1527-05 or its successor, hereinafter "Environmental Condition") at the related Mortgaged Property or the need for further investigation, or (ii) if the existence of an Environmental Condition or need for further investigation was indicated in any such ESA, then at least one of the following statements is true: (A) an amount reasonably estimated by a reputable environmental consultant to be sufficient to cover the estimated cost to cure any material noncompliance with applicable environmental laws or the Environmental Condition has been escrowed by the related borrower and is held or controlled by the related lender; (B) if the only Environmental Condition relates to the presence of asbestos-containing materials, radon in indoor air, lead-based paint or lead in drinking water, and the only recommended action

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- in the ESA is the institution of such a plan, an operations or maintenance plan has been required to be instituted by the related borrower that can reasonably be expected to mitigate the identified risk; (C) the Environmental Condition identified in the related environmental report was remediated or abated in all material respects prior to the date hereof, and, if and as appropriate, a no-further-action or closure letter was obtained from the applicable governmental regulatory authority (or the Environmental Condition affecting the related Mortgaged Property was otherwise listed by such governmental authority as "closed" or a reputable environmental consultant has concluded that no further action is required); (D) a secured creditor environmental policy or a pollution legal liability insurance policy that covers liability for the Environmental Condition was obtained from an insurer rated no less than [A-] (or the equivalent) by Moody's, S&P and/or Fitch; (E) a party not related to the borrower was identified as the responsible party for such Environmental Condition and such responsible party has financial resources reasonably estimated to be adequate to address the situation; or (F) a party related to the borrower having financial resources reasonably estimated to be adequate to address the situation is required to take action. To the Seller's knowledge, except as set forth in the ESA, there is no Environmental Condition (as such term is defined in ASTM E1527-05 or its successor) at the related Mortgaged Property.
- (38) **Appraisal.** The Servicing File contains an appraisal of the related Mortgaged Property with an appraisal date within six months of the Mortgage Loan origination date. The appraisal is signed by an appraiser who is either a Member of the Appraisal Institute ("MAI") and/or has been licensed and certified to prepare appraisals in the state where the Mortgaged Property is located. Each appraiser has represented in such appraisal or in a supplemental letter that the appraisal satisfies the requirements of the "Uniform Standards of Professional Appraisal Practice" as adopted by the Appraisal Standards Board of the Appraisal Foundation and has certified that such appraiser had no interest, direct or indirect, in the Mortgaged Property or the borrower or in any loan made on the security thereof, and its compensation is not affected by the approval or disapproval of the Mortgage Loan.
- (39) **Mortgage Asset Schedule.** The information pertaining to each Mortgage Asset that is set forth in the schedule attached as Exhibit A to the Mortgage Asset Purchase Agreement is true and correct in all material respects as of the Reference Date and contains all information required by the Mortgage Asset Purchase Agreement to be contained therein.
- (40) **Cross-Collateralization.** No Mortgage Loan is cross-collateralized or cross-defaulted with any mortgage loan that is not owned by the Issuer, except as set forth in Schedule 1(d) to this Schedule 1.

- (41) **Advance of Funds by the Seller.** After origination, no advance of funds has been made by the Seller to the related borrower other than in accordance with the Loan Documents, and, to the Seller's knowledge, no funds have been received from any person other than the related borrower or an affiliate for, or on account of, payments due on the Mortgage Loan (other than as contemplated by the Loan Documents, such as, by way of example and not in limitation of the foregoing, amounts paid by the tenant(s) into a lender-controlled lockbox if required or contemplated under the related lease or Loan Documents). Neither the Seller nor any affiliate thereof has any obligation to make any capital contribution to any borrower under a Mortgage Loan, other than contributions made on or prior to the date hereof.
- (42) **Compliance with Anti-Money Laundering Laws.** The Seller (or the related originator if the Seller was not the originator) has complied in all material respects with all applicable anti-money laundering laws and regulations, including without limitation the USA PATRIOT Act of 2001 with respect to the origination of the Mortgage Loan, the failure to comply with which would have a material adverse effect on the Mortgage Loan.
- (43) **Floating Interest Rates.** Each Mortgage Loan bears interest at a floating rate based on LIBOR.
- (44) **Participations.** With respect to each Mortgage Asset that is a Participation:
- (i) Either (A) the Participation is treated as a real estate asset for purposes of Section 856(c) of the Code, and the interest payable pursuant to such Participation is treated as interest on an obligation secured by a mortgage on real property or on an interest in real property for purposes of Section 856(c) of the Code, or (B) the Participation qualifies as a security that would not otherwise cause

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ARMS Equity to fail to qualify as a REIT under the Code (including after the sale, transfer and assignment to the Issuer of such Senior Participation);

- (ii) To the actual knowledge of the Seller, as of the Closing Date, the related Participating Institution was not a debtor in any outstanding proceeding pursuant to the federal bankruptcy code;
- (iii) The Seller has not received written notice of any outstanding liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind for which the holder of such Participation is or may become obligated;
- (iv) The participation agreement is legal, valid and enforceable as between its parties, and provides that (other than any Non-Controlling Participations) the lead and control participant or participants (the "Lead Participant") have full power, authority and discretion to service the Mortgage Asset, modify and amend the terms thereof, pursue remedies and enforcement actions, including foreclosure or other legal action, without consent or approval of any other participant (each, a "Third-Party Participant");
- (v) Each Third-Party Participant is required to pay its pro rata share of any expenses, costs and fees associated with servicing and enforcing rights and remedies under the related Mortgage Asset upon request therefor by the related servicer or Lead Participant;
- (vi) Each participation agreement is effective to convey the participation interest to the related participants and is not intended to be, or to be effective as, a loan or other financing secured by the Mortgage Asset or the underlying Whole Loan. If the Issuer will be the Lead Participant, the Lead Participant owes no fiduciary duty or obligation to any Third-Party Participant under any participation agreement;
- (vii) All amounts due and owing to any Third-Party Participant pursuant to each participation agreement have been duly and timely paid. There is no default by the Lead Participant, or to the Seller's knowledge, by any Third-Party Participant under any participation agreement;
- (viii) The participation interest and, if being transferred to the Issuer, the Lead Participant role, rights and responsibilities are assignable by the Seller without consent or approval other than those that have been obtained;
- (ix) If the Issuer will be the Lead Participant, the terms of the participation agreement do not require or obligate the Lead Participant or its successor or assigns to repurchase the participation interest under any circumstances; and
- (x) The Seller, in selling any other participation interest to a Third-Party Participant, made no misrepresentation, fraud or omission of information necessary for such Third-Party Participant to make an informed decision to purchase its participation interest.
- (45) **Health Care Mortgage Loans.** To the Seller's knowledge, with respect to each Mortgage Loan that is secured by healthcare property as of the date of origination and as of the Reference Date:
- (i) All Medicare and Medicaid provider agreements, certificates of need (if required), certifications, governmental licenses, permits and regulatory agreements, including certificates of operation, completion and occupancy, and state Skilled Nursing Facility licenses, Assisted Living Facility licenses, Independent Living Facility licenses or other licenses required by Health Care Authorities for the legal use, occupancy and operation of each Facility that are necessary to operate each Facility have been obtained and are in full force and effect, including approved provider status in any third-party payor program, including of a governmental authority in which a Facility participates (or if the tenant, operator, manager and/or UPL Counterparty, as applicable, is seeking approved provider status in any such third-party payor program, the continued approved provider status of the prior tenant, operator, manager and/or UPL Counterparty, as applicable, during the interim period pending such approval), and a valid certificate of need or similar

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certificate or license of the applicable state department of health or equivalent (or any subdivision), or the state licensing agency, as applicable, for the requisite number of beds (collectively, the "Health Care Licenses"), except where the failure to obtain and maintain such Health Care Licenses would not reasonably be expected to have a Material Adverse Effect. Each tenant, operator, manager and/or UPL

Counterparty, as applicable, owns and/or possesses, and holds free from restrictions or conflicts with the rights of others, all such respective Health Care Licenses applicable to the operation of each applicable Facility, and will operate or cause each Facility to be operated in such a manner that the Health Care Licenses shall remain in full force and effect;

- (ii) Each Facility is duly licensed, as and if required under the applicable laws of the State in which such Facility is located. The licensed bed capacity of each Facility is as set forth in the applicable Underlying Instruments and the available bed count at each Facility is as set forth in the applicable Underlying Instruments. Neither the borrowers nor any tenant, operator, manager and/or UPL Counterparty, as applicable, has applied to reduce the licensed bed capacity at any Facility below that set forth in the Underlying Instruments or to move or transfer the right to any and all of the licensed or certified beds of any Facility to any other location or to amend or otherwise change any Facility, and there are no proceedings or actions pending or contemplated to reduce the licensed bed capacity of any Facility below that set forth in the Underlying Instruments;
- (iii) Each Health Care License with respect to a Facility (i) has not been (A) transferred to any location other than the applicable Facility or (B) pledged as collateral security, (ii) is held free from restrictions or known conflicts that would reasonably be expected to have or Material Adverse Effect and (iii) is not provisional, probationary or restricted in any way, except where (A) it is customary in the state or locality where such Facility is located for such Health Care License to be initially granted on a probationary or conditional basis and (B) such tenant, operator, manager and/or UPL Counterparty, as applicable, is in the process of, and has made good-faith efforts towards, removing such probation or condition or applying for such Health Care License without such probation or condition, in each case pursuant to established procedures, and expects in good faith to succeed in removing such probation or condition or receiving such Health Care License without such probation or condition in the foreseeable future;
- (iv) No tenant, operator, manager and/or UPL Counterparty, as applicable, or Facility has taken any action to rescind, withdraw, revoke, materially amend, modify or supplement or otherwise materially alter the nature, tenor or scope of any Health Care License or applicable participation or provider agreement with any third-party payor program, including with a governmental authority, except as the same may increase the tenor, scope or value of such Health Care License or third-party payor program participation;
- (v) Except as otherwise provided in clause (vi) below, each tenant, operator, manager and/or UPL Counterparty, as applicable (and the operation of each Facility), is in compliance in all material respects with all applicable provisions of Health Care Requirements, including, (i) staffing requirements, (ii) health, fire and life safety codes, including quality and safety standards, (iii) federal, state or local laws, rules, regulations or published interpretations or policies relating to the prevention of fraud and abuse, (iv) insurance, reimbursement and cost reporting requirements, (v) government payment program requirements and disclosure of ownership requirements; (vi) requirements of applicable Health Care Authorities, including those relating to each Facility's physical structure and environment, licensing, quality and adequacy of medical care, distributions of pharmaceuticals, rate setting, equipment, personnel, operating policies, and fee splitting, and (vii) any other applicable laws, regulations or agreements for reimbursement for the type of care or services provided by such tenant, operator, manager and/or UPL Counterparty, as applicable, with respect to each Facility. As used in this clause (v), "compliance in all material respects" means a level of compliance that would keep the borrowers and any tenant, operator, manager and/or UPL Counterparty, as applicable (and the operation of each Facility in the ordinary course of business), free from any material proceedings or sanctions by any governmental authority or Health Care

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Authority having jurisdiction over the operation of any Facility that would reasonably be expected to have a Material Adverse Effect;

- (vi) Except as otherwise set forth on Schedule 1(a) to this Schedule 1, each tenant, operator, manager and/or UPL Counterparty, as applicable, (i) is in compliance in all material respects with the requirements for participation in the Medicare and Medicaid programs with respect to each Facility that currently participates in such programs, and (ii) has a current provider agreement under Title XVIII and/or XIX of the Social Security Act, which is in full force and effect. Other than as set forth on Schedule 1(a) to this Schedule 1, no tenant, operator and/or manager, as applicable, has had any deficiencies on its most recent Facility Survey that has been posted online and is available for public inspection (standard or complaint) that did result in a denial of payment for new admissions and/or no opportunity to correct prior to termination, and no material penalty enforcement action, except as would not have a Material Adverse Effect, has been taken under the last Facility Survey cycle. Except as otherwise set forth on Schedule 1(a) to this Schedule 1, no tenant, operator, manager and/or UPL Counterparty, as applicable, had any deficiencies at "level G" or above on its most recent Facility Survey that has been posted online and is available for public inspection (standard or complaint), nor has any tenant, operator, manager and/or UPL Counterparty, as applicable, been cited with any substandard quality of care deficiencies (as that term is defined in Part 488 of 42 C.F.R.) for the past two consecutive Facility Surveys. Except as set forth on Schedule 1(a) to this Schedule 1, no Facility has been the subject of a "double G" determination for the last three (3) years;
- (vii) Except as otherwise set forth on Schedule 1(a) to this Schedule 1, neither the borrowers, nor any tenant, operator, manager and/or UPL Counterparty, as applicable, are known to the Seller, based upon due diligence customarily performed in connection with the origination of a Mortgage Loan secured by healthcare property, to be a target of, participant in or subject to, (A) any action, proceeding, suit, audit, investigation or sanction by any Health Care Authority or any other administrative or investigative body or entity or (B) any non-frivolous whistleblower suits or other suits by patients or residents that the Seller in good faith does not believe are frivolous or suits brought pursuant to federal or state False Claims Acts or Medicaid/Medicare/State fraud/abuse laws, which may result, directly or indirectly or with the passage of time, in the imposition of a material fine, penalty, alternative, interim or final sanction, a lower rate certification, recoupment, recovery, suspension or discontinuance of all or part of reimbursement from any Health Care Authority, third-party payor, insurance carrier or private payor, a lower reimbursement rate for services rendered to eligible patients, or any other civil or criminal remedy, and which would reasonably be expected to have a Material Adverse Effect, including any Facility's ability to accept or retain residents, or which could reasonably be expected to result in the appointment of a receiver or manager, or in the modification, limitation, annulment, revocation, termination, non-renewal, transfer, surrender, suspension or other impairment of a Health Care License or affect any tenant's, operator's and/or manager's (as applicable) participation in the Medicare, Medicaid, or third-party payor program, as applicable, or any successor program thereto, provided that an attorney's request for resident records, in and of itself, may not be considered as such a threat for the purpose of this clause (vii);

- (viii) There are no agreements with residents of any Facility, or with any other Persons, which deviate in any material adverse respect from, or which conflict with, any Health Care Requirements. The format of residents records complies in all material respects with all applicable Health Care Requirements and legal requirements and each Facility has policies and procedures to ensure that all resident records at each Facility, including patient and/or resident accounts records, are true, complete, and correct in all material respects;
- (ix) The execution and delivery of the Underlying Instruments, the respective borrowers' performances thereunder, and the recordation of the applicable mortgages will not (i) adversely affect in any material respect, any tenant's, operator's, manager's and/or UPL Counterparty's right to receive Medicaid, Medicare, insurance company, managed care company, or other third-party insurance payments or reimbursements or to receive private payor payments or reimbursements, (ii)

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materially reduce the Medicaid, Medicare, insurance company, managed care company, or other third-party insurance payments or reimbursements or materially reduce private payor payments or reimbursements that any tenant, operator, manager and/or UPL Counterparty, as applicable, is receiving as of the date of origination, or (iii) materially adversely affect the Health Care Licenses;

- (x) Other than the Medicare and Medicaid programs, no borrowers and no tenants, operators, managers and/or UPL Counterparties, as applicable, is a participant in any federal, state or local program (other than small local programs, if any) whereby any Health Care Authority may have the right to recover funds with respect to the related Mortgaged Property by reason of the advance of federal, state or local funds, including those authorized under the Hill Burton Act (42 U.S.C. 291, et seq.). The borrowers have received no notice, and are not aware of any violation of applicable antitrust laws;
- (xi) Each tenant, operator, manager and/or UPL Counterparty, as applicable, each have instituted, and each Facility is operated in compliance in all material respects with, policies and plans for complying with applicable legal requirements and Health Care Requirements;
- (xii) Each tenant, operator, manager and/or UPL Counterparty, as applicable, is in compliance in all material respects with the Healthcare Insurance Portability and Accountability Act of 1996 and the regulations promulgated thereunder and Pub. L No. 104-191, as amended by the Health Information Technology for Economic and Clinical Health Act, Title XIII of the American Recovery and Reinvestment Act of 2009 and related regulations promulgated by the Secretary of Health and Human Services, to the extent applicable;
- (xiii) Except as set forth on Schedule 1(a) to this Schedule 1, or as would not have or reasonably be expected to have a Material Adverse Effect, there is no threatened or pending revocation, suspension, termination, probation, restriction, limitation, or non-renewal affecting any tenant, operator, manager and/or UPL Counterparty, as applicable, or any Facility, or provider agreement with any third-party payor, Medicare or Medicaid;
- (xiv) All Medicare, Medicaid, and private insurance cost reports and financial reports submitted by or on behalf of each Facility are materially accurate and complete and have not been misleading in any material respect. Except as would not have or reasonably be expected to have a Material Adverse Effect and except as provided in Schedule 1(a) to this Schedule 1, and except in the ordinary course of business, (i) there are no current, pending or outstanding Medicare, Medicaid, or third-party payor programs reimbursement audits or appeals pending at any of the Facilities, (ii) there are no cost report years that are subject to audits, no cost reports remain "open" or unsettled, and (iii) there are no current or pending material Medicare, Medicaid, or third-party payor programs recoupment efforts at any Facility;
- (xv) Except as otherwise set forth in Schedule 1(a) to this Schedule 1 and except as would not reasonably be expected to have a Material Adverse Effect and except to the extent a waiver has been granted by the applicable governmental authority, each Facility and the use thereof complies in all material respects with all applicable local, state, and federal building codes and fire and life safety codes applicable to such Facility;
- (xvi) Any existing agreement relating to the management, administration or operation of each Facility is in full force and effect and there is no default thereunder by any party thereto and no event has occurred that with the passage of time and/or the giving of notice would constitute a default thereunder. Any existing agreement relating to the management, administration or operation of each Facility has received all necessary approvals from the applicable Health Care Authority;
- (xvii) Borrowers have delivered an occupancy report for each related Mortgaged Property; and
- (xviii) Each operating lease and all other existing agreements relating to the operation and/or management of each Facility have received all necessary approvals from the applicable Health Care Authority.

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As used in paragraph (45) of this Schedule 1, the following terms shall have the respective meanings specified below:

"Assisted Living Facility" means, a facility licensed by a state Healthcare Authority to provide supervision or assistance with activities of daily living, coordination of services by healthcare providers and monitoring of resident activities to help ensure their health, safety and well-being.

"Facility" means, an Assisted Living Facility, an Independent Living Facility and/or a Skilled Nursing Facility, in each case, related to a Mortgaged Property.

"Facility Survey" means, an on-site inspection of a Facility by a Healthcare Authority with jurisdiction over such Facility to determine if the tenant, operator and/or manager, as applicable, is meeting minimum quality and performance standards.

"Healthcare Authorities" means any governmental authority or quasi-governmental authority or any agency, intermediary, board, authority or entity concerned with the ownership, operation, use or occupancy of any Mortgaged Property as a Skilled Nursing Facility or an Assisted Living Facility or an Independent Living Facility.

“Healthcare Requirements” means, with respect to each Mortgaged Property, all federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions or agreements, in each case, pertaining to or concerned with the establishment, construction, ownership, operation, use or occupancy of such Mortgaged Property or any part thereof in accordance with its Healthcare License and all material permits, licenses and authorizations and regulations relating thereto, including all material rules, orders, regulations and decrees of and agreements with Healthcare Authorities as pertaining to such Mortgaged Property.

“Independent Living Facility” means, a facility that is not required to be licensed by a state Health Care Authority and that provides residents with private living accommodations, and common areas for dining, social and recreational activities and other amenities within the same facility or within conjoined or contiguous structures.

“Lien” means any mortgage, deed of trust, lien (statutory or otherwise), pledge, hypothecation, easement, restrictive covenant, preference, assignment, security interest, PACE Loan or any other encumbrance, charge or transfer of, or any agreement to enter into or create any of the foregoing, on or affecting all or any portion of any Mortgaged Property or any interest therein, or any direct or indirect interest in any of the borrowers, including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, the filing of any financing statement, and mechanic’s, materialmen’s and other similar liens and encumbrances.

“Material Adverse Effect” means, any event, action (or failure to take action) or condition relating to (a) the business, operations, economic performance, assets or condition (financial or otherwise) of (i) any of the borrowers, (ii) any of the guarantors, (iii) any tenant, operator and/or manager, as applicable, (iv) any Mortgaged Property lease, (v) any operating lease or (vi) any Mortgaged Property or any Facility thereon; (b) the ability of any borrower or guarantor to perform, in all material respects, its obligations under each of the Underlying Instruments to which it is a party; (c) the ability of any tenant, operator and/or manager, as applicable, to perform, in all material respects, its obligations under any applicable lease; (d) the enforceability or validity of (i) any Mortgaged Property lease, (ii) any operating lease, (iii) any Underlying Instrument or the perfection or priority of any Lien created under any Underlying Instrument; (e) the value of, or cash flow from, each Mortgaged Property or the operations thereof; or (f) the rights, interests and remedies of any lender under any of the Underlying Instruments, which, in each case, either individually or cumulatively, would have a material adverse effect on the value of the related Mortgage Loan or the ability of the borrower(s) to make interest or principal payments when due pursuant to the related Underlying Instruments.

“NSGO” means non-state government owned or operated.

“UPL Counterparty” means individually and/or collectively (as the context may require), as applicable, the person listed, with respect to each applicable Mortgaged Property, as NSGO under the applicable Underlying Instrument, and/or the applicable tenant, operator and/or manager, as applicable, then managing such Mortgaged Property

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pursuant to any applicable management agreement between such tenant, operator and/or manager, as applicable, and such person listed as NSGO under the applicable Underlying Instrument.

“Skilled Nursing Facility” means, a facility licensed by a state Healthcare Authority to provide short-term and long-term custodial care, skilled nursing and rehabilitation services.

For purposes of these representations and warranties, the phrases “the Seller’s knowledge” and other words and phrases of like import shall mean, except where otherwise expressly set forth herein, the actual state of knowledge of the Seller, its officers and employees directly responsible for the underwriting, origination, servicing or sale of the Mortgage Loans regarding the matters expressly set forth herein, based upon due diligence customarily performed in connection with the origination of a Mortgage Loan secured by healthcare property.

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SCHEDULE 1(a)

EXCEPTIONS TO REPRESENTATIONS AND WARRANTIES

Representation numbers referred to below relate to the corresponding Closing Date Mortgage Asset representations and warranties set forth in Schedule 1 to this Agreement.

Mortgage Asset	Representation	Exception
Planet Self Storage Portfolio	#36	The borrower under the Planet Self Storage Portfolio loan is owned, in part, and controlled by Robert Moser, who also owns, in part, and controls the borrowers under the King Arthur - West Valley City loan and the King Arthur - Draper loan.
Central West End	#12 & 13	The city of St. Louis has issued a notice and list of building violations at the property which must be cured by August 9, 2018. The current seller and borrower are in the process of curing these violations, and ART has reserved sufficient funds from loan proceeds, with a contingency amount, to fully satisfy and cure all building violations.
	#15	Interest shall not accrue on certain funds in the renovation reserve—\$7,664,744—until the earlier of (i) the date on which any funds are first disbursed to the borrower and (ii) October 16, 2018. Thus, if the borrower does not draw on such funds, interest will start accruing on the full \$7,664,744 from and after October 16, 2018. If the borrower draws any amount prior to October 16, 2018, interest starts accruing on such funds drawn as of the date of that draw.

	#31(e)	One of the buildings under the Central West End loan has a ground lease for surface parking. The lessee is not to “transfer” (which includes granting a mortgage) this ground lease without the lessor’s prior written consent, which consent shall not be unreasonably withheld. Although the lessee is entitled to encumber its leasehold interest to any lender holding a deed of trust on another building under the Central West End loan, an estoppel obtained in connection with the closing contains a consent to the granting of such deed of trust in favor of the Arbor Parent.
	#31(i)	No subletting is permitted without the lessor’s prior written consent; however, the leased premises is a surface parking lot which is used by building residents and is not separately sublet to any party.
	#31(j)	The property is unimproved so that the representations regarding insurance for casualties are not applicable to the leased premises. The ground lease has been in existence for more than 20 years, so the risk of any condemnation was deemed to be minimal.
	#31(k)	The property is unimproved so that the representations regarding insurance for casualties are not applicable to the leased premises. The ground lease has been in existence for more than 20 years, so the risk of any condemnation was deemed to be minimal.
	#36	The borrowers under the Central West End participation are owned, in part, and controlled by the same sponsors who also own, in part, and control the borrower under the Landmark at Mountain View participation.
The Redford	#16	The 2018 insurance policy has a layered program including 19 carriers on property coverage, 3 of which are either not S & P rated or below requirements, however their A.M. Best rating meets or exceeds requirements.
Preston Hollow	#36	The borrower under the Preston Hollow participation is owned, in part, and controlled by the same sponsors who also own, in part, and control the borrower under The Katy Apartments participation.

Sch. 1(a)-1

Mortgage Asset	Representation	Exception
The Katy Apartments	#36	The borrower under The Katy Apartments participation is owned, in part, and controlled by the same sponsors who also own, in part, and control the borrower under the Preston Hollow participation.
Landmark at Mountain View	#26	A partial release price to be paid in connection with any partial release shall be all sale or refinance proceeds (as applicable) are to be paid to the lender (to be applied as set forth in the related loan agreement), provided that the unreleased property has a loan-to-value (“LTV”) of no greater than 70% and a debt service coverage ratio of no less than 1.35x.
	#36	The borrowers under the Landmark at Mountain View participation are owned, in part, and controlled by the same sponsors who also own, in part, and control the borrower under the Central West End participation.
Willow Point Apartments	#36	The borrower under the Willow Point Apartments loan is owned, in part, and controlled by Pinchos Shemano, who also owns, in part, and controls the borrower under the Cypress Village Apartments loan.
Campus Commons	#36	The borrower under the Campus Commons participation is owned, in part, and controlled by the same sponsors who also own, in part, and control the borrowers under The Mark Apartments.
Wilshire Victoria Apartments	#25	Loan is full recourse.
	#30	A non-consolidation opinion was received at closing; however, the loan is full recourse.
Carrington Park I	#36	Carrington Park I and Carrington Park II have common sponsors.
King Arthur - Draper	#36	The borrower under the King Arthur - Draper loan is owned, in part, and controlled by Robert Moser, who also owns, in part, and controls the borrowers under the Planet Self Storage Portfolio loan and the King Arthur - West Valley City loan.
The Mark Apartments	#36	The borrowers under The Mark Apartments are owned, in part, and controlled by the same sponsors who also own, in part, and control the borrower under the Campus Commons participation.
309 East 75th Street	#36	The 309 East 75th Street borrower is an affiliate of the 528 East 85th Street borrower.
Cypress Village Apartments	#36	The borrower under the Cypress Village Apartments loan is owned, in part, and controlled by Pinchos Shemano, who also owns, in part, and controls the borrower under the Willow Point Apartments loan.
King Arthur - West Valley City	#36	The borrower under the King Arthur - West Valley City loan is owned, in part, and controlled by Robert Moser, who also owns, in part, and controls the borrowers under the Planet Self Storage Portfolio loan and the King Arthur - Draper loan.
528 East 85th Street	#36	The 528 East 85th Street borrower is an affiliate of the 309 East 75th Street borrower.
Carrington Park II	#36	Carrington Park I and Carrington Park II have common sponsors.

SCHEDULE 1(b)

Existing Mezzanine Debt

None

Sch. 1(b)-1

SCHEDULE 1(c)

Future Mezzanine Debt

None

Sch. 1(c)-1

SCHEDULE 1(d)

Crossed Mortgage Assets

- Cross-collateralized
 - None
- Cross-defaulted
 - Carrington Park I and Carrington Park II(1)

(1) These Mortgage Assets are not currently cross-defaulted but are expected to become cross-defaulted as of the Closing Date.

Sch. 1(d)-1

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2018-FL1, LTD.
CLASS A NOTES, CLASS A-S NOTES, CLASS B NOTES, CLASS C NOTES AND CLASS D NOTES

Placement Agreement

Dated as of May 23, 2018

J.P. Morgan Securities LLC
383 Madison Avenue, 8th Floor
New York, New York 10179

Ladies and Gentlemen:

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2018-FL1, LTD. (the “Issuer”) and ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2018-FL1, LLC (the “Co-Issuer” and, together with the Issuer, the “Co-Issuers”), propose to issue their \$308,000,000 Class A Senior Secured Floating Rate Notes Due 2028 (the “Class A Notes”), their \$50,400,000 Class A-S Senior Secured Floating Rate Notes Due 2028 (the “Class A-S Notes”), their \$22,400,000 Class B Secured Floating Rate Notes Due 2028 (the “Class B Notes”), their \$23,100,000 Class C Secured Floating Rate Notes Due 2028 (the “Class C Notes”) and their \$37,100,000 Class D Secured Floating Rate Notes Due 2028 (the “Class D Notes”). In addition, the Issuer proposes to issue its \$30,800,000 Class E Floating Rate Notes Due 2028 (the “Class E Notes”) and its \$22,400,000 Class F Floating Rate Notes due 2028 (the “Class F Notes” and, together with the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes, the “Notes”). The Issuer intends to issue 65,800 preferred shares, with a par value of U.S. \$0.0001 per share and a notional amount of U.S. \$1,000 per share (the “Preferred Shares” and, together with the Notes, the “Securities”). The Co-Issuers have engaged J.P. Morgan Securities LLC (the “Placement Agent”) to act as placement agent in conjunction with the offer and sale of the Offered Notes (as defined below) pursuant to this Placement Agreement (this “Agreement”).

The Notes shall be issued pursuant to an Indenture, to be dated as of June 14, 2018 (the “Indenture”), among the Co-Issuers, Arbor Realty SR, Inc. (including any successor by merger, the “Seller” or the “Arbor Parent”), as Advancing Agent, and U.S. Bank National Association, as Trustee (in such capacity, the “Trustee”), and the Preferred Shares shall be issued pursuant to the Governing Documents (as defined in the Indenture) of the Issuer, certain resolutions of the board of directors of the Issuer passed prior to the issuance of the Preferred Shares and the Preferred Share Paying Agency Agreement, to be dated as of June 14, 2018 (the “Preferred Share Paying Agency Agreement”), among the Issuer, U.S. Bank National Association, as preferred share paying agent (the “Preferred Share Paying Agent”), and MaplesFS Limited, as share registrar. Capitalized terms used but not defined herein shall have the meanings specified in the Offering Memorandum (as hereinafter defined) or, to the extent not defined therein, in the Indenture.

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On the Closing Date, the Issuer will purchase the Mortgage Assets described and listed in Annex A to the Offering Memorandum (collectively, the “Mortgage Assets” and, with all other assets pledged to the Trustee on behalf of the Secured Parties pursuant to the Indenture, the “Collateral”) from the Arbor Parent.

As used herein, the term “Offered Notes” means the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes, other than the \$55,000,000 of Class A Notes that are being acquired by JPMorgan Chase Bank, National Association directly from the Co-Issuers on the Closing Date.

The Co-Issuers, the Arbor Parent and the Placement Agent agree as follows:

1. Appointment of Placement Agent; Offer and Sale of Notes.

(a) The Co-Issuers and the Arbor Parent hereby appoint the Placement Agent to act as placement agent in connection with the offer and sale of the Offered Notes in accordance with the terms hereof, and the Placement Agent hereby accepts such appointment in accordance with the terms hereof. Subject to the terms and conditions hereof and in reliance on the representations and warranties herein set forth, the Co-Issuers agree to sell, and the Arbor Parent agrees to cause to be sold, the Notes and the Placement Agent agrees, on a best efforts basis, to (i) solicit offers to purchase the Notes on behalf of the Co-Issuers from time to time in negotiated transactions at various prices to be determined at the time of the sale and (ii) provide customary facilitation of the offering and sale of the Offered Notes. In connection with acting as placement agent hereunder, the Placement Agent shall have the right (but not the obligation) to purchase the Offered Notes and resell the Offered Notes pursuant to the terms of this Agreement. Each of the Co-Issuers, the Arbor Parent and the Placement Agent agrees that, as to any and all of the Offered Notes with respect to which the Placement Agent arranges the sale pursuant to this Agreement, such Notes shall be offered and sold in reliance on, among other things, the agreements, representations, warranties and covenants of the Co-Issuers and the Arbor Parent contained herein and on the terms and conditions and in the manner provided for herein; provided, however, that the Placement Agent shall have no liability to the Co-Issuers, the Arbor Parent or any of their respective affiliates in the event that any purchase or sale is not consummated for any reason. The Co-Issuers and the Arbor Parent shall have the sole right to accept or reject any or all offers presented by the Placement Agent in the sole and absolute discretion of the Co-Issuers and the Arbor Parent. The Co-Issuers shall direct the Placement Agent to remit the aggregate purchase price for the Offered Notes (net of the advisory, structuring and placement agent fee (the “Advisory, Structuring and Placement Agent Fee”) set forth on Schedule I, which shall be retained by the Placement Agent) placed pursuant hereto to an account specified by the Issuer.

(b) The Placement Agent hereby represents, warrants and agrees that:

(i) it understands that the offer and sale of the Offered Notes have not and will not be registered under the Securities Act or registered or qualified under any applicable state securities laws and that none of the Co-Issuers or the Arbor Parent is obligated to so register or qualify the Offered Notes;

(ii) it is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act (a “QIB”);

(iii) (x) it has not solicited offers for, or offered or sold, and will not solicit offers for, or offer to sell, the Offered Notes or any interest therein by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D under the Securities Act (“Regulation D”), including, but not limited to, any advertisement, article, magazine or similar medium or broadcast over television or radio or any seminar or meeting whose attendees have been invited by any general solicitation or advertising (as those terms are used in Regulation D), or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act and (y) it has not solicited offers for or offered or sold, and will not solicit offers for, or offer or sell, the Offered Notes as part of their initial offering except on the terms set forth in the Offering Memorandum (as defined below): (A) within the United States (or to U.S. persons within the meaning of Regulation S) to persons each of whom it reasonably believes to be a Qualified Purchaser within the meaning of the Investment Company Act of 1940 and that are either (1) QIBs in transactions pursuant to Rule 144A under the Securities Act (“Rule 144A”) and as to which in connection with each such sale, it has taken or will take reasonable steps to ensure that the purchaser of the Offered Notes is aware that such sale is being made in reliance on Rule 144A or (2) institutions that are “accredited investors” as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D (“Institutional Accredited Investors”), who, in the case of purchasers described in this clause (2), purchase the Offered Notes in certificated form for their own account and for any discretionary account for which they are acquiring securities and provide a letter in the form required under the Indenture or (B) in accordance with the restrictions set forth in Annex A hereto;

(iv) (x) it has not provided, as of the date of this Agreement, and covenants with the Co-Issuers that it will not provide, on or prior to the Closing Date, to any Rating Agency or other “nationally recognized statistical rating organization” (within the meaning of the Exchange Act), any information, written or oral, relating to the Offered Notes, the Collateral, the transactions contemplated by this Agreement or the Indenture or any other information, that could be reasonably determined to be relevant to determining an initial credit rating for the Notes (as contemplated by Rule 17g-5(a)(3)(iii)(C) of the Exchange Act), without the prior consent of the Co-Issuers, and (y) it covenants with the Co-Issuers that it will not provide to any Rating Agency or other “nationally recognized statistical rating organization” (within the meaning of the Exchange Act), any information, written or oral, relating to the Offered Notes, the Collateral, the transactions contemplated by this Agreement or the Indenture or any other information, that could be reasonably determined to be relevant to undertaking credit rating surveillance for the Offered Notes (as contemplated by Rule 17g-5(a)(iii)(3)(D) under the Exchange Act), without the prior consent of the Co-Issuers; provided, in the case of both (x) and (y), the Co-Issuers acknowledge that they have requested that the Placement Agent participate in or initiate communications with the Rating Agencies with respect to information posted on the website established pursuant to Rule 17g-5 of the Exchange Act (“Rule 17g-5”) throughout the transactions contemplated hereby or by the Indenture and to provide for posting to such website any information relayed in such

communications to the extent not already posted on such website without requesting the Co-Issuers’ specific prior consent and without the Co-Issuers’ participation, and any and all such communication shall be deemed to have been consented to by the Co-Issuers; and

(v) other than the Time of Sale Information, the Indenture, the Offering Memorandum and the other Basic Documents (as defined in Section 2(g) below), neither it nor any of its affiliates (including its agents and representatives) has furnished or made available, or will furnish or make available, to potential investors in the Offered Notes, without the prior consent of the Co-Issuers and the Arbor Parent, any written communication that constitutes an offer to sell or solicitation of an offer to buy the Offered Notes.

(c) In connection with the issuance of the Offered Notes, the Co-Issuers and the Arbor Parent have prepared an Offering Memorandum, dated May 23, 2018 (including any exhibits and annexes thereto and any accompanying electronic media, the “Offering Memorandum”), in form and substance acceptable to the Placement Agent. Copies of the Offering Memorandum will be delivered by the Co-Issuers and the Arbor Parent to the Placement Agent pursuant to the terms of this Agreement. At or prior to the time when sales of the Offered Notes were first made, which was approximately 1:50 PM (prevailing Eastern time) on May 23, 2018 (the “Time of Sale”), the Co-Issuers and the Arbor Parent have prepared the following documents: a Preliminary Offering Memorandum, dated May 21, 2018 (including any exhibits and annexes thereto and any accompanying electronic media, the “Preliminary Offering Memorandum” and, together with any Additional Disclosure Materials (as defined below), the “Time of Sale Information”). If, subsequent to the date of this Agreement, (x) the Co-Issuers, the Arbor Parent and the Placement Agent determine that, as to any investors in the Offered Notes, the Time of Sale Information as of the Time of Sale included an untrue statement of material fact or omitted 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 and the Placement Agent terminates its old purchase contracts and enters into new purchase contracts with investors in the Offered Notes, then “Time of Sale Information” shall also include such additional information conveyed to investors as of the time of entry into the new purchase contracts, including any information that corrects such material misstatements or omissions and “Time of Sale” shall refer to the time and date on which such new purchase contracts were entered into. Any Time of Sale Information furnished to the Placement Agent subsequent to the date of this Agreement shall be in form and substance satisfactory to the Placement Agent and shall be listed on Annex B hereto.

(d) Except as otherwise set forth in paragraph (e) below, the Offered Notes to be placed by the Placement Agent shall be represented by one or more definitive global notes in book-entry form, which shall be deposited by or on behalf of the Co-Issuers with the Depository Trust Company (the “DTC”) or its designated custodian. The Co-Issuers shall deliver the applicable Offered Notes to the Placement Agent, acting on behalf of the purchasers of the applicable Notes, by causing DTC to credit such Offered Notes to the account of the Placement Agent (or its designee) at DTC. The Offered Notes shall be registered in such names and such authorized denominations as the Placement Agent may request in writing not less than forty-eight (48) hours prior to the Closing Date. The Co-Issuers shall cause the Offered Notes to be

City time, on June 14, 2018, or such other time and date as the Placement Agent and the Co-Issuers may agree upon in writing. The time and date of such payment and delivery is referred to herein as the “Closing Date”. On the Closing Date, the Co-Issuers and the Arbor Parent (jointly and severally) agree to pay to the Placement Agent the Advisory, Structuring and Placement Agent Fee as set forth on Schedule I hereto.

(e) The Offered Notes sold to Institutional Accredited Investors shall and the Offered Notes sold to QIBs may, in each case as specified by the Placement Agent upon at least forty-eight (48) hours’ prior notice to the Co-Issuers (such request to include the authorized denominations and the names in which they are to be registered), be delivered in definitive certificated form to or upon the instructions of the Placement Agent, acting on behalf of the applicable purchasers of the Offered Notes, against payment of the purchase price therefor by wire transfer of immediately available funds. The Offered Notes shall be made available for inspection and packaging in New York, New York, not later than 1:00 p.m. on the business day prior to the Closing Date at the Closing Location.

(f) The documents to be delivered at the Closing Date by or on behalf of the parties hereto pursuant to Section 5 hereof and the Offered Notes shall be delivered at the Closing Location on the Closing Date. A meeting shall be held at the Closing Location at 5:00 p.m., New York City time, on the New York Business Day next preceding the Closing Date, or such other time agreed to by the parties hereto, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence shall be available for review by the parties hereto. For the purposes of this Section 1(f), “New York Business Day” shall mean each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

(g) The Placement Agent acknowledges and agrees that the Co-Issuers and, for purposes of the opinions to be delivered to the Placement Agent pursuant to Sections 5(h) and 5(i) hereof, counsel for the Co-Issuers and counsel for the Placement Agent, respectively, may rely upon the accuracy of the representations and warranties of the Placement Agent, and compliance by the Placement Agent with its agreements contained in Section 1(b) (including Annex A hereto), and the Placement Agent hereby consents to such reliance.

(h) The Co-Issuers and the Arbor Parent acknowledge and agree that the Placement Agent is acting solely in the capacity of an arm’s-length contractual counterparty to the Co-Issuers and the Arbor Parent with respect to the offering and sale of the Offered Notes if and to the extent contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or fiduciary to, or agent of, the Co-Issuers, the Arbor Parent or any other person in connection with each transaction contemplated hereby and the process leading to such transaction. Additionally, the Placement Agent is not advising the Co-Issuers, the Arbor Parent or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Co-Issuers and the Arbor Parent shall consult with their own advisors concerning such matters and shall be responsible for making their own

independent investigation and appraisal of the transactions contemplated hereby, and the Placement Agent shall not have any responsibility or liability to the Co-Issuers, the Arbor Parent or any other person with respect thereto. Any review by the Placement Agent of the Co-Issuers and the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Placement Agent, and shall not be on behalf of the Co-Issuers, the Arbor Parent or any other person. Each of the Co-Issuers and the Arbor Parent agree that it will not claim that the Placement Agent has rendered financial advisory services of any nature or respect, or owes a fiduciary or similar duty to the Co-Issuers, the Arbor Parent or any other person in connection with such transaction or the process leading thereto.

(i) The Placement Agent may provide to prospective investors Additional Disclosure Materials (as defined below), subject to the following conditions: (i) the Placement Agent shall provide to the Issuer any Additional Disclosure Materials that the Placement Agent has prepared prior to providing such materials to investors; and (ii) in the event that the Issuer or the Placement Agent discovers an error in the Additional Disclosure Materials, the Issuer, if it has discovered such error, shall notify the Placement Agent in writing and, in either case, the Placement Agent shall correct such error prior to providing such materials to any prospective investors. “Additional Disclosure Materials” shall mean any materials similar to “ABS Informational and “Computational Materials” (as such term is defined in Item 1101(a) of Regulation AB under the Securities Act) or “Free Writing Prospectuses” (as such term is defined in Rule 405 of the Securities Act), or any “flip” book, term sheet or similar marketing materials and any and all other summaries, reports, documents, in written or electronic form, including but not limited to summaries or other reports regarding the Closing Date Mortgage Assets, that is (i) provided to the Placement Agent by or on behalf of the Issuer or any of its affiliates or (ii) prepared by the Placement Agent and provided to the Issuer prior to distribution to prospective investors in accordance with the preceding sentence.

(j) Except for the Accountants’ Due Diligence Report (as defined in Section 3.1(a) below), it has not obtained any Due Diligence Report (as defined in Section 3.1(a) below) in connection with the offering contemplated hereby.

2. Representations and Warranties of the Co-Issuers. The Co-Issuers represent and warrant to the Placement Agent that:

(a) Time of Sale Information and Offering Memorandum. The Time of Sale Information, as of the Time of Sale, did not, and as of the Closing Date, will not, and the Offering Memorandum, as of the date thereof, did not, and as of the Closing Date, will not, contain any untrue statement of a material fact or 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; provided that the Co-Issuers do not make any representation or warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to the Placement Agent furnished to the Co-Issuers in writing by the Placement Agent expressly for use in the Time of Sale Information and the Offering Memorandum and any amendment or supplement thereto (such information, as identified in Section 12, the “Placement Agent Information”).

(b) Additional Written Communications. Other than the Time of Sale Information and the Offering Memorandum, neither the Co-Issuers nor any of their affiliates (including their agents and representatives) have made, used, prepared, authorized, approved or referred to or will prepare, make, use, authorize, approve or refer to any written communication that constitutes an offer to sell or solicitation of an offer to buy the Notes.

(c) No Material Adverse Change. Other than as set forth in the Time of Sale Information, since the Time of Sale and other than as set forth in the Offering Memorandum, since the date thereof, there has not been any material adverse change or any development involving a prospective

material adverse change, in or affecting the business, properties, management, financial position, stockholders' equity or results of operations of the Co-Issuers or the Arbor Parent.

(d) Organization and Good Standing. Each of the Co-Issuers, the Arbor Parent and their respective affiliates that will be a party to a Basic Document has been duly incorporated or organized, as the case may be, and is a validly existing company or organization, as the case may be, in good standing under the laws of its jurisdiction of organization, is duly qualified to do business and is in good standing as a foreign entity in each jurisdiction in which the conduct of its business requires such qualification, and has all power and authority necessary to enter into and perform its obligations under each of the Basic Documents to which it is a party and to own or hold its properties and to conduct the business in which it is engaged.

(e) Due Authorization. Each of the Co-Issuers, the Arbor Parent and their respective affiliates that will be a party to a Basic Document has full right, power and authority to execute and deliver each of the Basic Documents to which it is a party, and to perform its obligations hereunder and thereunder; and all action required to be taken for the due and proper authorization, execution and delivery of each of the Basic Documents to which it is a party and the consummation of the transactions contemplated thereby have been duly and validly taken.

(f) The Offered Notes. The Offered Notes have been duly authorized and, when duly executed, authenticated, issued and delivered as provided in the Indenture and paid for as provided herein, will be duly and validly issued and outstanding and will be entitled to the benefits and security afforded by the Indenture.

(g) Indenture and the other Basic Documents; Description of Basic Documents. When used in this agreement, the term "Basic Documents" shall mean this Agreement, the Indenture, the Notes, the Servicing Agreement, the Securities Account Control Agreement, the Preferred Share Paying Agency Agreement, the Mortgage Asset Purchase Agreement, the Collateral Management Agreement and any other contract or agreement that is, or is to be, entered into by the Issuer on the Closing Date or otherwise in connection with any of the foregoing or this Agreement. Each Basic Document to which the Issuer, the Co-Issuer the Arbor Parent or any affiliate thereof is a party has been duly authorized by such entity, as applicable, and when duly executed and delivered in accordance with its terms by each of the parties thereto (other than such entity, as applicable), will constitute a valid and legally binding agreement of such entity, as applicable, enforceable against such entity, as applicable, in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by equitable

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principles relating to enforceability. The Basic Documents described in the Time of Sale Information or the Offering Memorandum will conform in all material respects to the descriptions thereof contained in the Time of Sale Information and in the Offering Memorandum.

(h) No Violation or Default. None of the Co-Issuers, the Arbor Parent or any of their respective affiliates that will be a party to a Basic Document is (A) in violation of its charter, by-laws, memorandum and articles of association or similar organizational documents; (B) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets are subject; or (C) in violation of any law or statute or any judgment, order or regulation of any court or governmental agency or body having jurisdiction over it or any of its properties ("Governmental Authority").

(i) No Conflicts with Existing Instruments. The execution, delivery and performance by the Issuer, the Co-Issuer, the Arbor Parent or any of their respective affiliates of any Basic Document to which it is a party, the issuance and sale of the Notes and compliance by it with the terms thereof and the consummation of the transactions contemplated by such Basic Documents will not (A) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or, except as contemplated by the Basic Documents, result in the creation or imposition of any lien, charge or encumbrance upon any of its property or assets pursuant to any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets are subject; (B) result in any violation of the provisions of the charter, by-laws, memorandum and articles of association or similar organizational documents of the Issuer, the Co-Issuer, the Arbor Parent or any of their respective affiliates; or (C) result in the violation of any law or statute or any judgment, order or regulation of any Governmental Authority.

(j) No Consents Required. Assuming compliance by the Placement Agent with its agreement in Section 1(b) hereof, no consent, approval, authorization, order, registration or qualification of or with any Governmental Authority is required for the execution, delivery and performance by the Issuer, the Co-Issuer, the Arbor Parent or any of their respective affiliates of each of the Basic Documents to which it is a party, the issuance and sale of the Securities and compliance by such Issuer, Co-Issuer, Arbor Parent and their respective affiliates with the terms thereof and the consummation of the transactions contemplated by the Basic Documents, except for such consents, approvals, authorizations, orders and registrations or qualifications as have already been obtained, or as of the Closing Date will have been obtained or as may be required under applicable state securities laws in connection with the placement of the Offered Notes by the Placement Agent or any purchase and resale of the Offered Notes by the Placement Agent.

(k) Legal Proceedings. Except as described in the Time of Sale Information and the Offering Memorandum, there are no legal, governmental or regulatory investigations, actions, suits or proceedings pending to which the Issuer, the Co-Issuer or the Arbor Parent is a party or to which any property of the Issuer, the Co-Issuer or the Arbor Parent is the subject that, individually or in the aggregate, if determined adversely to such person, could reasonably be

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expected to have a material adverse effect on (A) the ability of any of the Issuer, the Co-Issuer or the Arbor Parent to perform its obligations under any Basic Document to which it is a party or (B) the transactions contemplated herein or in the Basic Documents; and to the knowledge after due inquiry of the Co-Issuers and the Arbor Parent, no such investigations, actions, suits or proceedings are threatened or contemplated by any Governmental Authority or threatened by others.

(l) Title to Assets. The Arbor Parent will, at the Closing Date, own and transfer the Mortgage Assets, free and clear of any lien, mortgage, pledge, charge, security interest or other encumbrance, and, at the Closing Date, the Arbor Parent will have full power and authority to sell the Mortgage Assets to the Issuer under the Mortgage Asset Purchase Agreement and deliver the Mortgage Assets to the Issuer thereunder, and at the Closing Date will have duly authorized such sale and delivery to the Issuer by all necessary action; and the Issuer will, at the Closing Date, own the related Collateral,

free and clear of any lien, mortgage, pledge, charge, security interest or other encumbrance, and will have full power and authority to pledge such Collateral to the Trustee pursuant to the terms of the Indenture and will have duly pledged the Collateral to the Trustee.

(m) Investment Company Act. None of the Issuer or the Co-Issuer are, nor after giving effect to the offering and sale of the Notes and the application of the proceeds thereof as described in the Time of Sale Information and the Offering Memorandum, will be an “investment company” within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Securities Exchange Commission thereunder (collectively, the “Investment Company Act”). The Issuer and the Co-Issuer are relying on an exclusion or exemption from the definition of “investment company” under the Investment Company Act contained in Section 3(c)(5)(C) thereof or Rule 3a-7 thereunder.

(n) Integration. None of the Issuer, the Co-Issuer, the Arbor Parent or any of their respective affiliates (as defined in Rule 501(b) of Regulation D) has directly, or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act) that is or will be integrated with the sale of the Notes in a manner that would require registration of the Securities under the Securities Act.

(o) No General Solicitation or Directed Selling Efforts. None of the Issuer, the Co-Issuer, the Arbor Parent or any of their respective affiliates or any other person acting on its or their behalf (other than, in the case of the Offered Notes, the Placement Agent, as to which no representation or warranty is made) has (A) solicited offers for, or offered or sold any of the Securities by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act or (B) engaged in any directed selling efforts within the meaning of Regulation S, and all such persons have complied with the offering restrictions requirement of Regulation S.

(p) Securities Law Exemptions. Assuming the accuracy of the representations and warranties of the Placement Agent contained in Section 1(b) hereof (including Annex A hereto) and its compliance with the agreements set forth therein, it is not necessary in connection with the offer, sale, resale and delivery of the Offered Notes in the manner contemplated by this

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Agreement, the Time of Sale Information or the Offering Memorandum to register the Notes under the Securities Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

(q) Taxes and Fees. Any taxes, fees and other governmental charges in connection with the execution, delivery and performance of each Basic Document and the Securities (other than such federal, state and local taxes as may be payable on the income or gain recognized therefrom), in all cases to the extent material to any of the Issuer, the Co-Issuer or the Arbor Parent, have been or will be paid at or prior to the Closing Date.

(r) Rule 144A Eligibility. When the Securities are executed, authenticated and delivered pursuant to the Indenture, the Securities will not be (and will not be convertible or exchangeable into securities that are) of the same class as securities listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or quoted in an automated inter-dealer quotation system; and the Offering Memorandum, as of its date, contains or, as of the Closing Date, will contain, or the Co-Issuers will otherwise provide or cause to be provided, all the information that, if requested by a prospective purchaser of the Notes, would be required to be provided to such prospective purchaser pursuant to Rule 144A(d)(4) under the Securities Act.

(s) Representations in Basic Documents. The representations and warranties of the Co-Issuers, the Arbor Parent and their respective affiliates contained in the Basic Documents, respectively, shall be true and correct as of the Closing Date in all material respects.

(t) 17g-5 Compliance. Arbor Realty Trust, Inc. (“ART”) or one or more of its affiliates has executed and delivered a written representation to Moody’s Investors Service, Inc. (“Moody’s”) and DBRS, Inc. (“DBRS”) and, together with Moody’s, the “Rating Agencies”) that it will take the actions specified in paragraphs (a)(3)(iii)(A) through (D) of Rule 17g-5, and such entity has complied with each such representation in all material respects. In connection therewith, ART has entered into a 17g-5 Website Posting Agreement, dated April 4, 2018, with J.P. Morgan Securities LLC.

3.1 Representations and Warranties of the Arbor Parent. The Arbor Parent represents and warrants to the Placement Agent that:

(a) The Issuer, the Co-Issuer and the Arbor Parent have not obtained any third-party due diligence report contemplated by Rule 15Ga-2 under the Exchange Act (“Rule 15Ga-2”) (each, a “Due Diligence Report”) in connection with the transactions contemplated by this Agreement and the Offering Memorandum other than the agreed-upon procedures report (the “Accountants’ Due Diligence Report”), in form and substance reasonably satisfactory to the Placement Agent, obtained from the accounting firm (the “Accountants”) engaged to provide procedures involving a comparison of information in the loan files for the loans backing the Notes (the “Loans”) to information on a data tape relating to the Loans (“Due Diligence Services”), a copy of which has been furnished to the Placement Agent, at the request of the Arbor Parent, and addressed to the Placement Agent. The Accountants have consented to the use of the Accountants’ Due Diligence Report in the preparation of a Form 15G (as defined below) furnished on EDGAR as required by Rule 15Ga-2.

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(b) Any certification on Form ABS Due Diligence-15E received by the Issuer, the Co-Issuer or the Arbor Parent from the Accountants in connection with the Due Diligence Services provided by the Accountants was promptly posted, after receipt, on the Rule 17g-5 website established by or on behalf of the Arbor Parent as required by Rule 17g-5.

(c) The Issuer, the Co-Issuer or the Arbor Parent (A) prepared, or caused to be prepared, one or more reports on Form ABS-15G (each, a “Form 15G”) containing the findings and conclusions of the Accountants’ Due Diligence Report and meeting all other requirements of Rule 15Ga-2, any other rules and regulations of the SEC and the Exchange Act; (B) provided, or caused to be provided, a copy of the final draft of each Form 15G to the Placement Agent at least seven Business Days before the Time of Sale; and (C) furnished, or caused to be furnished, each Form 15G to the SEC on EDGAR at least five Business Days before the Time of Sale as required by Rule 15Ga-2.

(d) No portion of any Form 15G contains any names, addresses, other personal identifiers or zip codes with respect to any individuals, or any other personally identifiable or other information that would be associated with an individual, including without limitation any “nonpublic personal information” within the meaning of Title V of the Gramm-Leach-Bliley Financial Services Modernization Act of 1999.

3.2 Representations, Warranties, Covenants and Agreements of the Arbor Parent. The Arbor Parent represents, warrants, covenants, undertakes and agrees to and with the Placement Agent that:

(a) Arbor Parent has organized and initiated an asset-backed securities transaction by committing to sell and selling, directly or through an affiliate, the Closing Date Mortgage Assets to the Issuer and, accordingly, Arbor Parent satisfies the definition of “sponsor”, and is the “sponsor of the securitization”, as set forth in the U.S. Credit Risk Retention Rules. It is hereby acknowledged and agreed by the parties hereto that the Placement Agent does not accept any liability or responsibility for such designation of Arbor Parent (or for the non-designation of any other entity) as a “sponsor”;

(b) Arbor Parent is an entity having the capability to comply, and agrees that it will comply, with all legal requirements imposed on the “sponsor” of a “securitization transaction” in accordance with the U.S. Credit Risk Retention Rules;

(c) Arbor Parent has determined the fair value of the Retained Interest and each Class of Notes and the Preferred Shares in accordance with the fair value assessment described in Accounting Standards Codification 820, “Fair Value Measurements and Disclosures”, under U.S. generally accepted accounting principles (“GAAP”);

(d) Arbor Parent, directly or through a majority-owned affiliate, will retain an “eligible horizontal residual interest” in Preferred Shares of the Issuer in compliance with the U.S. Credit Risk Retention Rules for the duration required in the U.S. Credit Risk Retention Rules, the fair value of which interest will be at least 5% of the aggregate fair value of the Notes and the Preferred Shares, as of the Closing Date (the “Retained Interest”), as determined in accordance with the fair value assessment framework under GAAP;

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(e) Arbor Parent is and will be solely responsible for compliance with the disclosure requirements of U.S. Credit Risk Retention Rules which include, without limitation, the material terms of the Retained Interest, and the timing of cash flows and determination of fair value. Without limiting any liability that Arbor Parent or any of its affiliates may have hereunder, (i) Arbor Parent is and will be solely responsible for ensuring that the disclosure required by U.S. Credit Risk Retention Rules is contained in each of the Preliminary Offering Memorandum and the Offering Memorandum, (ii) Arbor Parent is and will be solely responsible for the content of that disclosure and, as of the date hereof, has met applicable disclosure requirements under the U.S. Credit Risk Retention Rules, (iii) if any disclosure is required after the Closing Date pursuant to U.S. Credit Risk Retention Rules, Arbor Parent will be solely responsible for making and delivering such disclosure in a medium that does not involve any action or participation by the Placement Agent (other than timely delivery by the Placement Agent of the Preliminary Offering Memorandum and the Offering Memorandum to the investors) and (iv) Arbor Parent will otherwise satisfy any requirements of the U.S. Credit Risk Retention Rules. For the avoidance of doubt, it is hereby acknowledged and agreed by the parties hereto that the Placement Agent does not accept any liability or responsibility whatsoever in respect of Arbor Parent’s determination of the fair value of the Retained Interest or Arbor Parent’s valuation methodology, inputs and assumptions. The Preliminary Offering Memorandum contains, and the Offering Memorandum will contain, all of the disclosures that are required under Rule 4(c)(1)(i) of the U.S. Credit Risk Retention Rules; and

(f) Arbor Parent or its affiliates, as relevant, has not engaged in any hedging or financing of the Retained Interest as of the date hereof and will not engage in any activities that would constitute impermissible hedging, transfer or financing of the Retained Interest as prohibited by the U.S. Credit Risk Retention Rules for the duration required in the U.S. Credit Risk Retention Rules.

If the U.S. Credit Risk Retention Rules are modified to reduce the obligations of the sponsor thereunder or repealed, Arbor Parent may, notwithstanding the foregoing, choose to comply with the U.S. Credit Risk Retention Rules as are then in effect, and such compliance shall not be a breach or violation of any of the foregoing.

4. Further Agreements of the Co-Issuers and the Arbor Parent. Each of the Co-Issuers and the Arbor Parent jointly and severally covenants and agrees with the Placement Agent that:

(a) Delivery of Copies. It will deliver to the Placement Agent as many printed copies of the Preliminary Offering Memorandum, any other Time of Sale Information and the Offering Memorandum (including all amendments and supplements thereto) as the Placement Agent may reasonably request.

(b) Amendments or Supplements. Before making or distributing any amendment or supplement to any Time of Sale Information or the Offering Memorandum, the Co-Issuers and the Arbor Parent will furnish to the Placement Agent and counsel for the Placement Agent a copy of the proposed amendment or supplement for review and will not distribute any such proposed amendment or supplement to which the Placement Agent reasonably objects.

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(c) Notice to the Placement Agent. The Co-Issuers and the Arbor Parent will advise the Placement Agent promptly, and confirm such advice in writing: (i) of the issuance by any governmental or regulatory authority of any order preventing or suspending the use of either any Time of Sale Information or the Offering Memorandum or the initiation or threatening of any proceeding for that purpose; (ii) of the occurrence of any event at any time prior to the completion of the initial offering of the Notes as a result of which any Time of Sale Information or the Offering Memorandum as then amended or supplemented would include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Time of Sale Information and the Offering Memorandum are delivered to a purchaser, not misleading; and (iii) of the receipt by any of the Co-Issuers or the Arbor Parent or any of their affiliates of any notice with respect to any suspension of the qualification of the Notes for offer and sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, and the Co-Issuers and the Arbor Parent will use their commercially reasonable efforts to prevent the issuance of any such order preventing or suspending the use of any Time of Sale Information or the Offering Memorandum or suspending any such qualification of the Notes and, if any such order is issued, will obtain as soon as possible the withdrawal thereof.

(d) Ongoing Compliance. If, at any time prior to the Time of Sale, (i) any event shall occur or condition shall exist as a result of which any of the Time of Sale Information would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (ii) it is necessary to amend or supplement any of the Time of Sale Information so that any of the Time of Sale Information will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the Co-Issuers and the Arbor Parent will promptly notify the Placement Agent thereof and forthwith prepare (in a form reasonably acceptable to the Placement Agent) and, subject to paragraph (b) above in this Section 4, furnish to the Placement Agent such amendments or supplements to any of the Time of Sale Information as may be necessary so that the statements in any of the Time of Sale Information as so amended or supplemented will not, in light of the circumstances under which they were made, be misleading. If at any time prior to the Closing Date, (x) any event shall occur or condition shall exist as a result of which the Offering Memorandum as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing (A) when the Offering Memorandum is delivered to a purchaser and (B) at the Closing Date, not misleading or (y) it is necessary to amend or supplement the Offering Memorandum to comply with applicable law, the Co-Issuer and the Arbor Parent will promptly notify the Placement Agent thereof and forthwith prepare (in a form reasonably acceptable to the Placement Agent) and, subject to paragraph (b) above in this Section 4, furnish to the Placement Agent such amendments or supplements to the Offering Memorandum as may be necessary so that the statements in the Offering Memorandum as so amended or supplemented will not, in the light of the circumstances existing when the Offering Memorandum as so amended or supplemented is delivered to a purchaser and at the Closing Date, be misleading or so that the Offering Memorandum will comply with applicable law.

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(e) Blue Sky Compliance. The Co-Issuers and the Arbor Parent will use commercially reasonable efforts to qualify the Offered Notes for offer and sale under the securities or “blue sky” laws of such jurisdictions in the United States as the Placement Agent shall reasonably request and will continue such qualifications in effect so long as required for the initial offering and sale of the Offered Notes; provided that none of the Co-Issuers and the Arbor Parent shall be required to: (i) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be required to so qualify; (ii) file any general consent to or take any action that would subject itself to service of process in such jurisdiction; or (iii) subject itself to taxation in any such jurisdiction. Prior to the Time of Sale, the Placement Agent shall notify the Co-Issuers and the Arbor Parent of any jurisdictions that would require qualifications or legends or disclaimers in the Preliminary Offering Memorandum.

(f) Copies of Reports. So long as the Offered Notes are outstanding, the Co-Issuers shall furnish, or cause to be furnished, to the Placement Agent copies of all reports or other communications (financial or other) furnished to holders of the Offered Notes.

(g) Use of Proceeds. The Co-Issuers shall apply the net proceeds from the sale of the Securities as described in the Time of Sale Information and the Offering Memorandum under the heading “Use of Proceeds”.

(h) Rating Agencies. The Offered Notes shall have been assigned ratings no lower than those set forth on Schedule I hereto by the Rating Agencies. To the extent, if any, that the ratings provided with respect to the Offered Notes by the Rating Agencies are conditional upon the furnishing of documents or the taking of any other action by the Co-Issuers, the Arbor Parent or any of their respective affiliates, the Co-Issuers and the Arbor Parent shall use their commercially reasonable efforts to furnish, or cause to have furnished, such documents and take, or cause to have taken, any such other action.

(i) No Integration. None of the Co-Issuers, the Arbor Parent or any of their respective affiliates (as defined in Rule 501(b) of Regulation D) will, directly or through any agent, sell, offer for sale, solicit offers to buy or otherwise negotiate in respect of, any security (as defined in the Securities Act), that is or will be integrated with the sale of the Offered Notes in a manner that would require registration of any of the Securities under the Securities Act.

(j) No Solicitation or Directed Selling Efforts. None of the Co-Issuers, the Arbor Parent or any of their respective affiliates or any person acting on its or their behalf (other than, with respect to the Offered Notes, the Placement Agent, as to which no covenant is given) will (i) solicit offers for, or sell, the Securities by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act or (ii) engage in any directed selling efforts within the meaning of Regulation S, and all such persons will comply with the offering restrictions requirement of Regulation S.

(k) Supplying Information. While the Offered Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Co-Issuers and the Arbor Parent will, during any period in which they are not subject to and in compliance with Section 13 or 15(d) under the Exchange Act, furnish to holders of the Offered

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Notes and prospective purchasers of the Offered Notes designated by such holders, in each case upon request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(l) DTC. The Co-Issuers will assist the Placement Agent in arranging for the Offered Notes to be eligible for clearance and settlement through DTC.

(m) Sale Treatment. The Arbor Parent agrees that its transfer of the Mortgage Assets shall be reflected on its balance sheet and other financial statements as a sale and/or contribution of the Mortgage Assets to the Issuer and not as a financing. Issuer agrees that the transfer to the Issuer of the Mortgage Assets shall be reflected on Issuer’s balance sheet and other financial statements as the purchase and/or acquisition of such Mortgage Assets by Issuer from the Arbor Parent and not as a loan to the Issuer from the Arbor Parent. The Arbor Parent is not selling the Mortgage Assets and the Co-Issuers are not selling the Notes with any intent to hinder, delay or defraud any of the creditors of the Arbor Parent, the Co-Issuers or any of their respective affiliates.

(n) Rule 17g-5 Compliance. The Co-Issuers, ART and the Arbor Parent shall take reasonable efforts to cause the Trustee (pursuant to the Trustee’s related obligations under the Basic Documents) to comply with each representation made by it to the Rating Agencies with respect to the Notes pursuant to paragraph (a)(3)(iii) of Rule 17g-5.

(o) With respect to any Offered Notes purchased by the Placement Agent for resale pursuant to Section 1(a) of this Agreement, the Placement Agent shall not be required to settle any such purchases unless the Placement Agent has received the purchase price from the related investors.

5. Conditions to Placement Agent's Obligations. The obligations of the Placement Agent hereunder are subject to the performance by the Co-Issuers and the Arbor Parent of their respective covenants and other obligations hereunder and to the following additional conditions:

(a) Representations and Warranties. The representations and warranties of the Co-Issuers and the Arbor Parent contained herein shall be true and correct on the date hereof, on and as of the date of the Time of Sale and on and as of the Closing Date; and the statements of the Co-Issuers and the Arbor Parent and their respective officers made in any certificates delivered pursuant to this Agreement shall be true and correct in all material respects on and as of the date of the Time of Sale and on and as of the Closing Date.

(b) No Material Adverse Change. Subsequent to the execution and delivery of this Agreement, no event or condition of a type described in Section 2(c) hereof shall have occurred or shall exist, which event or condition is not described in the Time of Sale Information and the Offering Memorandum (excluding any amendment or supplement thereto) and the effect of which, in the judgment of the Placement Agent, makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Offered Notes on the terms and in the manner contemplated by this Agreement, the Time of Sale Information and the Offering Memorandum.

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(c) Officer's Certificate of the Co-Issuers. The Placement Agent shall have received on and as of the Closing Date a certificate of an executive officer of each of the Issuer and the Co-Issuer satisfactory to the Placement Agent: (i) confirming that such officer has carefully reviewed the Time of Sale Information and the Offering Memorandum and to the knowledge of such officer, after due inquiry, the representation set forth in Section 2(a) hereof is true and correct; (ii) confirming that the other representations and warranties of the Issuer and Co-Issuer, as applicable, in this Agreement are true and correct in all material respects on and as of the date of the Time of Sale and on and as of the Closing Date and that each of the Issuer and the Co-Issuer, as applicable, have complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date; and (iii) to the effect set forth in Section 2(c) hereof as to such Issuer.

(d) Officer's Certificate of the Arbor Parent. The Placement Agent shall have received on and as of the Closing Date a certificate of an executive officer of the Arbor Parent satisfactory to the Placement Agent: (i) confirming that such officer has carefully reviewed the Time of Sale Information and the Offering Memorandum and, to the knowledge of such officer, after due inquiry, the representation set forth in Section 2(a) hereof is true and correct; (ii) confirming that the Co-Issuers, the Arbor Parent or the other Arbor entities each complied in all material respects with all agreements and satisfied all conditions on their part to be performed or satisfied hereunder at or prior to the Closing Date; and (iii) to the effect set forth in Section 2(c) hereof as to each of the Co-Issuers, the Arbor Parent and their respective affiliates, as applicable.

(e) Officer's Certificate of the Collateral Manager. The Placement Agent shall have received on and as of the Closing Date a certificate of an authorized officer of Arbor Realty Collateral Management, LLC, dated as of the Closing Date, substantially in the form attached hereto as Exhibit A.

(f) Officer's Certificate of the Seller. The Placement Agent shall have received on and as of the Closing Date a certificate of authorized officers of the Seller, dated as of the Closing Date, substantially in the form attached hereto as Exhibit B.

(g) Comfort Letters. On the date of the Preliminary Offering Memorandum and on the date of this Agreement, Ernst & Young LLP shall have furnished to the Co-Issuers and the Placement Agent, at the request of the Co-Issuers, letters dated the respective dates of delivery thereof and addressed to the Placement Agent, in form and substance reasonably satisfactory to the Placement Agent.

(h) Opinion of Counsel for the Co-Issuers and the Arbor Parent. Clifford Chance US LLP, special counsel to the Co-Issuers and the Arbor Parent, Richards, Layton & Finger, P.A., counsel to the Co-Issuer, Maples and Calder, Cayman Islands counsel to the Issuer, and other applicable counsel to the Arbor Parent shall have furnished to the Placement Agent their respective written opinions with respect to such matters as the Placement Agent may reasonably request, each dated the Closing Date and addressed to the Placement Agent and in form and substance reasonably satisfactory to the Placement Agent. Except with respect to any negative assurance letter relating to the Time of Sale Information or the Offering Memorandum, each such opinion (a) may express counsel's reliance as to factual matters on certificates of

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government and agency officials and the representations and warranties made by, and on certificates or other documents furnished by officers of, the parties to the Basic Documents and (b) may be qualified as an opinion only on the law of the State of New York, the laws of the Cayman Islands, the Delaware Limited Liability Company Act and/or the federal law of the United States of America.

(i) Opinion of Counsel for the Placement Agent. The Placement Agent shall have received on and as of the Closing Date an opinion of Cadwalader, Wickersham & Taft LLP, counsel for the Placement Agent, with respect to such matters as the Placement Agent may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(j) Opinion of Counsel for the Trustee, the Preferred Share Paying Agent, the Collateral Manager, the CLO Servicer, Arbor Realty SR, Inc. and ARMS Equity. Prior to the placement of the Offered Notes hereunder, the Placement Agent shall have received the opinions, dated as of the Closing Date, of the respective counsel to the Trustee, the Preferred Share Paying Agent, the Collateral Manager, the CLO Servicer, the Seller and ARMS Equity, each in form and substance reasonably satisfactory to the Placement Agent.

(k) Rating Agency Opinions. The Placement Agent shall be addressed in any opinion from any counsel delivering any written opinion to the Rating Agencies in connection with the transaction described herein which is not otherwise described in this Agreement.

(l) Rating Agency Letters. The Placement Agent shall have received copies of letters from the Rating Agencies stating that the Offered Notes are rated as set forth on Schedule I hereto by the Rating Agencies.

(m) No Legal Impediment to Issuance. No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any Governmental Authority that would, as of the Closing Date, prevent the issuance or sale of the Notes; and no injunction or order of any federal, state or foreign court shall have been issued that would, as of the Closing Date, prevent the issuance or sale of the Notes.

(n) Good Standing. The Placement Agent shall have received on and as of the Closing Date satisfactory evidence of the good standing of each of the Issuer, Co-Issuer, and the Arbor Parent in its jurisdiction of organization, dated not earlier than 30 days prior to the Closing Date, in each case, in writing or any standard form of telecommunication from the appropriate Governmental Authorities of such jurisdiction.

(o) DTC. All the Offered Notes shall be eligible for clearance and settlement through DTC.

(p) Additional Documents. On or prior to the Closing Date, the Co-Issuers and the Arbor Parent shall have furnished to the Placement Agent such other certificates and documents as the Placement Agent may reasonably request.

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(q) Compliance with Rule 15Ga-2 and Rule 17g-5. The Co-Issuers shall have complied with all requirements of Rule 15Ga-2 and Rule 17g-5 under the Exchange Act to the satisfaction of the Placement Agent.

(r) Compliance with U.S. Credit Risk Retention Rules. The Retention Holder and the Arbor Parent (as sponsor) shall have acted to comply with the requirements of the U.S. Credit Risk Retention Rules to the satisfaction of the Placement Agent, who shall have been provided an opinion or memorandum of counsel to the Arbor Parent as to such compliance, in form and substance satisfactory to the Placement Agent.

6. Indemnification and Contribution.

(a) Indemnification of the Placement Agent by Co-Issuers and ART. Each of the Co-Issuers and ART (jointly and severally) agree to indemnify and hold harmless the Placement Agent, its affiliates, directors and officers and each person, if any, who controls the Placement Agent within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each a "Placement Agent Indemnitee"), from and against any and all losses, claims, damages and liabilities (including, without limitation, out-of-pocket legal fees and other out-of-pocket expenses incurred in connection with any suit, action, investigations or proceeding or any claim asserted, as such fees and expenses are incurred), joint or several, that arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Time of Sale Information or the Offering Memorandum (or any amendment or supplement thereto), or any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information with respect to which the Placement Agent has agreed to indemnify each of the Issuer, Co-Issuer and ART pursuant to Section 6(b) hereof; provided that with respect to any such untrue statement in or omission from the Time of Sale Information, the indemnity agreement contained in this paragraph (a) with respect to the Time of Sale Information shall not inure to the benefit of a Placement Agent Indemnitee, to the extent that the sale to the person asserting any such loss, claim, damage or liability was an initial sale by the Placement Agent and any such loss, claim, damage or liability of or with respect to the Placement Agent results from the fact that (i) prior to the occurrence of the events described in clause (ii) below, and prior to the Time of Sale, the Co-Issuers or ART shall have notified the Placement Agent that the Time of Sale Information contains an untrue statement of material fact or omits to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, (ii) such untrue statement or omission of a material fact was corrected in an amended or supplemented Time of Sale Information and such corrected Time of Sale Information was provided to the Placement Agent far enough in advance of the Time of Sale (but not less than one (1) Business Day) so that such corrected Time of Sale Information could have been provided (electronically or otherwise) to such person asserting any such loss, claim, damage or liability prior to the Time of Sale and (iii) the Placement Agent did not send or give such corrected Time of Sale Information to such person at or prior to the Time of Sale.

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(b) Indemnification of the Co-Issuers and ART by Placement Agent. The Placement Agent agrees to indemnify and hold harmless the Co-Issuers and ART and their respective affiliates, directors and officers and each person, if any, who controls any of the Co-Issuers or ART within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, to the same extent as the indemnity set forth in subsection (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with the Placement Agent Information provided by the Placement Agent.

(c) [Reserved]

(d) Notice and Procedures. If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to paragraph (a) or (b) above, such person (the "Indemnified Person") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Person") in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under this Section 6 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure (in which case the Indemnifying Person shall be relieved of its indemnification obligation only to the extent of any loss caused by the Indemnified Person's failure to provide notice); and provided further, that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under this Section 6. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall retain counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person and any others entitled to indemnification pursuant to this Section 6 that the Indemnifying Person may designate in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding, as incurred. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; or (iii) the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified

Persons, and that all such fees and expenses shall be reimbursed as they are incurred. Any such separate firm for the Placement Agent, its affiliates, directors, officers and any control persons of the Placement Agent shall be designated in writing by the Placement Agent and any such separate firm for the Co-Issuers and ART, their respective directors and officers and any person who controls the Co-Issuers or ART, as applicable, within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall be designated in writing by the Co-Issuers and ART. Upon receipt of notice from the Indemnifying Person to such Indemnified Person of its election to assume the defense of such action and approval by the Indemnified Person of counsel, the Indemnifying Person will not be liable to such Indemnified Person under this Section 6 for any legal or other expenses subsequently

incurred by such Indemnified Person in connection with the defense thereof unless the Indemnified Person shall have employed separate counsel in accordance with the third immediately preceding sentence (it being understood, however, that the Indemnifying Person shall not be liable for the expenses of more than one separate counsel (in addition to local counsel)). The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there is a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested that an Indemnifying Person reimburse the Indemnified Person for fees and expenses of counsel as contemplated by this paragraph, the Indemnifying Person shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than forty-five (45) days after receipt by the Indemnifying Person of such request, (ii) the Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement and (iii) such settlement does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of the Indemnifying Person. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(e) Contribution. If the indemnification provided for in subsections (a) or (b) above is unavailable to an Indemnified Person or is insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Co-Issuers and ART on the one hand and the Placement Agent on the other from the offering of the Notes or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Co-Issuers or ART on the one hand and the Placement Agent on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Co-Issuers and ART on the one hand and the Placement Agent on the other shall be deemed to be in the same respective proportions as the net proceeds (before deducting expenses) received by the Co-Issuers and/or ART from the sale of the Offered Notes and the total fees, discounts and commissions received by the Placement Agent in connection therewith bear to the aggregate offering price of the Offered Notes. The relative fault of the Co-Issuers and ART on the one hand and the Placement Agent on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Co-Issuers or ART or by the Placement Agent and the parties' relative intent, knowledge,

access to information and opportunity to correct or prevent such statement or omission, and any other equitable considerations appropriate in the circumstances.

(f) Limitation on Liability. Each of the Co-Issuers, ART and the Placement Agent agrees that it would not be just and equitable if contribution pursuant to this Section 6 were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (e) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (e) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, in no event shall the Placement Agent be required to contribute any amount in excess of the amount by which the total fees, discounts and commissions received by it with respect to the offering of the Notes exceeds the amount of any damages that the Placement Agent has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. 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. Further, ART and the Co-Issuers each acknowledge and agree that the Placement Agent has no responsibility and shall not assume any liability for (i) any information that is posted to the internet website established and maintained by ART, the Arbor Parent, the Co-Issuers or any other party pursuant to Rule 17g-5 of the Exchange Act (such internet website, the "17g-5 Website"), or (ii) the failure of any information to be posted to the 17g-5 Website by any party.

(g) Non-Exclusive Remedies. The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Person at law or in equity.

7. Effectiveness of Agreement. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

8. Termination. This Agreement may be terminated in the absolute discretion of the Placement Agent solely with respect to its role in this transaction, by notice to the Co-Issuers and the Arbor Parent if, after the execution and delivery of this Agreement and prior to the Closing Date (a) there has been, since the date of this Agreement or since the date as of which information is given in the Time of Sale Information (or any amendment or supplement thereto), or the Offering Memorandum (or any amendment or supplement thereto), any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Issuer, the Co-Issuer or Arbor Parent, whether or not arising in the ordinary course of business, that in the reasonable judgment of the Placement Agents makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Offered Notes on the terms and in the manner contemplated by this Agreement, the Time of Sale Information or the Offering Memorandum; (b) trading generally shall have been suspended or materially limited on or by any of the New York Stock Exchange or the over-the-counter market; (c) a general moratorium on commercial banking activities shall have been declared by federal or New York State authorities or there is a material disruption in commercial banking or securities settlement or clearance services in the United States generally; or (d) there shall have occurred any outbreak

or escalation of hostilities or any change in financial markets or any calamity or crisis, either within or outside the United States, that in the judgment of the Placement Agent is material and adverse and makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Offered Notes on the terms and in the manner contemplated by this Agreement, the Time of Sale Information or the Offering Memorandum.

9. Payment of Expenses.

(a) Regardless of whether the transactions contemplated by this Agreement are consummated or whether this Agreement is terminated, the Co-Issuers and the Arbor Parent shall pay or cause to be paid all costs and expenses incident to the performance of their obligations hereunder, including without limitation, (i) the costs incident to the authorization, issuance, sale, preparation and delivery of the Notes and any taxes payable in connection therewith; (ii) the costs and expenses incident to the preparation and printing of the Time of Sale Information and the Offering Memorandum (including all exhibits, attachments, amendments and supplements thereto) and the distribution thereof in connection with the offering, purchase, sale, resale and delivery of the Notes; (iii) the costs of reproducing and distributing each of the Basic Documents; (iv) the reasonable costs and expenses of the Placement Agent, including the fees and expenses of its counsel, transfer taxes on resale of any of the Offered Notes by the Placement Agent, any advertising expenses and other expenses incurred by the Placement Agent in connection with offering or reoffering the Offered Notes and/or entering into purchase contracts with investors in the Offered Notes; (v) the fees and expenses of the counsel to the Co-Issuers, the Arbor Parent and independent accountants; (vi) the fees and expenses incurred in connection with the registration or qualification and determination of eligibility for investment of the Offered Notes under the laws of such jurisdictions as the Placement Agent may designate and the preparation, printing and distribution of any "blue sky" memorandum (including the related reasonable fees and expenses of counsel for the Placement Agent); (vii) any fees charged by the Rating Agencies for rating and surveillance of the Notes; (viii) the fees and expenses of the Trustee and the CLO Servicer (including related reasonable fees and expenses of any counsel to such parties), except to the extent otherwise set forth in the Basic Documents; (ix) all expenses and application fees incurred in connection with the application for the approval of all the Notes for book-entry transfer by DTC; (x) all reasonable expenses incurred in connection with any "road show" presentation to potential investors; (xi) the costs and expenses of the Co-Issuers in connection with the purchase of the Mortgage Assets; and (xii) all other costs and expenses incident to the performance of the obligations of the Co-Issuers and the Arbor Parent hereunder that are not otherwise specifically provided for in this Section 9(a).

(b) If (i) this Agreement is terminated pursuant to Section 8 hereof, (ii) the Co-Issuers for any reason fail to tender the Offered Notes for delivery to the Placement Agent, (iii) the Issuer, the Co-Issuer, or the Arbor Parent fail or refuse to comply with this Agreement, or (iv) the Placement Agent fails to place the Offered Notes, each of the Issuer, the Co-Issuer, and the Arbor Parent (jointly and severally) agrees to reimburse the Placement Agent for all out-of-pocket costs and expenses (including the fees and expenses of its counsel) reasonably incurred by the Placement Agent in connection with this Agreement and the offer and sale of the Offered Notes contemplated hereby.

10. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors. Nothing in this Agreement is intended or shall be construed to give any other person, other than the affiliates, officers, directors and controlling persons referred to in Section 6 hereof and their respective heirs and legal representatives any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. No purchaser of Notes from the Placement Agent shall be deemed to be a successor merely by reason of such purchase.

11. Survival. The respective indemnities, rights of contribution, representations, warranties and agreements of the Co-Issuers, the Arbor Parent and the Placement Agent contained in this Agreement or made by or on behalf of the Co-Issuers, the Arbor Parent or the Placement Agent pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the Offered Notes and shall remain in full force and effect, regardless of any termination of this Agreement or any investigation made by or on behalf of the Co-Issuers and the Arbor Parent or the Placement Agent.

12. Placement Agent Information. The parties hereto acknowledge and agree that the Placement Agent Information shall consist solely of the fourth and fifth sentences of the first paragraph under the heading "Placement of the Offered Notes" in the Offering Memorandum.

13. Certain Defined Terms. For purposes of this Agreement, except where otherwise expressly provided, the term "affiliate" has the meaning set forth in Rule 405 under the Securities Act.

14. Miscellaneous.

(a) Notices. All notices and other communications hereunder shall be in writing and effective only upon receipt, and shall be deemed to have been duly given if mailed or transmitted and confirmed by any standard form of telecommunication. Notices to the Placement Agent shall be given to it at:

J.P. Morgan Securities LLC
383 Madison Avenue, 8th Floor
New York, New York 10179
Attention: SPG Syndicate
email: ABS_Synd@jpmorgan.com

with copies to:

J.P. Morgan Securities LLC
4 New York Plaza, 21st Floor
New York, New York 10004-2413
Attention: Bianca A. Russo, Esq.
email: US_CMBS_Notice@jpmorgan.com

Cadwalader, Wickersham & Taft LLP
200 Liberty Street
New York, New York 10281
Attention: Jeffrey Rotblat
fax: (212) 504-6666
email: jeffrey.rotblat@cwt.com

or at any other address or email address furnished in writing by the Placement Agent.

Notices to the Issuer shall be given to it at Arbor Realty Commercial Real Estate Notes 2018-FL1, Ltd., c/o MaplesFS Limited, Boundary Hall, Cricket Square, P.O. Box 1093, Boundary Hall, Cricket Square, KY1 1102, Grand Cayman, Cayman Islands, Attention: The Directors, telephone: (345) 945 7099, fax: (345) 945 7100 with a copy to the Arbor Parent at the address below. Notices to ART or the Arbor Parent shall be given to them at Arbor Realty Collateral Management, LLC, 333 Earle Ovington Boulevard, 9th Floor, Uniondale, New York 11553, Attention: Executive Vice President, Structured Securitization, fax: (212) 389 6573, telephone: (212) 389 6546. Notices to the Co-Issuer shall be given to it at Arbor Realty Commercial Real Estate Notes 2018-FL1, LLC, c/o Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711, Attention: Donald J. Puglisi, telephone: (302) 738 6680, fax: (302) 738 7210 with a copy to the Arbor Parent at the address above.

(b) Governing Law. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES TO THIS AGREEMENT, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES TO THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CHOICE OF LAW RULES THEREOF. THE PARTIES HERETO INTEND THAT THE PROVISIONS OF SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY TO THIS AGREEMENT.

(c) Integration. This Agreement supersedes all prior discussions and agreements between the parties with respect to the subject matter hereof and contains the sole and entire agreement between the parties hereto with respect to the subject matter hereof.

(d) Counterparts. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Agreement.

(e) Amendments or Waivers. No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

(f) Headings. The headings herein are included for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

(g) No Bankruptcy Petition/Limited Recourse. The Placement Agent agrees that, prior to the date which is one year and one day (or, if longer, the applicable preference period then in effect plus one day) after the payment in full of all of the Offered Notes issued by the Co-Issuers, it will not institute against, or join any other person in instituting against, any of the Co-Issuers any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceedings under any bankruptcy, insolvency, reorganization or similar law in any jurisdiction. Notwithstanding any other provision of this Agreement, the obligations of the Issuer hereunder are limited-recourse obligations and the obligations of the Co-Issuer hereunder are non-recourse obligations, in each case, payable solely from the Collateral in accordance with the terms of the Indenture and following realization thereof and reduction thereof to zero, all obligations of and all claims against the Co-Issuers hereunder or arising in connection herewith shall be extinguished and shall not thereafter revive. No recourse may be had under this Agreement against any employee, agent, officer, partner, member, shareholder or director of any party hereto (collectively, the "Associated Persons"), in respect of the transactions contemplated by this Agreement, it being expressly agreed and understood that this Agreement is solely an obligation of each of the parties hereto and that no personal liability whatever shall attach to or be incurred by any Associated Person under or by reason of the obligations, representations and agreements of the parties contained in this Agreement, or implied therefrom. This Section 14(g) shall survive the termination or expiration of this Agreement.

(h) Waiver of Jury Trial. EACH OF THE CO-ISSUERS, THE PARENT AND THE PLACEMENT AGENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY PARTY AGAINST THE OTHER PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH PARTY HERETO AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

(i) Exclusive Jurisdiction. EACH OF THE PARTIES HERETO IRREVOCABLY (1) SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT;

(II) WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM IN ANY ACTION OR PROCEEDING IN ANY SUCH COURT; (III) AGREES THAT A FINAL JUDGMENT IN ANY ACTION OR PROCEEDING IN ANY SUCH COURT SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW; AND (IV) CONSENTS TO SERVICE OF PROCESS UPON IT BY MAILING A COPY THEREOF BY CERTIFIED MAIL ADDRESSED TO IT AS PROVIDED FOR NOTICES HEREUNDER.

[SIGNATURE PAGES FOLLOW]

If the foregoing is in accordance with your understanding, please indicate your acceptance of this Agreement by signing in the space provided below.

Very truly yours,

ISSUER:

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2018-FL1, LTD.

By: _____

Name:

Title:

[Signatures continue on following page]

ARCREN 2018-FL1 — Placement Agreement

CO-ISSUER:

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2018-FL1, LLC

By: _____

Name:

Title:

[Signatures continue on following page]

ARCREN 2018-FL1 — Placement Agreement

PARENT:

ARBOR REALTY SR, INC.

By: _____

Name:

Title:

[Signatures continue on following page]

ARCREN 2018-FL1 — Placement Agreement

ART:

ARBOR REALTY TRUST, INC.

By: _____

Name:

Title:

Accepted: May 23, 2018

PLACEMENT AGENT:

J.P. MORGAN SECURITIES LLC

By: _____
 Name: _____
 Title: _____

SCHEDULE I

OFFERED NOTES

		Initial Note Principal Balance	Interest Rate	Ratings (Moody's/DBRS)
Class A Notes	U.S.\$	308,000,000	One-month LIBOR + 1.15%	Aaa(sf)/AAA(sf)
Class A-S Notes	U.S.\$	50,400,000	One-month LIBOR + 1.50%	NR/AAA(sf)
Class B Notes	U.S.\$	22,400,000	One-month LIBOR + 1.70%	NR/AA(low)(sf)
Class C Notes	U.S.\$	23,100,000	One-month LIBOR + 2.50%	NR/A(low)(sf)
Class D Notes	U.S.\$	37,100,000	One-month LIBOR + 3.05%	NR/BBB(low)(sf)

The aggregate combined Advisory, Structuring and Placement Agent Fee paid to the Placement Agent shall be an amount equal to the aggregate placement fees (with respect to the Offered Notes) and other fees set forth in the engagement letter, dated March 28, 2018, entered into by Arbor Realty Trust Inc. and J.P. Morgan Securities LLC.

ANNEX A

Restrictions on Offers and Sales Outside the United States

In connection with offers and sales of the Notes outside the United States:

(a) The Placement Agent acknowledges that the Offered Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act.

(b) The Placement Agent represents, warrants and agrees that:

(A) It has offered and sold the Offered Notes, and will offer and sell the Offered Notes, (A) as part of their distribution at any time and (B) otherwise until forty (40) days after the later of the commencement of the offering of the Offered Notes and the Closing Date, only in accordance with Regulation S or Rule 144A or any other available exemption from registration under the Securities Act.

(B) Neither it nor any of its affiliates or any other person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Offered Notes, and all such persons have complied and shall comply with the offering restrictions requirement of Regulation S.

(C) At or prior to the confirmation of sale of any Offered Notes sold in reliance on Regulation S, it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration that purchases Offered Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Notes offered hereby have not been registered under Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until forty (40) days after the later of the commencement of the offering of the Notes and the date of original issuance of the Notes, except in accordance with Regulation S or Rule 144A or any other available exemption from registration under the Securities Act. Terms used above have the meanings given to them in Regulation S.”

(D) It has not and will not enter into any contractual arrangement with any distributor with respect to the distribution of the Offered Notes, except with its affiliates or with the prior written consent of the Co-Issuers.

(E) It has not made and will not make any invitation to any member of the public in the Cayman Islands, within the meaning of Section 175 of the Cayman Islands Companies Law (2016 Revision), to subscribe for the Offered Notes.

Terms used in paragraph (a) and this paragraph (b) and not otherwise defined in this Agreement have the meanings given to them in Regulation S.

(c) The Placement Agent further represents, warrants and agrees that:

(i) it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Offered Notes to any retail investor in the European Economic Area. For the purposes of this provision:

(A) the expression “retail investor” means a person who is one (or more) of the following:

(1) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or

(2) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(3) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”); and

(B) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Offered Notes to be offered so as to enable an investor to decide to purchase or subscribe the Offered Notes;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of the Offered Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Co-Issuers;

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offered Notes in, from or otherwise involving the United Kingdom; and

(iv) the Offered Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, (the “**FIEA**”)). Accordingly, the Placement Agent represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of

Annex A-2

Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan.

(d) The Placement Agent acknowledges that no action has been or will be taken by the Co-Issuers that would permit a public offering of the Offered Notes, or possession or distribution of the Time of Sale Information, the Offering Memorandum or any other offering or publicity material relating to the Offered Notes, in any country or jurisdiction where action for that purpose is required.

Annex A-3

ANNEX B

Subsequent Time of Sale Information

Annex B-1

EXHIBIT A

ARBOR REALTY COLLATERAL MANAGEMENT, LLC
Officer’s Certificate

The undersigned, Salvatore Villani, pursuant to Section 5(e) of that certain Placement Agreement dated as of May 23, 2018 by and among Arbor Realty Commercial Real Estate Notes 2018-FL1, Ltd., Arbor Realty Commercial Real Estate Notes 2018-FL1, LLC, Arbor Realty SR, Inc., Arbor Realty Trust, Inc. and J.P. Morgan Securities LLC (the “Placement Agreement”) does HEREBY CERTIFY that:

(a) The Collateral Manager (i) is a limited liability company, duly organized, is validly existing and is in good standing under the laws of the State of Delaware, (ii) has full power and authority to own its assets and to transact the business in which it is currently engaged, and (iii) is duly qualified and is in good standing under the laws of each jurisdiction where its ownership or lease of property or the conduct of its business requires, or the performance of the Collateral Management Agreement and the Indenture would require, such qualification, except for failures to be so qualified that would not in the aggregate have a material adverse effect on the business, operations, assets or financial condition of the Collateral Manager or on the ability of the Collateral Manager to perform its obligations thereunder, or on the validity or enforceability of, the Collateral Management Agreement and the provisions of the Indenture applicable to the Collateral Manager; the Collateral Manager has full power and authority to execute, deliver and perform the Collateral Management Agreement and its obligations thereunder and the provisions of the Indenture applicable to it; the Collateral Management Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding agreement of the Collateral Manager, enforceable against it in accordance with the terms thereof, except that the enforceability thereof may be subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(b) Neither the Collateral Manager nor any of its Affiliates is in violation of any federal or state securities law or regulation promulgated thereunder that would have a material adverse effect upon the ability of the Collateral Manager to perform its duties under the Collateral Management Agreement or the Indenture, and there is no charge, investigation, action, suit or proceeding before or by any court or regulatory agency pending or, to the best knowledge of the Collateral Manager, threatened which could reasonably be expected to have a material adverse effect upon the ability of the Collateral Manager to perform its duties under the Collateral Management Agreement or the Indenture;

(c) Neither the execution and delivery of the Collateral Management Agreement nor the performance by the Collateral Manager of its duties thereunder or under the Indenture conflicts with or will violate or result in a breach or violation of any of the terms or provisions of, or constitutes a default under: (i) the limited liability company agreement of the Collateral Manager, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement or other evidence of indebtedness or other agreement, obligation, condition, covenant or instrument to which the Collateral Manager is a party or is bound, or (iii) any law, decree, order,

Exhibit A-1

rule or regulation applicable to the Collateral Manager of any court or regulatory, administrative or governmental agency, body or authority or arbitrator having jurisdiction over the Collateral Manager or its properties, and which would have, in the case of any of (i), (ii) or (iii) of this subsection (c), either individually or in the aggregate, a material adverse effect on the business, operations, assets or financial condition of the Collateral Manager or the ability of the Collateral Manager to perform its obligations under the Collateral Management Agreement or the Indenture;

(d) No consent, approval, authorization or order of or declaration or filing with any government, governmental instrumentality or court or other person is required for the performance by the Collateral Manager of its duties under the Collateral Management Agreement and under the Indenture, except such as have been duly made or obtained;

(e) The Offering Memorandum, as of the date thereof (including as of the date of any supplement thereto) and as of the Closing Date does not contain any untrue statement of a material fact and does not omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

(f) On the Closing Date, there shall not have been, since the respective dates as of which information is given in the Offering Materials, any material adverse change or prospective material adverse change with respect to the Issuer, the Co-Issuer or the pool of Closing Date Mortgage Assets; and

(g) The Collateral Manager is registered as an investment adviser under the Investment Advisers Act of 1940, as amended.

Capitalized terms not set forth herein shall have the meaning ascribed thereto in the Indenture referred to in the Placement Agreement.

[Signature page follows]

Exhibit A-2

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this day of , 2018.

ARBOR REALTY COLLATERAL MANAGEMENT, LLC

By: _____
Name:
Title:

Exhibit A-3

EXHIBIT B

ARBOR REALTY SR, INC.

Officer's Certificate

The undersigned, Valerie Rubin, pursuant to Section 5(f) of that certain Placement Agreement dated as of May 23, 2018, by and among Arbor Realty Commercial Real Estate Notes 2018-FL1, Ltd., Arbor Realty Commercial Real Estate Notes 2018-FL1, LLC, Arbor Realty SR, Inc., Arbor

Realty Trust, Inc. and J.P. Morgan Securities LLC (the "Placement Agreement") does HEREBY CERTIFY that:

(a) Arbor Realty SR, Inc. ("Seller") (i) is a corporation, duly incorporated, is validly existing and is in good standing under the laws of the State of Maryland, (ii) has full power and authority to own its assets and to transact the business in which it is currently engaged, and (iii) is duly qualified and is in good standing under the laws of each jurisdiction where its ownership or lease of property or the conduct of its business requires, or the performance of the Mortgage Asset Purchase Agreement and the Indenture would require, such qualification, except for failures to be so qualified that would not in the aggregate have a material adverse effect on the business, operations, assets or financial condition of Seller or on the ability of Seller to perform its obligations thereunder, or on the validity or enforceability of, the Mortgage Asset Purchase Agreement and the provisions of the Indenture applicable to Seller; Seller has full power and authority to execute, deliver and perform the Mortgage Asset Purchase Agreement and its obligations thereunder and the provisions of the Indenture applicable to it; the Mortgage Asset Purchase Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding agreement of Seller, enforceable against it in accordance with the terms thereof, except that the enforceability thereof may be subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(b) Neither Seller nor any of its Affiliates is in violation of any federal or state securities law or regulation promulgated thereunder that would have a material adverse effect upon the ability of Seller to perform its duties under the Mortgage Asset Purchase Agreement or the Indenture, and there is no charge, investigation, action, suit or proceeding before or by any court or regulatory agency pending or, to the best knowledge of Seller, threatened which could reasonably be expected to have a material adverse effect upon the ability of Seller to perform its duties under the Mortgage Asset Purchase Agreement or the Indenture;

(c) Neither the execution and delivery of the Mortgage Asset Purchase Agreement nor the performance by Seller of its duties thereunder or under the Indenture conflicts with or will violate or result in a breach or violation of any of the terms or provisions of, or constitutes a default under: (i) the articles of incorporation or by-laws of Seller, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement or other evidence of indebtedness or other agreement, obligation, condition, covenant or instrument to which Seller is

Exhibit B-1

a party or is bound, or (iii) any law, decree, order, rule or regulation applicable to Seller of any court or regulatory, administrative or governmental agency, body or authority or arbitrator having jurisdiction over Seller or its properties, and which would have, in the case of any of (i), (ii) or (iii) of this subsection (c), either individually or in the aggregate, a material adverse effect on the business, operations, assets or financial condition of Seller or the ability of Seller to perform its obligations under the Mortgage Asset Purchase Agreement or the Indenture;

(d) No consent, approval, authorization or order of or declaration or filing with any government, governmental instrumentality or court or other person is required for the performance by Seller of its duties under the Mortgage Asset Purchase Agreement and under the Indenture, except such as have been duly made or obtained;

(e) With respect to any information in the Offering Memorandum regarding Seller, the Offering Memorandum, as of the date thereof (including as of the date of any supplement thereto) and as of the Closing Date does not contain any untrue statement of a material fact and does not omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(f) With respect to Section 5(d) of the Placement Agreement, (i) the undersigned has carefully reviewed the Time of Sale Information (as defined in the Placement Agreement) and the Offering Memorandum and hereby confirms, to the knowledge of the undersigned, after due inquiry, the representation set forth in Section 2(a) of the Placement Agreement is true and correct; (ii) the undersigned further confirms that the Co-Issuers, the Arbor Parent or the other Arbor entities each complied in all material respects with all agreements and satisfied all conditions on their part to be performed or satisfied under the Placement Agreement at or prior to the Closing Date; and (iii) other than as set forth in the Time of Sale Information, since the Time of Sale (as defined in the Placement Agreement) and other than as set forth in the Offering Memorandum, since the date thereof, there has not been any material adverse change or any development involving a prospective material adverse change, in or affecting the business, properties, management, financial position, stockholders' equity or results of operations of the Co-Issuers or the Arbor Parent.

Capitalized terms not set forth herein shall have the meaning ascribed thereto in the Indenture referred to in the Placement Agreement.

[Signature page follows]

Exhibit B-2

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this day of , 2018.

ARBOR REALTY SR, INC.

By: _____
Name: _____
Title: _____

Exhibit B-3

Certification of Chief Executive Officer

I, Ivan Kaufman, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 the 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: August 3, 2018

By: /s/ Ivan Kaufman
Ivan Kaufman
Chief Executive Officer

Certification of Chief Financial Officer

I, Paul Elenio, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 the 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: August 3, 2018

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

**Certifications of Chief Executive Officer and Chief Financial Officer 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 Quarterly Report on Form 10-Q of Arbor Realty Trust, Inc. (the "Company") for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers 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 our 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.

Date: August 3, 2018

By: /s/ Ivan Kaufman
Ivan Kaufman
Chief Executive Officer

Date: August 3, 2018

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

This certification is being furnished and shall not 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 certification required by Section 906 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.
