Arbor Realty Trust Restructures $374 Million of Financing Facilities with Wachovia and Agrees to Amend Management Agreement with External Manager

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UNIONDALE, N.Y., July 28, 2009 /PRNewswire-FirstCall via COMTEX/ -- Arbor Realty Trust, Inc. (NYSE: ABR) today announced that it has completed a restructuring of its financing facilities, totaling $374 million, with Wachovia Bank, National Association for three years and has agreed in principle to amend its management agreement with Arbor Commercial Mortgage, LLC, as manager.

The $374 million of restructured indebtedness with Wachovia was comprised of two term loan facilities with an aggregate outstanding balance of $332 million and a working capital facility with an outstanding balance of $42 million. This debt restructuring resulted in the consolidation of the three facilities into one term debt facility with an outstanding balance of $317 million and one working capital facility with an outstanding balance of $57 million. The significant components of the restructuring are as follows:

- The maturity dates of the facilities were extended for 3 years.
- The term loan facility requires a $48 million reduction over the three year term, with approximately $8 million in reductions due every six months beginning in December 2009.
- Margin call provisions relating to collateral value of the underlying assets have been eliminated, as long as the term loan reductions are met, with the exception of limited margin call capability related to foreclosed or real estate-owned assets.
- The working capital facility requires quarterly amortization of up to $3 million per quarter, $1 million per CDO, only if both (a) the CDO is cash flowing to the Company and (b) the Company has a minimum quarterly liquidity level of $27.5 million.
- Interest rate of LIBOR plus 350 basis points for the term loan facility, compared to LIBOR plus approximately 200 basis points previously and LIBOR plus 800 basis points for the working capital facility, compared to LIBOR plus 500 basis points previously. The Company has also agreed to pay a commitment fee of 1.00% payable over 3 years.
- The Company issued Wachovia 1.0 million warrants at an average strike price of $4.00. 500,000 warrants are exercisable immediately at a price of $3.50, 250,000 warrants are exercisable after July 23, 2010 at a price of $4.00 and 250,000 warrants are exercisable after July 23, 2011 at a price of $5.00. All warrants expire on July 23, 2015.
- Annual dividends are limited to 100% of taxable income to common shareholders and are required to be paid in the form of the Company's stock to the maximum extent permissible (currently 90%), with the balance payable in cash. The Company will be permitted to pay 100% of taxable income in cash if the term loan facility balance is reduced to $210 million, the working capital facility is reduced to $30 million and the Company maintains $35 million of minimum liquidity.
- The Company's CEO and Chairman, Ivan Kaufman, is required to remain an officer or director of the Company for the term of the facilities.

In addition, the financial covenants have been reduced to the following:

- Minimum quarterly liquidity of $7.5 million in cash and cash equivalents.
- Minimum quarterly GAAP net worth of $150 million.
- Ratio of total liabilities to tangible net worth shall not exceed 4.5 to 1 quarterly.

Other than the Wachovia facilities, in the second quarter of 2009 the Company also extended two of its financing facilities with an outstanding balance of approximately $15 million for one year, with one year extension options, and also retired its only other remaining short-term financing facility which had a balance of approximately $37 million.

"We are very pleased with our success in restructuring our debt with Wachovia as well as all of our other short term debt facilities," said Ivan Kaufman, Chief Executive Officer. "This, combined with our ability to restructure our Trust Preferred Securities, has put us in a position where all of our non CDO debt has been modified and/or extended for the long-term."

The Company also announced today that it has agreed in principle to amend its management agreement with Arbor Commercial Mortgage, LLC, as manager. The significant components of the agreed upon amendment are as follows:

- The existing base management fee structure, which is calculated as a percentage of the Company's equity, will be replaced with an arrangement whereby the Company will reimburse the manager for its actual costs incurred in managing the Company's business based on the parties' agreement in advance on an annual budget with subsequent quarterly true-ups to actual costs. This change will be adopted retroactively to January 1, 2009 and the Company estimates the 2009 base management fee will be in the range of $8 million to $9 million. Concurrent with this change, all future origination fees on investments will be retained by the Company as opposed to the manager earning up to the first one percent of all originations fees in the existing agreement. In addition, the Company will make a $3 million payment to the manager in consideration of expenses incurred by the manager in 2008 in managing the Company's business and certain other services.
- The percentage hurdle for the incentive fee will be applied on a per share basis to the greater of $10.00 and the average

gross proceeds per share, whereas the existing management agreement provides for such percentage hurdle to be applied only to the average gross proceeds per share. In addition, only 60% of any loan loss and other reserve recoveries will be eligible to be included in the incentive fee calculation, which will be spread over a three year period, whereas the existing management agreement does not limit the inclusion of such recoveries in the incentive fee calculation.

- The amended management agreement will allow the Company to consider, from time to time, the payment of additional incentive fees to the manager for accomplishing certain specified corporate objectives.
- The amended management agreement will modify and simplify the provisions related to the termination of the agreement and any related fees payable in such instances, including for internalization, with a termination fee of $10 million, rather than a multiple of base and incentive fees as currently exists.
- The amended management agreement will remain in effect until December 31, 2010, and will be renewed automatically for successive one-year terms thereafter.

The provisions summarized above are subject to the execution of a definitive agreement between the Company and the manager.

In connection with the amendment, a special committee of the Company's board of directors, consisting solely of independent directors, acted on behalf of the Company. JMP Securities LLC served as financial advisor to the special committee and Skadden, Arps, Slate, Meagher & Flom LLP served as its special counsel.

"We are very pleased to have reached an agreement with our manager to amend our management contract, said Ivan Kaufman, Chief Executive Officer. "We believe the new management agreement more properly reflects the change in the market and the Company's current activities in this environment."

About Arbor Realty Trust, Inc.

Arbor Realty Trust, Inc. is a real estate investment trust which invests in a diversified portfolio of multi-family and commercial real estate related bridge and mezzanine loans, preferred equity investments, mortgage related securities and other real estate related assets. Arbor commenced operations in July 2003 and conducts substantially all of its operations through its operating partnership, Arbor Realty Limited Partnership and its subsidiaries. Arbor is externally managed and advised by Arbor Commercial Mortgage, LLC, a national commercial real estate finance company operating through 11 sales and origination support offices in the US that specializes in debt and equity financing for multi-family and commercial real estate.

Safe Harbor Statement

The information included in this press release was based on the significant terms of the agreement. The agreement is subject to certain closing conditions and the Company can make no assurances that this agreement will close timely or at all. In addition if the terms of this agreement are amended, this may have a material impact on the economics of the transaction.

Certain items in this press release may constitute forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Arbor can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from Arbor's expectations include, but are not limited to, continued ability to source new investments, changes in interest rates and/or credit spreads, changes in the real estate and capital markets, and other risks detailed in the prospectus supplement with respect to this offering and in Arbor's Annual Report on Form 10-K for the year ended December 31, 2008 and its other reports filed with the SEC. Such forward-looking statements speak only as of the date of this press release. Arbor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Arbor's expectations with regard thereto or change in events, conditions, or circumstances on which any such statement is based.

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