
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2016

Or

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

For the transition period from to

Commission file number: 001-32136

Arbor Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(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)

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

(Former name, former address and former fiscal year, if changed since last report)

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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: 51,401,295 outstanding as of November 8, 2016.

ARBOR REALTY TRUST, INC.

FORM 10-Q
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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 “anticipates,” “expects,” “believes,” “intends,” “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 the financing markets we access affecting our ability to finance our loan and investment portfolio; adverse changes in our status with government-sponsored enterprises (“GSEs”) affecting our ability to originate loans through GSE 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 management’s views as of the date of this report. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement.

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, 2015 (the “2015 Annual Report”), Definitive Proxy Statement on Schedule 14A we filed with the Securities and Exchange Commission (“SEC”) on April 22, 2016 and in our other reports and filings with the SEC.

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

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****ARBOR REALTY TRUST, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	September 30, 2016 (Unaudited)	December 31, 2015
Assets:		
Cash and cash equivalents	\$ 71,613,974	\$ 188,708,687
Restricted cash	176,615,179	48,301,244
Loans and investments, net	1,656,748,937	1,450,334,341
Loans held-for-sale, net	310,252,600	—
Capitalized mortgage servicing rights, net	224,297,210	—
Available-for-sale securities, at fair value	5,214,998	2,022,030
Investments in equity affiliates	41,962,338	30,870,235
Real estate owned, net	19,762,787	60,845,509
Real estate held-for-sale, net	—	8,669,203
Due from related party	493,412	8,082,265
Goodwill and other intangible assets	99,932,986	—
Other assets	43,326,307	29,558,430
Total assets	\$ 2,650,220,728	\$ 1,827,391,944
Liabilities and Equity:		
Credit facilities and repurchase agreements	\$ 431,060,399	\$ 136,252,135
Collateralized loan obligations	1,007,736,720	758,899,661
Senior unsecured notes	94,330,797	93,764,994
Junior subordinated notes to subsidiary trust issuing preferred securities	157,662,855	157,117,130
Mortgage note payable - real estate owned	—	27,155,000
Related party financing	50,000,000	—
Due to related party	18,583,192	3,428,333
Due to borrowers	50,823,894	34,629,595
Allowance for loss-sharing obligations	31,113,413	—
Other liabilities	83,477,916	51,054,321
Total liabilities	1,924,789,186	1,262,301,169
Commitments and contingencies (Note 17)		
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 and no shares issued and outstanding, respectively; 8.25% Series A, \$38,787,500 aggregate liquidation preference; 1,551,500 shares issued and outstanding; 7.75% Series B, \$31,500,000 aggregate liquidation preference; 1,260,000 shares issued and outstanding; 8.50% Series C, \$22,500,000 aggregate liquidation preference; 900,000 shares issued and outstanding	89,508,213	89,295,905
Common stock, \$0.01 par value: 500,000,000 shares authorized; 51,401,295 and 50,962,516 shares issued and outstanding, respectively	514,013	509,625
Additional paid-in capital	619,179,982	616,244,196
Accumulated deficit	(137,441,120)	(136,118,001)
Accumulated other comprehensive loss	(1,142,053)	(4,840,950)
Total Arbor Realty Trust, Inc. stockholders' equity	570,619,035	565,090,775
Noncontrolling interest	154,812,507	—
Total equity	725,431,542	565,090,775
Total liabilities and equity	\$ 2,650,220,728	\$ 1,827,391,944

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest income	\$ 29,636,227	\$ 26,025,709	\$ 83,424,190	\$ 79,575,689
Other interest income, net	—	—	2,539,274	7,884,344
Interest expense	16,966,228	11,885,363	42,958,329	37,405,492
Net interest income	12,669,999	14,140,346	43,005,135	50,054,541
Other revenue:				
Fee-based services, including gain on sales, net	9,693,822	—	9,693,822	—
Mortgage servicing rights	15,968,067	—	15,968,067	—
Servicing revenue, net	5,885,884	—	5,885,884	—
Property operating income	2,960,940	7,202,851	12,719,027	22,855,028
Other income, net	359,546	51,633	663,977	164,449
Total other revenue	34,868,259	7,254,484	44,930,777	23,019,477
Other expenses:				
Employee compensation and benefits	14,216,679	4,877,059	22,856,433	14,133,403
Selling and administrative	5,903,031	2,063,408	10,277,844	7,442,979
Acquisition costs	6,406,258	1,116,126	10,261,902	1,542,169
Property operating expenses	2,819,004	6,028,585	10,991,823	18,381,317
Depreciation and amortization	1,808,765	1,250,761	3,129,410	4,137,080
Impairment loss on real estate owned	—	—	11,200,000	—
Provision for loss sharing	1,316,862	—	1,316,862	—
Provision for loan losses (net of recoveries)	(54,000)	277,464	(24,995)	2,353,688
Management fee - related party	3,325,000	2,725,000	8,875,000	8,075,000
Total other expenses	35,741,599	18,338,403	78,884,279	56,065,636
Income before gain on acceleration of deferred income, loss on termination of swaps, gain on sale of real estate, income from equity affiliates and provision for income taxes	11,796,659	3,056,427	9,051,633	17,008,382
Gain on acceleration of deferred income	—	8,162,720	—	19,171,882
Loss on termination of swaps	—	(340,197)	—	(4,629,647)
Gain on sale of real estate	—	—	11,630,687	3,984,364
Income from equity affiliates	4,929,375	6,353,239	11,193,918	10,983,177
Provision for income taxes	(300,000)	—	(300,000)	—
Net income	16,426,034	17,232,189	31,576,238	46,518,158
Preferred stock dividends	1,888,430	1,888,430	5,665,290	5,665,290
Net income attributable to noncontrolling interest	3,649,432	—	3,649,432	—
Net income attributable to common stockholders	\$ 10,888,172	\$ 15,343,759	\$ 22,261,516	\$ 40,852,868
Basic earnings per common share	\$ 0.21	\$ 0.30	\$ 0.43	\$ 0.80
Diluted earnings per common share	\$ 0.21	\$ 0.30	\$ 0.43	\$ 0.80
Weighted average shares outstanding:				
Basic	51,390,467	50,962,516	51,272,795	50,822,444
Diluted	70,271,796	50,962,516	51,627,550	50,917,442
Dividends declared per common share	\$ 0.16	\$ 0.15	\$ 0.46	\$ 0.43

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$ 16,426,034	\$ 17,232,189	\$ 31,576,238	\$ 46,518,158
Unrealized (loss) gain on securities available-for-sale, at fair value	(88,184)	(176,368)	(117,579)	246,973
Unrealized gain (loss) on derivative financial instruments, net	66,254	(349,012)	(195,981)	(1,255,739)
Reclassification of net realized loss on derivatives designated as cash flow hedges into loss on termination of swaps	—	340,197	—	4,626,192
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings	1,316,157	1,467,673	4,012,457	4,709,173
Comprehensive income	17,720,261	18,514,679	35,275,135	54,844,757
Less:				
Comprehensive income attributable to noncontrolling interest	3,974,327	—	3,974,327	—
Preferred stock dividends	1,888,430	1,888,430	5,665,290	5,665,290
Comprehensive income attributable to common stockholders	<u>\$ 11,857,504</u>	<u>\$ 16,626,249</u>	<u>\$ 25,635,518</u>	<u>\$ 49,179,467</u>

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

Nine Months Ended September 30, 2016

Arbor Realty Trust, Inc. Stockholders' Equity										
	Preferred Stock Shares	Preferred Stock Value	Common Stock Shares	Common Stock Par Value	Additional Paid- in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Arbor Realty Trust, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance -										
January 1, 2016	3,711,500	\$89,295,905	50,962,516	\$509,625	\$616,244,196	\$(136,118,001)	\$(4,840,950)	\$565,090,775	\$	— \$565,090,775
Issuance of special voting preferred shares and operating partnership units	21,230,769	212,308						212,308	154,559,998	154,772,306
Stock-based compensation			439,780	4,398	2,935,776			2,940,174		2,940,174
Forfeiture of unvested restricted stock			(1,001)	(10)	10					
Distributions - common stock						(23,573,786)		(23,573,786)		(23,573,786)
Distributions - preferred stock						(5,665,290)		(5,665,290)		(5,665,290)
Distributions - preferred stock of private REIT						(10,849)		(10,849)		(10,849)
Distributions - noncontrolling interest									(3,396,923)	(3,396,923)
Net income						27,926,806		27,926,806	3,649,432	31,576,238
Unrealized loss on securities available-for-sale							(117,579)	(117,579)		(117,579)
Unrealized loss on derivative financial instruments, net							(195,981)	(195,981)		(195,981)
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings							4,012,457	4,012,457		4,012,457
Balance - September 30, 2016	24,942,269	\$89,508,213	51,401,295	\$514,013	\$619,179,982	\$(137,441,120)	\$(1,142,053)	\$570,619,035	\$154,812,507	\$725,431,542

See Notes to Consolidated Financial Statements.

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

	<u>Nine Months Ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Operating activities:		
Net income	\$ 31,576,238	\$ 46,518,158
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,129,410	4,137,080
Stock-based compensation	2,940,174	2,890,581
Amortization and accretion of interest and fees, net	2,539,980	1,709,609
Amortization of capitalized mortgage servicing rights	7,586,524	—
Originations of loans held-for-sale	(853,935,531)	—
Proceeds from sales of loans held-for-sale, net of gain on sale	975,969,372	—
Mortgage servicing rights	(15,968,067)	—
Write-off of capitalized mortgage servicing rights from payoffs	1,669,081	—
Impairment loss on real estate owned	11,200,000	—
Provision for loan losses (net of recoveries)	(24,995)	2,353,688
Provision for loss sharing (net of recoveries)	1,316,862	—
Gain on acceleration of deferred income	—	(19,171,882)
Allowance for loss-sharing obligations (net of charge-offs)	(2,131,178)	—
Loss on termination of swaps	—	4,629,647
Gain on sale of real estate	(11,630,687)	(3,984,364)
Gain on sale of securities	(15,491)	—
Income from equity affiliates	(11,193,918)	(10,983,177)
Change in fair value of available-for-sale securities	46,021	—
Changes in operating assets and liabilities	5,894,972	7,500,170
Net cash provided by operating activities	<u>148,968,767</u>	<u>35,599,510</u>
Investing Activities:		
Loans and investments funded, originated and purchased, net	(725,025,857)	(734,651,094)
Payoffs and paydowns of loans and investments	531,874,076	698,138,074
Acquisition of the Agency Business, net of cash acquired	(68,356,323)	—
Deferred fees	7,412,018	3,707,798
Principal collection on securities, net	—	2,100,000
Investments in real estate, net	(611,497)	(2,025,366)
Contributions to equity affiliates	(4,641,973)	(17,017,972)
Distributions from equity affiliates	731,942	—
Proceeds from sale of real estate	49,029,780	18,482,352
Proceeds from sale of available-for-sale securities	1,567,207	—
Due to borrowers and reserves	128,492	—
Net cash used in investing activities	<u>(207,892,135)</u>	<u>(31,266,208)</u>
Financing activities:		
Proceeds from repurchase agreements, credit facilities and notes payable	1,681,492,236	555,589,837
Paydowns and payoffs of repurchase agreements, loan participations and credit facilities	(1,807,884,108)	(612,512,543)
Proceeds from mortgage note payable - real estate owned	—	27,155,000
Paydowns and payoffs of mortgage note payable - real estate owned	(27,155,000)	(30,984,357)
Proceeds from collateralized loan obligations	250,250,000	486,625,000
Payoffs and paydowns of collateralized debt obligations	—	(312,071,055)
Payoffs and paydowns of collateralized loan obligations	—	(177,000,000)
Change in restricted cash	(123,982,753)	159,223,507
Payments on swaps and margin calls to counterparties	—	(290,000)
Receipts on swaps and returns of margin calls from counterparties	3,440,049	3,330,000
Distributions paid on common stock	(23,573,786)	(21,850,942)
Distributions paid on preferred stock	(5,665,290)	(5,665,290)
Distributions paid on preferred stock of private REIT	(10,849)	(10,566)
Payment of deferred financing costs	(5,081,844)	(10,676,809)
Net cash (used in) provided by financing activities	<u>(58,171,345)</u>	<u>60,861,782</u>
Net (decrease) increase in cash and cash equivalents	(117,094,713)	65,195,084
Cash and cash equivalents at beginning of period	188,708,687	50,417,745
Cash and cash equivalents at end of period	<u>\$ 71,613,974</u>	<u>\$ 115,612,829</u>

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Continued)

	Nine Months Ended September 30,	
	2016	2015
Supplemental cash flow information:		
Cash used to pay interest	\$ 36,287,261	\$ 32,665,815
Cash used for taxes	\$ 298,654	\$ 385,932
Supplemental schedule of non-cash investing and financing activities:		
Distributions accrued on 8.25% Series A preferred stock	\$ 266,664	\$ 266,664
Distributions accrued on 7.75% Series B preferred stock	\$ 203,438	\$ 203,438
Distributions accrued on 8.50% Series C preferred stock	\$ 159,375	\$ 159,375
Distributions accrued on special voting preferred shares	\$ 3,396,923	\$ —
Related party financing	\$ 50,000,000	\$ —
Payment due on the acquisition of the Agency Business	\$ 11,416,610	\$ —
Working capital adjustment on the acquisition of the Agency Business	\$ 7,982,584	\$ —
Issuance of special voting preferred shares and operating partnership units in connection with the Acquisition	\$ 154,772,306	\$ —
Investments transferred from real estate owned, net to real estate held-for-sale, net	\$ —	\$ 17,516,488
Loan transferred to real estate owned, net	\$ —	\$ 5,900,000
Satisfaction of participation loan	\$ —	\$ 1,300,000
Retirement of participation liability	\$ —	\$ 1,300,000

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
September 30, 2016

Note 1 — Description of Business

Arbor Realty Trust, Inc. (the “Company,” “we,” “us,” or “our”) is a Maryland corporation that was formed in 2003 and is externally managed and advised by Arbor Commercial Mortgage, LLC (“ACM” or our “Manager”). 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. In addition, we may also directly acquire real property and invest in real estate-related notes and certain mortgage-related securities. We refer to this platform as our Structured Loan Origination and Investment Business, or “Structured Business.” As a result of the acquisition of the agency platform of our Manager on July 14, 2016 (the “Acquisition”), we also now 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 (“GNMA”), Federal Housing Authority (“FHA”) and the U.S. Department of Housing and Urban Development (together with GNMA and FHA, “HUD”) and the 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 approved as a 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 refer to this platform as our Agency Loan Origination and Servicing Business, or “Agency Business.” See Note 3 — Acquisition of Our Manager’s Agency Platform for further details about the Acquisition.

Substantially all of our operations are conducted through our operating partnership, Arbor Realty Limited Partnership (“ARLP”), and ARLP’s subsidiaries. We organize and conduct our operations to qualify as a real estate investment trust (“REIT”) for federal income tax purposes. As a result of the Acquisition, we operate in two segments: Structured Business and Agency Business. See Note 23 — Segment Information for further details.

Note 2 — Basis of Presentation

The accompanying unaudited 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 and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in the consolidated financial statements prepared under GAAP have been condensed or omitted. In the opinion of management, 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 consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in our 2015 Annual Report, which was filed with the SEC.

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

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
September 30, 2016

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 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 a taxable REIT subsidiary (“TRS”), which is a part of our TRS consolidated group (the “TRS Consolidated Group”) and may be 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. Our TRS Consolidated Group has federal net operating losses from prior years which will be applied against the income from the Agency Business. In the third quarter of 2016, we recorded a tax provision of \$0.3 million related to state income tax liability. Current and deferred taxes are recorded on the portion of earnings (losses) recognized by us with respect to our interest in TRSs. 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. We recorded a deferred tax liability of \$14.8 million in connection with the Acquisition, which is included in Other liabilities on the consolidated balance sheets. The deferred tax liability is primarily attributable to the seller financing portion of the consideration paid for the Acquisition. We evaluate the realizability of our deferred tax assets (e.g., net operating loss and capital loss carryforwards) and recognize a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of our deferred tax assets will not be realized. When evaluating the realizability of our deferred tax assets, we consider estimates of expected future taxable income, existing and projected book/tax differences, tax planning strategies available and the general and industry specific economic outlook.

The preparation of consolidated financial statements in conformity with GAAP requires management 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

See Item 8 — Financial Statements and Supplementary Data in our 2015 Annual Report for a description of our significant accounting policies. In connection with the Acquisition, we have adopted the following additional significant accounting policies.

Loans Held-for-Sale, Net

Loans held-for-sale, net represents commercial real estate loans originated in our Agency Business, which are generally transferred or sold within 60 days from the date that the mortgage loan is funded. Such loans are reported at the lower of cost or market on an aggregate basis and include the value allocated to the associated future mortgage servicing rights. During the period prior to its sale, interest income on a loan held-for-sale is calculated in accordance with the terms of the individual loan and the loan origination fees and direct loan origination costs are deferred until the loan is sold.

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated, put presumptively beyond the reach of the entity, even in bankruptcy, (2) the transferee (or if the transferee is an entity whose sole purpose is to engage in securitization and the entity is constrained from pledging or exchanging the assets it receives, each third-party holder of its beneficial interests) has the right to pledge or exchange the transferred financial assets, and (3) we or our agents does not maintain effective control over the transferred financial assets or third-party beneficial interest related to those transferred assets through an agreement to repurchase them before their maturity. We have determined that all loans sold have met these specific conditions and accounts for all transfers of mortgage loans as completed sales.

Capitalized Mortgage Servicing Rights

We recognize, as separate assets, rights to service mortgage loans for others, including such rights that are created by the origination of mortgage loans that are sold with the servicing rights retained by the originator. Income from mortgage servicing rights (“MSRs”) is recognized when we record a derivative asset upon the commitment to originate a loan with a borrower and sell the loan to an investor. This commitment asset is recognized at fair value, which reflects the estimated fair value of the expected net cash flows associated with the servicing of the loan. When a mortgage loan is sold, we retain the right to service the loan and recognize the MSR at the initial capitalized valuation. We amortize MSRs using the amortization method, which requires the MSRs to be amortized in proportion to and over the period of estimated net servicing

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income or net servicing loss and that the servicing assets or liabilities be assessed for impairment, or increased obligation, based on the fair value at each reporting date. Amortization of MSR is recorded as a reduction of servicing revenues, net on the consolidated statements of income. The following assumptions were used in calculating each loan's MSR for the periods presented:

Key rates: We used discount rates ranging from 8% to 18%, representing a weighted average discount rate of 13%, based on management's best estimate of market discount rates to determine the present value of MSR. The inflation rate used for adequate compensation was 3%.

Servicing Cost: The estimated future cost to service the loan for the estimated life of the MSR is subtracted from the estimated future cash flows.

Estimated Life: We estimate the life of our MSR based upon the stated yield maintenance and/or prepayment protection term of the underlying loan and may be reduced by 6 to 12 months based upon the expiration of various types of prepayment penalty and/or lockout provisions prior to that stated maturity date.

We carry MSR at the lower of amortized cost or fair value and evaluate the carrying value for impairment on a portfolio basis quarterly. Fair values are estimated considering market prices for similar MSR, when available, and by estimating the present value of the future net cash flows of the capitalized MSR, net of adequate compensation for servicing. Adequate compensation is based on the market rate of similar servicing contracts. We estimate the terms of commercial servicing for each loan by assuming that servicing would not end prior to the yield maintenance date, if applicable, at which point the prepayment penalty expires. MSR are amortized in proportion to and over the period of estimated net servicing income. We engage an independent third party to assist in determining an estimated fair value of our MSR portfolio on a quarterly basis.

We measure the impairment of MSR based on the difference between the aggregate carrying amount of the MSR and their aggregate fair value. For purposes of impairment evaluation, the MSR are stratified based on predominant risk characteristics of the underlying loans, which we have identified as loan type, note rate and yield maintenance provisions. To the extent that the carrying value of the MSR exceeds fair value, a valuation allowance is established.

We record write-offs of MSR related to the loans that were repaid prior to the expected maturity and loans that have defaulted and determined to be unrecoverable. When this occurs, the write-off is recorded as a direct write-down to the carrying value of MSR and is included as a component of servicing revenue, net on the statements of income. This direct write-down permanently reduces the carrying value of the MSR, precluding recognition of subsequent recoveries.

Derivative Assets and Liabilities

Our rate lock and forward sales commitments associated with the Agency Business meet the definition of a derivative and are recorded at fair value in our consolidated balance sheets. The estimated fair value of rate lock commitments includes the effects of interest rate movements as well as the fair value of the expected net cash flows associated with the servicing of the loan which is recorded as income from mortgage servicing rights on the consolidated statements of income. The estimated fair value of forward sale commitments includes the effects of interest rate movements between the trade date and balance sheet date. Adjustments to the fair value are reflected as a component of other income, net on the consolidated statements of income.

Business Combinations

Business combinations are accounted for under the acquisition method of accounting, under which the purchase price is allocated to the fair value of the assets acquired and liabilities assumed at the acquisition date. The excess of the purchase price over the amount allocated to the assets acquired and liabilities assumed is recorded as goodwill. Adjustments to the assets acquired and liabilities assumed made during the measurement period are recorded in the period in which the adjustment is identified, with a corresponding adjustment to goodwill. If any adjustments are made subsequent to the measurement period, which could be up to one year after the acquisition date, these adjustments are recorded to the consolidated statements of income. Acquisition related costs are expensed as incurred.

Goodwill and Other Intangible Assets

Significant judgement is required to estimate the fair value of intangible assets and in assigning their respective estimated useful lives. Accordingly, we typically seek the assistance of independent third party valuation specialists for significant intangible assets. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management.

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We generally use an income based valuation method to estimate the fair value of intangible assets, which discounts expected future cash flows to present value using estimates and assumptions determined and deemed reasonable by management. For intangible assets related to acquired technology, we use the replacement cost method to determine fair value.

Determining the estimated useful lives of intangible assets also requires judgment. Certain intangible assets, such as GSE licenses, have been deemed to have indefinite lives while other intangible assets, such as broker and borrower relationships, above/below market rent and acquired technology have been deemed to have finite lives. Our assessment as to which intangible assets are deemed to have finite or indefinite lives is based on several factors including economic barriers of entry for the acquired product lines, scarcity of available GSE licenses, technology life cycles, retention trends and our operating plans, among other factors.

Goodwill and indefinite-lived intangible assets are not amortized, while finite-lived intangible assets are amortized over the estimated useful lives of the assets on a straight-line basis. Indefinite-lived intangible assets, including goodwill, are tested for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. In addition, with respect to goodwill, an impairment analysis is performed at least annually. We have elected to make the first day of our fiscal fourth quarter the annual impairment assessment date for goodwill. We first assess qualitative factors to determine whether it is more likely than not that the fair value is less than the carrying value. If, based on that assessment, we believe it is more likely than not that the fair value is less than the carrying value, then a two-step goodwill impairment test is performed.

Allowance for Loss-Sharing Obligations

When a loan is sold under the Fannie Mae DUS program, we undertake an obligation to partially guarantee the performance of the loan. Generally, we are responsible for losses equal to the first 5% of the unpaid principal balance ("UPB") and a portion of any additional losses to an overall maximum of 20% of the original principal balance. Fannie Mae bears any remaining loss. In addition, under the terms of the master loss-sharing agreement with Fannie Mae, we are responsible for funding 100% of mortgage delinquencies (principal and interest) and servicing advances (taxes, insurance and foreclosure costs) until the amounts advanced exceeds 5% of the UPB at the date of default. Thereafter, we may request interim loss-sharing adjustments which allow us to fund 25% of such advances until final settlement.

At inception, a liability for the fair value of the obligation undertaken in issuing the guaranty is recognized. In determining the fair value of the guaranty obligation, we consider the risk profile of the collateral and the historical loss experience in our portfolio. The guaranty obligation is removed only upon either the expiration or settlement of the guaranty.

We evaluate the allowance for loss-sharing obligations by monitoring the performance of each loss-sharing loan for events or conditions which may signal a potential default. Historically, initial loss recognition occurs at or before a loan becomes 60 days delinquent. In instances where payment under the guaranty on a specific loan is determined to be probable and estimable (as the loan is probable of foreclosure or is in foreclosure), we record a liability for the estimated allowance for loss-sharing (a "specific reserve") by transferring the guarantee obligation recorded on the loan to the specific reserve with any adjustments to this reserve amount recorded in provision for loss sharing in the statements of income, along with a write-off of the associated loan-specific MSR. The amount of the allowance considers our assessment of the likelihood of repayment by the borrower or key principal(s), the risk characteristics of the loan, the loan's risk rating, historical loss experience, adverse situations affecting individual loans, the estimated disposition value of the underlying collateral, and the level of risk sharing. We regularly monitor the specific reserves on all applicable loans and update loss estimates as current information is received.

Revenue Recognition

Fee-based services related to our Agency Business includes commitment fees, broker fees, loan assumption fees, loan origination fees and gains on sale of loans. In some instances, the borrower pays an additional amount of interest at the time the loan is closed, an origination fee, net of any direct loan origination costs incurred, which is

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recognized upon sale of the loan. Revenue recognition occurs when the related services are performed, unless significant contingencies exist, and for the sale of loans, when all the incidence of ownership passes to the buyer. Interest income is recognized on the accrual basis as it is earned from loans held-for-sale.

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) amended its guidance to reflect eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for us beginning in the first quarter of 2018 and requires adoption on a retrospective basis, unless it is impracticable for us to apply, in which case, we would be required to apply the amendment prospectively as of the earliest date practicable. We are currently evaluating the impact this guidance may have on our consolidated statement of cash flows.

In June 2016, the FASB issued updated guidance which requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Companies will be required to use forward-looking information to better form their credit loss estimates. This updated guidance also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses. The guidance is effective for us beginning in the first quarter of 2020, and early adoption is permitted beginning in the first quarter of 2019. We are currently evaluating the impact this guidance may have on our consolidated financial statements.

In March 2016, the FASB amended its guidance on stock compensation, which is intended to simplify several aspects of the accounting for share-based payment award transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The guidance is effective for the first quarter of 2017 and we do not believe the adoption of this guidance will have a material impact on our consolidated financial statements.

In March 2016, the FASB amended its guidance on accounting for equity method investments. Among other things, the amended guidance eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The guidance is effective for the first quarter of 2017 and we do not believe the adoption of this guidance will have a material impact on our consolidated financial statements.

In February 2016, the FASB amended its guidance on accounting for leases that requires an entity to recognize balance sheet assets and liabilities for leases with terms of more than 12 months and also requires disclosure of key information about an entity’s leasing arrangements. The guidance is effective for the first quarter of 2019 with early adoption permitted. A modified retrospective approach is required. We are currently evaluating the impact this guidance may have on our consolidated financial statements.

In January 2016, the FASB amended its guidance on the recognition and measurement of financial assets and liabilities. The amended guidance requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair

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value recognized in net income. This update also, among other things, eliminates the requirement for an entity to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The guidance is effective for the first quarter of 2018 and we are currently evaluating the impact it may have on our consolidated financial statements.

In May 2014, the FASB amended its revenue recognition guidance. Among other things, the amended guidance outlines a framework for a single comprehensive model that entities can use when accounting for revenue and supersedes most current revenue recognition guidance, including that which pertains to specific industries such as homebuilding (e.g., sales of real estate, etc.). 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 the users of an entity's financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for the first quarter of 2018. We are currently evaluating the impact this guidance may have on our consolidated financial statements.

Recently Adopted Accounting Pronouncements

In September 2015, the FASB amended its guidance on measurement-period adjustments arising from business combinations. The guidance was effective for the first quarter of 2016 and it did not have an impact on our consolidated financial statements.

In February 2015, the FASB amended its guidance on the consolidation analysis of VIEs. The guidance was effective for the first quarter of 2016 and it did not have a material impact on our consolidated financial statements. See Note 15 — Variable Interest Entities for further details.

Note 3 — Acquisition of Our Manager's Agency Platform

On July 14, 2016, we completed the previously announced Acquisition pursuant to an asset purchase agreement ("Purchase Agreement") dated February 25, 2016. The aggregate purchase price was \$275.8 million, which was paid with \$138.0 million in stock, \$87.8 million in cash and with the issuance of a \$50.0 million seller financing instrument. The equity component of the purchase price was paid with 21,230,769 operating partnership units ("OP Units"), which was based on a stock price of \$6.50 per share. The closing price of our common stock on the day of the Acquisition was \$7.29 per share; therefore, the estimated fair value of the total consideration given to our Manager was \$292.5 million. Each of these OP Units are paired with one share of our Special Voting Preferred Shares, which provides ACM with one vote per share on any matter submitted to a vote of our stockholders. The OP Units are entitled to receive distributions if and when our Board of Directors authorizes and declares future 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. See Note 12 — Debt Obligations for further details about the seller financing and Note 18 — Equity for further details about the OP Units.

All ACM employees directly related to the Agency Business (approximately 235) have become our employees as of the Acquisition date. In addition, pursuant to the Purchase Agreement, we have a two year option to purchase the existing management agreement and fully internalize our management structure for \$25.0 million (increasing to \$27.0 million in the second year). The exercise of this option is at the discretion of the special committee of our Board of Directors, which has no obligation to exercise its option.

We performed a preliminary allocation of the purchase price to the underlying assets acquired and liabilities assumed based on their estimated fair values as of the Acquisition date, with the excess of the purchase price allocated to goodwill. We have not finalized the analysis of certain acquired assets and liabilities assumed. However, we are continuing our review of these items during the measurement period and any further changes to the preliminary purchase price allocation will be recognized as the valuations are finalized, which could change the amount of the purchase price allocated to goodwill. The preliminary purchase price allocations are summarized as follows:

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Purchase Price:

Issuance of 21,230,769 OP Units at \$7.29 per share (based on the closing stock price at the date of Acquisition)	\$ 154,772,306
Cash on hand	87,755,517
Borrowings from seller financing - related party	50,000,000
Total consideration	<u>\$ 292,527,823</u>

Allocated to:

Cash and cash equivalents	\$ 7,982,584
Restricted cash	5,000,000
Loans held-for-sale, net	424,796,318
Available-for-sale securities, at fair value	4,908,283
Capitalized mortgage servicing rights, net	221,647,421
Fixed assets	5,216,972
Other assets	10,752,173
Finite-lived intangible assets	44,310,000
Infinite-lived intangible assets	29,000,000
Credit facilities and repurchase agreements	(420,889,886)
Allowance for loss-sharing obligations	(32,616,821)
Other liabilities	(35,369,251)
Goodwill	27,790,030
Net assets acquired	<u>\$ 292,527,823</u>

In connection with the Acquisition, we recorded goodwill as a result of the total consideration exceeding the fair value of the assets acquired and liabilities assumed. The Goodwill was attributed to our Agency Business as it relates to the assets we acquired in the Acquisition. See Note 4 — Goodwill and Other Intangible Assets for further details about the identified intangible assets.

The total revenues and pre-tax income associated with the Agency Business from the date of Acquisition, which is included in the consolidated statements of income for both the three and nine months ended September 30, 2016, were \$34.5 million and \$14.3 million, respectively.

The following unaudited pro forma financial information presents the revenues and earnings of the combined entity, as if the Acquisition occurred as of January 1, 2015. The unaudited pro forma financial information is not intended to represent or be indicative of the consolidated financial results of operations that would have been reported had the Acquisition been completed as of January 1, 2015 and should not be taken as indicative of our future consolidated results of operations.

Supplementary Pro Forma Information	Nine Months Ended September 30,	
	2016	2015
Revenues	\$ 212,136,723	\$ 198,178,465
Net income attributable to noncontrolling interest	\$ 18,262,614	\$ 17,338,814
Net income attributable to common stockholders	\$ 40,329,043	\$ 41,543,271
Diluted earnings per common share	\$ 0.78	\$ 0.82

In connection with the Acquisition, we incurred legal and advisory fees totaling \$6.4 million and \$10.3 million during the three and nine months ended September 30, 2016, respectively, and fees totaling \$14.7 million to date. We do not expect to recognize any significant additional fees in connection with the Acquisition.

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Note 4 — Goodwill and Other Intangible Assets

Goodwill

The following table sets forth the goodwill activity for the nine months ended September 30, 2016:

	As of and for the Nine Months Ended September 30, 2016
Beginning balance	\$ —
Additions from the Acquisition	27,790,030
Impairment	—
Ending balance	<u>\$ 27,790,030</u>

Other Intangible Assets

The following table sets forth the other intangible assets activity for the nine months ended September 30, 2016:

	Gross Carrying Value			Accumulated Amortization		
	December 31, 2015	Additions	September 30, 2016	December 31, 2015	Additions	September 30, 2016
Finite-lived intangible assets:						
Broker relationships	\$ —	\$ 25,000,000	\$ 25,000,000	\$ —	\$ 651,042	\$ 651,042
Borrower relationships	—	14,400,000	14,400,000	—	300,000	300,000
Below market leases	—	4,010,000	4,010,000	—	153,502	153,502
Acquired technology	—	900,000	900,000	—	62,500	62,500
Infinite-lived intangible assets:						
Fannie Mae DUS license	—	17,100,000	17,100,000	—	—	—
Freddie Mac Program Plus license	—	8,700,000	8,700,000	—	—	—
FHA license	—	3,200,000	3,200,000	—	—	—
	<u>\$ —</u>	<u>\$ 73,310,000</u>	<u>\$ 73,310,000</u>	<u>\$ —</u>	<u>\$ 1,167,044</u>	<u>\$ 1,167,044</u>

The finite-lived intangible assets recorded in connection with the Acquisition have the following useful lives: broker relationships — 8 years; borrower relationships — 10 years; below market leases — 3.5-10.6 years and acquired technology — 3 years.

The weighted average remaining lives of our amortizable finite-lived intangible assets as of September 30, 2016 and the estimated amortization expense for each of the succeeding five years are as follows:

	Weighted Average Remaining Life (in years)	Estimated Amortization Expense					
		Three Months Ended December 31, 2016	Years Ending December 31,				
		2017	2018	2019	2020	2021	
Finite-lived intangible assets:							
Broker relationships	7.8	\$ 781,250	\$ 3,125,000	\$ 3,125,000	\$ 3,125,000	\$ 3,125,000	\$ 3,125,000
Borrower relationships	9.8	360,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000
Below market leases	6.3	184,203	736,811	736,811	736,811	684,137	126,118
Acquired technology	2.8	75,000	300,000	300,000	162,500	—	—
	<u>8.2</u>	<u>\$ 1,400,453</u>	<u>\$ 5,601,811</u>	<u>\$ 5,601,811</u>	<u>\$ 5,464,311</u>	<u>\$ 5,249,137</u>	<u>\$ 4,691,118</u>

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Note 5 — Loans and Investments

The following tables set forth the composition of our structured loan and investment portfolio:

	<u>September 30, 2016</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	\$ 1,566,037,772	89%	120	5.34%	17.1	0%	74%
Mezzanine loans	51,181,279	3%	11	8.84%	20.3	36%	78%
Junior participation loans	62,256,582	4%	2	4.50%	7.0	83%	84%
Preferred equity investments	71,596,941	4%	10	6.79%	26.4	43%	92%
	<u>1,751,072,574</u>	<u>100%</u>	<u>143</u>	<u>5.47%</u>	<u>17.2</u>	<u>6%</u>	<u>75%</u>
Unearned revenue	(10,507,062)						
Allowance for loan losses	(83,816,575)						
Loans and investments, net	<u>\$ 1,656,748,937</u>						

	<u>December 31, 2015</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	\$ 1,353,132,435	88%	105	5.48%	16.7	0%	75%
Mezzanine loans	40,390,905	3%	11	8.19%	32.9	35%	83%
Junior participation loans	62,256,582	4%	2	4.50%	11.2	85%	87%
Preferred equity investments	89,346,123	5%	10	7.52%	30.5	43%	80%
	<u>1,545,126,045</u>	<u>100%</u>	<u>128</u>	<u>5.63%</u>	<u>17.7</u>	<u>7%</u>	<u>76%</u>
Unearned revenue	(8,030,129)						
Allowance for loan losses	(86,761,575)						
Loans and investments, net	<u>\$ 1,450,334,341</u>						

(1) "Weighted Average Pay Rate" is a weighted average, based on the 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 the maturity are not included in the weighted average pay rate as shown in the table.

(2) The "First Dollar LTV Ratio" is calculated by comparing the total of 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.

During the first quarter of 2015, we acquired a \$116.0 million defaulted first mortgage, at par, that paid off in the subsequent quarter resulting in the recognition of income totaling \$6.7 million, net of fees and expenses. The \$6.7 million of income consisted of other interest income totaling \$7.9 million, partially offset by \$1.2 million of expenses related to this transaction that were recorded in employee compensation and benefits. In the second quarter of 2016, additional funds held in escrow from the note payoff were released following an arbitration proceeding and we recognized income totaling \$1.9 million, net of fees and expenses. The \$1.9 million of income consisted of other interest income totaling \$2.5 million, partially offset by \$0.6 million of expenses related to the transaction that were recorded in employee compensation and benefits.

Concentration of Credit Risk

Commercial mortgage loans and investments can potentially subject us to concentrations of credit risk. We are subject to concentration risk in that, at September 30, 2016, the UPB related to 34 loans with five different borrowers represented 18% of total assets. At December 31, 2015, the UPB related to 22 loans with five different borrowers represented 22% of total assets. We measure our relative loss position for our mezzanine loans, junior participation loans, and preferred equity investments by determining the point where we will be exposed to losses

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Geographic Concentration Risk

As of September 30, 2016, 26%, 15%, 15% and 13% of the outstanding balance of our loan and investment portfolio had underlying properties in New York, Florida, California and Texas, respectively. As of December 31, 2015, 34%, 14%, 14% and 12% of the outstanding balance of our loan and investment portfolio had underlying properties in New York, Florida, California and Texas, respectively.

Impaired Loans and Allowance for Loan Losses

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

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Allowance at beginning of period	\$ 83,831,575	\$ 117,563,544	\$ 86,761,575	\$ 115,487,320
Provision for loan losses	—	982,453	59,005	3,093,082
Charge-offs	—	(32,000,000)	(2,959,005)	(32,000,000)
Charge-off on loan reclassification to real estate owned, net	—	(2,500,000)	—	(2,500,000)
Recoveries of reserves	(15,000)	(685,489)	(45,000)	(719,894)
Allowance at end of period	<u>\$ 83,816,575</u>	<u>\$ 83,360,508</u>	<u>\$ 83,816,575</u>	<u>\$ 83,360,508</u>

During the second quarter of 2016, we received a \$1.8 million discounted payoff on an impaired bridge loan with an aggregate carrying value before reserves of \$4.8 million, resulting in the recognition of an additional provision for loan losses of \$0.1 million and a charge-off of \$3.0 million.

The provision for loan losses recorded in the three and nine months ended September 30, 2015 was comprised of two loans and four loans, respectively, with aggregate carrying values before reserves of \$117.2 million and \$130.2 million, respectively. The provision for loan losses recorded in the nine month period included a loan that was transferred to real estate owned with a carrying value before reserves of \$8.3 million.

During the three and nine months ended September 30, 2015, we charged-off \$32.0 million of previously recorded reserves due to the write-off of a fully reserved junior participation loan. We also charged-off \$2.5 million in connection with the transfer of an office building by deed in lieu of foreclosure to real estate owned, net.

A summary of charge-offs and recoveries by asset class are as follows:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<i>Charge-offs:</i>				
Hotel	\$ —	\$ 32,000,000	\$ —	\$ 32,000,000
Office	—	2,500,000	—	2,500,000
Multifamily	—	—	2,959,005	—
Total	\$ —	\$ 34,500,000	\$ 2,959,005	\$ 34,500,000
<i>Recoveries:</i>				
Multifamily	\$ (15,000)	\$ (685,489)	\$ (45,000)	\$ (719,894)
Total	\$ (15,000)	\$ (685,489)	\$ (45,000)	\$ (719,894)
Net Recoveries (Charge-offs)	\$ 15,000	\$ (33,814,511)	\$ (2,914,005)	\$ (33,780,106)
Ratio of net recoveries (charge-offs) during the period to average loans and investments outstanding during the period	0.0%	(2.0)%	(0.2)%	(2.1)%

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 September 30, 2016 and 2015.

We have six loans with a carrying value totaling \$120.2 million at September 30, 2016, which mature in September 2017, 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 \$110.9 million entitle us to a weighted average accrual rate of interest of 8.18%. We suspended the recording of the accrual rate of interest on these loans, as these loans were impaired and we deemed the collection of this interest to be doubtful. We have recorded cumulative allowances for loan losses of \$49.1 million related to these loans as of September 30, 2016. 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.

A summary of our impaired loans by asset class is as follows:

Asset Class	September 30, 2016			Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	Unpaid Principal Balance	Carrying Value (1)	Allowance for Loan Losses	Average Recorded Investment (2)	Interest Income Recognized	Average Recorded Investment (2)	Interest Income Recognized
Multifamily	\$ 2,647,115	\$ 2,555,618	\$ 2,560,653	\$ 2,654,615	\$ 22,937	\$ 5,004,615	\$ 134,142
Office	27,567,082	22,782,944	21,972,444	27,569,332	23,601	27,573,832	69,763
Land	130,012,569	125,011,860	53,883,478	130,012,569	—	128,740,618	—
Hotel	34,750,000	34,400,000	3,700,000	34,750,000	291,542	34,750,000	857,459
Commercial	1,700,000	1,700,000	1,700,000	1,700,000	—	1,700,000	—
Total	\$ 196,676,766	\$ 186,450,422	\$ 83,816,575	\$ 196,686,516	\$ 338,080	\$ 197,769,065	\$ 1,061,364
Asset Class	December 31, 2015			Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
Multifamily	\$ 7,362,115	\$ 7,350,764	\$ 5,505,653	\$ 23,291,302	\$ 109,115	\$ 23,308,505	\$ 253,096
Office	27,580,582	22,796,444	21,972,444	31,835,832	1,225,877	31,835,832	1,782,922
Land	127,468,667	122,875,774	53,883,478	124,865,743	—	123,742,628	—
Hotel	34,750,000	34,486,433	3,700,000	34,750,000	264,898	34,750,000	782,926
Commercial	1,700,000	1,700,000	1,700,000	—	—	—	—
Total	\$ 198,861,364	\$ 189,209,415	\$ 86,761,575	\$ 214,742,877	\$ 1,599,890	\$ 213,636,965	\$ 2,818,944

(1) Represents the UPB of impaired loans less unearned revenue and other holdbacks and adjustments by asset class and was comprised of nine loans at both September 30, 2016 and December 31, 2015.

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

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As of September 30, 2016, four loans with an aggregate net carrying value of \$1.7 million, net of related loan loss reserves on the loans of \$22.9 million, were classified as non-performing. As of December 31, 2015, three loans with an aggregate net carrying value of less than \$0.1 million, net of related loan loss reserves on the loans of \$22.9 million, were classified as non-performing. Income from non-performing loans is generally recognized on a cash basis only to the extent it is received. Full income recognition will resume when the loan becomes contractually current and performance has recommenced.

A summary of our non-performing loans by asset class is as follows:

Asset Class	September 30, 2016			December 31, 2015		
	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
Multifamily	\$ 770,653	\$ —	\$ 770,653	\$ 765,799	\$ —	\$ 765,799
Office	22,170,795	—	22,170,795	20,472,444	—	20,472,444
Commercial	1,700,000	—	1,700,000	1,700,000	—	1,700,000
Total	\$ 24,641,448	\$ —	\$ 24,641,448	\$ 22,938,243	\$ —	\$ 22,938,243

At September 30, 2016, we did not have any loans contractually past due 90 days or more that are still accruing interest.

A summary of loan modifications, refinancings and/or extensions by asset class that we considered to be troubled debt restructurings were as follows:

Asset Class	Number of Loans	Three Months Ended September 30, 2016				Nine Months Ended September 30, 2016				
		Original Unpaid Principal Balance	Original Weighted Average Rate of Interest	Extended Unpaid Principal Balance	Extended Weighted Average Rate of Interest	Original Unpaid Principal Balance	Original Weighted Average Rate of Interest	Extended Unpaid Principal Balance	Extended Weighted Average Rate of Interest	
Multifamily	1	\$ 14,646,456	5.33%	\$ 14,646,456	5.33%	1	\$ 14,646,456	5.33%	\$ 14,646,456	5.33%
Office	1	2,315,000	4.03%	2,315,000	4.03%	1	2,315,000	4.03%	2,315,000	4.03%
Total	2	\$ 16,961,456	5.15%	\$ 16,961,456	5.15%	2	\$ 16,961,456	5.15%	\$ 16,961,456	5.15%

Asset Class	Number of Loans	Three Months Ended September 30, 2015				Nine Months Ended September 30, 2015				
		Original Unpaid Principal Balance	Original Weighted Average Rate of Interest	Extended Unpaid Principal Balance	Extended Weighted Average Rate of Interest	Original Unpaid Principal Balance	Original Weighted Average Rate of Interest	Extended Unpaid Principal Balance	Extended Weighted Average Rate of Interest	
Multifamily	—	\$ —	—	\$ —	—	5	\$ 35,609,122	5.12%	\$ 35,609,122	5.12%
Office	1	2,430,000	3.69%	2,430,000	3.69%	1	2,430,000	3.69%	2,430,000	3.69%
Total	1	\$ 2,430,000	3.69%	\$ 2,430,000	3.69%	6	\$ 38,039,122	5.03%	\$ 38,039,122	5.03%

There were no loans in which we considered the modifications to be troubled debt restructurings that were subsequently considered non-performing as of September 30, 2016 and 2015 and no additional loans were considered to be impaired due to our troubled debt restructuring analysis for the three and nine months ended September 30, 2016 and 2015. These loans were modified to increase the total recovery of the combined principal and interest from the loan.

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. As of September 30, 2016, we had total interest reserves of \$19.0 million on 74 loans with an aggregate UPB of \$953.3 million.

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Note 6 — Loans Held-for-Sale, Net

Loans held-for-sale, net consists of the following:

	September 30, 2016
Fannie Mae	\$ 238,273,732
Freddie Mac	52,697,000
FHA	11,123,451
	302,094,183
Fair value of future MSR	7,909,431
Unearned discount	248,986
Loans held-for-sale, net	\$ 310,252,600

Our loans held-for-sale, net are typically sold within 60 days of the origination date. At September 30, 2016, there were no loans that were 90 days or more past due, and there were no loans that were placed on a non-accrual status. In both the three and nine months ended September 30, 2016, we sold \$551.8 million of loans held-for-sale, excluding \$418.2 million of sales related to loans that were acquired on July 14, 2016 as part of the Acquisition, and recorded gains on sale of \$9.0 million, which is included in Fee-based services, including gain on sales, net on the consolidated statements of income.

Note 7 — Available-for-Sale Securities

Our available-for-sale securities generally consist of equity securities and agency commercial mortgage interest-only securities (“Agency IOs”) from loans sold and securitized under the Freddie Mac Small Balance Loan Program (“SBL Program”).

Equity Securities

We own common stock of CV Holdings, Inc., formerly Realty Finance Corporation, which is a commercial real estate specialty finance company. In addition, we purchased a federal home loan mortgage corporation security at a premium for \$1.6 million in the fourth quarter of 2015. This security bore interest at a fixed rate of 3.241% with a scheduled maturity in 2024. We sold this security in January 2016 for \$1.6 million and recognized a gain of less than \$0.1 million. These securities are classified as available-for-sale and are carried at their estimated fair value with unrealized gains and losses reported in accumulated other comprehensive loss.

The following is a summary of the equity securities classified as available-for-sale:

	September 30, 2016			Carrying Value / Estimated Fair Value
	Face Value	Amortized Cost	Cummulative Unrealized Gain	
2,939,465 common shares of CV Holdings, Inc	\$ —	\$ 58,789	\$ 293,947	\$ 352,736
	December 31, 2015			
Federal Home Loan Mortgage Corporation	\$ 1,500,000	\$ 1,551,716	\$ —	\$ 1,551,716
2,939,465 common shares of CV Holdings, Inc	—	58,789	411,525	470,314
Total available-for-sale securities	\$ 1,500,000	\$ 1,610,505	\$ 411,525	\$ 2,022,030

Agency IOs

In connection with the Acquisition, we are now an approved seller/servicer under the SBL Program and we originate and sell loans to Freddie Mac, which are then pooled and securitized. Prior to the Acquisition and upon securitization of SBL Program loans, we received Agency IOs under the SBL Program that are classified as available-for-sale. We elected the fair value option for the Agency IOs, which requires changes in fair value to be recognized through earnings. We record such gains and losses to Fee-based services, including gain on sales, net on the consolidated statements of income. As a result of recent changes in the Freddie Mac SBL Program, we do not expect to receive Agency IOs from future securitizations.

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A summary of our Agency IOs activity is as follows:

	Three and Nine Months Ended September 30, 2016
Balance at beginning of period	\$ —
Additions from the Acquisition	4,908,283
Settlements	(46,021)
Balance at end of period	\$ 4,862,262

Additionally, as part of the SBL Program securitizations, we are required to purchase the bottom tranche bond, generally referred to as “the B Piece,” that represents the bottom 10%, or highest risk of the securitization. We have an agreement in place whereby a third party investor agreed to purchase the B Piece from the SBL Program securitization, at par, upon issuance of all securitizations related to us, resulting in the transfer of the risk to the purchaser of the bond.

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:

Equity Affiliates	Investments in Equity Affiliates at		UPB of Loans to Equity Affiliates at September 30, 2016
	September 30, 2016	December 31, 2015	
Arbor Residential Investor LLC	\$ 36,961,286	\$ 25,923,679	\$ —
West Shore Café	2,015,932	1,955,933	1,687,500
Lightstone Value Plus REIT L.P	1,894,727	1,894,727	—
Issuers of Junior Subordinated Notes	578,000	578,000	—
JT Prime	425,000	425,000	—
East River Portfolio	87,293	92,796	1,705,938
Lexford Portfolio	100	100	—
Ritz-Carlton Club	—	—	—
Total	\$ 41,962,338	\$ 30,870,235	\$ 3,393,438

Arbor Residential Investor LLC (“ARI”) — In the first quarter of 2015, we invested \$9.6 million for 50% of our Manager’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 the mortgage banking business, which is subject to dilution upon attaining certain profit hurdles of the business. During the three and nine months ended September 30, 2016, we recorded \$3.9 million and \$8.5 million, respectively, and during the three and nine months ended September 30, 2015, we recorded \$1.3 million and \$5.9 million, respectively, to income from equity affiliates in our consolidated statements of income related to this investment.

In the first quarter of 2015, we invested \$1.7 million through ARI for a 50% non-controlling interest in a joint venture that invests in non-qualified residential mortgages purchased from the mortgage banking business’s origination platform. We also funded \$7.9 million and \$4.6 million of additional mortgage purchases during 2015 and the nine months ended September 30, 2016, respectively, for a total investment of \$14.2 million as of September 30, 2016. During the three and nine months ended September 30, 2016, we received cash distributions of \$1.3 million and \$2.5 million, respectively, which were classified as returns of capital. During the three and nine months ended September 30, 2016, we recorded income of \$0.3 and \$0.4 million, respectively, and, during the three and nine months ended September 30, 2015, we recorded a gain and loss of less than \$0.1 million, respectively, to income from equity affiliates in our consolidated statements of income related to this investment.

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The summarized statements of operations for our investment in ARI are as follows:

Statements of Operations:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue:				
Total revenues	\$ 71,040,665	\$ 36,449,536	\$ 172,929,878	\$ 107,434,730
Total expenses	47,256,537	30,644,746	128,120,821	82,587,270
Net income	\$ 23,784,128	\$ 5,804,790	\$ 44,809,057	\$ 24,847,460
Arbor's share of income	\$ 4,167,233	\$ 1,331,908	\$ 8,885,528	\$ 5,839,163

Lexford Portfolio — In the three and nine months ended September 30, 2016, we received distributions from this equity investment and recognized income of \$0.7 million and \$2.1 million, respectively. In the third quarter of 2015, we received a distribution from this equity investment and recognized income of \$3.9 million, net of expenses. The \$3.9 million of income was comprised of income from equity affiliates of \$4.9 million, partially offset by \$1.0 million of expenses related to this distribution that were recorded in employee compensation and benefits. See Note 21 — Agreements and Transactions with Related Parties for further details.

Note 9 — Real Estate Owned and Held-For-Sale

Our real estate assets were comprised of one hotel property and an office building at September 30, 2016 and three multifamily properties, two hotel properties and an office building at December 31, 2015.

Real Estate Owned

	September 30, 2016			December 31, 2015			
	Hotel Property	Office Building	Total	Multifamily Properties	Hotel Properties	Office Building	Total
Land	\$ 3,293,651	\$ 4,509,000	\$ 7,802,651	\$ 5,538,844	\$ 3,293,651	\$ 4,509,000	\$ 13,341,495
Building and intangible assets	30,565,315	1,495,245	32,060,560	32,643,889	30,338,882	1,391,000	64,373,771
Less: Impairment loss	(11,200,000)	—	(11,200,000)	—	—	—	—
Less: Accumulated depreciation and amortization	(8,502,735)	(397,689)	(8,900,424)	(9,399,041)	(7,329,615)	(141,101)	(16,869,757)
Real estate owned, net	\$ 14,156,231	\$ 5,606,556	\$ 19,762,787	\$ 28,783,692	\$ 26,302,918	\$ 5,758,899	\$ 60,845,509

For the nine months ended September 30, 2016 and 2015, our hotel properties had a weighted average occupancy rate of approximately 59% for each period, a weighted average daily rate of approximately \$101 and \$93, respectively, and a weighted average revenue per available room of approximately \$60 and \$55, respectively. The operation of a hotel property is seasonal with the majority of revenues earned in the first two quarters of the calendar year. During the second quarter of 2016, through site visits and discussion with market participants, we determined that the hotel property owned exhibited indicators of impairment and performed an impairment analysis. As a result of this impairment analysis, we recorded an impairment loss of \$11.2 million.

At both September 30, 2016 and December 31, 2015, our office building was fully occupied.

Our real estate assets had restricted cash balances totaling \$0.9 million and \$1.6 million as of September 30, 2016 and December 31, 2015, respectively, due to escrow requirements.

Real Estate Held-For-Sale

In the second quarter of 2016, we sold the three remaining multifamily properties for \$41.0 million and recognized a gain of \$11.0 million. A portion of the sales proceeds were used to payoff the outstanding debt on these properties of

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\$27.1 million. See Note 12 — Debt Obligations for further details. In the first quarter of 2016, we sold one of our hotel properties for \$9.7 million and recognized a gain of \$0.6 million.

In the first quarter of 2015, we sold a multifamily property and a hotel property classified as held-for-sale for a total of \$18.8 million and recognized a gain of \$4.0 million.

The results of operations for properties classified as held-for-sale are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue:				
Property operating income	\$ —	\$ 1,879,427	\$ 2,845,231	\$ 6,792,334
Expenses:				
Property operating expenses	—	1,429,783	1,994,346	4,780,087
Depreciation	—	112,692	334,631	774,089
Net income	<u>\$ —</u>	<u>\$ 336,952</u>	<u>\$ 516,254</u>	<u>\$ 1,238,158</u>

Note 10 — Capitalized Mortgage Servicing Rights

Our capitalized MSR activity presented below reflect commercial real estate MSR activity derived from loans sold in our Agency Business. The weighted average estimated life remaining of our MSRs was 6.3 years at September 30, 2016. A summary of our capitalized MSR activity is as follows:

	Three and Nine Months Ended September 30, 2016
Balance at beginning of period	\$ —
Additions	233,552,815
Amortization	(7,586,524)
Write-downs and payoffs	(1,669,081)
Balance at end of period	<u>\$ 224,297,210</u>

During both the three and nine months ended September 30, 2016, we recorded \$1.7 million of write-offs relating to specific MSRs, primarily due to prepayments of certain loans. Prepayment fees totaling \$1.5 million were collected in the three and nine months ended September 30, 2016 and are included as a component of servicing revenue, net on the statements of income. As of September 30, 2016, we had no valuation allowance recorded on any of our MSRs.

The components of the net carrying value of our acquired and originated MSRs are as follows:

	September 30, 2016			
	Gross Carrying Value	Accumulated Amortization	Write-Downs and Payoffs	Net Carrying Value
Acquired MSRs	\$ 221,647,421	\$ (7,358,639)	\$ (1,669,081)	\$ 212,619,701
Originated MSRs	11,905,394	(227,885)	—	11,677,509
Total	<u>\$ 233,552,815</u>	<u>\$ (7,586,524)</u>	<u>\$ (1,669,081)</u>	<u>\$ 224,297,210</u>

The expected amortization of the capitalized MSRs recorded as of September 30, 2016 is shown in the table below. Actual amortization may vary from these estimates.

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Year	Amortization
2016 (three months ended 12/31/2016)	\$ 7,422,547
2017	29,476,039
2018	28,470,605
2019	27,158,566
2020	24,930,653
2021	22,476,404
Thereafter	84,362,396
Total	<u>\$ 224,297,210</u>

Note 11 — Mortgage Servicing

At September 30, 2016, our weighted average servicing fee was 48 basis points on commercial loans with an aggregate UPB of approximately \$12.6 billion. We held cash in escrow for these loans totaling \$403.6 million at September 30, 2016, which is not reflected in the accompanying consolidated balance sheets. These escrows are maintained in separate accounts at two federally insured depository institutions, which may exceed FDIC insured limits.

An analysis of the product and geographic concentrations that impact our servicing revenue is shown in the following tables. The UPB of loans by product and by geographic area in our fee-based servicing portfolio as of September 30, 2016 is as follows:

Product Concentrations

Product	UPB	Percent of Total
Fannie Mae	\$ 10,520,107,177	84%
Freddie Mac	1,660,940,595	13%
FHA	420,962,220	3%
Total	<u>\$ 12,602,009,992</u>	<u>100%</u>

Geographic Concentrations

State	Percent of Total
Texas	22%
New York	10%
California	10%
North Carolina	9%
Florida	6%
All other states	43%
Total	<u>100%</u>

No other state accounted for more than 5% of UPB and related servicing revenues. We do not have any operations outside of the United States.

Note 12 — Debt Obligations

We utilize various forms of short-term and long-term financing agreements to finance certain of our loans and investments, as well as other general business needs. Borrowings underlying these arrangements are primarily secured by a significant amount of our loans and investments, as well as substantially all of our loans held-for-sale.

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Credit Facilities and Repurchase Agreements

The following table outlines borrowings under our credit facilities and repurchase agreements:

	September 30, 2016				December 31, 2015			
	Debt Principal Balance	Debt Carrying Value	Collateral Carrying Value	Weighted Average Note Rate	Debt Principal Balance	Debt Carrying Value	Collateral Carrying Value	Weighted Average Note Rate
Structured Business								
\$150 million repurchase facility	\$ 76,200,765	\$ 75,949,173	\$ 113,545,882	2.84%	\$ 58,270,774	\$ 57,610,463	\$ 99,641,504	2.70%
\$100 million credit facility	3,960,000	3,611,075	6,600,000	2.72%	24,582,200	24,328,863	38,000,000	2.62%
\$75 million credit facility	15,856,250	15,856,250	26,863,500	2.85%	13,852,500	13,766,445	18,470,000	2.59%
\$75 million credit facility	—	—	—	—	—	—	—	—
\$50 million credit facility	31,120,000	31,105,864	38,900,000	2.57%	24,120,000	24,114,494	30,200,000	2.46%
\$50 million credit facility	—	—	—	—	—	—	—	—
\$16.5 million term credit facility	—	—	—	—	16,500,000	16,431,870	29,750,000	3.22%
\$3 million master security agreement	2,663,830	2,663,830	—	3.21%	—	—	—	—
Total	\$ 129,800,845	\$ 129,186,192	\$ 185,909,382	2.78%	\$ 137,325,474	\$ 136,252,135	\$ 216,061,504	2.69%
Agency Business (assumed in the Acquisition)								
\$400 million multifamily ASAP agreement	\$ 76,351,972	\$ 76,351,972	\$ 76,351,972	1.56%				
\$150 million credit facility	85,315,272	85,315,272	\$ 85,315,272	1.91%				
\$150 million credit facility	101,161,000	101,012,563	\$ 101,161,000	1.90%				
\$100 million credit facility	39,194,400	39,194,400	\$ 39,194,400	1.91%				
Total	\$ 302,022,644	\$ 301,874,207	\$ 302,022,644	1.82%				
Consolidated total	\$ 431,823,489	\$ 431,060,399	\$ 487,932,026	2.11%				

Structured Business

At September 30, 2016 and December 31, 2015, the weighted average interest rate for our credit facilities and repurchase agreements for the Structured Business, noted in the above table, was 2.78% and 2.69%, respectively. Including certain fees and costs, such as structuring, commitment, non-use and warehousing fees, the weighted average interest rate was 3.59% and 3.42% at September 30, 2016 and December 31, 2015, respectively. The leverage on our loans and investment portfolio, excluding the \$3.0 million master security agreement used to finance leasehold improvements to our corporate office, was 68% and 64% at September 30, 2016 and December 31, 2015, respectively. There were no interest rate swaps on these facilities at September 30, 2016 and December 31, 2015.

We have a \$150.0 million repurchase facility with a financial institution initially used to finance the unwind of a significant portion of two collateralized debt obligation (“CDO”) vehicles in the first quarter of 2015. See “Collateralized Debt Obligations” below. The facility bears interest at a rate of 225 basis points over LIBOR on senior mortgage loans, 350 basis points over LIBOR on junior mortgage loans and matures in October 2018 with a one-year extension option. If the estimated market value of the loans financed in this facility decrease, we may be required to pay down borrowings under this facility. Debt carrying value is net of \$0.2 million and \$0.7 million of deferred financing fees at September 30, 2016 and December 31, 2015, respectively.

We have a \$100.0 million credit facility with a financial institution to finance first mortgage loans on multifamily properties that bears interest at a rate of 215 basis points over LIBOR and matures in May 2017 with a one-year extension option, subject to certain conditions. The facility has a maximum advance rate of 75%. Debt carrying value is net of \$0.3 million and \$0.3 million of deferred financing fees at September 30, 2016 and December 31, 2015, respectively.

We have a \$75.0 million credit facility with a financial institution to finance first mortgage loans on multifamily properties that bears interest at a rate of 212.5 basis points over LIBOR, includes a \$25.0 million sublimit to finance healthcare related loans and the commitment matured in October 2016. We are currently in negotiations to renew the facility. The healthcare related loans will have an interest rate ranging from 225 basis points to 250 basis points over

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LIBOR depending on the type of healthcare facility financed. The facility has a maximum advance rate of 75%. Debt carrying value is net of \$0.1 million of deferred financing fees at December 31, 2015.

We have another \$75.0 million credit facility with a financial institution to finance first mortgage loans on multifamily and commercial properties that bears interest at a rate of 200 basis points over LIBOR and matures in May 2017. The facility has a maximum advance rate of 75% and 70%, depending on the property type.

We have a \$50.0 million credit facility with a financial institution to finance first mortgage loans on multifamily properties. The facility bears interest at a rate of 200 basis points over LIBOR and matures in February 2017 with two one-year extension options, subject to certain conditions. Debt carrying value is net of less than \$0.1 million of deferred financing fees at both September 30, 2016 and December 31, 2015.

In September 2016, we entered into a \$50.0 million credit facility with a financial institution to finance first mortgage loans on healthcare facilities that bears an interest rate ranging from 250 basis points to 325 basis points over LIBOR, depending on the type of healthcare facility financed, and matures in September 2019. The facility includes two one-year extension options and has a maximum advance rate of 80%.

In September 2015, we entered into a \$16.5 million term facility with a financial institution to finance a first mortgage loan. The facility bore interest at a rate of 275 basis points over LIBOR and was scheduled to mature in December 2016. In the second quarter of 2016, the loan paid off and we repaid this facility in full.

We have two notes payable under a master security agreement with a financial institution which was used to finance leasehold improvements to our corporate office, which were assumed as part of the Acquisition. The two notes bear interest at a weighted average fixed rate of 3.21%, require monthly amortization payments and mature in 2020.

Agency Business

In connection with the Acquisition, we assumed the following debt obligations used to finance the loans held-for-sale on our Agency Business.

We have a \$400.0 million Multifamily As Soon as Pooled Plus ("ASAP") agreement with Fannie Mae. The agreement has no commitment amount or expiration date and bears interest at a rate of 105 basis points over LIBOR (with a LIBOR Floor of 0.35%). ASAP provides us with a warehousing credit facility for mortgage loans that are to be sold to Fannie Mae and serviced under the Fannie Mae DUS program.

We have a \$150.0 million credit facility with a financial institution to warehouse agency loans, and as collateral, the financial institution has a security interest in the underlying mortgage notes. The facility bears interest at a rate of 140 basis points over LIBOR and matures in November 2016. We are currently in negotiations to renew the facility.

We have a \$150.0 million credit facility with a financial institution to warehouse agency loans, and as collateral, the financial institution has a security interest in the underlying mortgage notes. The facility bears interest at a rate of 140 basis points over LIBOR and matures in July 2017. Debt carrying value is net of \$0.1 million of deferred financing fees at September 30, 2016.

We have a \$100.0 million credit facility with a financial institution to warehouse agency loans, and as collateral, the financial institution has a security interest in the underlying mortgage notes. The facility bears interest at a rate of 135 basis points over LIBOR and matures in June 2017.

We have a letter of credit facility of up to \$40.0 million with a financial institution pursuant to which letters of credit have been issued to secure obligations under the Fannie Mae DUS program and the Freddie Mac SBL Program. The letter of credit facility bears interest at a fixed rate of 3.00%, matures in October 2018 and is primarily collateralized by our servicing revenue as approved by Fannie Mae and Freddie Mac. The letter of credit facility includes a sublimit of \$5.0 million pertaining to letters of credit securing obligations under the Freddie Mac SBL Program. At

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September 30, 2016, the letters of credit outstanding include a \$35.0 million letter of credit for the Fannie Mae DUS program and a \$5.0 million letter of credit for the Freddie Mac SBL Program.

Collateralized Loan Obligations (CLOs)

In August 2016, we completed a collateralized securitization vehicle ("CLO VI"), issuing to third party investors three tranches of investment grade CLOs through two newly-formed wholly-owned subsidiaries totaling \$250.3 million. As of the CLO closing date, the notes were secured by a portfolio of loan obligations with a face value of \$275.4 million, consisting primarily of bridge loans that were contributed from our existing loan portfolio. The financing has a three 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 \$49.6 million for the purpose of acquiring additional loan obligations for a period of up to 120 days from the closing date of the CLO. In October 2016, the additional proceeds were fully utilized resulting in the issuer owning loan obligations with a face value of \$325.0 million. We retained a residual interest in the portfolio with a notional amount of \$74.8 million. The notes have an initial weighted average interest rate of 2.48% plus one-month LIBOR and interest payments on the notes are payable monthly. Including certain fees and costs, the initial weighted average note rate was 3.44%.

In August 2015, we completed a collateralized securitization vehicle ("CLO V"), issuing to third party investors three tranches of investment grade CLOs through two newly-formed wholly-owned subsidiaries totaling \$267.8 million, of which we purchased \$12.5 million of Class C notes that we subsequently sold at par for \$12.5 million. As of the CLO closing date, the notes were secured by a portfolio of loan obligations with a face value of \$302.6 million, consisting primarily of bridge loans that were contributed from our existing loan portfolio. The financing has an approximate three 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 \$47.4 million for the purpose of acquiring additional loan obligations for a period of up to 120 days from the closing date of the CLO. In September 2015, the additional proceeds were fully utilized resulting in the issuer owning loan obligations with a face value of \$350.0 million. We retained a residual interest in the portfolio with a notional amount of \$82.3 million. The notes have an initial weighted average interest rate of 2.44% plus one-month LIBOR and interest payments on the notes are payable monthly. Including certain fees and costs, the initial weighted average note rate was 3.07%.

In March 2015, we completed the unwinding of CLO II, redeeming \$177.0 million of our outstanding notes which were repaid primarily from the refinancing of the remaining assets within our new and existing financing facilities as well as with cash held by the CLO and expensed \$1.5 million of deferred fees in the first quarter of 2015 into interest expense on the consolidated statements of income.

In February 2015, we completed a collateralized securitization vehicle ("CLO IV"), issuing to third party investors three tranches of investment grade CLOs through two newly-formed wholly-owned subsidiaries totaling \$219.0 million. At closing, the notes were secured by a portfolio of loan obligations with a face value of \$250.0 million, consisting primarily of bridge loans that were contributed from our existing loan portfolio, as well as \$50.0 million for the purpose of acquiring additional loan obligations. The financing has an approximate 2.5 year replacement period from closing 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. We retained a residual interest in the portfolio with a notional amount of \$81.0 million. The notes had an initial weighted average interest rate of 2.24% plus one-month LIBOR and interest payments on the notes are payable monthly. Including certain fees and costs, the initial weighted average note rate was 2.96%.

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The following table outlines borrowings and the corresponding collateral under our CLOs:

	Debt		Collateral (1)		Cash
	Face Value	Carrying Value	Unpaid Principal	Carrying Value	Restricted Cash (2)
September 30, 2016					
CLO III	\$ 281,250,000	\$ 280,115,665	\$ 322,175,047	\$ 321,164,566	\$ 50,961,717
CLO IV	219,000,000	216,842,107	243,649,123	243,062,697	56,350,878
CLO V	267,750,000	264,589,738	319,005,836	318,061,806	30,994,165
CLO VI	250,250,000	246,189,210	293,717,500	292,298,985	31,282,500
Total CLOs	<u>\$ 1,018,250,000</u>	<u>\$ 1,007,736,720</u>	<u>\$ 1,178,547,506</u>	<u>\$ 1,174,588,054</u>	<u>\$ 169,589,260</u>
December 31, 2015					
CLO III	\$ 281,250,000	\$ 279,129,518	\$ 339,019,221	\$ 338,034,689	\$ 25,135,492
CLO IV	219,000,000	215,985,420	288,581,773	287,946,641	11,418,227
CLO V	267,750,000	263,784,723	343,561,696	342,988,734	6,438,304
Total CLOs	<u>\$ 768,000,000</u>	<u>\$ 758,899,661</u>	<u>\$ 971,162,690</u>	<u>\$ 968,970,064</u>	<u>\$ 42,992,023</u>

(1) As of September 30, 2016 and December 31, 2015, there was no collateral at risk of default or deemed to be a “credit risk” as defined by the CLO indenture.

(2) 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 III — Issued three investment grade tranches in April 2014 with a replacement period through October 2016 and a stated maturity date in May 2024. Interest is variable based on one-month LIBOR; the weighted average note rate was 2.97% and 2.86% at September 30, 2016 and December 31, 2015, respectively. Debt carrying value is net of \$1.1 million and \$2.1 million of deferred financing fees at September 30, 2016 and December 31, 2015, respectively.

CLO IV — Issued three investment grade tranches in February 2015 with a replacement period through September 2017 and a stated maturity date in March 2025. Interest is variable based on one-month LIBOR; the weighted average note rate was 2.81% and 2.71% at September 30, 2016 and December 31, 2015, respectively. Debt carrying value is net of \$2.2 million and \$3.0 million of deferred financing fees at September 30, 2016 and December 31, 2015, respectively.

CLO V — Issued three investment grade tranches in August 2015 with a replacement period through September 2018 and a stated maturity date in September 2025. Interest is variable based on one-month LIBOR; the weighted average note rate was 3.01% and 2.91% at September 30, 2016 and December 31, 2015, respectively. Debt carrying value is net of \$3.2 million and \$3.8 million of deferred financing fees at September 30, 2016 and December 31, 2015, respectively.

CLO VI — Issued three investment grade tranches in August 2016 with a replacement period through August 2019 and a stated maturity date in September 2026. Interest is variable based on one-month LIBOR; the weighted average note rate was 3.05% at September 30, 2016. Debt carrying value is net of \$4.1 million of deferred financing fees at September 30, 2016.

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At September 30, 2016 and December 31, 2015, the aggregate weighted average note rate for our CLOs was 2.97% and 2.84%, respectively. Including certain fees and costs, the weighted average note rate was 3.36% and 3.24% at September 30, 2016 and December 31, 2015, respectively.

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 accordingly. The investment grade tranches are treated as secured financings, and are non-recourse to us.

Collateralized Debt Obligations (CDOs)

In July 2015, we completed the unwind of CDO III, our last remaining CDO vehicle, redeeming \$71.1 million of our outstanding notes. The notes were repaid primarily from proceeds received from the refinancing of CDO III's remaining assets within our existing financing facilities, as well as with cash held by the CDO. We also terminated a related interest rate swap in the third quarter of 2015. CDO III had a \$100.0 million revolving note class that provided a revolving note facility, which was paid off in the first quarter of 2015.

In January 2015, we completed the unwind of CDO I and CDO II, redeeming \$167.9 million of our outstanding notes. The notes were repaid primarily from proceeds received from the refinancing of CDO I and II's remaining assets within a new \$150.0 million warehouse repurchase facility and our existing financing facilities, as well as with cash held by each CDO. As a result of this transaction, we generated approximately \$30.0 million in cash equity and reduced the balance of estimated interest by \$11.0 million, which resulted in recording a gain on acceleration of deferred income in the consolidated statements of income, in the first quarter of 2015. We also terminated the related basis and interest rate swaps, which resulted in a loss of \$4.3 million, and expensed \$0.5 million of deferred fees in the first quarter of 2015. See Note 14 — Derivative Financial Instruments for additional details.

In 2010, we re-issued our own CDO bonds we had acquired throughout 2009 with an aggregate face amount of \$42.8 million as part of an exchange for the retirement of \$114.1 million of our junior subordinated notes. This transaction resulted in the recording of \$65.2 million of additional CDO debt, of which \$42.3 million represents the portion of our CDO bonds that were exchanged and \$22.9 million represents the estimated interest due on the reissued bonds through their maturity. In January 2015, we unwound our CDO I and CDO II vehicles and reduced the balance of estimated interest by \$11.0 million and in July 2015, we unwound our CDO III vehicle and reduced the remaining balance of estimated interest by \$8.2 million, recording a gain on acceleration of deferred income in the consolidated statements of income.

Senior Unsecured Notes

During 2014, we issued \$90.0 million aggregate principal amount of 7.375% senior unsecured notes due in 2021 in an underwritten public offering for net proceeds of \$85.4 million after deducting the issuance and underwriting discounts and offering expenses. In connection with this offering, the underwriters exercised a portion of their overallotment option for a \$7.8 million aggregate principal amount providing additional net proceeds of \$7.4 million. The notes can be redeemed by us after May 15, 2017. The interest is paid quarterly in February, May, August and November. Including certain fees and costs, the weighted average note rate was 8.15% and 8.12% at September 30, 2016 and December 31, 2015, respectively. The debt carrying value of \$94.3 million and \$93.8 million at September 30, 2016 and December 31, 2015, respectively, is net of \$3.6 million and \$4.1 million, respectively, of deferred financing fees. We used the net proceeds to make investments, to repurchase or pay liabilities and for general corporate purposes.

Junior Subordinated Notes

The carrying value of borrowings under our junior subordinated notes was \$157.7 million and \$157.1 million at September 30, 2016 and December 31, 2015, respectively, which is net of a deferred amount of \$15.0 million and \$15.5 million, respectively, that is being amortized into interest expense over the life of the notes and \$3.2 million and \$3.3 million, respectively, of deferred financing fees. These notes have maturities ranging from March 2034 through April 2037, pay interest quarterly at a fixed or floating rate of interest based on three-month LIBOR and

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were not redeemable for the first two years. The current weighted average note rate was 3.67% and 3.43% at September 30, 2016 and December 31, 2015, respectively. Including certain fees and costs, the weighted average note rate was 3.79% and 3.55% at September 30, 2016 and December 31, 2015, respectively. The entities that issued the junior subordinated notes have been deemed VIEs. See Note 15 — Variable Interest Entities for further details.

Mortgage Note Payable — Real Estate Owned

In the first quarter of 2015, we made required paydowns of \$10.3 million and repaid the \$20.7 million mortgage related to our multifamily properties, replacing it with two new notes payable totaling \$27.2 million. In the second quarter of 2016, we sold the remaining multifamily properties and these notes payable were paid in full.

Related Party Financing

In connection with the Acquisition, we entered into a \$50.0 million preferred equity interest financing agreement with our Manager to finance a portion of the aggregate purchase price. The debt has a five year term with a preferred return of 7% through December 31, 2016, increasing by 1% per annum thereafter, with a maximum rate of 12%. In addition, after eighteen months, the principal balance due is scheduled to increase over time with \$62.5 million due if the debt remained outstanding until the end of the five-year term. Interest expense associated with this financing is recorded using the effective yield method. As of September 30, 2016, the outstanding principal balance was \$50.0 million and, during both the three and nine months ended September 30, 2016, we recorded interest expense of \$0.8 million.

Debt Covenants

Credit Facilities and Repurchase Agreements

The credit facilities and repurchase agreements also contain various financial covenants related to the Company and/or its subsidiaries, 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 September 30, 2016.

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 September 30, 2016, as well as on the most recent determination dates in October 2016. 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 management fees and 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) or 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 October 2016 is as follows:

<u>Cash Flow Triggers</u>	<u>CLO III</u>	<u>CLO IV</u>	<u>CLO V</u>	<u>CLO VI</u>
Overcollateralization (1)				
Current	133.33%	136.99%	130.72%	129.87%
Limit	132.33%	135.99%	129.72%	128.87%
Pass / Fail	Pass	Pass	Pass	Pass
Interest Coverage (2)				
Current	222.75%	264.51%	212.20%	225.28%
Limit	120.00%	120.00%	120.00%	120.00%
Pass / Fail	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.

A summary of our CLO overcollateralization ratios as of the determination dates subsequent to each quarter is as follows:

<u>Determination (1)</u>	<u>CLO III</u>	<u>CLO IV</u>	<u>CLO V</u>	<u>CLO VI</u>
October 2016	133.33%	136.99%	130.72%	129.87%
July 2016	133.33%	136.99%	130.72%	—
April 2016	133.33%	136.99%	130.72%	—
January 2016	133.33%	136.99%	130.72%	—
October 2015	133.33%	136.99%	130.72%	—

(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.

Convertible Unsecured Senior Notes (Subsequent Event)

In October 2016, we issued \$86.25 million aggregate principal amount of 6.50% convertible unsecured senior notes (the "Notes"), including the underwriter's \$11.25 million over-allotment option. The Notes mature on October 1, 2019, unless earlier converted or repurchased by the holders pursuant to their terms. We received proceeds of \$82.8 million, net of transaction fees, from the offering which is intended to be used to make investments in our business and for general corporate purposes. The Notes pay interest semiannually in arrears at a rate of 6.50% per year. We

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do not have the right to redeem the Notes prior to maturity. The Notes 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 Notes have a conversion rate of 119.3033 shares of common stock per \$1,000 principal amount of Notes, which represents an initial conversion price of approximately \$8.38 per share of common stock. The conversion rate will be 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 agreement.

Note 13 — Allowance for Loss-Sharing Obligations

A summary of our allowance for loss-sharing obligations related to the Fannie Mae DUS program is as follows:

	Three and Nine Months Ended September 30, 2016
Beginning balance	\$ —
Allowance for loss-sharing obligations assumed in the Acquisition	32,616,821
Provisions for loss sharing	1,316,862
Charge-offs, net	(2,820,270)
Ending balance	31,113,413

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 September 30, 2016, we had outstanding advances of \$0.7 million, which were netted against the allowance for loss-sharing obligations.

At September 30, 2016, the maximum quantifiable liability associated with our guarantees under the Fannie Mae DUS agreement was \$1.9 billion. 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 14 — Derivative Financial Instruments

Structured Business

The following is a summary of the derivative financial instruments held by our Structured Business (dollars in thousands):

Designation/ Cash Flow	Derivative	Notional Value				Expiration Date	Balance Sheet Location	Fair Value	
		Count	September 30, 2016	Count	December 31, 2015			September 30, 2016	December 31, 2015
Qualifying	LIBOR Caps	2	\$ 84,100	2	\$ 84,100	2017	Other Assets	\$ —	\$ 3
Qualifying	Interest Rate Swaps	4	\$ 106,141	5	\$ 107,821	2016 - 2017	Other Liabilities	\$ (1,148)	\$ (4,669)

The changes in the fair value of qualifying interest rate swap cash flow hedges are recorded in accumulated other comprehensive loss on the consolidated balance sheets. These swap agreements must be effective in reducing the variability of cash flows of the hedged items in order to qualify for the aforementioned hedge accounting treatment. These interest rate swaps are used to hedge the variable cash flows associated with existing variable-rate debt, and amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest

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expense as interest payments are made on our variable-rate debt. During the nine months ended September 30, 2016, one interest rate swap matured with a notional value of \$1.7 million. As of September 30, 2016, we expect to reclassify \$(1.3) million of other comprehensive loss from qualifying cash flow hedges to interest expense over the next twelve months assuming interest rates on that date are held constant. During the nine months ended September 30, 2015, CDO I and CDO II were unwound and the related interest rate swaps with an aggregate notional value of \$134.6 million and an aggregate fair value of \$(4.3) million were terminated and recorded as a loss in the first quarter of 2015. See Note 12 — Debt Obligations for further details. Also during the nine months ended September 30, 2015, we entered into a qualifying LIBOR cap hedge due to a CLO agreement requiring a LIBOR cap of 2% with a notional value of \$43.5 million.

Gains and losses on terminated swaps are being deferred and recognized in earnings over the original life of the hedged item. As of September 30, 2016 and December 31, 2015, we had a net deferred loss of \$0.2 million and \$0.6 million, respectively, in accumulated other comprehensive loss related to these terminated swap agreements. We recorded \$0.2 million as additional interest expense related to the amortization of the loss for both the three months ended September 30, 2016 and 2015, and less than \$0.1 million as a reduction to interest expense related to the accretion of the net gains for both the three months ended September 30, 2016 and 2015. We recorded \$0.5 million as additional interest expense related to the amortization of the loss for both the nine months ended September 30, 2016 and 2015, and \$0.1 million as a reduction to interest expense related to the accretion of the net gains for both the nine months ended September 30, 2016 and 2015. We expect to record approximately \$0.2 million of net deferred loss to interest expense over the next twelve months.

Non-qualifying basis swap hedges were used to manage our exposure to interest rate movements and other identified risks but do not meet hedge accounting requirements. During the nine months ended September 30, 2015, our remaining basis swap with a notional value of \$3.0 million and a fair value of less than \$0.1 million was terminated as part of the CDO II unwind and a loss was recorded in the nine months September 30, 2015.

The following table presents the effect of our derivative financial instruments on the statements of income (dollars in thousands):

Designation / Cash Flow	Derivative	Amount of Loss Recognized In Other Comprehensive Loss (Effective Portion) For the Nine Months Ended September 30,		Amount of Loss Reclassified from Accumulated Other Comprehensive Loss into Interest Expense (Effective Portion) For the Nine Months Ended September 30,		Amount of Loss Reclassified from Accumulated Other Comprehensive Loss into Loss on Termination of Swaps (Ineffective Portion) For the Nine Months Ended September 30,		Amount of Loss Recognized in Loss on Termination of Swaps (Ineffective Portion) For the Nine Months Ended September 30,	
		2016	2015	2016	2015	2016	2015	2016	2015
		Non-Qualifying	Basis Swaps	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Qualifying	Interest Rate Swaps/Cap	\$ 196	\$ 1,256	\$ (4,012)	\$ (4,709)	\$ —	\$ (4,626)	\$ —	\$ —

The cumulative amount of other comprehensive loss related to net unrealized losses on derivatives designated as qualifying hedges as of September 30, 2016 and December 31, 2015 of \$(1.4) million and \$(5.3) million, respectively, is a combination of the fair value of qualifying cash flow hedges of \$(1.2) million and \$(4.7) million, respectively, and net deferred losses on terminated interest rate swaps of \$(0.2) million and \$(0.6) million, respectively.

We have agreements with certain of our derivative counterparties that contain a provision where if we default on any of our indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then we could also be declared in default on our derivative obligations. As of September 30, 2016 and December 31, 2015, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk related to these agreements, was \$(1.1) million and \$(4.6) million, respectively. As of September 30, 2016 and December 31, 2015, we had minimum collateral posting thresholds with certain of

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our derivative counterparties and had posted collateral of \$1.6 million and \$5.0 million, respectively, which is recorded in other assets in our consolidated balance sheets.

Agency Business

The following is a summary of the derivative financial instruments held by our Agency Business (dollars in thousands):

Designation/Cash Flow	Derivative	Count	Notional Value		Balance Sheet Location	Fair Value	
			September 30, 2016			September 30, 2016	September 30, 2016
						Derivative Assets	Derivative Liabilities
Non-Qualifying	Rate Lock Commitments	6	\$	42,580,363	Other Assets/ Other Liabilities	\$ 681,882	\$ (219,001)
Non-Qualifying	Forward Sale Commitments	66		344,674,546	Other Assets/ Other Liabilities	918,252	(450,741)
			\$	<u>387,254,909</u>		<u>\$ 1,600,134</u>	<u>\$ (669,742)</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 with the investor 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.

For the three months ended September 30, 2016, we recorded \$0.2 million of net gains from changes in the fair value of these derivatives in other income, net and \$16.0 million of income from mortgage servicing rights which were reflected on the consolidated statements of income. See Note 16 – Fair Value for additional information related to our derivative financial instruments.

Note 15 — Variable Interest Entities

We have evaluated our loans and investments, mortgage related securities, investments in equity affiliates, senior unsecured notes, junior subordinated notes, operating partnership, CLOs and Agency IOs, in order to determine if they qualify as VIEs or as variable interests in VIEs. This evaluation resulted in determining that our bridge loans, junior participation loans, mezzanine loans, preferred equity investments, investments in equity affiliates, junior subordinated notes, operating partnership, CLOs, Agency IOs and investments in mortgage related securities are potential VIEs.

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

In the first quarter of 2016, we adopted the amended guidance on the consolidation of VIEs, modifying the analysis we must perform to determine whether we should consolidate certain types of legal entities. Under the revised guidance, our operating partnership, ARLP, was determined to be a VIE. As this operating partnership is already consolidated in our financial statements, the identification of this entity as a VIE has no impact on our consolidated financial statements, as all of our assets and liabilities are held in this consolidated VIE.

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

The assets and liabilities related to these consolidated CLOs are as follows:

	September 30, 2016	December 31, 2015
Assets:		
Restricted cash	\$ 173,646,789	\$ 46,695,819
Loans and investments, net	1,174,588,053	968,970,064
Due from related party	36,452	36,451
Other assets	8,356,923	6,969,201
Total assets	<u>\$ 1,356,628,217</u>	<u>\$ 1,022,671,535</u>

Liabilities:

Collateralized loan obligations	\$ 1,007,736,720	\$ 758,899,661
Due to related party	83,786	—
Other liabilities	<u>2,488,085</u>	<u>1,224,193</u>
Total liabilities	<u>\$ 1,010,308,591</u>	<u>\$ 760,123,854</u>

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Assets held by the CLOs are restricted and can be used only to settle obligations of the CLOs. The liabilities of the CLOs are non-recourse to us and can only be satisfied from each CLOs respective asset pool. See Note 12 — Debt Obligations for further details.

We are not obligated to provide, have not provided, and do not intend to provide financial support to any of the consolidated CLOs.

Unconsolidated VIEs

We determined that we are not the primary beneficiary of 22 VIEs in which we have a variable interest as of September 30, 2016 because we do not have the ability to direct the activities of the VIEs that most significantly impact each entity's economic performance. VIEs, of which we are not the primary beneficiary, have an aggregate carrying amount of \$277.5 million and exposure to real estate debt of approximately \$2.5 billion at September 30, 2016.

The following is a summary of our variable interests in identified VIEs, of which we are not the primary beneficiary, as of September 30, 2016:

Type	Carrying Amount (1)	Maximum Exposure to Loss (2)
Loans	\$ 270,058,235	\$ 270,058,235
Agency IOs	4,862,262	4,862,262
Equity investments	2,016,032	2,016,032
Junior subordinated notes (3)	578,000	578,000
Total	\$ 277,514,529	\$ 277,514,529

(1) Represents the carrying amount of loans and investments before reserves. At September 30, 2016, \$149.6 million of loans to VIEs had corresponding loan loss reserves of \$77.6 million. See Note 5 — Loans and Investments for further details.

(2) Our maximum exposure to loss as of September 30, 2016 would not exceed the carrying amount of its investment.

(3) It is not appropriate to consolidate these entities as equity interests are variable interests only to the extent that the investment is considered to be at risk. Since our investments were funded by the entities that issued the junior subordinated notes, it is not considered to be at risk.

Note 16 — Fair Value

Fair Value of Financial Instruments

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

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	September 30, 2016			December 31, 2015		
	Principal / Notional Amount	Carrying Value	Estimated Fair Value	Principal / Notional Amount	Carrying Value	Estimated Fair Value
Financial assets:						
Loans and investments	\$ 1,751,072,574	\$ 1,656,748,937	\$ 1,704,227,108	\$ 1,545,126,045	\$ 1,450,334,341	\$ 1,481,353,410
Loans held-for-sale, net	310,003,614	310,252,600	314,793,263	—	—	—
Capitalized mortgage servicing rights, net	n/a	224,297,210	228,137,137	—	—	—
Available-for-sale securities	58,789	5,214,998	5,214,998	1,610,505	2,022,030	2,022,030
Derivative financial instruments	265,466,461	1,600,134	1,600,134	84,100,000	3,345	3,345
Financial liabilities:						
Credit and repurchase facilities	\$ 431,823,489	\$ 431,060,399	\$ 416,453,483	\$ 137,325,474	\$ 136,252,135	\$ 137,072,691
Collateralized loan obligations	1,018,250,000	1,007,736,720	1,005,334,175	768,000,000	758,899,661	766,065,400
Senior unsecured notes	97,860,025	94,330,797	100,169,522	97,860,025	93,764,994	96,294,265
Junior subordinated notes	175,858,000	157,662,855	105,253,090	175,858,000	157,117,130	104,073,847
Mortgage note payable - real estate owned	—	—	—	27,155,000	27,155,000	27,111,231
Related party financing	50,000,000	50,000,000	55,092,469	—	—	—
Derivative financial instruments	312,030,247	1,817,651	1,817,651	107,820,995	4,669,273	4,669,273

Fair Value Measurement

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

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

Level 1 — Inputs are unadjusted and quoted prices exist in active markets for identical assets or liabilities at the measurement date, such as government and agency securities and equities listed in active markets.

Level 2 — Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life. Level 2 inputs include quoted market prices in markets that are not active for an identical or similar asset or liability, and quoted market prices in active markets for a similar asset or liability. Examples of Level 2 assets and liabilities include non-government securities, certain mortgage and asset-backed securities, certain corporate debt and certain derivative instruments.

Level 3 — Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. These valuations are based on significant unobservable inputs that require a considerable amount of judgment and assumptions. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Examples of Level 3 assets and liabilities 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.

Loans held-for-sale, net: Consists of originated loans that are generally transferred or sold within 60 days from the date that a mortgage loan is funded, and are valued using pricing models that incorporate observable inputs from current market assumptions (Level 2). Fair values of loans held-for-sale include the fair value allocated to the associated future mortgage servicing rights and is calculated pursuant to the valuation techniques described below for capitalized mortgage servicing rights, net (Level 3).

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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 discounted cash flow methodology, using discount rates, which, in the opinion of management, best reflect current market interest rates that would be offered for loans with similar characteristics and credit quality. Fair values of loans and investments that are impaired are estimated using Level 3 inputs by us that require significant judgments, which include assumptions regarding discount rates, capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management.

Available-for-sale securities: Fair values are approximated based on current market quotes received from active markets or financial sources that trade such securities. The fair values of available-for-sale equity securities traded in active markets are approximated using Level 1 inputs, while the fair values of available-for-sale debt securities that are approximated using recent purchase price and subsequent sales price of the securities, were valued using Level 2 inputs. The fair value of our Agency IOs were approximated using Level 3 inputs and are derived from third party proprietary models using discounted cash flows based on the underlying contractual cash flows and require significant judgements, including assumptions on discount rates and constant prepayment rates.

Derivative financial instruments: Fair values of interest rate and basis swap derivatives and LIBOR caps are approximated using Level 2 inputs based on current market data received from financial sources that trade such instruments and are based on prevailing market data and derived from third party proprietary models based on well recognized financial principles including counterparty risks, credit spreads and interest rate projections, as well as reasonable estimates about relevant future market conditions. Fair values of rate lock and forward sale commitments are approximated 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 loan, see capitalized mortgage servicing rights, net below for further 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.

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 MSR 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 to arrive at an estimate of fair value. The key inputs used in estimating fair value of MSRs 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.

Credit facilities, repurchase agreements and mortgage notes payable: Fair values of the credit facilities and repurchase agreements for the Structured Business are estimated at Level 3 using discounted cash flow methodology, using discount rates, which, in the opinion of management, best reflect current market interest rates for financing with similar characteristics and credit quality. The majority of our credit facilities 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 the carrying values reported in the balance sheets.

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.

Collateralized loan obligations: 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 based on current market quotes received from active markets.

Junior subordinated notes: 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.

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We measure certain financial assets and financial liabilities at fair value on a recurring basis. The fair value of these financial assets and liabilities was determined using the following input levels as of September 30, 2016:

	Carrying Value	Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
Financial assets:					
Available-for-sale securities	\$ 5,214,998	\$ 5,214,998	\$ 352,736	\$ —	\$ 4,862,262
Derivative financial instruments	1,600,134	1,600,134	—	918,252	681,882
Financial liabilities:					
Derivative financial instruments	\$ 1,817,651	\$ 1,817,651	\$ —	\$ 1,817,651	\$ —

See Note 7 — Available-for-Sale Securities for a roll-forward of our available-for-sale securities fair valued using Level 3 inputs.

We measure certain financial assets at fair value on a nonrecurring basis. The fair values of these financial assets were determined using the following input levels as of September 30, 2016:

	Net Carrying Value	Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
Financial assets:					
Impaired loans, net (1)	\$ 102,633,847	\$ 102,633,847	\$ —	\$ —	\$ 102,633,847

(1) We had an allowance for loan losses of \$83.8 million relating to eight loans with an aggregate carrying value, before loan loss reserves, of \$186.5 million at September 30, 2016.

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 and events, it is probable that we will be unable to collect all amounts due for both principal and interest according to the contractual terms of the loan agreement. We perform evaluations of our loans to determine if the 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, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management. The table above includes all impaired loans, regardless of the period in which the impairment was recognized.

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Quantitative information about Level 3 fair value measurements were as follows:

September 30, 2016				
Fair Value	Valuation Techniques	Significant Unobservable Inputs		
Financial assets:				
Impaired loans (1):				
Office	\$ 810,500	Discounted cash flows	Discount rate	11.00%
			Capitalization rate	8.03%
			Revenue growth rate	2.50%
Land	71,123,347	Discounted cash flows	Discount rate	15.00%
			Capitalization rate	7.25%
			Revenue growth rate	3.00%
Hotel	30,700,000	Discounted cash flows	Discount rate	9.25%
			Capitalization rate	7.25%
			Revenue growth rate	3.30%
Derivative financial instruments:				
Rate lock commitments	681,882	Discounted cash flows	W/A discount rate	13.51%

(1) Includes all impaired loans regardless of the period in which a loan loss provision was recorded.

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:

Fair Value Measurements Using Significant Unobservable Inputs: September 30, 2016	
Derivative assets and liabilities, net	
Balance at beginning of period	\$ —
Additions from the Acquisition	4,528,640
Settlements	(15,286,185)
Realized gains recorded in earnings	10,757,545
Unrealized gains recorded in earnings	681,882
Balance at end of period	<u>\$ 681,882</u>

The following table presents 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.

	Notional/ Principal Amount	Fair Value of Servicing Rights	Interest Rate Movement Effect	Total Fair Value Adjustment
September 30, 2016				
Rate lock commitments	\$ 42,580,363	\$ 681,882	\$ (219,001)	\$ 462,881
Forward sale commitments	344,674,546	—	467,511	467,511
Loans held-for-sale, net (1)	302,343,169	7,909,431	—	7,909,431
Total		<u>\$ 8,591,313</u>	<u>\$ 248,510</u>	<u>\$ 8,839,823</u>

(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 mortgage servicing rights.

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 September 30, 2016:

	Carrying Value	Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
Financial assets:					
Loans and investments, net	\$ 1,656,748,937	\$ 1,704,227,108	\$ —	\$ —	\$ 1,704,227,108
Loans held-for-sale, net	310,252,600	314,793,263	—	314,793,263	—
Capitalized mortgage servicing rights, net	224,297,210	228,137,137	—	—	228,137,137
Financial liabilities:					
Credit facilities and repurchase agreements	\$ 431,060,399	\$ 416,453,483	\$ —	\$ 301,874,207	\$ 114,579,276
Collateralized loan obligations	1,007,736,720	1,005,334,175	—	—	1,005,334,175

Senior unsecured notes	94,330,797	100,169,522	100,169,522	—	—
Junior subordinated notes	157,662,855	105,253,090	—	—	105,253,090
Related party financing	50,000,000	55,092,469	—	—	55,092,469

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Note 17 — Commitments and Contingencies

Agency Business Commitments

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, and compliance with reporting requirements. Our adjusted net worth and liquidity required by the agencies for all periods presented exceeded these requirements.

As of September 30, 2016, we were required to maintain at least \$10.4 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 balance of the loan, the risk level of the loan, the age of the loan and the 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 September 30, 2016, we met the restricted liquidity requirement with a \$35.0 million letter of credit and \$2.0 million of cash collateral.

As of September 30, 2016, reserve requirements for the September 30, 2016 Fannie Mae DUS loan portfolio will require us to fund \$21.0 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.

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 September 30, 2016, we met all of Fannie Mae's quarterly capital requirements. As of September 30, 2016, 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 GNMA 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 we utilize letters of credit to fund. At September 30, 2016, we had an outstanding letter of credit of \$5.0 million in satisfaction of our requirements under this program.

See Note 12 — Debt Obligations for additional details about the \$40.0 million letter of credit agreement we entered into for our restricted cash requirements for the Fannie Mae DUS and Freddie Mac SBL Programs.

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 further detail in Note 14 – Derivative Financial Instruments and Note 16 – Fair Value.

Debt Obligations and Operating Leases

As of September 30, 2016, the maturities of our credit facilities and debt obligations, as well as the minimum annual operating lease payments under leases with a term in excess of one year, were as follows:

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Year	Debt Obligations	Minimum Annual Operating Lease Payments (1)	Total
2016 (three months ended December 31, 2016)	\$ 354,916,727	\$ 757,509	\$ 355,674,236
2017	245,338,252	3,082,615	248,420,867
2018	330,032,663	3,594,219	333,626,882
2019	232,083,602	3,325,682	235,409,284
2020	270,869,711	2,875,983	273,745,694
2021	160,360,025	1,464,918	161,824,943
Thereafter	192,690,500	7,793,604	200,484,104
Total	<u>\$ 1,786,291,480</u>	<u>\$ 22,894,530</u>	<u>\$ 1,809,186,010</u>

(1) Represents office leases assumed in connection with the Acquisition.

Unfunded CLO Commitments

In accordance with certain loans and investments, we have outstanding unfunded commitments of \$32.3 million as of September 30, 2016 that we are obligated to fund as the borrowers meet certain requirements. Of this total, we have \$1.9 million in restricted cash which was available to fund all of the unfunded commitments for loans financed by our CLO vehicles. Specific requirements include, but are not limited to, property renovations, building construction, and building conversions based on criteria met by the borrower in accordance with the loan agreements.

Litigation

We currently are neither subject to any material litigation nor, to our knowledge, are any material litigation currently threatened against us other than the following:

On June 15, 2011, three related lawsuits were filed by the Extended Stay Litigation Trust (the "Trust"), a post-bankruptcy litigation trust alleged to have standing to pursue claims that previously had been held by Extended Stay, Inc. and the Homestead Village L.L.C. family of companies (together "ESI") (formerly Chapter 11 debtors, together the "Debtors") that have emerged from bankruptcy. Two of the lawsuits were filed in the 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.

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

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

On June 28, 2013, the Trust filed a motion to amend the lawsuits, to, among other things, (i) consolidate the lawsuits into one lawsuit, (ii) remove 47 defendants, none of whom are related to us, from the lawsuits so that there are 26 remaining defendants, including 16 corporate and partnership entities and 10 individuals, and (iii) reduce the counts within the lawsuits from over 100 down to 17. The remaining counts in the amended complaint against 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 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 on March 18, 2014, the Court heard oral argument on the motion to dismiss and adjourned the case pending a ruling.

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.

Note 18 — Equity

Preferred Stock

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

Noncontrolling Interest

The noncontrolling interest relates to the 21,230,769 OP Units issued to ACM to satisfy a portion of the aggregate purchase price of the Acquisition. 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 29.2% of the voting power of our outstanding stock at September 30, 2016. The OP Units are entitled to receive distributions if and when our Board of Directors authorizes and declares future 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.

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Common Stock

In August 2016, we amended the equity distribution agreement, dated February 13, 2014, with JMP Securities LLC. In accordance with the terms of the amendment, we may offer and sell up to 7,500,000 common shares in “At-The-Market” equity offerings with JMP Securities LLC. We have not sold any shares under this agreement during the three months ended September 30, 2016.

In July 2016, 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.

Distributions

The following table presents dividends declared (on a per share basis) for the nine months ended September 30, 2016:

Common Stock		Preferred Stock				
Declaration Date	Dividend	Declaration Date	Dividend (1)			
			Series A	Series B	Series C	
February 24, 2016	\$ 0.15	February 1, 2016	\$ 0.515625	\$ 0.484375	\$ 0.53125	
May 4, 2016	\$ 0.15	May 2, 2016	\$ 0.515625	\$ 0.484375	\$ 0.53125	
August 3, 2016	\$ 0.16	August 1, 2016	\$ 0.515625	\$ 0.484375	\$ 0.53125	

(1) The dividend declared on February 1, 2016 for the Series A, B and C preferred stock was for the period December 1, 2015 through February 29, 2016. The dividend declared on May 2, 2016 for the Series A, B and C preferred stock was for the period March 1, 2016 through May 31, 2016. The dividend declared on August 1, 2016 for the Series A, B and C preferred stock was for the period June 1, 2016 through August 31, 2016.

Common Stock — On November 17, 2016, the Board of Directors declared a cash dividend of \$0.16 per share of common stock. The dividend is payable on November 30, 2016 to common stockholders of record as of the close of business on November 21, 2016.

Preferred Stock — On November 2, 2016, 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 September 1, 2016 through November 30, 2016 and are payable on November 30, 2016 to preferred stockholders of record on November 15, 2016.

Deferred Compensation

In March 2016, we issued 282,405 shares of restricted common stock under the 2014 Omnibus Stock Incentive Plan (the “2014 Plan”) to certain employees of ours and our Manager with a total grant date fair value of \$1.9 million and recorded \$0.2 million to employee compensation and benefits and \$0.5 million to selling and administrative expense in our consolidated statements of income. One third of the shares vested as of the date of grant, one third will vest in March 2017, and the remaining third will vest in March 2018. In March 2016, we also issued 67,260 shares of fully vested common stock to the independent members of the Board of Directors under the 2014 Plan and recorded \$0.4 million to selling and administrative expense in our consolidated statements of income.

During the first quarter of 2016, we issued 70,225 shares of restricted common stock to Mr. Ivan Kaufman, our chairman and chief executive officer, under his 2015 annual incentive agreement with a grant date fair value of \$0.5 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 date of grant and one quarter will vest on each of the first, second and third anniversaries of the date of grant. Mr. Kaufman was also granted up to 421,348 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 \$0.9 million and we recorded less than \$0.1 million to employee compensation and benefits in our consolidated statements of income. To date under his 2015

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annual incentive agreement, Mr. Kaufman was granted in the aggregate up to 867,113 performance-based restricted stock units.

As of September 30, 2016, unvested restricted stock consisted of 202,037 shares granted to our employees with a grant date fair value of \$1.4 million and 195,139 shares granted to employees of our Manager with a grant date fair value of \$1.3 million, which is subject to re-measurement each reporting period. Expense is recognized ratably over the vesting period in our consolidated statements of income in employee compensation and benefits expense and selling and administrative expense, respectively. During the three months ended September 30, 2016 and 2015, we recorded the ratable portion of the unvested restricted stock to employees as employee compensation and benefits for \$0.2 million and \$0.2 million, respectively, and for non-employees to selling and administrative expense for \$0.2 million and \$0.1 million, respectively. During the nine months ended September 30, 2016 and 2015, we recorded the ratable portion of the unvested restricted stock to employees as employee compensation and benefits for \$0.5 million and \$0.7 million, respectively, and for non-employees to selling and administrative expense for \$0.7 million and \$0.5 million, respectively. During the first quarter of 2016, a total of 1,001 shares of unvested restricted stock with a grant date value of less than \$0.1 million were forfeited.

Vesting of restricted shares is dependent on a service requirement. Dividends paid on restricted shares are recorded as dividends on shares of our common stock whether or not they are vested. For accounting purposes, we measure the compensation costs for these shares as of the date of the grant, with subsequent re-measurement for any unvested shares granted to non-employees of ours with such amounts expensed against earnings, at the grant date (for the portion that vest immediately) or ratably over the respective vesting periods.

Accumulated Other Comprehensive Loss

At September 30, 2016, accumulated other comprehensive loss was \$1.1 million and consisted of \$1.2 million of net unrealized losses on derivatives designated as cash flow hedges and \$0.2 million of net deferred losses on terminated interest swaps, partially offset by a \$0.3 million unrealized gain related to available-for-sale securities. At December 31, 2015, accumulated other comprehensive loss was \$4.8 million and consisted of \$4.7 million of net unrealized losses on derivatives designated as cash flow hedges, and \$0.6 million of net deferred losses on terminated interest swaps, less a \$0.4 million unrealized gain related to available-for-sale securities.

Reclassifications out of accumulated other comprehensive loss is as follows:

	<u>Nine Months Ended September 30,</u>		<u>Statement of Income Caption</u>
	<u>2016</u>	<u>2015</u>	
Net realized losses on derivatives designated as cash flow hedges:			
Interest rate swaps	\$ (4,012,457)	\$ (4,709,173)	Interest expense (1)
Termination of interest rate swaps	\$ —	\$ (4,626,192)	Loss on termination of swaps (1)

(1) See Note 14 — Derivative Financial Instruments for additional details.

Note 19 — Earnings Per Share

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 are comprised of the weighted average dilutive effect of performance-based restricted stock units granted to our chief executive officer in the first quarter of 2016 and 2015 and OP Units issued in connection with the Acquisition.

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The following is a reconciliation of the numerator and denominator of the basic and diluted EPS computations:

	<u>Three Months Ended September 30, 2016</u>		<u>Three Months Ended September 30, 2015</u>	
	<u>Basic</u>	<u>Diluted</u>	<u>Basic</u>	<u>Diluted</u>
Net income attributable to common stockholders (1)	\$ 10,888,172	\$ 10,888,172	\$ 15,343,759	\$ 15,343,759
Net income attributable to noncontrolling interest	—	3,649,432	—	—
Net income attributable to common stockholders and noncontrolling interest	<u>\$ 10,888,172</u>	<u>\$ 14,537,604</u>	<u>\$ 15,343,759</u>	<u>\$ 15,343,759</u>
Weighted average shares outstanding	51,390,467	51,390,467	50,962,516	50,962,516
Dilutive effect of OP Units (2)	—	18,230,769	—	—
Dilutive effect of restricted stock units (3)	—	650,560	—	—
Weighted average shares outstanding	<u>51,390,467</u>	<u>70,271,796</u>	<u>50,962,516</u>	<u>50,962,516</u>
Net income per common share (1)	<u>\$ 0.21</u>	<u>\$ 0.21</u>	<u>\$ 0.30</u>	<u>\$ 0.30</u>
	<u>Nine Months Ended September 30, 2016</u>		<u>Nine Months Ended September 30, 2015</u>	
Net income attributable to common stockholders (1)	\$ 22,261,516	\$ 22,261,516	\$ 40,852,868	\$ 40,852,868
Net income attributable to noncontrolling interest	—	—	—	—
Net income attributable to common stockholders and noncontrolling interest	<u>\$ 22,261,516</u>	<u>\$ 22,261,516</u>	<u>\$ 40,852,868</u>	<u>\$ 40,852,868</u>
Weighted average shares outstanding	51,272,795	51,272,795	50,822,444	50,822,444
Dilutive effect of OP Units (2)	—	—	—	—
Dilutive effect of restricted stock units (3)	—	354,755	—	94,998
Weighted average shares outstanding	<u>51,272,795</u>	<u>51,627,550</u>	<u>50,822,444</u>	<u>50,917,442</u>
Net income per common share (1)	<u>\$ 0.43</u>	<u>\$ 0.43</u>	<u>\$ 0.80</u>	<u>\$ 0.80</u>

(1) Net of preferred stock dividends.

(2) We consider OP Units to be common stock equivalents as the holder has 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. For the nine months ended September 30, 2016, the OP Units were considered anti-dilutive and excluded from diluted EPS.

(3) Mr. Kaufman was granted restricted stock units in 2016 and 2015 which vest at the end of a four-year performance period based upon our achievement of total shareholder return objectives. See Note 18 — Equity for further details.

Note 20 — Employee Benefits

In connection with the Acquisition, we assumed a 401(k) defined contribution plan (the “401(k) Plan”) and a non-qualified deferred compensation plan (the “Deferred Comp Plan”).

The 401(k) Plan is available to all employees who have completed six months of continuous service. The 401(k) Plan matches 25% of the first 6% of each employee’s contribution. We have the option to increase the employer match based on our operating results. In both the three and nine months ended September 30, 2016, we recorded \$0.2 million of expenses associated with the 401(k) Plan.

The Deferred Comp Plan is offered to certain full-time employees and is subject to the rules of section 409(a) of the Internal Revenue Code. Under the Deferred Comp Plan, which can be modified or discontinued at any time, participating employees may defer a portion of their compensation and we are contractually obligated to match the contribution, as specified in the Deferred Comp Plan, and fund such amounts upon vesting and an election by participants to redeem their interests. All employee deferrals vest immediately and matching contributions vest over a nine year period beginning after year five. For both the three and nine months ended September 30, 2016, there

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were \$0.4 million of employee deferrals. As of September 30, 2016, we had recorded liabilities totaling \$3.2 million and other assets of \$2.6 million related to the Deferred Comp Plan.

Note 21 — Agreements and Transactions with Related Parties

Management Agreement

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

The base management fee is an arrangement whereby we reimburse our Manager for its actual costs incurred in managing our business based on the parties' agreement in advance on an annual budget with subsequent quarterly true-ups to actual costs.

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

The management agreement also allows us to consider, from time to time, the payment of additional "success-based" fees to our Manager for accomplishing certain specified corporate objectives; has a termination fee of \$10.0 million; and is renewable automatically for successive one-year terms, unless terminated with six months prior written notice. If we terminate or elect not to renew the management agreement without cause, we are required to pay the termination fee of \$10.0 million. We have a two year option to purchase the existing management agreement and fully internalize our management structure for \$25.0 million (increasing to \$27.0 million in the second year). See Note 3 — Acquisition of Our Manager's Agency Platform for further details.

The following table sets forth our base management fees and incentive fees:

Management Fees:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Base	\$ 3,325,000	\$ 2,725,000	\$ 8,875,000	\$ 8,075,000
Incentive	—	—	—	—
Total management fee	\$ 3,325,000	\$ 2,725,000	\$ 8,875,000	\$ 8,075,000

For the three and nine months ended September 30, 2016 and 2015, no "success-based" fees were incurred.

Other Related Party Transactions

Due from related party was \$0.5 million and \$8.1 million at September 30, 2016 and December 31, 2015, respectively, and consisted primarily of paydowns to be remitted and escrows held by our Manager and its affiliates related to real estate transactions.

Due to related party was \$18.6 million at September 30, 2016 and consisted primarily of \$11.4 million of cash due to ACM in connection with an acquisition purchase price adjustment, \$3.4 million of dividends due to ACM from the OP Units issued in connection with the Acquisition and \$3.0 million of base management fees due to our Manager, of which \$15.4 million is expected to be remitted by us in the following quarter. At December 31, 2015, due to related party was \$3.4 million and consisted primarily of base management fees due to our Manager that we remitted in the following quarter.

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In September 2016, we originated \$48.0 million of bridge loans on six multifamily properties owned by a consortium of investors consisting of certain of our officers, including Mr. Kaufman and our Manager, who together own interests ranging from approximately 7.8% to 9.0% in the borrowing entities. The loans have an interest rate of LIBOR plus 4.50% with a LIBOR floor of 0.25% and mature in September 2019. Interest income recorded from these loans totaled \$0.1 million for both the three and nine months ended September 30, 2016.

In January 2016, we originated a \$12.7 million bridge loan and a \$5.2 million preferred equity investment on two multifamily properties owned by a consortium of investors consisting of certain of our officers, including Mr. Kaufman, who together own an interest of approximately 50% in the borrowing entity. The bridge loan has an interest rate of one-month LIBOR plus 4.50% 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 of April 2016, which was extended as of right to November 2016. Interest income recorded from these loans totaled \$0.3 million and \$0.9 million for the three and nine months ended September 30, 2016, respectively.

In January 2016, we originated a \$19.0 million bridge loan on a multifamily property owned by a consortium of investors consisting of certain of our officers, including Mr. Kaufman, who together own an interest of approximately 7.5% in the borrowing entity. The loan has an interest rate of one-month LIBOR plus 4.50% with a LIBOR floor of 0.25% and matures in January 2019. Interest income recorded from this loan totaled \$0.3 million and \$0.7 million for the three and nine months ended September 30, 2016, respectively.

In November 2015, we originated a \$7.1 million bridge loan on a multifamily property owned by a consortium of investors consisting of certain of our officers, including Mr. Kaufman, who together own an interest of approximately 7.5% in the borrowing entity. The loan has an interest rate of LIBOR plus 4.50% with a LIBOR floor of 0.25% and matures in November 2018 with two one-year extension options. Interest income recorded from this loan totaled \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2016, respectively.

In October 2015, we originated two bridge loans totaling \$16.7 million secured by multifamily properties acquired by a third party investor. The properties had been owned and were sold by a consortium of investors, consisting of certain of our officers, including Mr. Kaufman, certain other related parties and certain unaffiliated persons. The loans have an interest rate of LIBOR plus 5.00% with a LIBOR floor of 0.25% and mature in October 2017. Interest income recorded from these loans totaled \$0.3 million and \$0.8 million for the three and nine months ended September 30, 2016, respectively.

In April 2015, we originated a \$6.3 million bridge loan on a multifamily property owned by a consortium of investors consisting of certain of our officers, including Mr. Kaufman and our Manager, who together own an interest of approximately 90% in the borrowing entity. The loan has an interest rate of LIBOR plus 4.50% with a LIBOR floor of 0.25% and matures in April 2018. Interest income recorded from this loan totaled \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2016, respectively, and \$0.1 million for both the three and nine months ended September 30, 2015.

In February 2015, we modified an \$18.0 million preferred equity investment, increasing our balance to \$23.0 million with a fixed interest rate of 10% and a maturity date in February 2018. In order to accomplish the modification, we formed a joint venture with a consortium of investors consisting of certain of our officers, including Mr. Kaufman, and other related parties, to invest in an additional \$2.0 million preferred equity investment that is generally subordinate to ours. During the second quarter of 2016, the preferred equity investment was repaid in full and we received proceeds of \$1.0 million, which was allocated to the consortium of investors. Interest income recorded from this loan was \$1.0 million for the nine months ended September 30, 2016, respectively, and \$0.6 million and \$1.7 million for the three and nine months ended September 30, 2015, respectively.

In the first quarter of 2015, we invested \$9.6 million for 50% of our Manager'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. In 2015, we also invested a total of \$9.7 million through this joint venture in non-qualified residential mortgages purchased from the mortgage banking business's origination platform. During the nine months ended September 30, 2016, we funded an additional \$4.6 million, net into these non-qualified residential mortgages. We recorded income of \$4.2 million and \$8.9 million

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from these investments during the three and nine months ended September 30, 2016, respectively, and \$1.4 million and \$5.9 million for the three and nine months ended September 30, 2015, respectively. See Note 8 — Investment in Equity Affiliates for further details.

In 2014, we invested \$0.1 million for a 5% interest in a joint venture that owns two multifamily properties. The joint venture consists of a consortium of investors consisting of certain of our officers, including Mr. Kaufman, and other related parties, who together own an interest of approximately 95%. In 2014, we originated two bridge loans totaling \$5.0 million to the joint venture with an interest rate of 5.5% over one-month LIBOR and a maturity date extended as of right to September 2016. During the third quarter of 2016, one of the loans was repaid in full and we received proceeds of \$3.3 million, which was allocated to the consortium of investors, and the remaining loan was extended as of right to December 2016. Interest income recorded from these loans was \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2016, respectively, and \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2015.

In 2014, we originated a \$30.4 million bridge loan for an office property owned by a consortium of investors, including Mr. Kaufman and his affiliates, who together own an interest of approximately 24% in the borrowing entity. The loan has an interest rate of LIBOR plus 7.90% with a LIBOR floor of 0.50% and a maturity date that was extended to July 2017. In January 2016, we also originated a \$4.6 million mezzanine loan to this entity that has a fixed interest rate of 12% and a maturity date that was extended to July 2017. Interest income recorded from these loans was \$0.9 million and \$2.6 million for the three and nine months ended September 30, 2016, respectively, and \$0.7 million and \$2.1 million for the three and nine months ended September 30, 2015, respectively.

In 2014, our Manager 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 LIBOR plus 4.80%. During the first quarter of 2016, the \$5.1 million second mortgage was repaid in full by our Manager. The \$14.6 million first mortgage was extended as of right to March 2017. Interest income recorded from these loans totaled \$0.2 million and \$0.7 million for the three and nine months ended September 30, 2016, respectively, and \$0.2 million and \$0.6 million for the three and nine months ended September 30, 2015, respectively.

In June 2013, our Board of Directors formed a special committee consisting of independent directors in connection with the acquisition of our Manager's Agency Business, as well as the option to internalize the management of our current business. In February 2016, we entered into a Purchase Agreement and on July 14, 2016 we completed the Acquisition for \$275.8 million. See Note 3 — Acquisition of Our Manager's Agency Platform for further details.

In 2011, we restructured a preferred equity investment on the Lexford Portfolio ("Lexford"), which is a portfolio of multifamily assets. In connection with this restructuring, we, along with an executive officer of ours and a consortium of independent outside investors, made an additional preferred and direct equity investment. Both of our preferred equity investments were repaid in full by the third quarter of 2015. Interest income recorded from such preferred equity investments were \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2015, respectively. As a result of the direct equity investment, which was also repaid in the third quarter of 2015, we received distributions totaling \$5.5 million during 2015 and additional distributions of \$0.7 million and \$2.1 million in the three and nine months ended September 30, 2016, respectively, which were recorded as income from equity affiliates. In addition, under the terms of the restructuring, Lexford's first mortgage lender required a change of property manager for the underlying assets. The new management company is owned primarily by a consortium of affiliated investors including Mr. Kaufman and an executive officer of ours, and has a contract with the new entity for 7.5 years and 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 refinancing of the debt should the management company remain engaged by the new entity at the time of such capital event. We have provided limited ("bad boy") guarantees for certain debt controlled by Lexford. The bad boy guarantees may become a liability for us upon standard "bad" acts such as fraud or a material misrepresentation by Lexford or us. At September 30, 2016, this debt had an aggregate outstanding balance of \$848.2 million and is scheduled to mature between 2017 and 2025.

We are dependent upon our Manager with whom we have a conflict of interest, to provide services to us that are vital to our operations. Our chairman, chief executive officer and president, Mr. Ivan Kaufman, is also the chief executive officer and president of our Manager, and, our chief financial officer and treasurer, Mr. Paul Elenio, is the

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chief financial officer of our Manager. In addition, Mr. Kaufman and his affiliated entities (“the Kaufman Entities”) together beneficially own approximately 92% of the outstanding membership interests of our Manager and certain of our employees and directors also hold an ownership interest in our Manager. Furthermore, one of our former directors is general counsel to our Manager and another of our directors also serves as the trustee of one of the Kaufman Entities that holds a majority of the outstanding membership interests in our Manager and co-trustee of another Kaufman Entity that owns an equity interest in our Manager. Our Manager holds 5,349,053 of our common shares, and upon the closing of the Acquisition in July 2016, our Manager was issued 21,230,769 OP Units, each paired with one share of our Special Voting Preferred Shares which in total represents approximately 36.6% of the voting power of our outstanding stock. Our Board of Directors approved a resolution under our charter allowing Mr. Kaufman and our Manager, (which Mr. Kaufman has a controlling equity interest in), to own more than the 5% ownership interest limit of our common stock as stated in our charter as amended.

Note 22 — 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.

Note 23 — Segment Information

As a result of the Acquisition, we currently evaluate our results from operations from two major business segments — our Structured Business and our Agency Business. See Note 1 — Description of Business for a detailed description of each segment.

The summarized statements of income and balance sheet data, as well as certain other data, by segment are included in the following tables. 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 and stock-based compensation. All amounts are before amounts allocated to noncontrolling interest.

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	Nine Months Ended September 30, 2016			
	Structured Business	Agency Business	Other / Eliminations	Consolidated
Interest income	\$ 80,681,114	\$ 2,743,076	\$ —	\$ 83,424,190
Other interest income, net	2,539,274	—	—	2,539,274
Interest expense	40,447,159	1,680,561	830,609	42,958,329
Net interest income	42,773,229	1,062,515	(830,609)	43,005,135
Other revenue:				
Fee-based services, including gain on sales, net	—	9,693,822	—	9,693,822
Mortgage servicing rights	—	15,968,067	—	15,968,067
Servicing revenue, net	—	5,885,884	—	5,885,884
Property operating income	12,719,027	—	—	12,719,027
Other income, net	415,467	248,510	—	663,977
Total other revenue	13,134,494	31,796,283	—	44,930,777
Other expenses:				
Employee compensation and benefits	12,100,499	10,755,934	—	22,856,433
Selling and administrative	6,557,219	3,720,625	—	10,277,844
Acquisition costs	—	—	10,261,902	10,261,902
Property operating expenses	10,991,823	—	—	10,991,823
Depreciation and amortization	1,962,366	1,167,044	—	3,129,410
Impairment loss on real estate owned	11,200,000	—	—	11,200,000
Provision for loss sharing	—	1,316,862	—	1,316,862
Provision for loan losses (net of recoveries)	(24,995)	—	—	(24,995)
Management fee - related party	7,262,307	1,612,693	—	8,875,000
Total other expenses	50,049,219	18,573,158	10,261,902	78,884,279
Income before gain on sale of real estate, income from equity affiliates and provision for income taxes	5,858,504	14,285,640	(11,092,511)	9,051,633
Gain on sale of real estate	11,630,687	—	—	11,630,687
Income from equity affiliates	11,193,918	—	—	11,193,918
Provision for income taxes	—	(300,000)	—	(300,000)
Net income	\$ 28,683,109	\$ 13,985,640	\$ (11,092,511)	\$ 31,576,238

	Nine Months Ended September 30, 2015			
	Structured Business	Agency Business	Other / Eliminations	Consolidated
Interest income	\$ 79,575,689	\$ —	\$ —	\$ 79,575,689
Other interest income, net	7,884,344	—	—	7,884,344
Interest expense	37,405,492	—	—	37,405,492
Net interest income	50,054,541	—	—	50,054,541
Other revenue:				
Property operating income	22,855,028	—	—	22,855,028
Other income, net	164,449	—	—	164,449
Total other revenue	23,019,477	—	—	23,019,477
Other expenses:				
Employee compensation and benefits	14,133,403	—	—	14,133,403
Selling and administrative	7,442,979	—	—	7,442,979
Acquisition costs	—	—	1,542,169	1,542,169
Property operating expenses	18,381,317	—	—	18,381,317
Depreciation and amortization	4,137,080	—	—	4,137,080
Provision for loan losses (net of recoveries)	2,353,688	—	—	2,353,688
Management fee - related party	8,075,000	—	—	8,075,000
Total other expenses	54,523,467	—	1,542,169	56,065,636
Income before gain on acceleration of deferred income, loss on termination of swaps, gain on sale of real estate and income from equity affiliates	18,550,551	—	(1,542,169)	17,008,382
Gain on acceleration of deferred income	19,171,882	—	—	19,171,882
Loss on termination of swaps	(4,629,647)	—	—	(4,629,647)
Gain on sale of real estate	3,984,364	—	—	3,984,364
Income from equity affiliates	10,983,177	—	—	10,983,177
Net income	\$ 48,060,327	\$ —	\$ (1,542,169)	\$ 46,518,158

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
September 30, 2016

	September 30, 2016			
	Structured Business	Agency Business	Other / Eliminations	Consolidated
Assets:				
Cash and cash equivalents	\$ 41,562,243	\$ 30,051,731	\$ —	\$ 71,613,974
Restricted cash	174,583,396	2,031,783	—	176,615,179
Loans and investments, net	1,656,748,937	—	—	1,656,748,937
Loans held-for-sale, net	—	310,252,600	—	310,252,600
Capitalized mortgage servicing rights, net	—	224,297,210	—	224,297,210
Investments in equity affiliates	41,962,338	—	—	41,962,338
Goodwill and other intangible assets	—	99,932,986	—	99,932,986
Other assets	53,677,419	15,120,085	—	68,797,504
Total assets	\$ 1,968,534,333	\$ 681,686,395	\$ —	\$ 2,650,220,728
Liabilities:				
Debt obligations	\$ 1,388,916,564	\$ 301,874,207	\$ 50,000,000	\$ 1,740,790,771
Allowance for loss-sharing obligations	—	31,113,413	—	31,113,413
Other liabilities	114,779,654	36,396,692	1,708,656	152,885,002
Total liabilities	\$ 1,503,696,218	\$ 369,384,312	\$ 51,708,656	\$ 1,924,789,186
December 31, 2015				
	Structured Business	Agency Business	Other / Eliminations	Consolidated
Assets:				
Cash and cash equivalents	\$ 188,708,687	\$ —	\$ —	\$ 188,708,687
Restricted cash	48,301,244	—	—	48,301,244
Loans and investments, net	1,450,334,341	—	—	1,450,334,341
Investments in equity affiliates	30,870,235	—	—	30,870,235
Other assets	109,177,437	—	—	109,177,437
Total assets	\$ 1,827,391,944	\$ —	\$ —	\$ 1,827,391,944
Liabilities:				
Debt obligations	\$ 1,173,188,920	\$ —	\$ —	\$ 1,173,188,920
Other liabilities	87,620,749	—	1,491,500	89,112,249
Total liabilities	\$ 1,260,809,669	\$ —	\$ 1,491,500	\$ 1,262,301,169
Origination Data:				
<u>Structured Business</u>				
New loan originations	\$ 266,599,500	\$ 654,967,500	\$ 189,780,000	\$ 632,333,000
Loan payoffs / paydowns	118,346,618	418,433,132	145,045,792	580,031,790
<u>Agency Business</u>				
<u>Origination Volumes by Investor:</u>				
Fannie Mae	\$ 668,644,832	\$ 668,644,832		
Freddie Mac	157,145,000	157,145,000		
FHA	24,629,823	24,629,823		
Total	\$ 850,419,655	\$ 850,419,655		
Total loan commitment volume	\$ 714,820,818	\$ 714,820,818		
Loan Sales Data:				
<u>Agency Business</u>				
Fannie Mae	\$ 430,371,100	\$ 430,371,100		
Freddie Mac	104,448,000	104,448,000		
FHA	17,015,115	17,015,115		
Total	\$ 551,834,215(1)	\$ 551,834,215(1)		
Sales margin (fee-based services as a % of loan sales)	1.76%	1.76%		
MSR rate (MSR income as a % of loan commitments)	2.23%	2.23%		

(1) Loan sales were \$970.0 million for the three and nine months ended September 30, 2016, including loans that were acquired as part of the Acquisition.

	September 30, 2016		
Key Servicing Metrics for Agency Business:	UPB of Servicing Portfolio	Weighted Average Servicing Fee Rate (basis points)	Weighted Average Life of Servicing Portfolio (in years)
Fannie Mae	\$ 10,520,107,177	53	6.4
Freddie Mac	1,660,940,595	23	10.3
FHA	420,962,220	18	19.3
Total	\$ 12,602,009,992	48	7.3

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

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, which we refer to as our Structured Business. As a result of the Acquisition, we also now 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. We refer to this platform as our Agency Business. See Note 1 — Description of our Business for additional details about our business segments and Note 3 — Acquisition of Our Manager's Agency Platform for further details about the Acquisition. We organize and 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. See Note 2 — Basis of Presentation for additional information.

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 or 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 segment. Additionally, we recognize net interest income from loans originated through our Agency Business segment, which are generally sold within 60 days of origination.

Fees and revenue 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 commitment fees, broker fees, loan assumption fees, loan origination fees and gains on sale of loans, net of any direct loan origination costs incurred. These fees and gains are collectively referred to as Fee-based services, including gain on sales, net. We also recognize fees and revenue from servicing mortgage loans. We record income from mortgage servicing rights in the consolidated statements of income 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, net which consists of the fees received for servicing mortgage loans originated, net of amortization on the mortgage servicing rights asset recorded. These origination, selling and servicing fees and revenue are new beginning this quarter as a result of the Acquisition and are included in our Agency Business segment. Although we have a long-established relationship 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. Income from these investments comprised a significant portion of our operating results during 2015 and year-to-date 2016. Our joint venture investment in a residential mortgage banking business currently comprises the majority of income recognized from equity affiliates. If interest rates rise significantly in the future, it is likely that income from this investment will significantly decrease. 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 our structured transactions within our Structured Business segment.

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

Recent Developments

Acquisition of our Manager's Agency Business — On July 14, 2016, we completed the Acquisition of our Manager's Agency Business for an aggregate purchase price of \$275.8 million. The closing price of our common stock on the Acquisition date was \$7.29 per share; therefore, the estimated fair value of the total consideration given to our Manager approximated \$292.5 million. The total revenues and pre-tax income associated with the Agency Business from the date of Acquisition, which is included in the consolidated statements of income for both the three and nine months ended September 30, 2016, were \$34.5 million and \$14.3 million, respectively. We incurred legal and advisory fees totaling \$6.4 million and \$10.3 million during the three and nine months ended September 30, 2016, respectively, and fees totaling \$14.7 million to date in connection with this acquisition, and we do not expect to recognize any significant additional fees in connection with the Acquisition. As a result of the Acquisition, we now operate and manage our business based on the following two business segments: Structured Business and Agency Business. See Note 3 — Acquisition of Our Manager's Agency Platform and Note 23 — Segment Information for additional details of the Acquisition and segments.

Loan and Investment Activity — Loan originations from our Structured Business totaled \$266.6 million in the third quarter compared to partial and full loan payoffs which totaled \$118.3 million. Loan originations from the Agency Business we acquired totaled \$850.4 million in the third quarter. See Changes in Financial Condition below for details of our loan activity.

Financing Activity — We closed our sixth collateralized securitization vehicle (CLO VI) totaling \$325.0 million of real estate related assets and cash. An aggregate of \$250.3 million of investment-grade notes were issued and we retained a \$74.8 million equity interest in the portfolio. In September, we entered into a three-year, \$50.0 million credit facility to finance first mortgage loans on healthcare facilities that bears interest at rates ranging from 250 basis points to 350 basis points over LIBOR. In connection with the Acquisition, we assumed debt (comprised of credit facilities and repurchase agreements) totaling \$301.9 million as of September 30, 2016 and entered into a \$50.0 million preferred equity interest financing agreement with our Manager to finance a portion of the aggregate purchase price. See Note 12 — Debt Obligations for further details of our debt obligations.

Equity Investment Activity — We recognized income of \$3.9 million from our interest in a residential mortgage banking business and received a \$1.3 million distribution from an equity investment in non-qualified residential mortgages, which was classified as a return of capital. In addition, we received a distribution from our Lexford equity investment and recognized income of \$0.7 million.

Shelf Registration Statement — In July 2016, 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.

Equity Distribution Agreement — In August 2016, we amended the equity distribution agreement with JMP Securities LLC under which we may offer and sell up to 7,500,000 common shares in "At-The-Market" equity offerings with JMP Securities LLC. We have not sold any shares under this agreement during the three months ended September 30, 2016.

Subsequent Event — In October 2016, we issued \$86.25 million aggregate principal amount of 6.50% convertible senior unsecured notes which mature on October 1, 2019 for net proceeds of \$82.8 million. See Note 12 — Debt Obligations for additional details.

Current Market Conditions, Risks and Recent Trends

Our ability to execute our business strategy, particularly the growth of our portfolio of loans and investments, is dependent on many factors, including our ability to access capital and financing on favorable terms. The previous economic downturn had a significant negative impact on both us and our borrowers. 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.

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We rely on the capital markets to generate capital for financing the growth of our business. During the third quarter of 2016, we closed a new collateralized securitization offering, whereby we issued \$250.3 million of investment-grade notes and entered into a new \$50.0 million financing facility. Additionally, in October 2016, we issued \$86.25 million aggregate principal amount of 6.50% convertible unsecured senior notes, including the underwriter's \$11.25 million over-allotment option. During 2015, we closed two collateralized securitization offerings, whereby we issued \$486.8 million of investment grade notes and also entered into four new financing facilities for total availability of \$278.5 million, of which, one facility for \$87.0 million was repaid upon the repayment of a defaulted first mortgage note in the second quarter of 2015. While there can be no assurance that we will continue to have access to the equity and debt markets, we will continue to pursue these and other available market opportunities as a means to increase our liquidity and capital base. If we were to experience another prolonged downturn in the stock or credit markets, it could cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly.

As a result of the Acquisition, we are now 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") 2016 GSE Scorecard ("2016 Scorecard") established Fannie Mae's and Freddie Mac's loan origination caps at \$31.0 billion each for market-rate apartments, ("2016 Caps"), an increase of \$1.0 billion each from the 2015 loan origination caps. Affordable housing loans, loans to small multifamily properties, and manufactured housing rental community loans continue to be excluded from the 2016 Caps. Additionally, the definition of the affordable loan exclusion continues to encompass affordable housing in high- and very-high cost markets and allows for an exclusion from the 2016 Caps for the pro-rata portion of any loan on a multifamily property that includes affordable units. The 2016 Scorecard provides FHFA the flexibility to review the estimated size of the multifamily loan origination market on a quarterly basis and proactively adjust the 2016 Caps upward should the market be larger than expected in 2016. In May 2016, the FHFA increased the 2016 Caps to \$35.0 billion for each of the GSEs. The 2016 Scorecard also provides exclusions for loans to properties in underserved markets including rural, small multifamily and senior assisted living and for loans to finance energy or water efficiency improvements. The expanded liquidity should enable the GSEs to maintain their historical market share in a multifamily market that is projected by the Mortgage Bankers Association to be in excess of \$225.0 billion in 2016. Our originations with the GSEs are highly profitable executions as they provide significant gains from the sale of our loans and non-cash gains related to mortgage servicing rights. A decline in our GSE originations would negatively impact our financial results as non-cash revenues would decrease disproportionately with loan origination volume and future servicing fee revenue would be constrained or decline. We do not know whether the FHFA will impose stricter limitations on GSE multifamily production volume beyond 2016.

During the fourth quarter of 2015, the Federal Reserve raised its targeted Fed Funds Rate by 25 basis points. To date we have not been significantly impacted by this increase and do not anticipate a significant decline in origination volume or profitability as a result of the increase 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 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 again 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 revenues, 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

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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 extensions have declined as borrowers' access to financing has improved. If the markets were to deteriorate and another prolonged economic downturn was to occur, we believe there could be additional loan modifications and delinquencies, which may result in reduced net interest margins and additional losses throughout our sector.

Changes in Financial Condition

Assets — Comparison of balances at September 30, 2016 to December 31, 2015:

Cash and cash equivalents decreased \$117.1 million primarily due to net cash consideration paid in connection with the Acquisition, funding new loan originations and investments, along with payment of distributions to our stockholders, partially offset by loan payoffs, transferring loans into our CLO vehicles, property sales and interest from our investments.

Restricted cash increased \$126.3 million, excluding the restricted cash of \$2.0 million from the Agency Business acquired, primarily due to payoffs and paydowns on our CLO loans being in excess of the transfer of loans into our CLO vehicles and issuance proceeds available from CLO VI. Restricted cash is kept on deposit with the trustees for our CLOs and primarily represents proceeds received from loan payoffs and paydowns that have not yet been disbursed to bondholders or redeployed into new assets, as well as unfunded loan commitments and interest payments received from loans. The restricted cash from the Agency Business acquired represents the cash collateral for possible losses resulting from the loans originated under the Fannie Mae DUS program in accordance with the terms of the loss-sharing agreements.

Our loan and investment portfolio balance from our Structured Business was \$1.75 billion and \$1.55 billion at September 30, 2016 and December 31, 2015, respectively. The increase in the portfolio balance was primarily due to loan originations exceeding loan payoffs and other reductions by \$236.5 million, see below for details.

Our portfolio had a weighted average current interest pay rate of 5.47% and 5.63% at September 30, 2016 and December 31, 2015, respectively. Including certain fees and costs associated with the loan and investment portfolio, the weighted average current interest rate was 6.14% and 6.32% at September 30, 2016 and December 31, 2015, respectively. Advances on our financing facilities totaled \$1.42 billion and \$1.18 billion at September 30, 2016 and December 31, 2015, respectively, with a weighted average funding cost of 3.66% and 3.70%, respectively, which excludes changes in the market value of certain interest rate swaps and financing costs. Including the financing costs, the weighted average funding rate was 4.09% and 4.12% at September 30, 2016 and December 31, 2015, respectively. Loan and investment activity from our Structured Business was comprised of the following:

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	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Loans originated	\$ 266,599,500	\$ 654,967,500
Number of loans	22	54
Weighted average interest rate	6.40%	6.83%
Loans paid-off	\$ 117,346,618	\$ 384,637,132
Number of loans	13	33
Weighted average interest rate	6.37%	7.33%
Loans partially paid-off	\$ 1,000,000	\$ 33,796,000
Number of loans	1	7
Weighted average interest rate	5.22%	5.75%
Loans extended	\$ 201,208,976	\$ 458,361,194
Number of loans	15	38

Our loans held-for-sale, net from the Agency Business was \$310.3 million at September 30, 2016, which represents commercial mortgages originated through the Fannie Mae, Freddie Mac and HUD programs. These loans are generally sold within 60 days from the loan origination date. Loan and investment activity from our Agency Business was comprised of the following:

	Three and Nine Months Ended September 30, 2016
<u>Origination Volumes by Investor:</u>	
Fannie Mae	\$ 668,644,832
Freddie Mac	157,145,000
FHA	24,629,823
Total	<u>\$ 850,419,655</u>

Our capitalized mortgage servicing rights, net from the Agency Business acquired was \$224.3 million at September 30, 2016, which represents the estimated value of our rights to service mortgage loans for others. The weighted average estimated life remaining of our MSRs was approximately 6.3 years at September 30, 2016.

Investments in equity affiliates increased \$11.1 million, primarily due to income of \$8.5 million recognized from our investment in a residential mortgage banking business and an additional contribution of \$4.6 million made in our investment in non-qualified residential mortgages, which was partially offset by a \$2.5 million cash distribution received from this investment. The distribution received was classified as a return of capital.

Our real estate owned assets (owned and held-for-sale) decreased \$49.8 million, primarily from selling the three remaining multifamily properties with an aggregate carrying value of \$28.6 million, selling a hotel property with a carrying value of \$8.7 million, and recording an \$11.2 million impairment on a hotel property.

We recognized goodwill of \$27.8 million in connection with the Acquisition. We also recorded intangible assets totaling \$73.3 million, of which \$44.3 million represents finite-lived assets that will be amortized over the estimated useful lives of such assets.

Other assets increased \$13.8 million, primarily from assets acquired in the Acquisition, including fixed assets totaling \$5.0 million as of September 30, 2016.

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Liabilities — Comparison of balances at September 30, 2016 to December 31, 2015:

Credit facilities and repurchase agreements decreased \$7.1 million, excluding the credit facilities of \$301.9 million assumed in the Acquisition. The decrease was primarily due to paying down the facilities with a portion of the proceeds from CLO VI, substantially offset by funding of new loan activity. The credit facilities held by our Agency Business are primarily used to fund loans that are originated through the GSE and HUD programs and are primarily secured by our loans held-for-sale, which are generally sold within 60 days from the loan origination date.

Collateralized loan obligations increased \$248.8 million due to the completion of our sixth collateralized securitization in the third quarter of 2016 where we issued \$250.3 million of CLO notes.

Mortgage note payable — real estate owned decreased \$27.2 million, due to the pay-off of these notes with the proceeds from the sale of the remaining multifamily properties in the second quarter of 2016.

In connection with the Acquisition, we entered into a \$50.0 million preferred equity interest financing agreement with our Manager to finance a portion of the purchase price. See Note 12 — Debt Obligations.

Due to related party increased \$15.2 million, primarily due to \$11.4 million of cash owed to ACM in connection with an acquisition purchase price adjustment and \$3.4 million of dividends owed to ACM from the OP Units issued in connection with the Acquisition.

Due to borrowers increased \$16.2 million, due to an increase in unfunded commitments on loan originations.

We have allowance for loss-sharing obligations of \$31.1 million assumed in connection with the Acquisition at September 30, 2016 to satisfy our obligation to partially guarantee the performance of the agency loans sold under the Fannie Mae DUS program. Generally, we are responsible for losses equal to the first 5% of the UPB and a portion of any additional losses to an overall maximum of 20% of the original principal balance.

Other liabilities increased \$32.4 million, primarily from the liabilities assumed with the Acquisition, which is comprised mostly of accrued compensation costs and a deferred tax liability.

Equity

Noncontrolling Interest

In connection with the Acquisition, we issued 21,230,769 OP Units to satisfy a portion of the purchase price. The value of these OP units at the date of Acquisition 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.

Distributions

As of November 8, 2016, we have \$413.8 million available under our shelf registration statement that was declared effective by the SEC in July 2016.

The following table presents dividends declared (on a per share basis) for the nine months ended September 30, 2016:

Common Stock		Preferred Stock				
Declaration Date	Dividend	Declaration Date	Dividend (1)			
			Series A	Series B	Series C	
February 24, 2016	\$ 0.15	February 1, 2016	\$ 0.515625	\$ 0.484375	\$ 0.53125	
May 4, 2016	\$ 0.15	May 2, 2016	\$ 0.515625	\$ 0.484375	\$ 0.53125	
August 3, 2016	\$ 0.16	August 1, 2016	\$ 0.515625	\$ 0.484375	\$ 0.53125	

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- (1) The dividend declared on February 1, 2016 for the Series A, B and C preferred stock was for the period December 1, 2015 through February 29, 2016. The dividend declared on May 2, 2016 for the Series A, B and C preferred stock was for the period March 1, 2016 through May 31, 2016. The dividend declared on August 1, 2016 for the Series A, B and C preferred stock was for the period June 1, 2016 through August 31, 2016.

Common Stock — On November 17, 2016, the Board of Directors declared a cash dividend of \$0.16 per share of common stock. The dividend is payable on November 30, 2016 to common stockholders of record as of the close of business on November 21, 2016.

Preferred Stock — On November 2, 2016, 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 September 1, 2016 through November 30, 2016 and are payable on November 30, 2016 to preferred stockholders of record on November 15, 2016.

Deferred Compensation

We issued 352,630 shares of restricted stock to employees of ours and our Manager, including our chief executive officer, 67,260 shares to the independent members of the Board of Directors and up to 421,348 performance-based restricted common stock units to our chief executive officer in the first quarter of 2016. See Note 18 — Equity.

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Comparison of Results of Operations for the Three Months Ended September 30, 2016 and 2015

The following table sets forth our consolidated results of operations:

	Three Months Ended September 30,		Increase / (Decrease)	
	2016	2015	Amount	Percent
	(Unaudited)			
Interest income	\$ 29,636,227	\$ 26,025,709	\$ 3,610,518	14%
Interest expense	16,966,228	11,885,363	5,080,865	43%
Net interest income	<u>12,669,999</u>	<u>14,140,346</u>	<u>(1,470,347)</u>	<u>(10)%</u>
Other revenue:				
Fee-based services, including gain on sales, net	9,693,822	—	9,693,822	nm
Mortgage servicing rights	15,968,067	—	15,968,067	nm
Servicing revenue, net	5,885,884	—	5,885,884	nm
Property operating income	2,960,940	7,202,851	(4,241,911)	(59)%
Other income, net	359,546	51,633	307,913	nm
Total other revenue	<u>34,868,259</u>	<u>7,254,484</u>	<u>27,613,775</u>	<u>nm</u>
Other expenses:				
Employee compensation and benefits	14,216,679	4,877,059	9,339,620	192%
Selling and administrative	5,903,031	2,063,408	3,839,623	186%
Acquisition costs	6,406,258	1,116,126	5,290,132	nm
Property operating expenses	2,819,004	6,028,585	(3,209,581)	(53)%
Depreciation and amortization	1,808,765	1,250,761	558,004	45%
Provision for loss sharing	1,316,862	—	1,316,862	nm
Provision for loan losses (net of recoveries)	(54,000)	277,464	(331,464)	nm
Management fee - related party	3,325,000	2,725,000	600,000	22%
Total other expenses	<u>35,741,599</u>	<u>18,338,403</u>	<u>17,403,196</u>	<u>95%</u>
Income before gain on acceleration of deferred income, loss on termination of swaps, income from equity affiliates and provision for income taxes	11,796,659	3,056,427	8,740,232	nm
Gain on acceleration of deferred income	—	8,162,720	(8,162,720)	nm
Loss on termination of swaps	—	(340,197)	340,197	nm
Income from equity affiliates	4,929,375	6,353,239	(1,423,864)	(22)%
Provision for income taxes	(300,000)	—	(300,000)	nm
Net income	<u>16,426,034</u>	<u>17,232,189</u>	<u>(806,155)</u>	<u>(5)%</u>
Preferred stock dividends	1,888,430	1,888,430	—	—
Net income attributable to noncontrolling interest	3,649,432	—	3,649,432	nm
Net income attributable to common stockholders	<u>\$ 10,888,172</u>	<u>\$ 15,343,759</u>	<u>\$ (4,455,587)</u>	<u>(29)%</u>

nm — not meaningful

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

	Three Months Ended September 30,					
	2016			2015		
	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)
<i>Structured Business interest-earning assets:</i>						
Bridge loans	\$ 1,540,872	\$ 23,597	6.08%	\$ 1,321,786	\$ 22,029	6.61%
Mezzanine / junior participation loans	114,318	2,041	7.08%	128,962	2,411	7.42%
Preferred equity investments	71,616	1,113	6.17%	84,231	1,388	6.54%
Core interest-earning assets	1,726,806	26,751	6.15%	1,534,979	25,828	6.68%
Cash equivalents	204,441	142	0.28%	209,387	198	0.38%
Total interest-earning assets	<u>\$ 1,931,247</u>	<u>26,893</u>	<u>5.52%</u>	<u>\$ 1,744,366</u>	<u>26,026</u>	<u>5.92%</u>
<i>Structured Business interest-bearing liabilities:</i>						
Warehouse lines	\$ 209,098	1,787	3.39%	\$ 218,295	1,649	3.00%
CLO	885,914	7,746	3.47%	627,624	4,966	3.14%
CDO	—	—	—	20,093	178	3.51%
Trust preferred	175,858	1,612	3.64%	175,858	1,428	3.22%
Unsecured debt	97,860	1,995	8.09%	99,001	2,158	8.65%
Other non-recourse	—	—	—	2,187	38	6.89%
Interest rate swaps	—	1,315	—	—	1,468	—
Total interest-bearing liabilities	<u>\$ 1,368,730</u>	<u>14,455</u>	<u>4.19%</u>	<u>\$ 1,143,058</u>	<u>11,885</u>	<u>4.13%</u>
Net interest income		<u>\$ 12,438</u>			<u>\$ 14,141</u>	

(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

Interest income increased \$0.9 million, or 3%, for the three months ended September 30, 2016 as compared to the same period in 2015, excluding \$2.7 million of interest income associated with the Agency Business acquired. The increase was primarily due to a 12% increase in the average core interest-earning assets from \$1.53 billion for the three months ended September 30, 2015 to \$1.73 billion for the same period in 2016 due to new originations exceeding runoff. This increase was partially offset by an 8% decrease in the average yield on core interest-earning assets from 6.68% for the three months ended September 30, 2015 to 6.15% for the same period in 2016 due to higher rates on payoffs when compared to originations in 2016, partially offset by an increase in the average LIBOR rate. Interest income of \$2.7 million from the Agency Business reflects interest earned on our originated loans held-for-sale.

Interest expense increased \$2.6 million, or 22%, for the three months ended September 30, 2016 as compared to the same period in 2015, excluding \$2.5 million of interest expense associated with the Agency Business acquired. This increase was primarily the result of a 20% increase in our interest-bearing liabilities from \$1.14 billion for the three months ended September 30, 2015 to \$1.37 billion for the same period in 2016 due to increased leverage on our portfolio, as well as an increase in the average loan balance from portfolio growth. In addition, we experienced a 1% increase in the average cost of our interest-bearing liabilities from 4.13% for the three months ended September 30, 2015 to 4.19% for the same period in 2016, primarily due to a period-over-period increase in the average LIBOR rate. Interest expense of \$2.5 million from the Agency Business reflects interest expense associated with the financing of our loans held-for-sale.

Agency Business Revenue

See the Overview section at the beginning of this discussion for details surrounding the Agency Business revenue we have as a result of the Acquisition.

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Fee-based services, including gain on sales, net was \$9.7 million for the three months ended September 30, 2016. The agency loan sales for this period were \$551.8 million and the fee-based services as a percentage of loan sales volume (“sales margin”) was 176 basis points.

Income from mortgage servicing rights was \$16.0 million for the three months ended September 30, 2016. The income from MSR as a percentage of loan commitments volume (“MSR rate”) was 223 basis points.

Servicing revenue, net was \$5.9 million for the three months ended September 30, 2016, which was comprised of servicing revenue of \$13.5 million, partially offset by amortization of MSR of \$7.6 million. The Agency Business servicing portfolio was \$12.6 billion with a weighted average servicing fee of 48 basis points at September 30, 2016.

Other Revenue

Property operating results (income less expenses) are currently comprised of a hotel property and an office building. Property operating results decreased \$1.0 million, or 88%, for the three months ended September 30, 2016 as compared to the same period in 2015, primarily due to the sale of several properties during 2015 and 2016, partially offset by the addition of an office building in August 2015.

Other Expenses

Employee compensation and benefits expense decreased \$1.4 million, or 29%, for the three months ended September 30, 2016 as compared to the same period in 2015, excluding \$10.8 million of employee compensation and benefits expense associated with the Agency Business acquired. The employees directly related to the Agency Business (approximately 235) became our employees as of the Acquisition date. The decrease was primarily due to \$1.0 million of compensation related expenses recorded in the third quarter of 2015 related to a distribution we received from an equity investment as well as compensation related costs now allocated to the Agency Business as a result of the Acquisition.

Selling and administrative expenses remained relatively flat for the three months ended September 30, 2016 as compared to the same period in 2015, excluding \$3.7 million of selling and administrative expenses associated with the Agency Business acquired. The \$3.7 million of costs associated with the Agency Business are primarily comprised of professional fees (accounting, legal and consulting), rent, travel, marketing and other related costs.

Acquisition costs of \$6.4 million and \$1.1 million for the three months ended September 30, 2016 and 2015, respectively, represent costs incurred related to the Acquisition, which was completed in July 2016. See Note 3 — Acquisition of Our Manager’s Agency Platform for further details.

Depreciation and amortization decreased \$0.6 million, or 49%, for the three months ended September 30, 2016 as compared to the same period in 2015, excluding \$1.2 million of depreciation and amortization associated with the Agency Business acquired. The decrease was primarily due to the sale of several real estate owned properties during 2015 and 2016. Agency Business depreciation and amortization is comprised of amortization on the finite-lived intangible assets recorded in connection with the Acquisition.

Provision for loss sharing was \$1.3 million for the three months ended September 30, 2016, which represents our estimated total loss-sharing obligations needed to satisfy our partial guarantee for the performance of the Agency Business loans sold under the Fannie Mae DUS program in the third quarter of 2016.

Management fee — related party increased \$0.6 million, or 22%, for the three months ended September 30, 2016 as compared to the same period in 2015, which was primarily due to compensation related costs incurred by employees of our Manager in connection with services they performed related to the Agency Business acquired.

Gain on Acceleration of Deferred Income / Loss on Termination of Swaps

In connection with the unwind of CDO III in the third quarter of 2015, we recorded an \$8.2 million gain that was previously deferred due to the reissuance CDO I, CDO II and CDO III bonds in 2010 as a result of a deferral of the gain from the extinguishment of trust preferred debt. See Note 12 — Debt Obligations for more details about this

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gain. We also terminated the interest rate swap association with this CDO and recognized a loss of \$0.3 million. See Note 14 — Derivative Financial Instruments for more information about the swap termination.

Income from Equity Affiliates

Income from equity affiliates decreased \$1.4 million, or 22%, for the three months ended September 30, 2016 as compared to the same period in 2015, primarily due to a \$4.2 million reduction in distributions received from our Lexford equity investment, partially offset by a \$2.6 million increase in income recognized from our residential mortgage banking investment. In the third quarter of 2016, we recognized income of \$3.9 million from our investment in a residential mortgage banking business and \$0.7 million from a distribution received from our Lexford investment. In the third quarter of 2015, we recognized income of \$4.9 million from a distribution received from our Lexford investment and recognized income of \$1.3 million from our investment in a residential mortgage banking business.

Provision for Income Taxes

The provision for income taxes was \$0.3 million for the three months ended September 30, 2016, which primarily represents state and local taxes related to the Agency Business. We did not record a federal tax provision as we applied existing federal net operating losses to cover our federal tax requirements.

Net Income Attributable to Noncontrolling Interest

The noncontrolling interest in the operating partnership relates to the 21,230,769 OP Units issued to satisfy a portion of the aggregate purchase price of the Acquisition, which represents approximately 29.2% of our outstanding stock at September 30, 2016. The OP Units are redeemable for cash, or at our option, for shares of our common stock on a one-for-one basis.

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Comparison of Results of Operations for the Nine Months Ended September 30, 2016 and 2015

The following table sets forth our results of operations:

	Nine Months Ended September 30,		Increase / (Decrease)	
	2016	2015	Amount	Percent
	(Unaudited)			
Interest income	\$ 83,424,190	\$ 79,575,689	\$ 3,848,501	5%
Other interest income, net	2,539,274	7,884,344	(5,345,070)	(68)%
Interest expense	42,958,329	37,405,492	5,552,837	15%
Net interest income	43,005,135	50,054,541	(7,049,406)	(14)%
Other revenue:				
Fee-based services, including gain on sales, net	9,693,822	—	9,693,822	nm
Mortgage servicing rights	15,968,067	—	15,968,067	nm
Servicing revenue, net	5,885,884	—	5,885,884	nm
Property operating income	12,719,027	22,855,028	(10,136,001)	(44)%
Other income, net	663,977	164,449	499,528	nm
Total other revenue	44,930,777	23,019,477	21,911,300	95%
Other expenses:				
Employee compensation and benefits	22,856,433	14,133,403	8,723,030	62%
Selling and administrative	10,277,844	7,442,979	2,834,865	38%
Acquisition costs	10,261,902	1,542,169	8,719,733	nm
Property operating expenses	10,991,823	18,381,317	(7,389,494)	(40)%
Depreciation and amortization	3,129,410	4,137,080	(1,007,670)	(24)%
Impairment loss on real estate owned	11,200,000	—	11,200,000	nm
Provision for loss sharing	1,316,862	—	1,316,862	nm
Provision for loan losses (net of recoveries)	(24,995)	2,353,688	(2,378,683)	nm
Management fee - related party	8,875,000	8,075,000	800,000	10%
Total other expenses	78,884,279	56,065,636	22,818,643	41%
Income before gain on acceleration of deferred income, loss on termination of swaps, gain on sale of real estate, income from equity affiliates and provision for income taxes	9,051,633	17,008,382	(7,956,749)	(47)%
Gain on acceleration of deferred income	—	19,171,882	(19,171,882)	nm
Loss on termination of swaps	—	(4,629,647)	4,629,647	nm
Gain on sale of real estate	11,630,687	3,984,364	7,646,323	192%
Income from equity affiliates	11,193,918	10,983,177	210,741	2%
Provision for income taxes	(300,000)	—	(300,000)	nm
Net income	31,576,238	46,518,158	(14,941,920)	(32)%
Preferred stock dividends	5,665,290	5,665,290	—	—
Net income attributable to noncontrolling interest	3,649,432	—	3,649,432	nm
Net income attributable to common stockholders	\$ 22,261,516	\$ 40,852,868	\$ (18,591,352)	(46)%

nm — not meaningful

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

	Nine Months Ended September 30,					
	2016			2015		
	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)
<i>Structured Business interest-earning assets:</i>						
Bridge loans	\$ 1,479,995	\$ 70,023	6.30%	\$ 1,338,663	\$ 65,783	6.57%
Mezzanine / junior participation loans	109,750	5,690	6.91%	154,482	8,155	7.06%
Preferred equity investments	81,413	4,331	7.09%	104,869	5,171	6.59%
Securities	—	—	—	1,738	9	0.69%
Structured interest-earning assets	1,671,158	80,044	6.38%	1,599,752	79,118	6.61%
Cash equivalents	208,985	637	0.41%	186,814	458	0.33%
Total interest-earning assets	<u>\$ 1,880,143</u>	<u>\$ 80,681</u>	<u>5.72%</u>	<u>\$ 1,786,566</u>	<u>\$ 79,576</u>	<u>5.96%</u>
<i>Structured Business interest-bearing liabilities:</i>						
Warehouse lines	\$ 200,006	5,149	3.43%	\$ 264,265	6,047	3.06%
CLO	807,516	20,621	3.40%	544,284	14,405	3.54%
CDO	—	—	—	74,824	1,104	1.97%
Trust preferred	175,858	4,685	3.55%	175,858	4,263	3.24%
Unsecured debt	97,860	5,985	8.15%	108,190	6,670	8.24%
Other non-recourse	—	—	—	2,163	101	6.24%
Interest rate swaps	—	4,007	—	—	4,815	—
Total interest-bearing liabilities	<u>\$ 1,281,240</u>	<u>\$ 40,447</u>	<u>4.21%</u>	<u>\$ 1,169,584</u>	<u>\$ 37,405</u>	<u>4.28%</u>
Net interest income		<u>\$ 40,234</u>			<u>\$ 42,171</u>	

(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

Interest income increased \$1.1 million, or 1%, for the nine months ended September 30, 2016 as compared to the same period in 2015, excluding \$2.7 million of interest income associated with the Agency Business acquired. The impact of our average core interest-earning assets increasing 4% from \$1.60 billion for the nine months ended September 30, 2015 to \$1.67 billion for the same period in 2016 was substantially offset by a 3% decrease in the average yield on core interest-earning assets from 6.61% for the nine months ended September 30, 2015 to 6.38% for the same period in 2016. The decrease in the average yield on core interest-earning assets was primarily due to \$4.0 million in interest income and fee income from accelerated runoff in 2015 and higher rates on payoffs when compared to originations in 2016, partially offset by \$2.0 million of yield maintenance received on a loan payoff in the second quarter of 2016 and an increase in the average LIBOR rate.

Other interest income, net was \$2.5 million and \$7.9 million for the nine months ended September 30, 2016 and 2015, respectively. During the first quarter of 2015, we acquired a \$116.0 million defaulted first mortgage, at par, that paid off in the subsequent quarter. We initially recognized net other interest income of \$7.9 million at the time the loan paid off during the second quarter of 2015. In April 2016, additional funds held in escrow from the note payoff were released following an arbitration proceeding and we recognized net other interest income totaling \$2.5 million.

Interest expense increased \$3.0 million, or 8%, for the nine months ended September 30, 2016 as compared to the same period in 2015, excluding \$2.5 million of interest expense associated with the Agency Business acquired. The increase was primarily due to a 10% increase in the average balance of our interest-bearing liabilities from \$1.17 billion for the nine months ended September 30, 2015 to \$1.28 billion for the same period in 2016 due to increased leverage on our portfolio, as well as an increase in the average loan balance from portfolio growth. This increase was partially offset by a 2% decrease in the average cost of our interest-bearing liabilities from 4.28% for the nine months ended September 30, 2015 to 4.21% for the same period in 2016, primarily due to the acceleration of \$2.1

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million of fees resulting from the unwind of several of our securitization vehicles and the termination of certain swaps in 2015, partially offset by a period-over-period increase in the average LIBOR rate.

Agency Business Revenue

Fee-based services, including gain on sales, net was \$9.7 million for the nine months ended September 30, 2016. The agency loan sales for this period were \$551.8 million and the sales margin was 176 basis points.

Income from mortgage servicing rights was \$16.0 million and the MSR rate was 223 basis points for the nine months ended September 30, 2016.

Servicing revenue, net was \$5.9 million for the nine months ended September 30, 2016, which was comprised of servicing revenue of \$13.5 million, partially offset by amortization of MSR's of \$7.6 million. The Agency Business servicing portfolio was \$12.6 billion with a weighted average servicing fee of 48 basis points at September 30, 2016.

Other Revenue

Property operating results decreased \$2.7 million, or 61%, for the nine months ended September 30, 2016 as compared to the same period in 2015, primarily due to the sale of several properties during 2015 and 2016, partially offset by the addition of an office building in August 2015.

Other Expenses

Employee compensation and benefits expense decreased \$2.0 million, or 14%, for the nine months ended September 30, 2016 as compared to the same period in 2015, excluding \$10.8 million of employee compensation and benefits expense associated with the Agency Business acquired. The decrease was primarily due to expenses totaling \$2.2 million related to both the \$116.0 million defaulted first mortgage that was repaid in the second quarter of 2015 and the Leford distribution received in the third quarter of 2015.

Selling and administrative expenses decreased \$0.9 million, or 12%, for the nine months ended September 30, 2016 as compared to the same period in 2015, excluding \$3.7 million of selling and administrative expenses associated with the Agency Business acquired. The decrease was primarily due to a decrease in professional fees.

Acquisition costs of \$10.3 million and \$1.5 million for the nine months ended September 30, 2016 and 2015, respectively, represent costs incurred related to the Acquisition, which was completed in July 2016. See Note 3 — Acquisition of Our Manager's Agency Platform for further details.

Depreciation and amortization decreased \$2.2 million, or 53%, for the nine months ended September 30, 2016 as compared to the same period in 2015, excluding \$1.2 million of depreciation and amortization associated with the Agency Business acquired. The decrease was primarily due to the sale of several real estate owned properties during 2015 and 2016.

Impairment loss on real estate owned was \$11.2 million for the nine months ended September 30, 2016. During the second quarter, we determined that our hotel property exhibited indicators of impairment and, as a result, we recorded an impairment loss of \$11.2 million.

Provision for loss sharing was \$1.3 million for the nine months ended September 30, 2016, which represents our estimated total loss-sharing obligations needed to satisfy our partial guarantee for the performance of the Agency Business loans sold under the Fannie Mae DUS program in the third quarter of 2016.

Provision for loan losses (net of recoveries) totaled less than \$0.1 million and \$2.4 million for the nine months ended September 30, 2016 and 2015, respectively. During the nine months ended September 30, 2015, we recognized a \$3.1 million provision for loan losses related to four loans and recorded net recoveries of previously recorded loan losses of \$0.7 million.

Management fee — related party increased \$0.8 million, or 10%, for the nine months ended September 30, 2016 as compared to the same period in 2015, primarily due to compensation related costs incurred by employees of our Manager in connection with services they performed related to the Agency Business acquired.

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Gain on Acceleration of Deferred Income / Loss on Termination of Swaps

In connection with the unwind of CDO I and II in the first quarter of 2015 and CDO III in the third quarter of 2015, we recorded a \$19.2 million gain that was previously deferred due to the reissuance of CDO I, CDO II and CDO III bonds in 2010 as a result of a deferral of the gain from the extinguishment of trust preferred debt. See Note 12 — Debt Obligations for more details about this gain. We also terminated the basis and interest rate swaps associated with these CDOs and recognized a loss of \$4.6 million. See Note 14 — Derivative Financial Instruments for more details about the swap termination.

Gain on Sale of Real Estate

During the nine months ended September 30, 2016, we sold the three remaining multifamily properties for \$41.0 million and recognized a gain of \$11.0 million, and sold a hotel property for \$9.7 million and recognized a gain of \$0.6 million.

During the nine months ended September 30, 2015, we sold a multifamily property for \$12.4 million and recognized a gain of \$3.0 million, and sold a hotel property for \$6.4 million and recognized a gain of \$1.0 million.

Income from Equity Affiliates

Income from equity affiliates increased \$0.2 million, or 2%, for the nine months ended September 30, 2016 as compared to the same period in 2015. In the nine months ended September 30, 2016, we recognized income of \$8.5 million from our investment in a residential mortgage banking business and \$2.1 million from a distribution received from our Lexford equity investment. In the same period of 2015, we recognized income of \$5.9 million from our investment in a residential mortgage banking business and received \$4.9 million in distributions from our Lexford equity investment.

Provision for Income Taxes

The provision for income taxes was \$0.3 million for the nine months ended September 30, 2016, which primarily represents state and local taxes related to the Agency Business. We did not record a federal tax provision as we applied existing federal net operating losses to cover our federal tax requirements.

Net Income Attributable to Noncontrolling Interest

The noncontrolling interest in the operating partnership relates to the 21,230,769 OP Units issued to satisfy a portion of the aggregate purchase price of the Acquisition, which represents approximately 29.2% of our outstanding stock at September 30, 2016. The OP Units are redeemable for cash, or at our option, for shares of our common stock on a one-for-one basis.

Liquidity and Capital Resources

Sources of Liquidity

Liquidity is a measurement of the ability to meet potential cash requirements. Our short-term and long-term liquidity needs include ongoing commitments to repay borrowings, 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, funding future loans and investments, funding 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. Our equity sources, depending on market conditions, consist of proceeds from capital market transactions including the issuance of common, convertible and/or preferred equity securities. Our debt facilities include the issuance of floating rate notes resulting from our CLOs, the issuance of convertible senior notes, the issuance of senior unsecured notes and junior subordinated notes and borrowings under warehousing facilities. Net cash flows from operations include interest income from our loan and investment portfolio reduced by interest

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expense on our debt facilities, revenues from our Agency Business, cash generated from our real estate operations, cash from other investments reduced by expenses and repayments of outstanding loans and investments.

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

While we have been successful in obtaining proceeds from 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 \$149.0 million during the nine months ended September 30, 2016. Our cash flows from operating activities consist primarily of net cash inflows from held-for-sale loans of \$122.0 million pertaining to our Agency Business, net income, adjusted for noncash gains, losses and expenses, of \$21.0 million and cash distributions received from our investments in equity affiliates of \$2.7 million.

Cash flows used in investing activities totaled \$207.9 million during the nine months ended September 30, 2016. Loan and investment activity (originations and payoffs/paydowns) comprise the bulk of our investing activities. Loan originations from our Structured Business totaling \$725.0 million, net of payoffs and paydowns of \$531.9 million, resulted in a net cash outflow of \$193.1 million. Cash paid for the Acquisition was \$68.4 million, net of cash acquired, and gross proceeds received from the sale of a hotel property and the three remaining multifamily properties were \$49.0 million.

Cash flows used in financing activities totaled \$58.2 million during the nine months ended September 30, 2016 and consisted primarily of \$1.81 billion in paydowns of our debt facilities, a \$124.0 million increase in restricted cash balances, primarily from the payoff of loans in our CLO vehicles, a \$27.2 million payoff of the mortgage note payable as a result of the sale of our three remaining multifamily properties and \$29.2 million in distributions to our common and preferred stockholders, which was primarily offset by \$1.68 billion of proceeds from the utilization of our debt facilities to fund new loan originations and \$250.3 million of proceeds received from the issuance of CLO VI.

Agency Business Requirements

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

As of September 30, 2016, we were required to maintain at least \$10.4 million of liquid assets to meet the operational liquidity requirements for Fannie Mae. As of September 30, 2016, we had operational liquidity in excess of this requirement.

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We are generally required to share the risk of any losses associated with loans sold under the Fannie Mae DUS program and we 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 and considers the balance of the loan, the risk level of the loan, the age of the loan, and the level of risk-sharing. Fannie Mae requires restricted liquidity for Tier 2 loans of 75 basis points, which is funded over a 48-month period that begins upon delivery of the loan to Fannie Mae. As of September 30, 2016, we met the restricted liquidity requirement with a \$35.0 million letter of credit and \$2.0 million of cash collateral. Additionally, substantially all of the loans for which we have risk sharing, are Tier 2 loans.

As of September 30, 2016, reserve requirements for the September 30, 2016 Fannie Mae DUS loan portfolio will require us to fund \$21.0 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.

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 combined financial statements. As of September 30, 2016, we met all Fannie Mae capital amounts required for capital adequacy purposes, which are required on a quarterly basis. As of September 30, 2016, our Fannie Mae adjusted net worth was \$169.2 million, as compared to the Fannie Mae required net worth of \$55.4 million. We are not subject to capital requirements on a quarterly basis for GNMA 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 we utilize letters of credit to fund. At September 30, 2016, we had an outstanding letter of credit of \$5.0 million in satisfaction of our requirements under this program.

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 further detail in Note 14 – Derivative Financial Instruments and Note 16 – Fair Value.

Debt Facilities

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

Debt Facilities	September 30, 2016			Maturity Dates
	Commitment	Principal Balance (1)	Available	
<i>Structured Business</i>				
Credit facilities and repurchase agreements	\$ 503,000,000	\$ 129,800,845	\$ 373,199,155	2016 - 2020
Collateralized loan obligations (2)	1,018,250,000	1,018,250,000	—	2017 - 2019
Senior unsecured notes	97,860,025	97,860,025	—	2021
Junior subordinated notes (3)	175,858,000	175,858,000	—	2034 - 2037
Structured transaction business total	1,794,968,025	1,421,768,870	373,199,155	
<i>Agency Business</i>				
Credit facilities (4)	800,000,000	302,022,611	497,977,389	2016 - 2018
<i>Other</i>				
Related party financing	50,000,000	50,000,000	—	2021
Consolidated total	<u>\$ 2,644,968,025</u>	<u>\$ 1,773,791,481</u>	<u>\$ 871,176,544</u>	

(1) Principal balance excludes the impact of deferred financing costs.

(2) Maturity dates represent the weighted average maturity based on the underlying collateral as of September 30, 2016.

(3) Represents a total face amount of \$175.9 million, including a total deferred amount of \$15.0 million.

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(4) The \$400.0 million ASAP agreement we have with Fannie Mae has no expiration date.

These debt facilities, including their restrictive covenants, are described in further detail in Note 12 — Debt Obligations.

Contractual Obligations

As of September 30, 2016, we had the following material contractual obligations (in thousands):

Contractual Obligations	Payments Due by Period (1)							Totals
	Three Months Ended December 31, 2016	2017	2018	2019	2020	2021	Thereafter	
Credit facilities and repurchase agreements	\$ 317,878,861	\$ 111,280,765	\$ —	\$ —	\$ 2,663,829	\$ —	\$ —	\$ 431,823,455
Collateralized loan obligations (2)	37,037,866	134,057,487	330,032,663	232,083,602	268,205,882	—	16,832,500	1,018,250,000
Senior unsecured notes	—	—	—	—	—	97,860,025	—	97,860,025
Junior subordinated notes (3)	—	—	—	—	—	—	175,858,000	175,858,000
Related party financing (4)	—	—	—	—	—	62,500,000	—	62,500,000
Outstanding unfunded commitments (5)	3,876,665	14,944,169	8,802,458	4,663,993	—	—	—	32,287,284
Operating leases (6)	757,509	3,082,615	3,594,219	3,325,682	2,875,983	1,464,918	7,793,604	22,894,530
Totals	\$ 359,550,901	\$ 263,365,036	\$ 342,429,340	\$ 240,073,277	\$ 273,745,694	\$ 161,824,943	\$ 200,484,104	\$ 1,841,473,294

- (1) Represents principal amounts due based on contractual maturities. Does not include total projected interest payments on our debt obligations of \$12.9 million in the three months ended December 31, 2016, \$46.7 million in 2017, \$43.2 million in 2018, \$34.6 million in 2019, \$28.4 million in 2020, \$16.9 million in 2021 and \$79.1 million thereafter based on current LIBOR rates.
- (2) Comprised of \$281.3 million of CLO III debt, \$219.0 million of CLO IV debt, \$267.8 million of CLO V debt and \$250.3 million of CLO VI debt with a weighted average contractual maturity of 2.09, 2.29, 2.40 and 4.03 years, respectively, as of September 30, 2016.
- (3) Represents the face amount due upon maturity. The carrying value is \$157.7 million, which is net of a deferred amount of \$15.0 million and deferred financing fees of \$3.2 million at September 30, 2016.
- (4) Represents the total amount due at the end of the five-year term, including the scheduled increases to the principal balance if the debt remained outstanding until the end of the five-year term.
- (5) In accordance with certain loans and investments, we have outstanding unfunded commitments of \$32.3 million as of September 30, 2016, that we are obligated to fund as the borrowers meet certain requirements. Specific requirements include, but are not limited to, property renovations, building construction and building conversions based on criteria met by the borrower in accordance with the loan agreements. The payment due by period is based on the maturity date of underlying loans and is included in loans and investments, net on the consolidated balance sheet. Our restricted cash balance contained \$1.9 million which was available to fund the portion of the unfunded commitments for loans financed by our CLO vehicles.
- (6) Represents the operating lease payments due in connection with our lease of office space for our corporate headquarters and loan origination, support and servicing offices located throughout the U.S. Certain of the office leases have escalation clauses. The total rent expense was \$0.9 million in both the three and nine months ended September 30, 2016.

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Agreements and Transactions with Related Parties

We have a management agreement with our Manager, pursuant to which our Manager provides certain services and we pay our Manager a base management fee and under certain circumstances, an annual incentive fee. We incurred \$3.3 million and \$8.9 million of base management fee for services rendered in the three and nine months ended September 30, 2016, respectively, and \$2.7 million and \$8.1 million in the three and nine months ended September 30, 2015, respectively.

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

In addition, we have conducted many transactions with our Manager and other parties that are deemed related party transactions. The details of the management agreement and related party transactions are described in Note 21 — Agreements and Transactions with Related Parties of this report.

In June 2013, our Board of Directors formed a special committee consisting of independent directors in connection with the acquisition of our Manager's Agency Business, as well as the option to internalize the management of our current business. In February 2016, we entered into a Purchase Agreement and on July 14, 2016 we completed the Acquisition for \$275.8 million. See Note 3 — Acquisition of Our Manager's Agency Platform for further details.

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 14 — Derivative Financial Instruments for further details surrounding our derivative financial instruments.

Critical Accounting Policies

Please refer to the section of our 2015 Annual Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Accounting Estimates and Critical Accounting Policies" for a discussion of our critical accounting policies. In connection with the Acquisition, we have adopted additional accounting policies as disclosed in Note 2 — Basis of Presentation, of which management believes the policies related to mortgage servicing rights, allowance for loss-sharing obligations and revenue recognition are critical to the preparation of the consolidated financial statements included in this report.

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 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, amortization of MSR, changes in fair value of certain derivatives that temporarily flow through earnings as well as the add-back of one-time charges such as acquisition costs. We also add back impairment losses on real estate and gains/losses on sales of real estate. We are generally not in the business of operating real estate owned property and have 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/losses 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.

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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.

FFO and AFFO are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income attributable to common stockholders	\$ 10,888,172	\$ 15,343,759	\$ 22,261,516	\$ 40,852,868
Subtract:				
Gain on sale of real estate	—	—	(11,630,687)	(3,984,364)
Add:				
Net income attributable to noncontrolling interest	3,649,432	—	3,649,432	—
Impairment loss on real estate owned	—	—	11,200,000	—
Depreciation - real estate owned and held-for-sale	443,684	1,250,761	1,764,329	4,137,080
Depreciation - investments in equity affiliates	93,588	93,588	280,764	280,764
Funds from operations (1)	\$ 15,074,876	\$ 16,688,108	\$ 27,525,354	\$ 41,286,348
Subtract:				
Mortgage servicing rights	(15,968,067)	—	(15,968,067)	—
Impairment loss on real estate owned	—	—	(11,200,000)	—
Net gain on changes in fair value of derivatives	(248,510)	—	(248,510)	—
Add:				
Amortization of MSR's	7,586,524	—	7,586,524	—
Depreciation and amortization	1,365,081	—	1,365,081	—
Gain on sale of real estate	—	—	11,630,687	3,984,364
Stock-based compensation	777,080	463,313	2,940,174	2,890,582
Acquisition costs	6,406,258	1,116,126	10,261,902	1,542,169
Adjusted funds from operations (1)	\$ 14,993,242	\$ 18,267,547	\$ 33,893,145	\$ 49,703,463
Diluted FFO per share (1)	\$ 0.21	\$ 0.33	\$ 0.48	\$ 0.81
Diluted AFFO per share (1)	\$ 0.21	\$ 0.36	\$ 0.59	\$ 0.98
Diluted weighted average shares outstanding (1)	70,271,796	50,962,516	57,748,830	50,917,442

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

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 2015 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, 2015.

The following table projects the potential impact on interest income and interest expense for a 12-month period, and the potential change in fair value of our derivative financial instruments as of September 30, 2016, assuming an instantaneous increase or decrease of both 25 and 50 basis points in LIBOR and forward interest rate curves, adjusted for the effects of our interest rate hedging activities.

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	<u>Assets (Liabilities) Subject to Interest Rate Sensitivity (1)</u>	<u>25 Basis Point Increase</u>	<u>25 Basis Point Decrease (2)</u>	<u>50 Basis Point Increase</u>	<u>50 Basis Point Decrease (2)</u>
Interest income from loans and investments	\$ 1,751,072,574	\$ 3,666,657	\$ (2,438,345)	\$ 7,334,147	\$ (3,111,521)
Interest expense from debt obligations	\$ (1,471,768,869)	3,037,758	(3,037,758)	6,075,516	(6,075,516)
Total net interest income		<u>\$ 628,899</u>	<u>\$ 599,413</u>	<u>\$ 1,258,631</u>	<u>\$ 2,963,995</u>
Fair value of derivative financial instruments, net	\$ (1,147,909)	<u>\$ 56,826</u>	<u>\$ (56,908)</u>	<u>\$ 113,590</u>	<u>\$ (113,687)</u>

(1) Represents the UPB of our loan portfolio, principal balance of our debt and the net fair value of our derivative financial instruments, which includes interest rate swaps and LIBOR caps.

(2) The quoted one-month LIBOR rate was 0.53% as of September 30, 2016.

In connection with the Acquisition, we now originate, sell and service a range of multifamily finance products through 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.

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 \$7.1 million as of September 30, 2016, while a 100 basis point decrease would increase the fair value by approximately \$7.5 million.

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 September 30, 2016. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2016.

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2016 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 17 — Commitments and Contingencies. We have not made a loss accrual for this litigation because we believe that it is not probable that a loss has been incurred and an amount cannot be reasonably estimated.

Item 1A. Risk Factors

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, except that the information under the heading “Risk Factors” in the Definitive Proxy Statement on Schedule 14A we filed with the SEC on April 22, 2016 is hereby incorporated by reference and the below additional risk factor in connection with the goodwill recorded in connection with the Acquisition:

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Our existing goodwill could become impaired, which may require us to take significant non-cash charges.

We evaluate our goodwill for impairment at least annually, or more frequently if circumstances indicate potential impairment may have occurred. We also evaluate, at least quarterly, whether events or circumstances have occurred subsequent to the annual impairment testing which indicate that it is more-likely-than-not an impairment loss has occurred. If the fair value of one of our reporting units is less than its carrying value, we would record an impairment charge for the excess of the carrying amount over the estimated fair value. The valuation of our reporting units requires significant judgment, which includes the evaluation of recent indicators of market activity and estimated future cash flows, discount rates, and other factors. Any impairment of goodwill as a result of such analysis would result in a non-cash charge against earnings, which could materially adversely affect our reported financial results for the period in which the charge was taken and our stock price.

Item 6. Exhibits

Exhibit #	Description
3.1	Articles Supplementary designating Special Voting Preferred Stock. ▲
5.1	Opinion of Venable LLP with respect to the validity of the up to 7.5 million shares of common stock to be sold from time to time under the Equity Distribution Agreement, dated as of February 13, 2014, between Arbor Realty Limited Partnership and JMP Securities LLC, as amended by Amendment No. 1 to the Equity Distribution Agreement, dated as of August 10, 2016. ▲▲
10.1	Asset Purchase Agreement, dated as of February 25, 2016, by and among Arbor Realty Trust, Inc., a Maryland corporation (the “Company”), Arbor Realty Limited Partnership, a Delaware limited partnership (the “Partnership”), ARSR Acquisition Company, LLC, a Delaware limited liability company (the “TRS” and together with the Partnership, the “Buyer”), Arbor Commercial Funding, LLC, a New York limited liability company (“ACF”), and Arbor Commercial Mortgage, LLC, a New York limited liability company (“ACM” and together with ACF, the “Seller”) (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K). ▲▲▲
10.2	Voting and Standstill Agreement, dated as of February 25, 2016, by and among Arbor Realty Trust, Inc., a Maryland corporation (the “Buyer”), Arbor Commercial Mortgage, LLC, a New York limited liability company (“ACM” and together with Arbor Commercial Funding, LLC, a New York limited liability company, the “Seller”) and the other Persons whose names appear on the signature pages hereto (each such Person, together with ACM, a “Stockholder” and, collectively, the “Stockholders”). ▲▲▲
10.3	Option Agreement, dated as of July 14, 2016, by and among Arbor Realty Trust, Inc., Arbor Realty Limited Partnership, Arbor Realty SR, Inc. and Arbor Commercial Mortgage, LLC. ▲
10.4	Third Amended and Restated Agreement of Limited Partnership of Arbor Realty Limited Partnership, dated as of July 14, 2016, by and among Arbor Realty GPOP, Inc., Arbor Realty LPOP, Inc., Arbor Commercial Mortgage, LLC and Arbor Realty Trust, Inc. ▲
10.5	Non-Competition Agreement, dated as of July 14, 2016, by and among Arbor Realty Trust, Inc., Arbor Realty Limited Partnership, Arbor Commercial Mortgage, LLC and Ivan Kaufman. ▲
10.6	Third Amended and Restated Management and Advisory Agreement, dated July 14, 2016, among Arbor Realty Trust, Inc., Arbor Realty Limited Partnership, Arbor Realty SR, Inc., and Arbor Commercial Mortgage, LLC. ▲
10.7	Pairing Agreement, dated July 14, 2016, by and among Arbor Realty Trust, Inc., Arbor Realty Limited Partnership and Arbor Commercial Mortgage, LLC. ▲

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- 10.8 Amended and Restated Limited Liability Company Operating Agreement of ARSR PE, LLC, dated July 14, 2016, by and between Arbor Multifamily Lending, LLC and Arbor Commercial Mortgage, LLC. ▲
- 10.9 Indenture, dated August 18, 2016, by and between Arbor Realty Commercial Real Estate Notes 2016-FL1, LTD., Arbor Realty Commercial Real Estate Notes 2016-FL1 LLC, Arbor Realty SR, Inc. and U.S. Bank National Association.
- 10.10 Loan Obligation Purchase Agreement, dated August 18, 2016, by and between Arbor Realty SR, Inc. and Arbor Realty Commercial Real Estate Notes 2016-FL1, LTD.
- 10.11 Placement Agreement, dated February 20, 2015, by and between Arbor Realty Commercial Real Estate Notes 2015-FL1, LTD., Arbor Realty Commercial Real Estate Notes 2015-FL1 LLC, J.P. Morgan and Sandler O'Neill & Partners, L.P.
- 10.12 Amendment No. 1, dated August 10, 2016, to the Equity Distribution Agreement, dated February 13, 2014, by and among Arbor Realty Trust, Inc., Arbor Realty Limited Partnership and JMP Securities LLC, as sales agent. ▲▲
- 23.1 Consent of Venable LLP, relating to our At-The-Market equity program (included in Exhibit 5.1). ▲▲
- 31.1 Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14.
- 31.2 Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14.
- 32 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.
- 101.1 Financial statements from the Quarterly Report on Form 10-Q of Arbor Realty Trust, Inc. for the quarter ended September 30, 2016, filed on November 4, 2016, 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.

Exhibit Index

- ▲ Incorporated by reference to the Registrant's Form 8-K filed on July 15, 2016.
- ▲▲ Incorporated by reference to the Registrant's Form 8-K filed on August 10, 2016.
- ▲▲▲ Incorporated by reference to the Registrant's Form 8-K filed on March 2, 2016.

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.

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

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

Date: November 9, 2016

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD.,
as Issuer,

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC,
as Co-Issuer,

ARBOR REALTY SR, INC.,
as Advancing Agent

AND

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

INDENTURE

Dated as of August 18, 2016

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INDENTURE, dated as of August 18, 2016, by and among ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD., an exempted company incorporated in the Cayman Islands with limited liability (the "Issuer"), ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC, a limited liability company formed under the laws of Delaware (the "Co-Issuer"), U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee (herein, together with its permitted successors and assigns in the trusts hereunder, the "Trustee"), paying agent, calculation agent, transfer agent, custodial securities intermediary, backup advancing agent and notes registrar, 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 Loan Obligations listed in the Schedule of Closing Date Loan Obligations 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 Loan Obligations which are delivered to the Trustee (directly or through an agent or bailee) after the Closing Date pursuant to the terms hereof (including all Additional Loan Obligations and Replacement Loan Obligations) 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,

- (d) the rights of the Issuer under the Loan Obligation Management Agreement, each Loan Obligation Purchase Agreement (including any Loan Obligation Purchase Agreement entered into after the Closing Date) 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 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 "Loan Obligation" or "Eligible Investment," 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.

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(h) hereof.

“17g-5 Website”: A password-protected internet website which shall initially be located at www.usbank.com/abs. 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 Loan Obligation 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 Loan Obligations 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) is currently acting as a servicer in a commercial mortgage backed securities transaction rated by DBRS and DBRS has not cited servicing concerns of such servicer as the sole or material factor in any downgrade or withdrawal of the ratings within the prior 12 month period (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.

“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 Loan Obligation Manager.

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

“Additional Loan Obligations”: Loan Obligations that are acquired by the Issuer during the Post-Closing Acquisition Period.

“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 Loan Obligation 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 Loan Obligation 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 Trustee may rely on certifications of any Holder or party hereto regarding such Person’s affiliations.

“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 Loan Obligations (excluding for purposes of this clause (i), for the avoidance of doubt, the then unfunded portion of any RDD Obligation), (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 Loan Obligations as of any date of determination, the sum of the Principal Balances on such date of determination of all such Loan Obligations.

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

“ARMS Equity”: ARMS 2016-1 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 Loan Obligation, the ratio, as calculated by the Loan Obligation Manager in accordance with the Loan Obligation 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 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 payments of principal and interest due pursuant to the terms of the related Underlying Instruments (but excluding any balloon payments, required principal paydowns or reserve payments, and including any required funding of working capital reserves) determined 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 Loan Obligation Manager may adjust such interest rate in its reasonable good faith judgment executed in accordance with the Loan Obligation Management Standard. In determining As-Stabilized Appraisal DSCR for any Senior Participation, the calculation of As-Stabilized Appraisal DSCR shall take into account the annual payments of principal and interest due on the Senior Participation pursuant to the terms of the related senior participation agreement (and, in the case of a Senior Participation that is a Senior Pari Passu Participation, the annual payments of principal and interest due pursuant to the terms of the related Non-Acquired Participation that is

pari passu with the Senior Participation being acquired) and shall exclude the annual payments of principal and interest due on any related Junior Participation.

“As-Stabilized Appraisal LTV”: With respect to any Loan Obligation, the ratio, expressed as a percentage, as calculated by the Loan Obligation Manager in accordance with the Loan Obligation Management Standard, of the Principal Balance of such Loan Obligation 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-tenancing, renovation or other repositioning of such property. In determining As-Stabilized Appraisal LTV for any 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, in the case of a Senior Participation that is a Senior Pari Passu Participation, the Principal Balance of the 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.

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

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

“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 Loan Obligation 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.

“Bailee Letter”: The meaning specified in Section 12.4(b)(v) hereof.

“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 (2013 Revision) of the Cayman Islands, as amended from time to time, the Bankruptcy Law (1997 Revision) of the Cayman Islands, as amended from time to time and the Foreign Bankruptcy Proceedings (International Cooperation) Rules 2008 of the Cayman Islands, as amended from time to time.

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

“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.

“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.

“Buy/Sell Interest”: A Loan Obligation for which one of the participants has exercised, or has the right to exercise, the purchase 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”: With respect to any Loan Obligation, at any time, the lesser of (a) the Moody’s Recovery Rate of such Loan Obligation multiplied by the Principal Balance of such Loan Obligation and (b) the market value of such Loan Obligation, as determined by the Loan Obligation Manager in accordance with the Loan Obligation Management Standard based upon, among other things, a recent appraisal and information from one or more third party commercial real estate brokers and such other information as the Loan Obligation Manager deems appropriate.

“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.

“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 B Notes or the Class C 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 2026, 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) 1.70% *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 2026, 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) 2.95% *per annum*.

“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 2026, 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) 5.50% *per annum*.

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

“Clean-up Call Date”: The meaning specified in Section 9.1 hereof.

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

“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”: August 18, 2016.

“Closing Date Loan Obligations”: The Loan Obligations listed on Schedule A attached hereto.

“Closing Document Checklist”: As to each Loan Obligation File, a document checklist substantially in the form included as Exhibit E 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 2016-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 Loan Obligation 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.

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

“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 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), (ii) the Company Administrator under the Company Administration 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, (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 Loan Obligations, (vi) the Loan Obligation Manager under this Indenture and the Loan Obligation Management Agreement, (vii) the Loan Obligation Manager or other Persons as indemnification pursuant to the Loan Obligation 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 Loan Obligations 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 Loan Obligation Manager Fee payable pursuant to the Loan Obligation Management Agreement.

“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 B Notes, so long as Class B Notes are Outstanding, then the Class C Notes, so long as Class C 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 2016-FL1, Ltd.; (b) for the delivery of the Loan Obligation Files, 1133 Rankin Street, Suite 100, St. Paul, Minnesota 55116, Attention: Commercial Certifications — Arbor 2016-1, fax: (651) 695-6102; 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 2016-FL1, Ltd., fax: (312) 332-8010, 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 Loan Obligation Manager, the Rating Agencies and the Issuer or the principal corporate trust office of any successor Trustee.

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

“Credit Risk Obligation”: Any Loan Obligation that, in the Loan Obligation Manager’s reasonable business judgment, has a significant risk of declining in credit quality or, with a lapse of time, becoming a Defaulted Obligation.

“CREFC® Intellectual Property Royalty License Fee” means with respect to each Loan Obligation 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 Loan Obligation 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 Loan Obligation is computed and shall be prorated for partial periods.

“CREFC® Intellectual Property Royalty License Fee Rate” means, with respect to each Loan Obligation, 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.

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

“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 Interest Amount”: The Class A Defaulted Interest Amount, the Class B Defaulted Interest Amount, or the Class C Defaulted Interest Amount, as the context requires.

“Defaulted Obligation”: Any Loan Obligation if a foreclosure or default (whether or not declared) with respect to the related Whole Loan (or, in the case of a Senior Participation, the related Underlying Whole Loan) has occurred and, with respect to a default, is continuing as determined by the Loan Obligation Manager; provided, however, that notwithstanding the foregoing, a Loan Obligation shall not be deemed to be a Defaulted Obligation as a result of (A) the related borrower’s failure to pay interest on such Loan Obligation or on the related Whole Loan (or, in the case of a Senior Participation, the related Underlying Whole Loan) on the due date therefor, if the related lender or holder of such Loan Obligation or of the related Whole Loan (or, in the case of a Senior Participation, the related Underlying Whole Loan) consents to extend the due date when such interest is due and payable, and such interest is paid on or before such extended due date (provided that such interest is paid not more than 60 days (or 30 days if such interest was previously paid 60 days after the initial date that it was due) as a result of the Loan Obligation Manager, on behalf of the Issuer, (subject to the applicable provisions of the Servicing Agreement) previously consenting to extend such due date after the initial date that it was due), or (B) the related borrower’s failure to pay principal on such Loan Obligation or on the related Whole Loan (or, in the case of a Senior Participation, the related Underlying Whole Loan) on the maturity date thereof, if the maturity date has been extended by the related servicer or special servicer in connection with a modification of such related Whole Loan (or, in the case of a Senior Participation, the related Underlying Whole Loan) (so long as the Maturity Extension Requirements are met), or (C) the occurrence of any default other than a payment default with respect to such Loan Obligation or the related Whole Loan (or, in the case of a Senior Participation, the related Underlying Whole Loan), unless and until the earlier of (x) the declaration of default and acceleration of the maturity of the Loan Obligation by the lender or holder thereof and (y) the continuance of such default uncured for 60 days after such default became known to the Loan Obligation Manager or the CLO Servicer or, subject to the satisfaction of the Rating Agency Condition, such longer period as the Loan Obligation Manager (subject to the applicable provisions of the Servicing Agreement) determines. Notwithstanding the foregoing, any Loan Obligation that has sustained an implied reduction of principal balance due to an appraisal reduction will not necessarily be considered a Defaulted Obligation solely due to such implied reduction.

For purposes of the definition of “Defaulted Obligation,” the “Maturity Extension Requirements” will be satisfied with respect to any extension if the maturity date is extended to a new maturity

date that is not more than three years after the original maturity date. As used above, the term “original maturity date” means the maturity date of a Loan Obligation or the related Whole Loan (or, in the case of a Senior Participation, the related Underlying Whole Loan) as extended by all extensions thereof that the related borrower had the right to elect and did elect under the terms of the instruments and agreements relating to such Loan Obligation or to the related Whole Loan (or, in the case of a Senior Participation, the related Underlying Whole Loan), but before taking into account any additional extensions thereof that are consented to by the servicer or special servicer of such Loan Obligation.

For the avoidance of doubt (x) any initial permissible 60 day extension period described in this definition shall in no event be combined with any subsequent permissible 30 day extension period described in this definition and (y) if a Defaulted Obligation is the subject of a work-out, modification or otherwise has cured the default such that the subject Loan Obligation is no longer in default pursuant to its terms (as such terms may have been modified), such Loan Obligation will no longer be treated as a Defaulted Obligation.

“Defaulted Obligation Exchange”: The meaning specified in Section 12.1(a) hereof.

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

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

“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(l) 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 Loan Obligation Manager or the Issuer, based in part on expenses incurred by the Trustee and reported to the Loan Obligation 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 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 Loan Obligation, other than a Closing Date Loan Obligation, whether an Additional Loan Obligation or a Replacement Loan Obligation, acquired by the Issuer after the Closing Date, compliance

with which shall be evidenced by an Officer's Certificate of the Loan Obligation 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 a Multi-Family, Industrial, Retail, Self-Storage or Office Property;
- (ii) with respect to (I) any Additional Loan Obligation, as of the Portfolio Finalization Date and (II) any Replacement Loan Obligation, immediately after giving effect to the acquisition of such Replacement Loan Obligation, the Principal Balance of the Loan Obligations secured by Industrial, Retail, Self-Storage and Office Properties do not exceed in the aggregate 20% of the aggregate Principal Balance of all Loan Obligations;
- (iii) with respect to (I) any Additional Loan Obligation, as of the Portfolio Finalization Date and (II) any Replacement Loan Obligation, immediately after giving effect to the acquisition of such Replacement Loan Obligation, the Principal Balance of the Loan Obligations secured by Self-Storage Properties do not exceed in the aggregate 5% of the aggregate Principal Balance of all Loan Obligations;
- (iv) the obligor is incorporated or organized under the laws of, and the Loan Obligation is secured by property located in, the United States;
- (v) it was originated after June 2013;
- (vi) it provides for monthly payments of interest at a floating rate of interest based on one-month LIBOR;
- (vii) it has a Moody's Rating;
- (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 its origination date;
- (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 (i) in the case of a Loan Obligation secured by Multi-Family Properties, 1.25x, and (ii) in the case of a Loan Obligation secured by Industrial, Retail, Office or Self-Storage Properties, 1.30x;
- (xii) the Principal Balance of such Loan Obligation is not greater than U.S.\$31,000,000;

(xiii) (I) with respect to the Additional Loan Obligations, as of the Portfolio Finalization Date and (II) with respect to any Replacement Loan Obligation, immediately after giving effect to the acquisition of such Replacement Loan Obligation:

(A) the Weighted Average Life of all the Loan Obligations is not greater than 4.50 years from the Closing Date;

(B) the Weighted Average Spread of all the Loan Obligations is not less than 4.35%;

(C) the aggregate Principal Balance of all Loan Obligations allocated to all of the mortgaged properties located in any one state is no greater than 40% of the Portfolio Finalization Date Collateral Principal Balance; and

(D) the aggregate Principal Balance of all Loan Obligations divided by the number of Loan Obligations does not exceed U.S.\$20,000,000;

(xiv) with respect to each (1) Replacement Loan Obligation, the Moody's Rating Factor for such Replacement Loan Obligation is equal to or less than the Moody's Rating Factor attached to the initial Loan Obligation (i.e., Closing Date Loan Obligation or Additional Loan Obligation) that generated the Principal Proceeds that are being applied to the purchase such Replacement Loan Obligations; and (2) Additional Loan Obligation, the Moody's Rating for such Loan Obligation is equal to or better than the Moody's Rating that equates to the median Moody's Weighted Average Rating Factor for all Loan Obligations acquired by the Issuer on the Closing Date;

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

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

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

(xviii) 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;

(xix) it is not an interest that, in the Loan Obligation Manager's reasonable business judgment, has a significant risk of declining in credit quality or, with lapse of time or notice, becoming a Defaulted Obligation;

- (xx) it is not a Defaulted Obligation (as determined by the Loan Obligation Manager after reasonable inquiry);
- (xxi) it is Dollar denominated and may not be converted into an obligation payable in any other currencies;
- (xxii) if such Loan Obligation 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;
- (xxiii) 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;
- (xxiv) 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;
- (xxv) the requirements set forth in Section 16.3 hereof have been met (subject to such exceptions as are reasonably acceptable to the Loan Obligation Manager);
- (xxvi) 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; (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 (if rated by DBRS, 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 CDO 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);
- (xxvii) its acquisition will be in compliance with Section 206 of the Advisers Act;
- (xxviii) 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 an appropriate tax opinion has previously been received from Cadwalader, Wickersham & Taft 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 activity of the Issuer and/or the Loan Obligation Manager on behalf of the Issuer);

(xxix) 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 Loan Obligation 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 Loan Obligation does not constitute a “voting security” for purposes of the 1940 Act or (y) the aggregate amount of such Loan Obligation held by the Issuer is less than 10% of the entire issue of such Loan Obligation;

(xxx) 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 Loan Obligation 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;

(xxxi) with respect to each Additional Loan Obligation, the Principal Balance of (1) the largest Additional Loan Obligation is equal to or less than U.S.\$25,000,000 and (2) the second-largest Additional Loan Obligation is equal to or less than U.S.\$20,000,000;

(xxxii) a No Downgrade Confirmation has been received from DBRS prior to the acquisition of each Additional Loan Obligation and Replacement Loan Obligation;

(xxxiii) after giving effect to its acquisition, together with the acquisition of any other Loan Obligations to be acquired on the same date, the aggregate outstanding principal amount of Loan Obligations held by the Issuer that are Retention Holder Originated Loan Obligations is in excess of 50% of the aggregate outstanding principal amount of Loan Obligations held by the Issuer;

(xxxiv) if it is a Non-Controlling Participation, its acquisition will not (1) cause the aggregate Principal Balance of all Non-Controlling Participations to exceed 15% of the aggregate Principal Balance of all Loan Obligations 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 Obligation) to exceed the Weighted Average Life of all of the other Loan Obligations (such determination to be calculated both on an initial maturity date and an final extended maturity basis); and

(xxxv) 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 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 (vi) 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 or other disregarded entity of a REIT (unless the Issuer has previously received an opinion of Cadwalader, Wickersham & Taft LLP or another nationally recognized tax counsel experienced in such matters opining that the Issuer will be treated as a foreign corporation not engaged in a trade or business in the United States for U.S. federal income tax purposes, 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 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 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation Manager), on and after July 21, 2015 (or such later date as may be determined by the Issuer and the Loan Obligation Manager based upon such advice), Eligible Investments may only include obligations or securities that constitute cash equivalents for purposes of the rights and assets in paragraph

.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.

“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 Obligation”: The meaning specified in Section 12.1(a)(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.

“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.

“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.

“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.

“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.

"Industrial Property": A real property with industrial rental units (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 Maturity Date": With respect to any Loan Obligation, (i) the maturity date of such Loan Obligation without giving effect to any exercised extension options available under the terms of such Loan Obligation, or (ii) if the related borrower has exercised an extension option, the maturity date of such Loan Obligation after giving effect to the exercised extension option, but without giving effect to any additional extension option available under the terms of such Loan Obligation.

"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.

"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 Loan Obligations (excluding, subject to clause (3) below, accrued and unpaid interest on Defaulted Obligations); provided that no interest (or dividends or other distributions) will be included with respect to any Loan Obligation to the extent that such Loan Obligation 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 Loan Obligation Manager Fees that the Loan Obligation Manager has agreed to waive in accordance with this Indenture and the Loan Obligation 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 B Notes payable immediately following such Measurement Date, plus (iv) any Class B Defaulted Interest Amount payable on the Payment Date immediately following such Measurement Date, plus (v) the scheduled interest on the Class C Notes payable immediately following such Measurement Date, plus (vi) any Class C 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 Notes remain Outstanding if the Interest Coverage Ratio as of such Measurement Date is equal to or greater than 120.00%.

“Interest Distribution Amount”: Each of the Class A Interest Distribution Amount, the Class B Interest Distribution Amount and the Class C 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 Loan Obligation or an Eligible Investment) or other distributions received during the related Due Period on all Loan Obligations other than Defaulted Obligations (net of the Servicing Fee and other amounts payable in accordance with the Servicing Agreement) and Eligible Investments, including, in the Loan Obligation Manager’s commercially reasonable discretion (exercised as of the trade date), the accrued interest received in connection with a sale of such Loan Obligations or Eligible Investments (to the extent such accrued interest was not applied to the purchase of Replacement Loan Obligations), 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 Loan Obligation 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 Loan Obligations and Eligible Investments (other than, in each such case, fees and commissions received in connection with the restructuring of a Defaulted Obligation or default of Loan Obligations and Eligible Investments), (4) those funds in the Expense Account designated as Interest Proceeds by the Loan Obligation 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 Obligation, (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 Loan Obligation to the extent such proceeds are designated “Interest Proceeds” by the Loan Obligation 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 2016-FL1, Ltd., an exempted company incorporated under the laws of the Cayman Islands with limited liability, 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 Loan Obligation Manager. An Issuer Order may be provided in an email (or other electronic communication) unless the Trustee requests otherwise.

“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 Loan Obligation 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.

“List”: The meaning specified in Section 12.4(a)(ii) hereof.

“Listed Bidders”: The meaning specified in Section 12.4(a)(ii) hereof.

“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).

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

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

“Loan Obligation File”: The meaning set forth in Section 3.3(d).

“Loan Obligation Manager” or “ARCM”: 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 Loan Obligation Manager pursuant to the provisions of the Loan Obligation Management Agreement and thereafter “Loan Obligation Manager” shall mean such successor Person.

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

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

“Loan Obligation Purchase Agreement”: Any Loan Obligation Purchase agreement entered into on or about the Closing Date and any other Loan Obligation 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.

“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 breach of representation or warranty with respect to any Loan Obligation pursuant to the Loan Obligation Purchase Agreement in an amount that the Loan Obligation 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 of the aggregate liquidation preference of outstanding Preferred Shares.

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

“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.

“Measurement Date”: Any of the following: (i) the Closing Date, (ii) the date of acquisition or disposition of any Loan Obligation, (iii) any date on which any Loan Obligation becomes a Defaulted Obligation, (iv) each Determination Date, (v) the Portfolio Finalization 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.

“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 Portfolio Finalization Date Deemed Rating Confirmation”: A deemed written confirmation from Moody’s of the ratings assigned by Moody’s to the Notes on the Closing Date.

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

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

<u>Moody’s Rating</u>	<u>Moody’s Rating Factor</u>	<u>Moody’s Rating</u>	<u>Moody’s Rating Factor</u>
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 Loan Obligation, 60%, except that with respect to the 160 Van Brunt Loan Obligation, the Moody’s Recovery Rate will be 55% and with respect to the Riverline Self Storage Loan Obligation and the Longtown Self Storage Loan Obligation, the Moody’s Recovery Rate will be 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 Loan Obligation (excluding Defaulted Obligations) by its Moody’s Rating Factor and (ii) dividing such sum by the aggregate outstanding Principal Balance of all such Loan Obligations and rounding the result up to the nearest whole number.

“Multi-Family Property” A real property with five or more residential rental units (including mixed use multi-family/office and multi-family/retail) 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) of:

- (i) the Aggregate Principal Balance on such Measurement Date of the Loan Obligations (other than Defaulted Obligations);
- (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; and
- (iii) with respect to each Defaulted Obligation, the Calculation Amount of such Defaulted Obligation;

provided, however, that (A) with respect to each Defaulted Obligation that has been owned by the Issuer for more than three years after becoming a Defaulted Obligation, the Principal Balance of such Defaulted Obligation shall be zero for purposes of computing the Net Outstanding Portfolio Balance, and (B) with respect to each Defaulted Obligation as to which the Loan Obligation Manager has delivered written notice to the Issuer and the Trustee of its intent to engage in either (1) Credit Risk/Defaulted Obligation Cash Purchase or (2) an exchange for an Exchange Obligation, the Loan Obligation Manager will have 45 days to exercise such purchase or exchange and during such period such Loan Obligation will not be treated as a Defaulted Obligation 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.

“Non-Acquired Participation”: With respect to any Senior Participation acquired by the Issuer, any related participation interest (whether a Senior 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 March 2019 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 Holder”: The meaning specified in Section 2.13(b) hereof.

“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 Loan Obligation.

“Note Liquidation Event”: The meaning specified in Section 12.1(d) hereof.

“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.

“Note Interest Rate”: With respect to the Class A Notes, the Class B Notes and the Class C Notes, the Class A Rate, the Class B Rate and the Class C Rate, respectively.

“Notes”: The Class A Notes, the Class B Notes and the Class C 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.\$74,750,000.

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

“NRSRO Certification”: A certification substantially in the form of Exhibit H 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.

“Offering Memorandum”: The Offering Memorandum, dated August 5, 2016, 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 Loan Obligation 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 Loan Obligation 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 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.

“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 Loan Obligation Manager under the Loan Obligation Management Agreement or this Indenture, Notes owned by the Loan Obligation 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 Loan Obligation Manager or any other obligor upon the Notes or any Affiliate of the Issuer, the Co-Issuer, the Loan Obligation 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 of the aggregate outstanding principal amount of the Class A Notes, the Class B Notes and the Class C 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 Notes remain Outstanding if the Par Value Ratio on such Measurement Date is equal to or greater than 128.87%.

"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 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 October 17, 2016, 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 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.

“Permitted Exchange Security”: A bond, note or other security received by the Issuer in connection with the workout, restructuring or modification of a Loan Obligation that is a loan.

“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 August 5, 2016 by and among the Issuer, the Co-Issuer and the Placement Agent.

“Pledged Loan Obligation”: On any date of determination, any Loan Obligation that has been Granted to the Trustee and not been released from the lien of this Indenture pursuant to Section 10.12 hereof.

“Portfolio Finalization 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 Loan Obligations is at least equal to the Portfolio Finalization Date Collateral Principal Balance and (iii) the date that the Loan Obligation Manager determines, in its sole discretion, and notifies the Trustee of such determination, that investment in Additional Loan Obligations is no longer practical or desirable.

“Portfolio Finalization Date Collateral Principal Balance”: U.S.\$325,000,000.

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

“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 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 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 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 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 Loan Obligation or Eligible Investment, as of any date of determination, the outstanding principal amount of such Loan Obligation 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 Obligation also will be deemed to include the unfunded portion of such RDD Obligation on deposit in the RDD Funding Account.

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

“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 Loan Obligation or an Eligible Investment) and (b) Loan Obligations as a result of (i) a maturity, scheduled amortization or mandatory prepayment on a Loan Obligation, (ii) optional prepayments made at the option of the related borrower, (iii) recoveries on Defaulted Obligations

or (iv) any other principal payments received with respect to Loan Obligations, (2) all fees and commissions received during such Due Period in connection with Defaulted Obligations and Eligible Investments and the restructuring or default of such Defaulted Obligations and Eligible Investments, (3) any interest received during such Due Period on such Loan Obligations 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 Loan Obligations 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 Loan Obligation 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 Obligations, (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 Obligations 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 Loan Obligations and Eligible Investments that are not included in Interest Proceeds (10) after the Portfolio Finalization 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 Replacement Loan Obligations if the Issuer is permitted to purchase Replacement Loan Obligations 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 Loan Obligation against its name in Schedule A attached hereto.

“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.

“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;
 - (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 Obligations, 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 Obligation”: Any Loan Obligation 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(i) 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 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 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; 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 (10) of Section 11.1(a)(i) and clauses (1) through (7) 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 S attached hereto.

“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 registered office agreement dated August 18, 2016 between the Issuer and MaplesFS Limited as registered office provider, as modified, supplemented and in effect from time to time.

“Registered Security”: The meaning specified in Section 3.3(a)(iii) hereof.

“Regulation S”: Regulation S under the Securities Act.

“Regulation S Global Security”: The meaning specified in Section 2.2(b)(ii) 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 Loan Obligation 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 Loan Obligation Manager will select, in its reasonable discretion, a comparable interest rate index.

“REIT”: A “real estate investment trust” under the Code.

“Replacement Loan Obligation”: Any Loan Obligation that is acquired after the Closing Date that satisfies the Eligibility Criteria and the Replacement Criteria in accordance with the terms of Section 12.2(a) hereof.

“Replacement Criteria”: The meaning specified in Section 12.2(a) hereof.

“Replacement 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 end of the Due Period related to the Payment Date in September 2019; (ii) the end of the Due Period related to 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.

“Repurchase Price”: The meaning specified in Section 16.3(c) hereof.

“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).

“Retention Holder”: The meaning specified in Section 10.11(c)(xxxi) hereof.

“Retention Holder Originated Loan Obligations”: A Loan Obligation that the Retention Holder either (i) has purchased or will purchase for its own account prior to selling or

transferring such Loan Obligation to the Issuer or (ii) itself or through related entities, directly or indirectly, was involved in the original agreement which created such Loan Obligation.

“Risk Retention Letter”: That certain risk retention letter delivered by Arbor Parent and ARMS Equity to the Issuer, the Co-Issuer, the Loan Obligation Manager, the Trustee and the Placement Agent, dated August 18, 2016.

“Rule 17g-5”: The meaning specified in Section 14.13 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 Loan Obligations and Eligible Investments as a result of sales of such Loan Obligations 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 Loan Obligation Manager or the Trustee in connection with any such sale.

“Schedule of Closing Date Loan Obligations”: The Loan Obligations 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 Loan Obligation.

“Scheduled Distribution”: With respect to any Loan Obligation 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 Loan Obligation 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 Noteholders and the Loan Obligation 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.

“Securities Intermediary”: The meaning specified in Section 8-102(a)(14) of the UCC.

“Security Entitlement”: The meaning specified in Section 8-102(a)(17) of the UCC.

“Security”: Any Note or Preferred Share or, collectively, the Notes and Preferred Shares, as the context may require.

“Self-Storage Property”: A real property with self-storage rental units as to which the majority of the underwritten revenue is from self-storage rental units.

“Seller”: The meaning specified in the applicable Loan Obligation Purchase Agreement.

“Senior AB Participation”: A Loan Obligation 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 Loan Obligation that is a participation interest in an Underlying Whole Loan 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 Loan Obligation that is a senior participation interest (including A Notes and senior or *pari passu* participation interests) in an Underlying Whole Loan pursuant to a Senior AB Participation, in which the related Junior Participation is a Non-Acquired Participation.

“Sensitive Asset”: means (i) a Loan Obligation, 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 Loan Obligation or portion thereof, in either case, as to which the Loan Obligation 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 Loan Obligation Manager and the CLO Servicer, as amended, supplemented or otherwise modified from time to time in accordance with its terms.

“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.

“Specified Person”: The meaning specified in Section 2.6(a) hereof.

“Stated Maturity Date”: The Payment Date occurring in September 2026.

“Tax Event”: (i) Any borrower is, or on the next scheduled payment date under any Loan Obligation, will be, required to deduct or withhold from any payment under any Loan Obligation 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 (10) of Section 11.1(a)(i) and to redeem all Notes at their applicable Redemption Prices.

“Transaction Documents”: This Indenture, the Loan Obligation Management Agreement, the Loan Obligation Purchase Agreements, the Placement Agreement, the Company Administration Agreement, the Preferred Share Paying Agency Agreement, the Servicing Agreement, the Collateral Administration Agreement and the Securities Account Control Agreement.

“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 Security”: 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 Loan Obligation or Eligible Investment has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Loan Obligation or Eligible Investment or of which holders of such Loan Obligation or Eligible Investment are the beneficiaries.

“Underlying Mortgaged Property”: With respect to a Loan Obligation 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 Loan Obligation 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 Loan Obligation (or, in the case of a Senior Participation, the related Underlying Whole Loan) prior to the stated maturity date of such Loan Obligation (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.

“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 Loan Obligations (other than Defaulted Obligations), the number obtained by (i) summing the products obtained by multiplying (a) the Average Life at such time of each Loan Obligation (other than Defaulted Obligations) by (b) the outstanding Principal Balance of such Loan Obligation and (ii) dividing such sum by the Aggregate Principal Balance at such time of all Loan Obligations (other than Defaulted Obligations). For purposes of this definition, “Average Life” means, on any Measurement Date with respect to any Loan Obligation (other than a Defaulted Obligation), the quotient obtained by the Loan Obligation 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 Loan Obligation and (b) the respective amounts of such expected distributions of principal by (ii) the sum of all successive expected distributions of principal on such Loan Obligation.

“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 Loan Obligation (other than a Defaulted Obligation), the greater of (x) the current stated spread above LIBOR (net of any servicing fees and expenses) at which interest accrues on each such Loan Obligation and (y) if such Loan Obligation provides for a minimum interest rate payable thereunder, the excess, if any, of the minimum interest rate applicable to such Loan Obligation (net of any servicing fees and expenses) over LIBOR by (ii) the Principal Balance of such Loan Obligation as of such date, and (B) dividing such sum by the aggregate Principal Balance of all Loan Obligations (excluding all Defaulted Obligations).

“Whole Loan”: A commercial mortgage loan secured by a first-lien mortgage on a Multi-Family Property, a Retail Property, an Office Property, a Self-Storage Property or an Industrial 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 Loan Obligation 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 Loan Obligation 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 Loan Obligations 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 Loan Obligation (other than a Defaulted Obligation, 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 Loan Obligation or Eligible Investment (including all Sales Proceeds received during the Due Period and not reinvested in Replacement Loan Obligations or retained in the Principal Collection Account for subsequent 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 Loan Obligation 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 Par Value Ratio (1) an appraisal reduction of a Loan Obligation will be assumed to result in an implied reduction of Principal Balance for such Loan Obligation only if such appraisal reduction is intended to reduce the interest payable on such Loan Obligation and only in proportion to such interest reduction and (2) any Loan Obligation that has sustained an implied reduction of Principal Balance due to an appraisal reduction will not be considered a Defaulted Obligation solely due to such implied reduction.

(e) For purposes of calculating the Interest Coverage Ratio, (1) the expected interest income on the Loan Obligations 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 Obligation as to which the Loan Obligation Manager has delivered written notice to the Issuer and the Trustee of its intent to engage in either (x) Credit Risk/Defaulted Obligation Cash Purchase or (y) an exchange for an Exchange Obligation, the Loan Obligation Manager will have 45 days to exercise such purchase or exchange and during such period such Loan Obligation will not be treated as a Defaulted Obligation, (4) there will be excluded all scheduled or deferred payments of interest on or principal of Loan Obligations and any payment that the Loan Obligation Manager has determined in its reasonable judgment will not be made in cash or received when due and (5) with respect to any Loan Obligation 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).

(f) Each Scheduled Distribution receivable with respect to a Loan Obligation 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 Loan Obligation 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.

(g) 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 Loan Obligation or Eligible Investment rather than the date upon which such purchase or sale settles.

(h) 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 document or other written instruction (including by email or other electronic communication or file transfer protocol) from the Loan Obligation Manager on which the Trustee may rely.

(i) 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 Loan Obligation Manager may direct the Collateral Administrator, or the Collateral Administrator may request direction from the Loan Obligation 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 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 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 "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 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) IAs shall be issued in definitive form, 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 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 Notes initially sold to non-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 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 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.

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.\$250,250,000, 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 three Classes having designations and original principal amounts as follows:

Designation		Original Principal Amount
Class A Senior Secured Floating Rate Notes Due September 2026	U.S.\$	183,625,000
Class B Secured Floating Rate Notes Due September 2026	U.S.\$	22,750,000
Class C Secured Floating Rate Notes Due September 2026	U.S.\$	43,875,000

(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 \$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 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 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 Notes executed by the Issuer and the Co-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 shall cause to be kept a register (the “Notes Register”) in which, subject to such reasonable regulations as it may prescribe, the Issuer and 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 Register 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 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 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 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, 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.

(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, 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 non-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 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 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 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 D-2 attached hereto; or

(2) if the transferee is taking a Definitive Note, a duly completed transfer certificate in substantially the form of Exhibit D-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,
- (2) a written order given in accordance with DTC's procedures containing information regarding the participant account of DTC and the Euroclear or Clearstream 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 D-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 D-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 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 (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 D-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 a non-U.S. Person, 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 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 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 the Co-Issuer, if applicable, to the Trustee, the Trustee, at the direction of the Issuer and the Co-Issuer, if applicable, 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 D-1 hereto.

(h) Each beneficial owner of Rule 144A Global Securities shall be deemed to make the representations and agreements set forth in Exhibit D-2 hereto.

(i) Each Holder of Definitive Notes shall make the representations and agreements set forth in the certificate attached as Exhibit D-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) 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).

(l) If the Trustee determines or is notified by the Issuer, the Co-Issuer or the Loan Obligation 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 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 Loan Obligation Manager at a price determined by the Issuer or the Loan Obligation 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 Loan Obligation Manager shall be held responsible for any losses that may be incurred as a result of any required transfer under this Section 2.5(l).

(m) Each Holder of Notes approves and consents to (i) the initial purchase of the Loan Obligations by the Issuer from Affiliates of the Loan Obligation Manager on the Closing Date and (ii) any other transaction between the Issuer and the Loan Obligation Manager or its Affiliates that are permitted under the terms of this Indenture or the Loan Obligation Management Agreement.

(n) 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 an opinion of Cadwalader, Wickersham & Taft LLP or another nationally recognized tax counsel experienced in such matters that such transfer will not cause the Issuer to be treated as a foreign corporation engaged in a trade or business in the United States for federal income tax purposes or to otherwise become subject to federal income tax on a net income basis (or has previously received an opinion of Cadwalader, Wickersham & Taft 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 federal income tax purposes).

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 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.

In case any such mutilated, defaced, destroyed, lost or stolen Note has become due and payable, the Issuer and the Co-Issuer, if applicable, 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, if applicable, 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, if applicable, 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 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) and certain other amounts in accordance with the Priority of Payments.

(c) 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 and the Class B Notes (including any Class A Defaulted Interest Amount and any Class B Defaulted Interest Amount) and certain other amounts in accordance with the Priority of Payments.

(d) Upon any Optional Redemption, Tax Redemption or Clean-up Call, all net proceeds remaining after the sale of the Loan Obligations 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 (10) of Section 11.1(a)(i) and clauses (1) through (7) 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.

(e) 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.

(f) 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 B 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 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 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. 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.

(g) 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, Co-Issuer, the Trustee, 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 requested pursuant to this [Section 2.7\(g\)](#) and to update or replace such form or certification in accordance with its terms or its subsequent amendments. Furthermore, (i) if a Holder is a "foreign financial institution" or other foreign financial entity subject to FATCA or (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 requirements pursuant to clause (xii) of the representations and warranties set forth under the third paragraph of [Exhibit D-1](#) hereto, as deemed made pursuant to [Section 2.5\(g\)](#) hereto, or pursuant to clause (xiii) of the representations and warranties set forth under the third paragraph of [Exhibit D-2](#) hereto, as deemed made pursuant to [Section 2.5\(h\)](#) hereto, or pursuant to clause (xi) of the representations and warranties set forth under the third paragraph of [Exhibit D-3](#) hereto, made pursuant to [Section 2.5\(i\)](#) hereto, as applicable. In the event 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.

(h) 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.

(i) Subject to the provisions of Sections 2.7(a) through (h) and Section 2.7(l) 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).

(j) 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.

(k) 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.

(l) Interest accrued with respect to the Notes shall be calculated as described in the applicable form of Note attached hereto.

(m) 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.

(n) Notwithstanding anything contained in this Indenture to the contrary, the obligations of the Issuer and the Co-Issuer under the Notes, this Indenture and the other Transaction Documents are limited-recourse obligations of the Issuer and non-recourse obligations of the Co-Issuer payable solely from the Assets and following realization of the Assets, all obligations of the Co-Issuers 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.

(o) 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.

(p) Notwithstanding any of the foregoing provisions with respect to payments of principal of and interest on the Notes (but subject to Sections 2.7(f) and (l)), 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.

(q) Payments in respect of the Preferred Shares as contemplated by Sections 11.1(a)(i)(12) and 11.1(a)(ii)(8) 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 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 Loan Obligation 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) 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);

(ii) 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 D-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);

(iii) in the event that the Depository notifies the Issuer and the Co-Issuer 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 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 may execute and, upon Issuer Order, the Trustee shall authenticate and deliver, temporary Class A Notes, Class B Notes or Class C 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 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 B Notes or Class C 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 B Notes or Class C Notes, the Issuer and 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 B Notes or Class C 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 an opinion of Cadwalader, Wickersham & Taft LLP or another nationally recognized tax counsel experienced in such matters opining that the Issuer will be treated as a foreign corporation 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). 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 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(g).

Section 2.12 Authenticating Agents.

Upon the request of the Issuer and the Co-Issuer, 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 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.

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.

ARTICLE 3

CONDITIONS PRECEDENT; PLEDGED LOAN OBLIGATIONS

Section 3.1 General Provisions.

The Notes to be issued on the Closing Date shall be executed by the Issuer and the Co-Issuer 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 Loan Obligation 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 Cadwalader, Wickersham & Taft LLP, special U.S. counsel to the Co-Issuers, the Loan Obligation 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 Cadwalader, Wickersham & Taft 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;

(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 Loan Obligation 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;

(p) executed counterparts of the Loan Obligation Purchase Agreement, the Servicing Agreement, the Loan Obligation Management Agreement, the Advisory Committee Member Agreement, the Placement Agreement, the Preferred Share Purchase Agreement, the Preferred Share Paying Agency Agreement and the Securities Account Control Agreement;

(q) an Officer's Certificate from the Loan Obligation Manager confirming that Schedule A hereto correctly lists the Closing Date Loan Obligations 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 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 the Co-Issuer;

(t) the 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 Loan Obligations. 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 Closing Date Loan Obligations 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 Loan Obligation 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 Closing Date Loan Obligations 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 Closing Date Loan Obligation 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 Closing Date Loan Obligation 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;

(ii) the Issuer has acquired its ownership in such Closing Date Loan Obligation 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 Closing Date Loan Obligation (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 Closing Date Loan Obligation does not prohibit the Issuer from Granting a security interest in and assigning and pledging such Closing Date Loan Obligation to the Trustee;

(v) the information set forth with respect to each such Closing Date Loan Obligation in Schedule A is true correct;

(vi) the Closing Date Loan Obligations 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 Closing Date Loan Obligations 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 Closing Date Loan Obligation 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 Closing Date Loan Obligation 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 Closing Date Loan Obligations 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 B Notes have been rated at least "Baa2(sf)" by Moody's and "AA(sf)" by DBRS and (iii) the Class C 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.\$200,000.

(f) Deposit to Unused Proceeds Account. On the Closing Date, the Issuer shall deposit into the Unused Proceeds Account, U.S.\$49,577,500.

(g) 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 Securities Intermediary (in such capacity, the “Custodial Securities Intermediary”) to hold all Assets delivered to it in physical form at its office in St. Paul, Minnesota. Any successor to such 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, as a Securities Intermediary, shall hold all Loan Obligations in the Custodial Account, 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 and, in respect of each Account (other than the Payment Account and the Preferred Share Distribution Account), the Trustee shall have entered into a securities account control agreement with the Issuer, as debtor and the Custodial Securities Intermediary, as “securities intermediary” (within the meaning of Section 8-102(a)(14) of the UCC as in effect in the State of New York) and the Trustee, as secured party (the “Securities Account Control Agreement”) providing, *inter alia*, that the establishment and maintenance of such Account will be governed by a law satisfactory to the Issuer, the Trustee and the Custodial Securities Intermediary. 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 (vii) 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 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 Minnesota 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 Minnesota, 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) (the “Bearer Securities”), by the Issuer causing (A) the Trustee to obtain possession of such Bearer Securities in the State of Minnesota 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 Minnesota, 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.

(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, 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 Loan Obligation hereunder, the Issuer shall deliver (or cause to be delivered by the applicable Seller) to the Custodial Securities Intermediary, in each case to the extent specified on the Closing Document Checklist in the form of Exhibit E attached hereto for such Loan Obligation provided to the Custodial Securities Intermediary by the Issuer (or the applicable Seller) the following documents (collectively, the “Loan Obligation 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 US Bank 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;

(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 Loan Obligation otherwise included in the Loan Obligation 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 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 Loan Obligation;

(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;

(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 Loan Obligation;

(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 Loan Obligation 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 Custodial Securities Intermediary 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 Trustee shall constitute certification by the Trustee 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 Custodial Securities Intermediary; and (ii) such original note has been reviewed by the Custodial Securities Intermediary 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 Loan Obligation. The Trustee agrees to review or cause to be reviewed the Loan Obligation File within 30 days after the Closing Date, and to deliver to the Issuer, the CLO Servicer and the Loan Obligation Manager an Asset Detail Report and Trust Receipt, in the form of Exhibit F 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 Custodial

Securities Intermediary shall have no responsibility for reviewing the Loan Obligation File except as expressly set forth in this [Section 3.3\(e\)](#). Neither the Trustee nor the Custodial Securities Intermediary 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 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 Custodial Securities Intermediary shall (i) deliver to the Issuer and the Loan Obligation Manager a final exception report as to any remaining documents that are not in the Loan Obligation 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, Loan Obligation Manager or CLO Servicer, the Issuer shall deliver (or cause to be delivered) to the Custodial Securities Intermediary 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, Loan Obligation Manager or CLO Servicer, as applicable, shall have reasonably determined to be necessary or appropriate for the administration of such Loan Obligation hereunder or under the Loan Obligation 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 Custodial Securities Intermediary pursuant to clause (i) above, the Trustee shall deliver to the Loan Obligation Manager and the CLO Servicer, on behalf of the Issuer, a trust receipt in the form of [Exhibit F](#) acknowledging the receipt of such documents by the Custodial Securities Intermediary and that it is holding such documents subject to the terms of this Indenture; and

(iii) from time to time upon request of the Loan Obligation Manager or the CLO Servicer, the Custodial Securities Intermediary shall, upon delivery by the Loan Obligation Manager or the CLO Servicer of a duly completed request for release in the form of [Exhibit G](#) hereto, release to the Loan Obligation Manager or the CLO Servicer such of the Underlying Instruments then in its custody as the Loan Obligation Manager or the CLO Servicer reasonably so requests. By submission of any such request for release, the Loan Obligation Manager or the CLO Servicer, as applicable, shall be deemed to have represented and warranted that it has determined in accordance with the Loan Obligation Manager Standard or the Accepted Servicing Practices, respectively, set forth in the Loan Obligation Management Agreement or the Servicing Agreement, as the case

may be, that the requested release is necessary for the administration of such Loan Obligation hereunder or under the Loan Obligation Management Agreement or under the Servicing Agreement or for the protection of the security interest of the Trustee under this Indenture. The Loan Obligation Manager or the CLO Servicer shall return to the Custodial Securities Intermediary each Underlying Instrument released from custody pursuant to this clause (iii) within 20 Business Days of 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 Loan Obligation 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 Loan Obligation shall be released only for the purpose of (1) a sale, exchange or other disposition of such Pledged Loan Obligation that is permitted in accordance with the terms of this Indenture, (2) presentation, collection, renewal or registration of transfer of such Loan Obligation 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 Custodial Securities Intermediary 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;

(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 Custodial Securities Intermediary for the benefit of the Trustee, (B) the Issuer has received a written acknowledgement from the Custodial Securities Intermediary that the Custodial Securities Intermediary 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 Loan Obligation 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 Loan Obligation Manager hereunder and under the Loan Obligation 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 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 Loan Obligation 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 Cadwalader, Wickersham & Taft 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 Loan Obligation 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); 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 Loan Obligation 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 Loan Obligation Manager in its reasonable judgment) is less than the sum of 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 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 Loan Obligation 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 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; provided, in each case, that in the case of a failure to disburse funds due to an administrative error or omission by the Loan Obligation 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 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 clauses (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 Loan Obligation Manager has actual knowledge thereof or after notice thereof to the Issuer, the Co-Issuer and the Loan Obligation Manager by the Trustee or to the Issuer, the Co-Issuer, the Loan Obligation 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 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 the Noteholders are not otherwise materially adversely affected by the loss of Qualified REIT Subsidiary or disregarded entity status 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 (10) 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 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 Loan Obligations 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 Loan Obligation Manager has actual knowledge of the occurrence of an Event of Default, the Loan Obligation 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 Notes voting as a separate Class (excluding any Notes owned by the Loan Obligation Manager or any of its Affiliates or by any accounts managed by them), 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 Replacement 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 Replacement Period). If the Notes are accelerated, payments shall be made in the order and priority set forth in Section 11.1(a) hereof. If the Notes are accelerated (whether such acceleration is automatic or otherwise), the Issuer (or the Loan Obligation Manager on its behalf) shall take the actions described in Section 18.1(c) herein.

(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 Notes (voting as a separate Class), 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 Loan Obligation Management Agreement, any Loan Obligation Manager Fee then due and any Company Administrative Expense due and payable to the Loan Obligation 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.

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 B 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 B Note (but only after interest and principal with respect to the Class A Notes and interest with respect to the Class B 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 C Note (but only after interest with respect to the Class A Notes and 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 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 Issuer and Co-Issuer 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 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 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 or taken possession of the Issuer or the Co-Issuer, or 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 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;

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 Loan Obligation 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 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 Loan Obligation 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 agrees 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 Loan Obligation 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 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 Loan Obligation 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 Loan Obligation Manager shall obtain bid prices with respect to each

Pledged Loan Obligation from two dealers (Independent of the Loan Obligation Manager and any of its Affiliates) at the time making a market in such Loan Obligations (or, if there is only one market maker, then the Loan Obligation Manager shall obtain a bid price from that market maker or, if no market maker, from a pricing service). The Loan Obligation Manager shall compute the anticipated proceeds of sale or liquidation on the basis of the lowest of such bid prices for each such Pledged Loan Obligation and provide the Trustee with the results thereof. For the purposes of determining issues relating to the market value of any Pledged Loan Obligation 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 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(e) and 2.7(n)), 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 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
- (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 Loan Obligation 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).

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 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

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 Loan Obligation 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 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 Loan Obligation 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 and Independent accountants 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

(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 Loan Obligation 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 Loan Obligation 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.

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 Loan Obligation 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.

Section 6.3 Certain Rights of Trustee.

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 Loan Obligation 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 Loan Obligation Manager, personally or by agent or attorney during the Issuer's, the Co-Issuer's or the Loan Obligation 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 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 shall not be liable for the actions or omissions of the Loan Obligation Manager; 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 the Loan Obligation Manager with the terms hereof or the Loan Obligation Management Agreement, or to verify or independently determine the accuracy of information received by it from the Loan Obligation Manager (or from any selling institution, agent bank, trustee or similar source) with respect to the Loan Obligations;

(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 Loan Obligation 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) 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 Loan Obligation 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.

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.

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 (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 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 Loan Obligation 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 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.

(c) The Trustee, in its capacity as Trustee, Paying Agent, Calculation Agent, Transfer Agent, Custodial Securities Intermediary, Backup Advancing Agent and 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 provision shall survive termination of this Indenture.

(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 and no appointment of a successor Trustee pursuant to this Article 6 shall become effective until the acceptance of appointment by such successor Trustee under Section 6.10.

(b) The Trustee may resign at any time by giving written notice thereof to the Issuer, the Co-Issuer, the Loan Obligation 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 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 so resigning and one copy to the successor Trustee or Trustees, together with a copy to each Noteholder and the Loan Obligation Manager; provided that such successor Trustee 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 has been appointed pursuant to Section 6.10, by Act of a Majority of the Controlling Class. If no successor Trustee shall have been appointed and an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee, 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 may be removed (i) at any time by Act of at least 66-²/₃% of the Notes (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 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 and to the Issuer and the Co-Issuer.

(d) If at any time:

(i) the Trustee 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 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 of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its 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 (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 and the appointment of a successor Trustee.

(e) If the Trustee 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 Loan Obligation Manager, shall promptly appoint a successor Trustee. If the Issuer and the Co-Issuer shall fail to appoint a successor Trustee within 60 days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee may be appointed by Act of a Majority of the Controlling Class delivered to the Issuer, the Co-Issuer, the Loan Obligation Manager and the retiring Trustee. The successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede any successor Trustee proposed by the Issuer and the Co-Issuer. If no successor Trustee 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.

(f) The Issuer and the Co-Issuer shall give prompt notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first class mail, postage prepaid, to the Rating Agencies, the Preferred Shares Paying Agent, the Loan Obligation 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 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, the successor Trustee 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 appointed hereunder shall execute, acknowledge and deliver to the Issuer, the Co-Issuer, the Loan Obligation Manager, the CLO Servicer and the

retiring Trustee an instrument accepting such appointment. Upon delivery of the required instruments, the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of the retiring Trustee; but, on request of the Issuer and the Co-Issuer or a Majority of the Controlling Class or the Loan Obligation Manager or the successor Trustee, such retiring Trustee shall, upon payment of its charges then unpaid, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and amounts held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 6.7(d). Upon request of any such successor Trustee, 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 all such rights, powers and trusts.

No successor Trustee 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.

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 shall be a party, or any corporation or banking association succeeding to all or substantially all of the corporate trust business of the Trustee, 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-Issuer, as the case may be. The Issuer agrees to pay (but only from and to the extent of the Assets) to the extent funds are available therefor under the Priority of Payments, for any reasonable fees and expenses in connection with such appointment.

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 Loan Obligation 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 Loan Obligation 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 Loan Obligation Manager requests a release of an Asset in connection with any such action under the Loan Obligation 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

(e) there are no proceedings pending or, to the best knowledge of the Trustee, threatened against the Trustee before any Federal, state or other governmental agency, authority, administrator or regulatory body, arbitrator, court or other tribunal, foreign or domestic, which 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 Loan Obligation (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 Loan Obligation Manager. The Loan Obligation 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 Loan Obligation as to which a consent or waiver under the Underlying Instruments of such Loan Obligation (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 Loan Obligation in accordance with such Issuer Order. In the absence of any instruction from the Loan Obligation Manager, the Trustee shall not engage in any vote or take any action with respect to such a Loan Obligation.

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 shall duly and punctually pay the principal of and interest on each 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, and, with respect to the Preferred Shares, by the Issuer, to such Preferred Shareholder 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 Loan Obligation 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 the Co-Issuer, as provided above.

Section 7.2 Maintenance of Office or Agency.

The Issuer and the Co-Issuer 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 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 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.

Section 7.3 Amounts for Note Payments to be Held in Trust.

(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 on behalf of the Issuer and the Co-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 shall furnish, or cause the Notes Registrar to furnish, no later than the fifth calendar day after each Record Date a list, if necessary, 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 and "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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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);
- (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, 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 15, 2021 and (ii) every 60 months after such date, the Issuer (or the Loan Obligation Manager on behalf of the Issuer) shall deliver to the Trustee for the benefit of the Trustee, the Loan Obligation 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 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 Obligation 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 Loan Obligation 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 Loan Obligation Management Agreement by the Loan Obligation 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 Loan Obligation Manager or such other Person to perform, all of their obligations and agreements contained in the Loan Obligation 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 Loan Obligation except upon the sale or other liquidation of such Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 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 (A) 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 Arbor Parent, or (B) based on an Opinion of Counsel, 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 or otherwise subject to U.S. federal income tax on a net income basis;
- (xiii) except for any agreements involving the purchase and sale of Loan Obligations 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 Loan Obligation that by its terms permits the conversion from a LIBOR-based interest rate to a fixed interest rate, convert such Loan Obligation 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 Loan Obligations, 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 Loan Obligation Management Agreement, each Loan Obligation Purchase Agreement (including any Loan Obligation 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 Loan Obligation 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.

(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 Loan Obligation, Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 an opinion of Cadwalader, Wickersham & Taft LLP or another nationally recognized tax counsel experienced in such matters that such transfer, pledge or hypothecation will not cause the Issuer to be treated as a foreign corporation engaged in a trade or business in the United States for federal income tax purposes or to otherwise become subject to federal income tax on a net income basis (such opinion, a "No Entity-Level Tax Opinion"), or has previously received an opinion of Cadwalader, Wickersham & Taft 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 federal income tax purposes, which opinion may be conditioned, in each case, on compliance with certain restrictions on the investment or other activities of the Issuer and the Servicer on behalf of the Issuer).

(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 2017 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:

(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 Loan Obligation Management Agreement and the performance and observance of every covenant of this Indenture and the Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Cadwalader, Wickersham & Taft 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 Cadwalader, Wickersham & Taft 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.

Section 7.11 Successor Substituted.

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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 B Rate and Class C Rate and the related Class A Interest Distribution Amount, Class B Interest Distribution Amount and Class C 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 federal income tax purposes, unless (A) 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 Arbor Parent, or (B) based on an Opinion of Counsel, 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 or otherwise subject to U.S. federal income tax on a net income basis.

(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 Loan Obligation 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,

(ii) the Issuer would acquire or receive any asset in connection with a workout or restructuring of a Loan Obligation 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 Loan Obligation pursuant to a foreclosure or deed-in-lieu of foreclosure, or

(iv) any Loan Obligation 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 Loan Obligation to an existing Permitted Subsidiary, or (z) sell such Loan Obligation 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 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 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.

Section 7.16 Permitted Subsidiaries.

Notwithstanding any other provision of this Indenture, the Loan Obligation 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 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 Loan Obligation 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 Loan Obligation Manager receives or otherwise becomes aware of any request or demand whether oral or written that a Loan Obligation be repurchased or replaced arising from any breach of a representation or warranty made with respect to such Loan Obligation (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 Loan Obligation 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]" under Section 3.01(c) of the Servicing Agreement relating to Arbor Realty Commercial Real Estate Notes 2016-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 Loan Obligation 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 procedures set forth in Section 3.01(c) of the Servicing Agreement with respect to such Repurchase Request. If the Trustee, the Issuer or the Loan Obligation 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 Loan Obligation Manager on behalf of the Issuer, as applicable, shall promptly give notice of such withdrawal to the CLO Servicer.

Section 7.18 Purchase of Additional Loan Obligations.

The Issuer (or the Loan Obligation Manager on behalf of the Issuer) shall, prior to the Portfolio Finalization Date, use commercially reasonable efforts to apply amounts on deposit in the Unused Proceeds Account to purchase Additional Loan Obligations 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 Loan Obligation Manager on behalf of the Issuer) with respect thereto directing the Trustee to pay out the amount specified therein against delivery of the Additional Loan Obligation specified therein and a certificate of an Authorized Officer of the Issuer (or the Loan Obligation 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 Additional Loan Obligations, except for Closing Date Loan Obligations acquired during the Post-Closing Acquisition Period, the Eligibility Criteria are met with respect to the Additional Loan Obligations purchased. Each Additional Loan Obligation, except for Closing Date Loan Obligations acquired during the Post-Closing Acquisition Period, shall satisfy the applicable Eligibility Criteria.

Section 7.19 Portfolio Finalization Date Actions.

(a) The Issuer (or the Loan Obligation Manager on behalf of the Issuer) shall cause to be delivered to the Trustee and the Rating Agencies on the Portfolio Finalization Date an amended Schedule A listing all Loan Obligations Granted to the Trustee pursuant to Section 7.18 on or before the Portfolio Finalization Date and included in the Assets on the Portfolio Finalization Date, which schedule shall supersede any prior Schedule A delivered to the Trustee.

(b) Within 30 Business Days after the Portfolio Finalization Date, the Issuer shall provide, or (at the Issuer's expense) cause the Loan Obligation 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, maturity date and Moody's Rating with respect to each Additional Loan Obligation owned by the Issuer as of the Portfolio Finalization Date, and (y) confirming that, as of the Portfolio Finalization Date, the Note Protection Tests were satisfied (the "Portfolio Finalization Date Report") and (B) a certificate of the Loan Obligation 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 Portfolio Finalization Date Report and (y) certifying that each Additional Loan Obligation satisfied all of the Eligibility Criteria applicable to Additional Loan Obligations. If the Portfolio Finalization Date Report provided by the Collateral Administrator confirms that the immediately foregoing subclause (A) have been met, then a Moody's Portfolio Finalization Date Deemed Rating Confirmation shall occur. If, within such 30 Business Day period the Issuer, or the Loan Obligation Manager on behalf of the Issuer, fails to provide the items described in foregoing subclauses (A) and (B) or any rating assigned as of the Closing Date to any Class of 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 Loan Obligations to the Issuer in accordance with Section 12.2(c) of this Agreement.

For the avoidance of doubt, the Loan Obligation 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;

- (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 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 federal income tax purposes or otherwise subject to U.S. federal income tax on a net income basis, 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) reduce the minimum denominations required for transfer of the Notes (except as provided in [Section 8.2\(i\)](#));
- (xiv) modify the provisions of this Indenture with respect to reimbursement of Nonrecoverable Interest Advances if (a) the Loan Obligation 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 federal income tax purposes, as evidenced by an Opinion of Counsel;
- (xv) 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 Loan Obligation 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 Loan Obligation 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;

(xvi) 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 ;

(xvii) 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 Loan Obligation Manager; and

(xviii) make any modification or amendment determined by the Issuer or the Loan Obligation 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.

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 treatment of the Holders of the Notes as described in the Offering Memorandum under the heading "Certain U.S. Federal Income Tax Considerations" to any material extent or otherwise cause any of the statements described in the Offering Memorandum under the heading "Certain U.S. Federal Income Tax Considerations" to be inaccurate or incorrect to any material extent. 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 Loan Obligation 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 Cadwalader, Wickersham & Taft 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, 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:

- (i) conform this Indenture to the provisions described in the Offering Memorandum (or any supplement thereto);
- (ii) to correct any defect or ambiguity in this Indenture in order to address any manifest error in any provision of this Indenture; and

(iii) to conform this Indenture to any Moody's Test Modification in the manner set forth in Section 12.4 hereof.

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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation Manager adversely affect the Loan Obligation Manager, the Loan Obligation Manager shall not be bound (and the Issuer agrees that it will not permit any such amendment to become effective) unless the Loan Obligation Manager gives written consent to the Trustee and the Issuer to such amendment. The Issuer and the Trustee shall give written notice to the Loan Obligation Manager of any amendment made to this Indenture pursuant to its terms. In addition, the Loan Obligation 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 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 at the option of and at the direction of the Loan Obligation 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 (the “Clean-up Call Date”) on or after the Payment Date on which the Aggregate Outstanding Amount of the Notes has been reduced to 10% of the Aggregate Outstanding Amount of the 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 (the “Tax Redemption 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 the Co-Issuer, at the direction of the Loan Obligation 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 (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 Loan Obligation Manager or any Affiliate of the Loan Obligation Manager other than ARMS Equity in connection with an Optional Redemption.

(d) The election by the Loan Obligation Manager to redeem the Notes pursuant to a Clean-up Call shall be evidenced by an Officer’s Certificate from the Loan Obligation 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 or from the Loan Obligation Manager on behalf of the Issuer certifying that such conditions for a Tax Redemption have occurred. The election by the Loan Obligation Manager to redeem the Notes pursuant to an Optional Redemption shall be evidenced

by an Officer's Certificate from the Loan Obligation Manager on behalf of the 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 Loan Obligation Manager shall have certified to the Trustee that the Loan Obligation Manager, on behalf of the 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 Loan Obligation 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 the Co-Issuer shall (i) set the applicable Record Date and (ii) at least 45 days prior to the proposed Redemption Date, notify the Loan Obligation Manager, the Rating Agencies, the Preferred Share 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 the Co-Issuer at the direction of the Loan Obligation Manager up to the fourth Business Day prior to the scheduled Redemption Date by written notice to the Trustee, the Preferred Share Paying Agent, to each Holder of Notes to be redeemed, and the Loan Obligation Manager only if the Loan Obligation 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 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 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 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 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 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(g).

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 Notes shall be redeemed (a "Mandatory Redemption"), first from Interest Proceeds, net of amounts set forth in Section 11.1(a)(i)(1) through (7), 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 Redemption, the Issuer and the Co-Issuer shall certify or cause to be certified to the Rating Agencies and the Trustee whether the Note Protection Tests have been met.

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.

(b) The Trustee shall credit all Loan Obligations 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 Replacement Loan Obligations 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 Loan Obligation 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 Replacement Loan Obligations, 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 Loan Obligation 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 Loan Obligation Manager and the Issuer (or the Loan Obligation Manager on behalf of the Issuer) shall, within five Business Days of 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 Loan Obligation 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 Loan Obligation 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 certifying that such Scheduled Distributions or other proceeds constitute Loan Obligations or Eligible Investments.

(c) If prior to the occurrence of an Event of Default, the Issuer (or the Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Replacement Period (and up to 60 days thereafter to the extent necessary to acquire Loan Obligations pursuant to binding commitments entered into during the Replacement Period using Principal Proceeds received during or after the Replacement Period), the Loan Obligation 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 Loan Obligations selected by the Loan Obligation 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 Loan Obligation Manager for application to reinvestment in Replacement Loan Obligations (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 Loan Obligation Manager notifies the Trustee in writing that such Principal Proceeds are no longer so designated, (ii) the Loan Obligation Manager notifies the Trustee in writing that such Principal Proceeds are to be applied to the purchase of Replacement Loan Obligations in accordance with Section 12.2(a) and (iii) the later of (x) the first Business Day after the last day of the Replacement Period and (y) if after the last day of the Replacement Period, the last settlement date within 60 days of the last day of the Replacement Period with respect to the last Replacement Loan Obligation that the Issuer has entered into an irrevocable commitment to 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 clauses (4) through (8) of Section 11.1(a)(ii) or pursuant to 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.

Section 10.4 Unused Proceeds Account.

(a) The Trustee shall, on or prior to the Closing Date, establish a single, segregated trust account which shall be designated as 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 Portfolio Finalization 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 Portfolio Finalization Date.

(d) During the Post-Closing Acquisition Period, the Issuer (or the Loan Obligation 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 Additional Loan Obligations selected by the Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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) In the event any RDD Obligation is purchased by the Issuer, the Trustee will establish a Securities Account with the Custodial Securities Intermediary (the "RDD Funding Account") which shall be held in trust for the benefit of the Secured Parties, into which the Issuer will be required to deposit the full amount of all funding amounts with respect to such RDD Obligation. All amounts in the RDD Funding Account shall be deposited in overnight funds in Eligible Investments and released to fulfill such commitments. If a RDD Obligation 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 (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 at least equal to "A-1," "P-1" or "F1," as applicable, and the equivalent by DBRS (if rated by DBRS) (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 Obligations included in the Loan Obligations.

(c) The Loan Obligation 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 Obligation. 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 Obligations 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 Loan Obligation Manager under the Loan Obligation 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 the Closing Date, Arbor Parent or its Affiliates shall deposit into the Expense Account an amount equal to U.S.\$200,000. On or after the first Payment Date, any amount remaining in the Expense Account may, at the election of the Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 (10) 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 “AA (low)” 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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.

Section 10.9 Interest Advances.

(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 Notes in accordance with the Priority of Payments, are insufficient to remit the interest due and payable with respect to the Notes on the following Payment Date as a result of interest shortfalls on the Loan Obligations (the amount of such 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 Notes and (ii) the aggregate of the interest payments not received in respect of Loan Obligations. Notwithstanding the foregoing, in no circumstance will the Advancing Agent be required to make an Interest Advance in respect of a Loan Obligation to the extent that the aggregate outstanding amount of all unreimbursed Interest Advances would exceed the aggregate outstanding principal amount of the 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 Loan Obligation 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 Loan Obligation 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 Loan Obligations and has determined in its reasonable judgment that the recovery 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 B Notes and the Class C 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 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 B Notes and the Class C 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.

(e) The obligations of the Advancing Agent and the Backup Advancing Agent to make Interest Advances in respect of the Loan Obligations will continue through the Stated Maturity Date, unless the Class A Notes, the Class B Notes and the Class C 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 Loan Obligation.

(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 Loan Obligation 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 Loan Obligations 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 Loan Obligation Manager any information regularly maintained by the Trustee that the Issuer, the Co-Issuer, the Preferred Shares Paying Agent or the Loan Obligation 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 Loan Obligation Manager to perform its obligations under the Loan Obligation Management Agreement. The Trustee shall forward to the Loan Obligation Manager copies of notices and other writings received by it from the borrower with respect to any Loan Obligation advising the holders of such Loan Obligation 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 Loan Obligation 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 Loan Obligation Manager,

shall assist the Loan Obligation Manager in performing its duties under the Loan Obligation 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 Loan Obligations (the “Database”);
- (ii) permit access to the information contained in the Database by the Loan Obligation Manager and the Issuer;
- (iii) on a monthly basis monitor and update the Database for ratings changes;
- (iv) update the Database for Loan Obligations or Eligible Investments acquired or sold or otherwise disposed of;
- (v) prepare and arrange for the delivery to the Rating Agencies, the Loan Obligation 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 Loan Obligation 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 Loan Obligation Manager of the Redemption Date Statement;
- (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 Loan Obligation 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 and 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 Loan Obligations and Eligible Investments included in the Assets based in part on information provided by the Loan Obligation Manager:

- (i) the Aggregate Principal Balance of all Loan Obligations, together with a calculation, in reasonable detail, of the sum of (A) the Aggregate Principal Balance of all Loan Obligations (other than Defaulted Obligations) plus (B) the Principal Balance of each Asset which is a Defaulted Obligation;
- (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 Loan Obligation and each Eligible Investment that is part of the Assets, its Principal Balance, annual interest rate, average life, borrower and Moody's Rating;
- (v) the identity of each Loan Obligation that was sold or disposed of pursuant to Section 12.1 (indicating whether such Loan Obligation is a Defaulted Obligation or a Credit Risk Obligation (in each case, as reported in writing to the Issuer by the Loan Obligation Manager) and whether such Loan Obligation 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;
- (vi) the identity of each Loan Obligation which became a Defaulted Obligation or a Credit Risk Obligation since the date of determination of the last Monthly Report;
- (vii) the Aggregate Principal Balance of all Loan Obligations 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 Loan Obligation 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 Loan Obligation Manager, the Average Life of each Loan Obligation and the Weighted Average Life of all the Loan Obligations;

- (xi) based upon information supplied by the Loan Obligation Manager, the Moody's Rating Factor of each Loan Obligation and the Moody's Weighted Average Rating Factor;
- (xii) the Principal Balance of each Loan Obligation that is on credit watch with negative implications;
- (xiii) the Principal Balance of each Loan Obligation 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 Loan Obligation 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 Loan Obligations) of the Loan Obligations 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 Loan Obligations in the related Due Period, the reinvestment of such proceeds in Eligible Investments during such Due Period and the Loan Obligations 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 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 B Interest Distribution Amount and the Class C 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 Loan Obligation Manager, the Company Administrative Expenses on an itemized basis, the Loan Obligation Manager Fee payable by the Issuer on the related Payment Date;
- (xxii) with the assistance of the Loan Obligation Manager as set forth in Section 10.11(f), (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 Loan Obligation 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 Loan Obligation that was sold or disposed of pursuant to Section 12.1 (indicating whether such Loan Obligation is a Defaulted Obligation or Credit Risk Obligation or otherwise (in each case, as reported in writing to the Issuer by the Loan Obligation Manager) and whether such Loan Obligation 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;

(xxviii) the identity of each Loan Obligation which became a Defaulted Obligation or a Credit Risk Obligation since the date of determination of the last Monthly Report; and

(xxix) subject to the availability of such information to the Loan Obligation Manager and the delivery of such information by the Loan Obligation Manager to the Collateral Administrator, with respect to each Loan Obligation on a semi-annual basis, the net cash flow on each real property underlying or related to such Loan Obligation;

(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 Loan Obligation 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 Loan Obligations, except to the extent permitted in accordance with Article 405(1); and

(xxxii) such other information as the Loan Obligation Manager, the Collateral Administrator or the Trustee may reasonably request.

(d) The Collateral Administrator, on behalf of the Issuer and upon request of the Loan Obligation 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 Loan Obligation Manager on each Measurement Date.

(e) Upon receipt of each Monthly Report and each Redemption Date Statement, the Loan Obligation 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 Loan Obligation Manager with respect to the Assets, or detail any discrepancies. If any discrepancy exists, the Collateral Administrator, the Issuer and the Loan Obligation 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 Loan Obligation 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 Loan Obligation Manager's records, the Monthly Report or Redemption Date Statement, as the case may be, or the Collateral Administrator's or the Loan Obligation 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 Loan Obligation 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 Loan Obligation Manager after giving effect to any revisions thereto in accordance with Section 10.11(f)) shall constitute instructions from the Loan Obligation 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 Loan Obligation Manager (which shall review such statement in the manner provided for in Section 10.11(f)), 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.

Section 10.12 Release of Loan Obligations: Release of Assets.

(a) If no Event of Default has occurred and is continuing and subject to Article 12 hereof, the Issuer (or the Loan Obligation Manager on behalf of the Issuer) may direct the Trustee to release such Pledged Loan Obligation 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 Loan Obligation certifying that (i) it has sold such Pledged Loan Obligation 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 Loan Obligations 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 Loan Obligation, 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation, certifying that such Pledged Loan Obligation is being paid in full, direct the Trustee, or at the Trustee's instructions, the Custodial Securities Intermediary, to deliver such Pledged Loan Obligation and the related Loan Obligation 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 Loan Obligation subject to a workout or restructured, the Issuer (or the Loan Obligation 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 Loan Obligation 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 Loan Obligation in the Principal Collection Account unless simultaneously applied to the purchase of Replacement Loan Obligations, subject to the Replacement 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 Loan Obligation, the Trustee on behalf of the Issuer will promptly notify the Loan Obligation 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 Loan Obligation, notwithstanding anything to the contrary in Section 5.5(a), the Trustee shall release of the related Loan Obligation and the related Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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, 2016), the Issuer shall cause to be delivered to the Trustee and the Loan

Obligation 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 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 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 Loan Obligation Manager on behalf of the Issuer) will instruct DTC to take these or similar steps with respect to the Rule 144A Global Securities:

(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 Notes by the Co-Issuers.

ARTICLE 11

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;

(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) 0.022% *per annum* of the Aggregate Collateral Balance and (ii) U.S.\$10,000 *per annum*, (c) *third*, to the payment of other accrued and unpaid Company Administrative Expenses of the Trustee, 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 Loan Obligations and only to the extent such fees were not previously retained by the CLO Servicer out of amounts collected in respect of the Loan Obligations 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 Loan Obligation Manager Fee and any previously due but unpaid Loan Obligation Manager Fees (but only in the event that Arbor Realty Collateral Management, LLC or an affiliate thereof is not acting as Loan Obligation 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 B Interest Distribution Amount, plus, any Class B Defaulted Interest Amount;

(7) to the payment of the Class C Interest Distribution Amount, plus, any Class C Defaulted Interest Amount;

(8) if either of the Note Protection Tests are not satisfied as of the Determination Date relating to such Payment Date, to the payment of, *first*, principal on the Class A Notes, *second*, principal on the Class B Notes, and *third*, principal on the Class C Notes, in each case to the extent necessary to cause each of the Note Protection Tests to be satisfied or, if sooner, until the Class A Notes, Class B Notes and Class C Notes have been paid in full;

(9) on each Payment Date following the occurrence of a Rating Confirmation Failure, to the payment of principal of each Class of Notes, (i) *first*, to the Class A Notes, (ii) *second*, to the Class B Notes and (iii) *third*, to the Class C 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;

(10) to the payment of any Company Administrative Expenses not paid pursuant to clause (3) above in the order specified therein;

(11) upon direction of the Loan Obligation Manager, for deposit into the Expense Account in an amount not to exceed U.S.\$100,000 in respect of such Payment Date; and

(12) 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 payments 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 (8) 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 Portfolio Finalization Date, to the payment of principal, in an amount equal to all amounts remaining in the Unused Proceeds Account as of the Portfolio Finalization Date, (i) *first*, to the Class A Notes, (ii) *second*, to the Class B Notes and (iii) *third*, to the Class C 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)(9) is insufficient to cause the ratings assigned to each Class of 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 B

Notes and (iii) *third*, to the Class C 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 Replacement Period, so long as the Issuer is permitted to purchase Replacement Loan Obligations in accordance with Section 12.2, at the direction of the Loan Obligation Manager, the amount designated by the Loan Obligation Manager during the related Interest Accrual Period for payment of the purchase price of Replacement Loan Obligations;

(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 B Notes until the Class B Notes have been paid in full;

(7) to the payment of principal of the Class C Notes until the Class C Notes have been paid in full; and

(8) 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 payments of the Preferred Shares Distribution Amount subject to and in accordance with the provisions of the Preferred Share Paying Agency Agreement.

(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 B Interest Distribution Amount, plus, any Class B Defaulted Interest Amount;

- (6) to the payment in full of principal of the Class B Notes;
- (7) to the payment of the Class C Interest Distribution Amount, plus, any Class C Defaulted Interest Amount;
- (8) to the payment in full of principal of the Class C Notes; and
- (9) 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 payments 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 Loan Obligations, 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-term rating is at least equal to, "A2" 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, in each case, such lower rating as the applicable Rating Agency shall approve) and agrees to act as a Securities 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 LOAN OBLIGATIONS

Section 12.1 Sales of Loan Obligations.

(a) Except as otherwise expressly permitted or required by this Indenture, the Issuer shall not sell or otherwise dispose of any Loan Obligation. The Loan Obligation Manager, on behalf of the Issuer, acting pursuant to the Loan Obligation Management Agreement may direct the Trustee in writing to sell:

(i) any Defaulted Obligation at any time;

(ii) a Buy/Sell Interest at any time; and

(iii) any Credit Risk Obligation on or prior to the last day of the Replacement 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 Loan Obligation Manager that no further sales of Credit Risk Obligations shall be permitted. The Trustee shall sell any Loan Obligation in any sale permitted pursuant to this Section 12.1(a), as directed by the Loan Obligation Manager.

(b) In addition with respect to any Defaulted Obligation or Credit Risk Obligation permitted to be sold pursuant to Section 12.1(a), the Loan Obligation Manager may,

on behalf of the Issuer, instruct the Trustee to dispose of such Defaulted Obligation or Credit Risk Obligation in one of the following additional manners:

(i) by purchasing or causing its affiliate to purchase (x) such Credit Risk Obligation or Defaulted Obligation 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 Obligation Cash Purchase") (and no Advisory Committee consent will be required in connection with a Credit Risk/Defaulted Obligation Cash Purchase); or

(ii) upon disclosure to, and with the prior consent of, the Advisory Committee, directing the Issuer to exchange such Defaulted Obligation for (1) a substitute Loan Obligation owned by an affiliate of the Loan Obligation Manager that satisfies the Eligibility Criteria (such Replacement Loan Obligation, an "Exchange Obligation") or (2) a combination of an Exchange Obligation and cash (such exchange, a "Defaulted Obligation Exchange"); provided that:

(1) the sum of (1) the Principal Balance of such Exchange Obligation 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 Loan Obligation Manager, is equal to or greater than:

(2) the sum of (1) the Principal Balance of the Defaulted Obligation sought to be exchanged plus (2) all accrued and unpaid interest thereon.

If a Loan Obligation that is a Defaulted Obligation is not sold by the Issuer (at the direction of the Loan Obligation Manager) within three years of such Loan Obligation becoming a Defaulted Obligation, the Loan Obligation Manager, on behalf of the Issuer, will use its commercially reasonable efforts to sell such Loan Obligation 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 Loan Obligation Manager, on behalf of the Issuer, and acting pursuant to the Loan Obligation Management Agreement, may at any time direct the Trustee in writing to sell, and the Trustee shall sell in the manner directed by the Loan Obligation Manager in writing, any Loan Obligation 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 Loan Obligation 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 Loan Obligation pursuant to this Section 12.1(b) unless:

(1) the Loan Obligation Manager certifies to the Trustee that, in the Loan Obligation Manager's reasonable business judgment based on calculations included in the certification (which shall include the sales prices of the Loan

Obligations), the Sale Proceeds from the sale of one or more of the Loan Obligations 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.

(iii) in connection with an Optional Redemption, a Clean-up Call or a Tax Redemption, all the Loan Obligations to be sold pursuant to this Section 12.1(b) 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 Loan Obligation 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 Loan Obligation 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 (a "Note Liquidation Event") on the Stated Maturity Date of the Notes, the Issuer will, at the direction of the Loan Obligation Manager, be obligated to liquidate the portion of Loan Obligations sufficient to pay the remaining principal amount of and interest on the Notes on or before the Stated Maturity Date. The Loan Obligations to be liquidated by the Issuer will be selected by the Loan Obligation 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 Loan Obligation is subject to a workout and, in either case, the Loan Obligation Manager determines in accordance with the Loan Obligation Manager Standard that the sale of any such Loan Obligation is in the best interest of the Noteholders, the Loan Obligation Manager may, on behalf of the Issuer, direct the Trustee to sell such Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation Manager deems necessary or advisable in accordance with the Loan Obligation Manager Standard, the Issuer may, at the direction of the Loan Obligation 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 Loan Obligation to the Holder of the Preferred Shares or any Affiliate thereof.

Section 12.2 Replacement Loan Obligations.

(a) Except as provided in Section 12.3(c), during the Replacement Period (or within 60 days after the end of the Replacement Period with respect to reinvestments made pursuant to binding commitments to purchase entered into during the Replacement Period), Principal Proceeds received may, but are not required to, be reinvested in Replacement Loan Obligations (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 “Replacement Criteria”), as evidenced by an Officer’s Certificate of the Loan Obligation Manager on behalf of the Issuer delivered to the Trustee, delivered as of the date of the commitment to purchase such Replacement Loan Obligations:

- (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 Replacement Loan Obligations and (ii) if an Event of Default shall have occurred and be continuing, no Replacement Loan Obligation 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 Preferred Shares, it may contribute additional Cash, Eligible Investments and/or Loan Obligations 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 Replacement Period) may be reinvested by the Issuer in Replacement Loan Obligations 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 Loan Obligation Management Agreement; provided that (1) the Loan Obligation Manager shall not direct the Trustee to acquire any Replacement Loan Obligation for inclusion in the Assets from the Loan Obligation Manager or any of its Affiliates as principal or to sell any Loan Obligation from the Assets to the Loan Obligation Manager or any of its Affiliates as principal unless the transaction is effected in accordance with the Loan Obligation Management Agreement and (2) the Loan Obligation Manager shall not direct the Trustee to acquire any Replacement Loan Obligation for inclusion in the Assets from any account or portfolio for which the Loan Obligation Manager serves as investment adviser or direct the Trustee to sell any Loan Obligation to any account or portfolio for which the Loan Obligation Manager serves as investment adviser unless such

transactions comply with the Loan Obligation 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 Loan Obligation or Securities. The Trustee also shall receive, not later than the date of delivery of any Loan Obligation delivered after the Closing Date, an Officer's Certificate of the Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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

NOTEHOLDERS' 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 B Notes and the Class C Notes 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, 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 B Notes that the rights of the Holders of the Class C Notes 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, to the extent and in the manner provided in Section 11.1(a)(iii).

(c) 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.

(d) 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.

(e) 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 have been paid in full, the Holders of the Class B Notes shall be fully subrogated to the rights of the Holders the Class A 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.

(f) 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 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 the Class A 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.

(g) 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.

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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 2016-FL1, Ltd. at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1104 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 Loan Obligation 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 Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711, 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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, facsimile number: (212) 834-6250; Attention: CMBS.

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 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 Loan Obligation 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.

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 clause 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 Loan Obligation 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 Loan Obligations ("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-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 Condition to the Rating Agencies in accordance with the instructions for notices set forth in Section 14.3(h) hereof.

ARTICLE 15

ASSIGNMENT OF LOAN OBLIGATION PURCHASE AGREEMENTS AND LOAN MANAGEMENT AGREEMENT

Section 15.1 Assignment of Loan Obligation Purchase Agreements and the Loan Obligation 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 Loan Obligation Purchase Agreement (now or hereafter entered into) and the Loan Obligation 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 Loan Obligation 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.

(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 Loan Obligation Manager, as applicable, in the Loan Obligation Purchase Agreements and the Loan Obligation Management Agreement, as applicable, to the following:

(i) each of the Sellers and the Loan Obligation 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 Loan Obligation Manager pursuant to the applicable Article 15 Agreement;

(ii) each of the Sellers and the Loan Obligation Manager, as applicable, acknowledges that the Issuer is collaterally assigning all of its right, title and interest in, to and under the Loan Obligation Purchase Agreements and the Loan Obligation Management Agreement, as applicable, to the Trustee for the benefit of the Noteholders, and each of the Sellers and the Loan Obligation Manager, as applicable, agrees that all of the representations, covenants and agreements made by each of the Sellers and the Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan

Obligation 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;

(v) except as otherwise set forth herein and therein (including, without limitation, pursuant to Section 12 of the Loan Obligation Management Agreement), the Loan Obligation Manager shall continue to serve as Loan Obligation Manager under the Loan Obligation Management Agreement, notwithstanding that the Loan Obligation Manager shall not have received amounts due it under the Loan Obligation Management Agreement because sufficient funds were not then available hereunder to pay such amounts pursuant to the Priority of Payments. The Loan Obligation 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 Loan Obligation Manager under the Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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; REPLACEMENT LOAN OBLIGATIONS

Section 16.1 Reserved.

Section 16.2 Loan Obligation Purchase Agreements.

Following the Closing Date, unless a Loan Obligation Purchase Agreement is necessary to comply with the provisions of this Indenture, the Issuer may acquire Loan Obligations in accordance with customary settlement procedures in the relevant markets. In any event, the Issuer (or the Loan Obligation Manager on behalf of the Issuer) shall obtain from any

seller of a Loan Obligation, all Underlying Instruments with respect to each Loan Obligation that govern, directly or indirectly, the rights and obligations of the owner of the Loan Obligation with respect to the Loan Obligation and any certificate evidencing the Loan Obligation.

Section 16.3 Representations and Warranties Related to Replacement Loan Obligations.

(a) Upon the acquisition of a Replacement Loan Obligation by the Issuer, the related seller shall be required to make representations and warranties substantially in the form attached as Exhibit I hereto.

(b) The representations and warranties in Section 16.3(a) with respect to the acquisition of a Replacement Loan Obligation may be subject to any modification, limitation or qualification that the Loan Obligation Manager determines to be reasonably acceptable in accordance with the Loan Obligation Manager Standard; provided that the Loan Obligation 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 Replacement Loan Obligation during the period covered by the Monthly Report, which report may contain explanations by the Loan Obligation Manager as to its determinations.

(c) The Issuer (or the Loan Obligation 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 Loan Obligation 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 Loan Obligation repurchased (the "Repurchase Price") 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 Loan Obligation, discounted based on the percentage amount of any discount that was applied when such Loan Obligation was purchased by the Issuer, *plus* (ii) accrued and unpaid interest on such Loan Obligation, *plus* (iii) any unreimbursed advances, *plus* (iv) accrued and unpaid interest on advances on the Loan Obligation, *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 Loan Obligation Manager shall take such actions as are reasonably necessary to appoint the Loan Obligation 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 Loan Obligation Manager determines, in accordance with the Loan Obligation 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 Loan Obligation Manager determines otherwise. The Loan Obligation Manager shall deliver to the Trustee an Officer's Certificate certifying 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) (the "Purchase Option Purchase Price"), which amount shall be delivered by such Holder or its designee from its own funds to or upon the instruction of the Loan Obligation 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

ADVANCING AGENT

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).

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 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 Loan Obligation 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 Loan Obligation 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 Loan Obligation 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.

(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 Loan Obligation 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 Loan Obligation 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.

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 2016-FL1, LTD.,
as Issuer

By _____
Name:
Title:

In the presence of:

Witness:
Name:
Title:

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-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:

ARBOR REALTY SR, INC., as Advancing Agent

By: _____
Name:
Title:

Closing Date Loan Obligations**Part 1 — Loan Obligations Acquired on the Closing Date**

Loan Obligation	Unpaid Principal Balance(1)
160 Van Brunt Street	\$ 30,400,000
Madison at Adams Farm	\$ 28,500,000
Park Plaza	\$ 26,000,000
Matthews Crossing	\$ 23,500,000
Champions Club	\$ 19,820,000
440 West 47th Street	\$ 19,000,000
Grand Tower	\$ 18,500,000
Oaks of Kingsbridge	\$ 15,500,000
Highland Portfolio	\$ 15,300,000
Elkhart Portfolio	\$ 15,000,000
Sands at St. Lucie	\$ 12,000,000
McEver Vineyards	\$ 10,050,000
Brookside Manor Apartments	\$ 9,547,500
St. Andrews	\$ 8,430,000
Peachtree Place	\$ 8,270,000
Avalon Square	\$ 8,100,000
Riverline Self Storage	\$ 4,340,000
Longtown Self Storage	\$ 3,165,000
Total	\$ 275,422,500

(1) As of July 1, 2016

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 Loan Obligation Manager.

(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%).

List of Authorized Officers of Loan Obligation Manager

1. Ivan Kaufman
2. Paul Elenio
3. Fred Weber
4. Gene Kilgore
5. Andrew Guzewicz

Schedule C-1

**FORM OF CLASS A SENIOR SECURED FLOATING RATE NOTE DUE 2026
[REGULATION S] [RULE 144A] GLOBAL SECURITY**

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED OR QUALIFIED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND NEITHER THE ISSUER NOR THE CO-ISSUER HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT: (A) (I) TO, OR FOR THE ACCOUNT OR BENEFIT OF, A PERSON THAT IS BOTH (1)(X) A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), OR (Y) SOLELY IN THE CASE OF A NOTE ISSUED AS A DEFINITIVE NOTE, AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR", WITHIN THE MEANING OF CLAUSES (1), (2), (3), OR (7) OF RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT, OR AN ENTITY IN WHICH ALL OF THE EQUITY OWNERS ARE SUCH ACCREDITED INVESTORS, AND (2) A "QUALIFIED PURCHASER," AS DEFINED IN SECTION 2(a)(51) OF THE 1940 ACT AND THE RULES THEREUNDER (A "QUALIFIED PURCHASER"), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (OR, IN THE CASE OF NOTES HELD IN RELIANCE ON RULE 144A, NOT LESS THAN U.S.\$100,000) (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF) FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE; OR (II) TO AN INSTITUTION THAT IS NOT A "U.S. PERSON" IN AN "OFFSHORE TRANSACTION," AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF A GLOBAL SECURITY WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE CO-ISSUER, AS APPLICABLE, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME THE ISSUER AND THE CO-ISSUER, AS APPLICABLE, DETERMINE OR ARE NOTIFIED THAT THE HOLDER OF SUCH BENEFICIAL INTEREST IN SUCH GLOBAL SECURITY WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF SUCH INTEREST IN SUCH GLOBAL SECURITY VOID AND REQUIRE THAT SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER AND THE CO-ISSUER, AS APPLICABLE.

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE CO-ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

THIS NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS NOTE MAY NOT BE EXCHANGED OR TRANSFERRED IN WHOLE OR IN PART FOR A NOTE REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THAT DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

[AN INTEREST IN THIS NOTE MAY NOT BE HELD BY A PERSON THAT IS A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AT ANY TIME. IN ADDITION, AN INTEREST IN THIS NOTE MAY BE HELD ONLY THROUGH EUROCLEAR OR CLEARSTREAM, LUXEMBOURG AT ANY TIME.](1)

(1) Regulation S Global Securities.

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD.
ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC

CLASS A SENIOR SECURED FLOATING RATE NOTE DUE 2026

No. [Reg. S][144A]-
CUSIP No. [G0510T AA0](2)[03879B AA5](3)
ISIN: [USG0510TAA00](4) [US03879BAA52](5)

Up to
U.S.\$183,625,000

Each of ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD., a Cayman Islands exempted company with limited liability (the “Issuer”) and ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC, a Delaware limited liability company (the “Co-Issuer”) for value received, hereby promises to pay to CEDE & CO. or its registered assigns (a) upon presentation and surrender of this Note (except as otherwise permitted by the Indenture referred to below), the principal sum of up to ONE HUNDRED EIGHTY THREE MILLION SIX HUNDRED TWENTY FIVE THOUSAND United States Dollars (U.S.\$183,625,000), or such other principal sum as is equal to the aggregate principal amount of the Class A Notes identified from time to time on the records of the Trustee and Schedule A hereto as being represented by this [Rule 144A] [Regulation S] Global Security, on the Payment Date occurring in September 2026 (the “Stated Maturity Date”), to the extent not previously paid, in accordance with the Indenture referred to below unless the unpaid principal of this Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise and (b) the Class A Interest Distribution Amount allocable to this Note in accordance with the Indenture payable initially on October 17, 2016, and thereafter monthly on the 15th day of each calendar month (or if such day is not a Business Day, then on the next succeeding Business Day) (each, a “Payment Date”). Interest on the Class A Notes shall accrue at the Class A Note Interest Rate and shall be computed on the basis of the actual number of days in the related Interest Accrual Period divided by 360. The interest so payable on any Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) prior to the applicable Payment Date.

The obligations of the Issuer and the Co-Issuer under this Note and the Indenture are limited recourse obligations of the Issuer and non-recourse obligations of the Co-Issuer payable solely from the Loan Obligations and other Assets pledged by the Issuer as security for the Notes under the Indenture, and in the event the Loan Obligations and such other Assets are insufficient to satisfy such obligations, any claims of the Holders of the Notes shall be extinguished, all in accordance with the Indenture.

The payment of interest on this Note is senior to the payments of the principal of, and interest on, the Class B Notes, the Class C Notes and the Preferred Shares. So long as any Class A Notes are Outstanding, the Class B Notes, the Class C Notes and the Preferred Shares will receive payments only in accordance with the Priority of Payments. The principal of this Note shall be due and payable no later than the Stated Maturity Date unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise.

Payments in respect of principal and interest and any other amounts due on any Payment Date on this Note shall be payable by the Trustee or a Paying Agent, subject to any laws or regulations applicable thereto, 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

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- (2) For Regulation S Global Security.
 - (3) For Rule 144A Global Security.
 - (4) For Regulation S Global Security.
 - (5) For Rule 144A Global Security.

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, as provided in the Indenture.

Interest will cease to accrue on this Note, or in the case of a partial repayment, on such part, from the date of repayment or the Stated Maturity Date, unless payment of principal is improperly withheld or unless a Default is otherwise made with respect to such payments of principal.

Notwithstanding the foregoing, the final payment of interest and principal due on this Note shall be made only upon presentation and surrender of this Note (except as otherwise provided in the Indenture) at the Corporate Trust Office of the Trustee or at the office of the Paying Agent.

The Holder of this Note shall be treated as the owner hereof for all purposes.

Except as specifically provided herein and in the Indenture, neither the Issuer nor the Co-Issuer shall be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority thereof or therein.

Unless the certificate of authentication hereon has been executed by the Trustee or by the Authenticating Agent by the manual signature of one of their Authorized Officers, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Note is one of a duly authorized issue of Class A Senior Secured Floating Rate Notes Due 2026, of the Issuer and the Co-Issuer (the "Class A Notes"), limited in aggregate principal amount to U.S.\$183,625,000 issued under an indenture dated as of August 18, 2016 (the "Indenture") by and among the Issuer, the Co-Issuer, U.S. Bank National Association, as trustee (in such capacity and together with any successor trustee permitted under the Indenture, the "Trustee"), paying agent, calculation agent, transfer agent, custodial securities intermediary, backup advancing agent and notes registrar and Arbor Realty SR, Inc., as advancing agent. Also authorized under the Indenture are (a) up to U.S.\$22,750,000 Class B Secured Floating Rate Notes Due 2026 (the "Class B Notes") and (b) up to U.S.\$43,875,000 Class C Secured Floating Rate Notes Due 2026 (the "Class C Notes" and, together with the Class A Notes and the Class B Notes, the "Notes").

Concurrently with the issuance of the Notes, the Issuer also will issue preferred shares (the "Preferred Shares"), under the Issuer's memorandum and articles of association as part of its issued share capital.

Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Co-Issuer, the Trustee, the Advancing Agent, the Holders of the Notes and the Preferred Shares and the terms upon which the Notes and the Preferred Shares are, and are to be, executed, authenticated and delivered.

Payments of principal of the Class A Notes shall be payable in accordance with Section 11.1(a) of the Indenture.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

Pursuant to Section 9.1(a) of the Indenture, the Notes are subject to redemption by the Issuer at the direction of the Loan Obligation Manager (such redemption, a "Clean-up Call Redemption"), in whole but not in part, at a price equal to the applicable Redemption Price, upon notice given in the manner provided in the Indenture, on any Payment Date on or after the Payment Date on which the Aggregate Outstanding Amount of the Notes has been reduced to 10% of the Aggregate Outstanding Amount of the Notes on the Closing Date; *provided* that the funds available to be used for such redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(b) of the Indenture, the Notes and the Preferred Shares shall be redeemable, in whole but not in part, by Act of a Majority of the Preferred Shares 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; *provided* that that the funds available to be used for such Tax Redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(c) of the Indenture, the Notes and the Preferred Shares are subject to redemption, in whole but not in part, by the Issuer at a price equal to the applicable Redemption Prices, on any Payment Date occurring after the end of the Non-call Period at the direction of the Issuer (such redemption, an "Optional Redemption") by Act of a Majority of the Preferred Shares delivered to the Trustee; *provided* that the funds available to be used for such Optional Redemption will be sufficient to pay the Total Redemption Price.

Notes for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest on the applicable Redemption Date (unless the Issuer shall default in the payment of the Redemption Price and accrued interest thereon).

Pursuant to Section 9.5 of the Indenture, if any of the Note Protection Tests applicable to any Class of Notes is not satisfied as of the most recent Measurement Date the Notes shall be redeemed in accordance with the Priority of Payments set forth in the Indenture, only, and to the extent necessary, to cause each of the Note Protection Tests to be satisfied.

If an Event of Default shall occur and be continuing, the Class A Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

At any time after 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 provided in the Indenture, a Majority of each Class of Notes (voting as a separate Class), 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) of the Indenture, by written notice to the Issuer, the Co-Issuer and the Trustee, may rescind and annul such declaration and its consequences if certain conditions set forth in the Indenture are satisfied.

The Indenture may be amended and supplemented under the circumstances, and in accordance with the conditions, set forth therein.

The Notes are 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 \$500 in excess thereof.

The principal of each Note shall be payable on the Stated Maturity Date, unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise.

The term "Issuer" as used in this Note includes any successor-in-interest to the Issuer under the Indenture and the term "Co-Issuer" as used in this Note includes any successor-in-interest to the Co-Issuer under the Indenture.

Each purchaser and any subsequent transferee of this Note or any interest herein shall, by virtue of its purchase or other acquisition of this Note or any interest herein, be deemed to have agreed to treat this Note as debt for U.S. federal income tax purposes.

In connection with the purchase of this Note, the Holder and each beneficial owner thereof agrees that: (A) none of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Placement Agent, the Trustee, the Collateral Administrator or any of their respective affiliates is acting as a fiduciary or financial or investment advisor for such Holder or beneficial owner; (B) such Holder or beneficial owner is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates other than any statements in the final offering memorandum for such Notes, and such Holder or beneficial owner has read and understands such final offering memorandum;

(C) such Holder or beneficial owner has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates.

Each Holder, by its acquisition of an interest in the Notes, shall be deemed to have represented to the Issuer, the Co-Issuer, the Loan Obligation Manager, the CLO Servicer, the Placement Agent and the Trustee that either (A) no part of the funds being used to pay the purchase price for such Notes constitutes an asset of any "employee benefit plan" (as defined in Section 3(3) of ERISA) or "plan" (as defined in Section 4975(e)(1) of the Code) that is subject to Title I of ERISA or Section 4975 of the Code or any other employee benefit plan or plan which is subject to any federal, state or local law ("Similar Law") that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (each a "Benefit Plan"), or an entity whose underlying assets include plan assets of any such Benefit Plan, or (B) if the funds being used to pay the purchase price for such Notes include plan assets of any Benefit Plan, its purchase and holding will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or in the case of any Benefit Plan subject to Similar Law, will not constitute or result in a non-exempt violation of Similar Law.

Title to Notes shall pass by registration in the Register kept by the Trustee, acting through its Corporate Trust Office.

No service charge shall be made to a Holder for any registration of transfer or exchange of this Note, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

No right or remedy conferred herein or in the Indenture upon or reserved to the Trustee or to the Holder hereof 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 thereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder or under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

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.

THE HOLDER OF THIS NOTE AGREES NOT TO CAUSE THE FILING OF A PETITION IN BANKRUPTCY AGAINST THE ISSUER, THE CO-ISSUER OR ANY PERMITTED SUBSIDIARY IN ANY APPLICABLE OR RELEVANT 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.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THE NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the Co-Issuers have caused this Note to be duly executed.

Dated as of August 18, 2016

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LTD., as Issuer

By: _____
Name:
Title:

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LLC, as Co-Issuer

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authenticating Agent

A-1-8

ASSIGNMENT FORM

For value received _____

hereby sell, assign and transfer unto _____

Please insert social security or
other identifying number of assignee

Please print or type name
and address, including zip code,
of assignee:

the within Note and does hereby irrevocably constitute and appoint
substitution in the premises.

Attorney to transfer the Note on the books of the Issuer with full power of

Date:

Your Signature:

(Sign
exactly
as your
name
appears
on this
Note)

SCHEDULE A

EXCHANGES IN GLOBAL SECURITY

This Note shall be issued in the original principal balance of U.S.\$[•][•](7) on the Closing Date. The following exchanges of a part of this [Rule 144A] [Regulation S] Global Security have been made:

Date of Exchange	Amount of Decrease in Principal Amount of this Global Security	Amount of Increase in Principal Amount of this Global Security	Principal Amount of this Global Security following such decrease (or increase)	Signature of authorized officer of Trustee or securities Custodian

- (6) Rule 144A Global Security
- (7) Regulation S Global Security

**FORM OF CLASS A SENIOR SECURED FLOATING RATE NOTE DUE 2026
DEFINITIVE NOTE**

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED OR QUALIFIED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND NEITHER THE ISSUER NOR THE CO-ISSUER HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT: (A) (I) TO, OR FOR THE ACCOUNT OR BENEFIT OF, A PERSON THAT IS BOTH (1)(X) A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), OR (Y) SOLELY IN THE CASE OF A NOTE ISSUED AS A DEFINITIVE NOTE, AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR", WITHIN THE MEANING OF CLAUSES (1), (2), (3), OR (7) OF RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT, OR AN ENTITY IN WHICH ALL OF THE EQUITY OWNERS ARE SUCH ACCREDITED INVESTORS, AND (2) A "QUALIFIED PURCHASER," AS DEFINED IN SECTION 2(a)(51) OF THE 1940 ACT AND THE RULES THEREUNDER (A "QUALIFIED PURCHASER"), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (OR, IN THE CASE OF NOTES HELD IN RELIANCE ON RULE 144A, NOT LESS THAN U.S.\$100,000) (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF) FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE; OR (II) TO AN INSTITUTION THAT IS NOT A "U.S. PERSON" IN AN "OFFSHORE TRANSACTION," AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF A DEFINITIVE NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE CO-ISSUER, AS APPLICABLE, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME, THE ISSUER AND THE CO-ISSUER, AS APPLICABLE, DETERMINE OR ARE NOTIFIED THAT THE HOLDER OF SUCH NOTE WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF THIS NOTE VOID AND REQUIRE THAT THIS NOTE BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER AND THE CO-ISSUER, AS APPLICABLE.

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD.
ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC

CLASS A SENIOR SECURED FLOATING RATE NOTE DUE 2026

No. IAI-
CUSIP No. []
ISIN: []

U.S.\$[]

Each of ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD., a Cayman Islands exempted company with limited liability (the “Issuer”) and ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC, a Delaware limited liability company (the “Co-Issuer”) for value received, hereby promises to pay to [] or its registered assigns (a) upon presentation and surrender of this Note (except as otherwise permitted by the Indenture referred to below), the principal sum of [] United States Dollars (U.S.\$[]) on the Payment Date occurring in September 2026 (the “Stated Maturity Date”), to the extent not previously paid, in accordance with the Indenture referred to below unless the unpaid principal of this Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise and (b) the Class A Interest Distribution Amount allocable to this Note in accordance with the Indenture payable initially on October 17, 2016, and thereafter monthly on the 15th day of each calendar month (or if such day is not a Business Day, then on the next succeeding Business Day) (each, a “Payment Date”). Interest on the Class A Notes shall accrue at the Class A Note Interest Rate and shall be computed on the basis of the actual number of days in the related Interest Accrual Period divided by 360. The interest so payable on any Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) prior to the applicable Payment Date.

The obligations of the Issuer and the Co-Issuer under this Note and the Indenture are limited recourse obligations of the Issuer and non-recourse obligations of the Co-Issuer payable solely from the Loan Obligations and other Assets pledged by the Issuer as security for the Notes under the Indenture, and in the event the Loan Obligations and such other Assets are insufficient to satisfy such obligations, any claims of the Holders of the Notes shall be extinguished, all in accordance with the Indenture.

The payment of interest on this Note is senior to the payments of the principal of, and interest on, the Class B Notes, the Class C Notes and the Preferred Shares. So long as any Class A Notes are Outstanding, the Class B Notes, the Class C Notes and the Preferred Shares will receive payments only in accordance with the Priority of Payments. The principal of this Note shall be due and payable no later than the Stated Maturity Date unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise.

Payments in respect of principal and interest and any other amounts due on any Payment Date on this Note shall be payable by the Trustee or a Paying Agent, subject to any laws or regulations applicable thereto, 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, as provided in the Indenture.

Interest will cease to accrue on this Note, or in the case of a partial repayment, on such part, from the date of repayment or the Stated Maturity Date, unless payment of principal is improperly withheld or unless a Default is otherwise made with respect to such payments of principal.

Notwithstanding the foregoing, the final payment of interest and principal due on this Note shall be made only upon presentation and surrender of this Note (except as otherwise provided in the Indenture) at the Corporate Trust Office of the Trustee or at the office of the Paying Agent.

The Holder of this Note shall be treated as the owner hereof for all purposes.

Except as specifically provided herein and in the Indenture, neither the Issuer nor the Co-Issuer shall be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority thereof or therein.

Unless the certificate of authentication hereon has been executed by the Trustee or by the Authenticating Agent by the manual signature of one of their Authorized Officers, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Note is one of a duly authorized issue of Class A Senior Secured Floating Rate Notes Due 2026, of the Issuer and the Co-Issuer (the "Class A Notes"), limited in aggregate principal amount to U.S.\$183,625,000 issued under an indenture dated as of August 18, 2016 (the "Indenture") by and among the Issuer, the Co-Issuer, U.S. Bank National Association, as trustee (in such capacity and together with any successor trustee permitted under the Indenture, the "Trustee"), paying agent, calculation agent, transfer agent, custodial securities intermediary, backup advancing agent and notes registrar and Arbor Realty SR, Inc., as advancing agent. Also authorized under the Indenture are (a) up to U.S.\$22,750,000 Class B Secured Floating Rate Notes Due 2026 (the "Class B Notes") and (b) up to U.S.\$43,875,000 Class C Secured Floating Rate Notes Due 2026 (the "Class C Notes" and, together with the Class A Notes and the Class B Notes, the "Notes").

Concurrently with the issuance of the Notes, the Issuer also will issue preferred shares (the "Preferred Shares"), under the Issuer's memorandum and articles of association as part of its issued share capital.

Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Co-Issuer, the Trustee, the Advancing Agent, the Holders of the Notes and the Preferred Shares and the terms upon which the Notes and the Preferred Shares are, and are to be, executed, authenticated and delivered.

Payments of principal of the Class A Notes shall be payable in accordance with Section 11.1(a) of the Indenture.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

Pursuant to Section 9.1(a) of the Indenture, the Notes are subject to redemption by the Issuer at the direction of the Loan Obligation Manager (such redemption, a "Clean-up Call Redemption"), in whole but not in part, at a price equal to the applicable Redemption Price, upon notice given in the manner provided in the Indenture, on any Payment Date on or after the Payment Date on which the Aggregate Outstanding Amount of the Notes has been reduced to 10% of the Aggregate Outstanding Amount of the Notes on the Closing Date; *provided* that the funds available to be used for such redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(b) of the Indenture, the Notes and the Preferred Shares shall be redeemable, in whole but not in part, by Act of a Majority of the Preferred Shares 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; *provided* that that the funds available to be used for such Tax Redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(c) of the Indenture, the Notes and the Preferred Shares are subject to redemption, in whole but not in part, by the Issuer at a price equal to the applicable Redemption Prices, on any Payment Date occurring after the end of the Non-call Period at the direction of the Issuer (such redemption, an "Optional Redemption") by Act of a Majority of the Preferred Shares delivered to the Trustee; *provided* that the funds available to be used for such Optional Redemption will be sufficient to pay the Total Redemption Price.

Notes for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest on the applicable Redemption Date (unless the Issuer shall default in the payment of the Redemption Price and accrued interest thereon).

Pursuant to Section 9.5 of the Indenture, if any of the Note Protection Tests applicable to any Class of Notes is not satisfied as of the most recent Measurement Date the Notes shall be redeemed in accordance with the Priority of Payments set forth in the Indenture, only, and to the extent necessary, to cause each of the Note Protection Tests to be satisfied.

If an Event of Default shall occur and be continuing, the Class A Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

At any time after 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 provided in the Indenture, a Majority of each Class of Notes (voting as a separate Class), 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) of the Indenture, by written notice to the Issuer, the Co-Issuer and the Trustee, may rescind and annul such declaration and its consequences if certain conditions set forth in the Indenture are satisfied.

The Indenture may be amended and supplemented under the circumstances, and in accordance with the conditions, set forth therein.

The Notes are 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 \$500 in excess thereof.

The principal of each Note shall be payable on the Stated Maturity Date, unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise.

The term "Issuer" as used in this Note includes any successor-in-interest to the Issuer under the Indenture and the term "Co-Issuer" as used in this Note includes any successor-in-interest to the Co-Issuer under the Indenture.

Each purchaser and any subsequent transferee of this Note or any interest herein shall, by virtue of its purchase or other acquisition of this Note or any interest herein, be deemed to have agreed to treat this Note as debt for U.S. federal income tax purposes.

In connection with the purchase of this Note, the Holder and each beneficial owner thereof agrees that: (A) none of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Placement Agent, the Trustee, the Collateral Administrator or any of their respective affiliates is acting as a fiduciary or financial or investment advisor for such Holder or beneficial owner; (B) such Holder or beneficial owner is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates other than any statements in the final offering memorandum for such Notes, and such Holder or beneficial owner has read and understands such final offering memorandum; (C) such Holder or beneficial owner has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates.

Each Holder, by its acquisition of an interest in the Notes, shall be deemed to have represented to the Issuer, the Co-Issuer, the Loan Obligation Manager, the CLO Servicer, the Placement Agent and the Trustee that

either (A) no part of the funds being used to pay the purchase price for such Notes constitutes an asset of any “employee benefit plan” (as defined in Section 3(3) of ERISA) or “plan” (as defined in Section 4975(e)(1) of the Code) that is subject to Title I of ERISA or Section 4975 of the Code or any other employee benefit plan or plan which is subject to any federal, state or local law (“Similar Law”) that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (each a “Benefit Plan”), or an entity whose underlying assets include plan assets of any such Benefit Plan, or (B) if the funds being used to pay the purchase price for such Notes include plan assets of any Benefit Plan, its purchase and holding will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or in the case of any Benefit Plan subject to Similar Law, will not constitute or result in a non-exempt violation of Similar Law.

Title to Notes shall pass by registration in the Register kept by the Trustee, acting through its Corporate Trust Office.

No service charge shall be made to a Holder for any registration of transfer or exchange of this Note, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

No right or remedy conferred herein or in the Indenture upon or reserved to the Trustee or to the Holder hereof 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 thereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder or under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

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.

THE HOLDER OF THIS NOTE AGREES NOT TO CAUSE THE FILING OF A PETITION IN BANKRUPTCY AGAINST THE ISSUER, THE CO-ISSUER OR ANY PERMITTED SUBSIDIARY IN ANY APPLICABLE OR RELEVANT 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.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THE NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the Co-Issuers have caused this Note to be duly executed.

Dated as of August 18, 2016

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LTD., as Issuer

By: _____
Name:
Title:

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LLC, as Co-Issuer

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authenticating Agent

A-2-7

ASSIGNMENT FORM

For value received _____

hereby sell, assign and transfer unto

Please insert social security or
other identifying number of assignee

Please print or type name
and address, including zip code,
of assignee:

the within Note and does hereby irrevocably constitute and appoint
of substitution in the premises.

Attorney to transfer the Note on the books of the Issuer with full power

Date:

Your Signature:

(Sign exactly as your name
appears on this Note)

**FORM OF CLASS B SECURED FLOATING RATE NOTE DUE 2026
[REGULATION S] [RULE 144A] GLOBAL SECURITY**

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED OR QUALIFIED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND NEITHER THE ISSUER NOR THE CO-ISSUER HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT: (A) (I) TO, OR FOR THE ACCOUNT OR BENEFIT OF, A PERSON THAT IS BOTH (1)(X) A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), OR (Y) SOLELY IN THE CASE OF A NOTE ISSUED AS A DEFINITIVE NOTE, AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR", WITHIN THE MEANING OF CLAUSES (1), (2), (3), OR (7) OF RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT, OR AN ENTITY IN WHICH ALL OF THE EQUITY OWNERS ARE SUCH ACCREDITED INVESTORS, AND (2) A "QUALIFIED PURCHASER," AS DEFINED IN SECTION 2(a)(51) OF THE 1940 ACT AND THE RULES THEREUNDER (A "QUALIFIED PURCHASER"), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (OR, IN THE CASE OF NOTES HELD IN RELIANCE ON RULE 144A, NOTE LESS THAN U.S.\$100,000) (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF) FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE; OR (II) TO AN INSTITUTION THAT IS NOT A "U.S. PERSON" IN AN "OFFSHORE TRANSACTION," AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF A GLOBAL SECURITY WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE CO-ISSUER, AS APPLICABLE, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME THE ISSUER AND THE CO-ISSUER, AS APPLICABLE, DETERMINE OR ARE NOTIFIED THAT THE HOLDER OF SUCH BENEFICIAL INTEREST IN SUCH GLOBAL SECURITY WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF SUCH INTEREST IN SUCH GLOBAL SECURITY VOID AND REQUIRE THAT SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER AND THE CO-ISSUER, AS APPLICABLE.

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE CO-ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

THIS NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS NOTE MAY NOT BE EXCHANGED OR TRANSFERRED IN WHOLE OR IN PART FOR A NOTE REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THAT DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

[AN INTEREST IN THIS NOTE MAY NOT BE HELD BY A PERSON THAT IS A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AT ANY TIME. IN ADDITION, AN INTEREST IN THIS NOTE MAY BE HELD ONLY THROUGH EUROCLEAR OR CLEARSTREAM, LUXEMBOURG AT ANY TIME.](1)

(1) Regulation S Global Securities.

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD.
ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC

CLASS B SECURED FLOATING RATE NOTE DUE 2026

No. [Reg. S][144A] -
CUSIP No. [G0510T AB8](2)[03879B AC1](3)
ISIN: [USG0510TAB82](4) [US03879BAC19](5)

Up to
U.S.\$22,750,000

Each of ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD., a Cayman Islands exempted company with limited liability (the “Issuer”) and ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC, a Delaware limited liability company (the “Co-Issuer”) for value received, hereby promises to pay to CEDE & CO. or its registered assigns (a) upon presentation and surrender of this Note (except as otherwise permitted by the Indenture referred to below), the principal sum of up to TWENTY TWO MILLION SEVEN HUNDRED FIFTY THOUSAND United States Dollars (U.S.\$22,750,000), or such other principal sum as is equal to the aggregate principal amount of the Class B Notes identified from time to time on the records of the Trustee and Schedule A hereto as being represented by this [Rule 144A] [Regulation S] Global Security, on the Payment Date occurring in September 2026 (the “Stated Maturity Date”), to the extent not previously paid, in accordance with the Indenture referred to below unless the unpaid principal of this Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise and (b) the Class B Interest Distribution Amount allocable to this Note in accordance with the Indenture payable initially on October 17, 2016, and thereafter monthly on the 15th day of each calendar month (or if such day is not a Business Day, then on the next succeeding Business Day) (each, a “Payment Date”). Interest on the Class B Notes shall accrue at the Class B Note Interest Rate and shall be computed on the basis of the actual number of days in the related Interest Accrual Period divided by 360. The interest so payable on any Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) prior to the applicable Payment Date.

The obligations of the Issuer and the Co-Issuer under this Note and the Indenture are limited recourse obligations of the Issuer and non-recourse obligations of the Co-Issuer payable solely from the Loan Obligations and other Assets pledged by the Issuer as security for the Notes under the Indenture, and in the event the Loan Obligations and such other Assets are insufficient to satisfy such obligations, any claims of the Holders of the Notes shall be extinguished, all in accordance with the Indenture.

The payment of interest on this Note is senior to the payments of the principal of, and interest on, the Preferred Shares. Except as set forth in the Indenture, the payment of principal of this Note is subordinate to the payments of principal of and interest on the Class A Notes and no payments of principal on the Class B Notes will be made until the Class A Notes are paid in full. The principal of this Note shall be due and payable no later than the Stated Maturity Date unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise; *provided, however*, that, except as set forth in the Indenture, the payment of principal of this Note may only occur after 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, all in accordance with the Indenture.

Payments in respect of principal and interest and any other amounts due on any Payment Date on this Note shall be payable by the Trustee or a Paying Agent, subject to any laws or regulations applicable thereto, by

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- (2) For Regulation S Global Security.
 - (3) For Rule 144A Global Security.
 - (4) For Regulation S Global Security.
 - (5) For Rule 144A Global Security.

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, as provided in the Indenture.

Interest will cease to accrue on this Note, or in the case of a partial repayment, on such part, from the date of repayment or the Stated Maturity Date, unless payment of principal is improperly withheld or unless a Default is otherwise made with respect to such payments of principal.

Notwithstanding the foregoing, the final payment of interest and principal due on this Note shall be made only upon presentation and surrender of this Note (except as otherwise provided in the Indenture) at the Corporate Trust Office of the Trustee or at the office of the Paying Agent.

The Holder of this Note shall be treated as the owner hereof for all purposes.

Except as specifically provided herein and in the Indenture, neither the Issuer nor the Co-Issuer shall be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority thereof or therein.

Unless the certificate of authentication hereon has been executed by the Trustee or by the Authenticating Agent by the manual signature of one of their Authorized Officers, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Note is one of a duly authorized issue of Class B Secured Floating Rate Notes Due 2026, of the Issuer and the Co-Issuer (the "Class B Notes"), limited in aggregate principal amount to U.S.\$22,750,000 issued under an indenture dated as of August 18, 2016 (the "Indenture") by and among the Issuer, the Co-Issuer, U.S. Bank National Association, as trustee (in such capacity and together with any successor trustee permitted under the Indenture, the "Trustee"), paying agent, calculation agent, transfer agent, custodial securities intermediary, backup advancing agent and notes registrar and Arbor Realty SR, Inc., as advancing agent. Also authorized under the Indenture are (a) U.S.\$183,625,000 Class A Senior Secured Floating Rate Notes Due 2026 (the "Class A Notes") and (b) U.S.\$43,875,000 Class C Secured Floating Rate Notes Due 2026 (the "Class C Notes" and, together with the Class A Notes and the Class B Notes, the "Notes").

Concurrently with the issuance of the Notes, the Issuer also will issue preferred shares (the "Preferred Shares"), under the Issuer's memorandum and articles of association as part of its issued share capital.

Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Co-Issuer, the Trustee, the Advancing Agent, the Holders of the Notes and the Preferred Shares and the terms upon which the Notes and the Preferred Shares are, and are to be, executed, authenticated and delivered.

Payments of principal of the Class B Notes shall be payable in accordance with Section 11.1(a) of the Indenture.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

Pursuant to Section 9.1(a) of the Indenture, the Notes are subject to redemption by the Issuer at the direction of the Loan Obligation Manager (such redemption, a "Clean-up Call Redemption"), in whole but not in part, at a price equal to the applicable Redemption Price, upon notice given in the manner provided in the Indenture, on any Payment Date on or after the Payment Date on which the Aggregate Outstanding Amount of the Notes has been reduced to 10% of the Aggregate Outstanding Amount of the Notes on the Closing Date; *provided* that the funds available to be used for such redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(b) of the Indenture, the Notes and the Preferred Shares shall be redeemable, in whole but not in part, by Act of a Majority of the Preferred Shares 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; *provided* that the funds available to be used for such Tax Redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(c) of the Indenture, the Notes and the Preferred Shares are subject to redemption, in whole but not in part, by the Issuer at a price equal to the applicable Redemption Prices, on any Payment Date occurring after the end of the Non-call Period at the direction of the Issuer (such redemption, an “Optional Redemption”) by Act of a Majority of the Preferred Shares delivered to the Trustee; *provided* that the funds available to be used for such Optional Redemption will be sufficient to pay the Total Redemption Price.

Notes for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest on the applicable Redemption Date (unless the Issuer shall default in the payment of the Redemption Price and accrued interest thereon).

Pursuant to Section 9.5 of the Indenture, if any of the Note Protection Tests applicable to any Class of Notes is not satisfied as of the most recent Measurement Date the Notes shall be redeemed in accordance with the Priority of Payments set forth in the Indenture, only, and to the extent necessary, to cause each of the Note Protection Tests to be satisfied.

If an Event of Default shall occur and be continuing, the Class B Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

At any time after 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 provided in the Indenture, a Majority of each Class of Notes (voting as a separate Class), 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) of the Indenture, by written notice to the Issuer, the Co-Issuer and the Trustee, may rescind and annul such declaration and its consequences if certain conditions set forth in the Indenture are satisfied.

The Indenture may be amended and supplemented under the circumstances, and in accordance with the conditions, set forth therein.

The Notes are 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 \$500 in excess thereof.

The principal of each Note shall be payable on the Stated Maturity Date, unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise.

The term “Issuer” as used in this Note includes any successor-in-interest to the Issuer under the Indenture and the term “Co-Issuer” as used in this Note includes any successor-in-interest to the Co-Issuer under the Indenture.

Each purchaser and any subsequent transferee of this Note or any interest herein shall, by virtue of its purchase or other acquisition of this Note or any interest herein, be deemed to have agreed to treat this Note as debt for U.S. federal income tax purposes.

In connection with the purchase of this Note, the Holder and each beneficial owner thereof agrees that: (A) none of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Placement Agent, the Trustee, the Collateral Administrator or any of their respective affiliates is acting as a fiduciary or financial or investment advisor for such Holder or beneficial owner; (B) such Holder or beneficial owner is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral)

of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates other than any statements in the final offering memorandum for such Notes, and such Holder or beneficial owner has read and understands such final offering memorandum; (C) such Holder or beneficial owner has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates.

Each Holder, by its acquisition of an interest in the Notes, shall be deemed to have represented to the Issuer, the Co-Issuer, the Loan Obligation Manager, the CLO Servicer, the Placement Agent and the Trustee that either (A) no part of the funds being used to pay the purchase price for such Notes constitutes an asset of any "employee benefit plan" (as defined in Section 3(3) of ERISA) or "plan" (as defined in Section 4975(e)(1) of the Code) that is subject to Title I of ERISA or Section 4975 of the Code or any other employee benefit plan or plan which is subject to any federal, state or local law ("Similar Law") that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (each a "Benefit Plan"), or an entity whose underlying assets include plan assets of any such Benefit Plan, or (B) if the funds being used to pay the purchase price for such Notes include plan assets of any Benefit Plan, its purchase and holding will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or in the case of any Benefit Plan subject to Similar Law, will not constitute or result in a non-exempt violation of Similar Law.

Title to Notes shall pass by registration in the Register kept by the Trustee, acting through its Corporate Trust Office.

No service charge shall be made to a Holder for any registration of transfer or exchange of this Note, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

No right or remedy conferred herein or in the Indenture upon or reserved to the Trustee or to the Holder hereof 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 thereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder or under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

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.

THE HOLDER OF THIS NOTE AGREES NOT TO CAUSE THE FILING OF A PETITION IN BANKRUPTCY AGAINST THE ISSUER, THE CO-ISSUER OR ANY PERMITTED SUBSIDIARY IN ANY APPLICABLE OR RELEVANT 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.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THE NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the Co-Issuers have caused this Note to be duly executed.

Dated as of August 18, 2016

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LTD., as Issuer

By: _____
Name:
Title:

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LLC, as Co-Issuer

By: _____
Name:
Title:

B-1-7

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authenticating Agent

B-1-8

ASSIGNMENT FORM

For value received _____

hereby sell, assign and transfer unto _____

Please insert social security or
other identifying number of assignee

Please print or type name
and address, including zip code,
of assignee:

the within Note and does hereby irrevocably constitute and appoint
substitution in the premises.

Attorney to transfer the Note on the books of the Issuer with full power of

Date:

Your Signature:

(Sign exactly as your name
appears on this Note)

SCHEDULE A

This Note shall be issued in the original principal balance of U.S.\$[•](6)[•](7) on the Closing Date. The following exchanges of a part of this [Rule 144A] [Regulation S] Global Security have been made:

Date of Exchange	Amount of Decrease in Principal Amount of this Global Security	Amount of Increase in Principal Amount of this Global Security	Principal Amount of this Global Security following such decrease (or increase)	Signature of authorized officer of Trustee or securities Custodian
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- (6) Rule 144A Global Security
- (7) Regulation S Global Security

**FORM OF CLASS B SECURED FLOATING RATE NOTE DUE 2026
DEFINITIVE NOTE**

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED OR QUALIFIED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND NEITHER THE ISSUER NOR THE CO-ISSUER HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT: (A) (I) TO, OR FOR THE ACCOUNT OR BENEFIT OF, A PERSON THAT IS BOTH (1)(X) A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), OR (Y) SOLELY IN THE CASE OF A NOTE ISSUED AS A DEFINITIVE NOTE, AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR", WITHIN THE MEANING OF CLAUSES (1), (2), (3), OR (7) OF RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT, OR AN ENTITY IN WHICH ALL OF THE EQUITY OWNERS ARE SUCH ACCREDITED INVESTORS, AND (2) A "QUALIFIED PURCHASER," AS DEFINED IN SECTION 2(a)(51) OF THE 1940 ACT AND THE RULES THEREUNDER (A "QUALIFIED PURCHASER"), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (OR, IN THE CASE OF NOTES HELD IN RELIANCE ON RULE 144A, NOT LESS THAN U.S.\$100,000) (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF) FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE; OR (II) TO AN INSTITUTION THAT IS NOT A "U.S. PERSON" IN AN "OFFSHORE TRANSACTION," AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF A DEFINITIVE NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE CO-ISSUER, AS APPLICABLE, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME, THE ISSUER AND THE CO-ISSUER, AS APPLICABLE, DETERMINE OR ARE NOTIFIED THAT THE HOLDER OF SUCH NOTE WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF THIS NOTE VOID AND REQUIRE THAT THIS NOTE BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER AND THE CO-ISSUER, AS APPLICABLE.

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD.
ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC

CLASS B SECURED
FLOATING RATE NOTE DUE 2026

No. IAI -
CUSIP No. []
ISIN: []

U.S.\$[]

Each of ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD., a Cayman Islands exempted company with limited liability (the “Issuer”) and ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC, a Delaware limited liability company (the “Co-Issuer”) for value received, hereby promises to pay to [] or its registered assigns (a) upon presentation and surrender of this Note (except as otherwise permitted by the Indenture referred to below), the principal sum of [] United States Dollars (U.S.\$[]) on the Payment Date occurring in September 2026 (the “Stated Maturity Date”), to the extent not previously paid, in accordance with the Indenture referred to below unless the unpaid principal of this Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise and (b) the Class B Interest Distribution Amount allocable to this Note in accordance with the Indenture payable initially on October 17, 2016, and thereafter monthly on the 15th day of each calendar month (or if such day is not a Business Day, then on the next succeeding Business Day) (each, a “Payment Date”). Interest on the Class B Notes shall accrue at the Class B Note Interest Rate and shall be computed on the basis of the actual number of days in the related Interest Accrual Period divided by 360. The interest so payable on any Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) prior to the applicable Payment Date.

The obligations of the Issuer and the Co-Issuer under this Note and the Indenture are limited recourse obligations of the Issuer and non-recourse obligations of the Co-Issuer payable solely from the Loan Obligations and other Assets pledged by the Issuer as security for the Notes under the Indenture, and in the event the Loan Obligations and such other Assets are insufficient to satisfy such obligations, any claims of the Holders of the Notes shall be extinguished, all in accordance with the Indenture.

The payment of interest on this Note is senior to the payments of the principal of, and interest on, the Preferred Shares. Except as set forth in the Indenture, the payment of principal of this Note is subordinate to the payments of principal of and interest on the Class A Notes and no payments of principal on the Class B Notes will be made until the Class A Notes are paid in full. The principal of this Note shall be due and payable no later than the Stated Maturity Date unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise; *provided, however*, that, except as set forth in the Indenture, the payment of principal of this Note may only occur after 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, all in accordance with the Indenture.

Payments in respect of principal and interest and any other amounts due on any Payment Date on this Note shall be payable by the Trustee or a Paying Agent, subject to any laws or regulations applicable thereto, 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, as provided in the Indenture.

Interest will cease to accrue on this Note, or in the case of a partial repayment, on such part, from the date of repayment or the Stated Maturity Date, unless payment of principal is improperly withheld or unless a Default is otherwise made with respect to such payments of principal.

Notwithstanding the foregoing, the final payment of interest and principal due on this Note shall be made only upon presentation and surrender of this Note (except as otherwise provided in the Indenture) at the Corporate Trust Office of the Trustee or at the office of the Paying Agent.

The Holder of this Note shall be treated as the owner hereof for all purposes.

Except as specifically provided herein and in the Indenture, neither the Issuer nor the Co-Issuer shall be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority thereof or therein.

Unless the certificate of authentication hereon has been executed by the Trustee or by the Authenticating Agent by the manual signature of one of their Authorized Officers, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Note is one of a duly authorized issue of Class B Secured Floating Rate Notes Due 2026, of the Issuer and the Co-Issuer (the "Class B Notes"), limited in aggregate principal amount to U.S.\$22,750,000 issued under an indenture dated as of August 18, 2016 (the "Indenture") by and among the Issuer, the Co-Issuer, U.S. Bank National Association, as trustee (in such capacity and together with any successor trustee permitted under the Indenture, the "Trustee"), paying agent, calculation agent, transfer agent, custodial securities intermediary, backup advancing agent and notes registrar and Arbor Realty SR, Inc., as advancing agent. Also authorized under the Indenture are (a) U.S.\$183,625,000 Class A Senior Secured Floating Rate Notes Due 2026, (the "Class A Notes") and (b) U.S.\$43,875,000 Class C Secured Floating Rate Notes Due 2026 (the "Class C Notes" and, together with the Class A Notes and the Class B Notes, the "Notes").

Concurrently with the issuance of the Notes, the Issuer also will issue preferred shares (the "Preferred Shares"), under the Issuer's memorandum and articles of association as part of its issued share capital.

Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Co-Issuer, the Trustee, the Advancing Agent, the Holders of the Notes and the Preferred Shares and the terms upon which the Notes and the Preferred Shares are, and are to be, executed, authenticated and delivered.

Payments of principal of the Class B Notes shall be payable in accordance with Section 11.1(a) of the Indenture.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

Pursuant to Section 9.1(a) of the Indenture, the Notes are subject to redemption by the Issuer at the direction of the Loan Obligation Manager (such redemption, a "Clean-up Call Redemption"), in whole but not in part, at a price equal to the applicable Redemption Price, upon notice given in the manner provided in the Indenture, on any Payment Date on or after the Payment Date on which the Aggregate Outstanding Amount of the Notes has been reduced to 10% of the Aggregate Outstanding Amount of the Notes on the Closing Date; *provided* that the funds available to be used for such redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(b) of the Indenture, the Notes and the Preferred Shares shall be redeemable, in whole but not in part, by Act of a Majority of the Preferred Shares 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; *provided* that that the funds available to be used for such Tax Redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(c) of the Indenture, the Notes and the Preferred Shares are subject to redemption, in whole but not in part, by the Issuer at a price equal to the applicable Redemption Prices, on any Payment Date occurring after the end of the Non-call Period at the direction of the Issuer (such redemption, an

“Optional Redemption”) by Act of a Majority of the Preferred Shares delivered to the Trustee; *provided* that the funds available to be used for such Optional Redemption will be sufficient to pay the Total Redemption Price.

Notes for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest on the applicable Redemption Date (unless the Issuer shall default in the payment of the Redemption Price and accrued interest thereon).

Pursuant to Section 9.5 of the Indenture, if any of the Note Protection Tests applicable to any Class of Notes is not satisfied as of the most recent Measurement Date the Notes shall be redeemed in accordance with the Priority of Payments set forth in the Indenture, only, and to the extent necessary, to cause each of the Note Protection Tests to be satisfied.

If an Event of Default shall occur and be continuing, the Class B Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

At any time after 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 provided in the Indenture, a Majority of each Class of Notes (voting as a separate Class), 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) of the Indenture, by written notice to the Issuer, the Co-Issuer and the Trustee, may rescind and annul such declaration and its consequences if certain conditions set forth in the Indenture are satisfied.

The Indenture may be amended and supplemented under the circumstances, and in accordance with the conditions, set forth therein.

The Notes are 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 \$500 in excess thereof.

The principal of each Note shall be payable on the Stated Maturity Date, unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise.

The term “Issuer” as used in this Note includes any successor-in-interest to the Issuer under the Indenture and the term “Co-Issuer” as used in this Note includes any successor-in-interest to the Co-Issuer under the Indenture.

Each purchaser and any subsequent transferee of this Note or any interest herein shall, by virtue of its purchase or other acquisition of this Note or any interest herein, be deemed to have agreed to treat this Note as debt for U.S. federal income tax purposes.

In connection with the purchase of this Note, the Holder and each beneficial owner thereof agrees that: (A) none of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Placement Agent, the Trustee, the Collateral Administrator or any of their respective affiliates is acting as a fiduciary or financial or investment advisor for such Holder or beneficial owner; (B) such Holder or beneficial owner is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates other than any statements in the final offering memorandum for such Notes, and such Holder or beneficial owner has read and understands such final offering memorandum; (C) such Holder or beneficial owner has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates.

Each Holder, by its acquisition of an interest in the Notes, shall be deemed to have represented to the Issuer, the Co-Issuer, the Loan Obligation Manager, the CLO Servicer, the Placement Agent and the Trustee that either (A) no part of the funds being used to pay the purchase price for such Notes constitutes an asset of any “employee benefit plan” (as defined in Section 3(3) of ERISA) or “plan” (as defined in Section 4975(e)(1) of the Code) that is subject to Title I of ERISA or Section 4975 of the Code or any other employee benefit plan or plan which is subject to any federal, state or local law (“Similar Law”) that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (each a “Benefit Plan”), or an entity whose underlying assets include plan assets of any such Benefit Plan, or (B) if the funds being used to pay the purchase price for such Notes include plan assets of any Benefit Plan, its purchase and holding will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or in the case of any Benefit Plan subject to Similar Law, will not constitute or result in a non-exempt violation of Similar Law.

Title to Notes shall pass by registration in the Register kept by the Trustee, acting through its Corporate Trust Office.

No service charge shall be made to a Holder for any registration of transfer or exchange of this Note, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

No right or remedy conferred herein or in the Indenture upon or reserved to the Trustee or to the Holder hereof 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 thereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder or under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

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.

THE HOLDER OF THIS NOTE AGREES NOT TO CAUSE THE FILING OF A PETITION IN BANKRUPTCY AGAINST THE ISSUER, THE CO-ISSUER OR ANY PERMITTED SUBSIDIARY IN ANY APPLICABLE OR RELEVANT 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.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THE NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the Co-Issuers have caused this Note to be duly executed.

Dated as of August 18, 2016

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LTD., as Issuer

By: _____
Name:
Title:

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LLC, as Co-Issuer

By: _____
Name:
Title:

B-2-6

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authenticating Agent

B-2-7

ASSIGNMENT FORM

For value received _____

hereby sell, assign and transfer unto

Please insert social security or
other identifying number of assignee

Please print or type name
and address, including zip code,
of assignee:

the within Note and does hereby irrevocably constitute and appoint
substitution in the premises.

Attorney to transfer the Note on the books of the Issuer with full power of

Date:

Your Signature:

(Sign exactly as your name
appears on this Note)

**FORM OF CLASS C SECURED FLOATING RATE NOTE DUE 2026
[REGULATION S] [RULE 144A] GLOBAL SECURITY**

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED OR QUALIFIED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND NEITHER THE ISSUER NOR THE CO-ISSUER HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT: (A) (I) TO, OR FOR THE ACCOUNT OR BENEFIT OF, A PERSON THAT IS BOTH (1)(X) A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), OR (Y) SOLELY IN THE CASE OF A NOTE ISSUED AS A DEFINITIVE NOTE, AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR", WITHIN THE MEANING OF CLAUSES (1), (2), (3), OR (7) OF RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT, OR AN ENTITY IN WHICH ALL OF THE EQUITY OWNERS ARE SUCH ACCREDITED INVESTORS, AND (2) A "QUALIFIED PURCHASER," AS DEFINED IN SECTION 2(a)(51) OF THE 1940 ACT AND THE RULES THEREUNDER (A "QUALIFIED PURCHASER"), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (OR, IN THE CASE OF NOTES HELD IN RELIANCE ON RULE 144A, NOT LESS THAN U.S.\$100,000) (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF) FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE; OR (II) TO AN INSTITUTION THAT IS NOT A "U.S. PERSON" IN AN "OFFSHORE TRANSACTION," AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF A GLOBAL SECURITY WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE CO-ISSUER, AS APPLICABLE, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME THE ISSUER AND THE CO-ISSUER, AS APPLICABLE, DETERMINE OR ARE NOTIFIED THAT THE HOLDER OF SUCH BENEFICIAL INTEREST IN SUCH GLOBAL SECURITY WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF SUCH INTEREST IN SUCH GLOBAL SECURITY VOID AND REQUIRE THAT SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER AND THE CO-ISSUER, AS APPLICABLE.

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE CO-ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

THIS NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS NOTE MAY NOT BE EXCHANGED OR TRANSFERRED IN WHOLE OR IN PART FOR A NOTE REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THAT DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

[AN INTEREST IN THIS NOTE MAY NOT BE HELD BY A PERSON THAT IS A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AT ANY TIME. IN ADDITION, AN INTEREST IN THIS NOTE MAY BE HELD ONLY THROUGH EUROCLEAR OR CLEARSTREAM, LUXEMBOURG AT ANY TIME.](1)

(1) Regulation S Global Securities.

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD.
ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC

CLASS C SECURED FLOATING RATE NOTE DUE 2026

No. [Reg. S][144A] -
CUSIP No. [G0510T AC6](2)[03879B AE7](3)
ISIN: [USG0510TAC65](4)[US03879BAE74](5)

Up to
U.S.\$43,875,000

Each of ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD., a Cayman Islands exempted company with limited liability (the “Issuer”) and ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC, a Delaware limited liability company (the “Co-Issuer”) for value received, hereby promises to pay to CEDE & CO. or its registered assigns (a) upon presentation and surrender of this Note (except as otherwise permitted by the Indenture referred to below), the principal sum of up to FORTY THREE MILLION EIGHT HUNDRED SEVENTY FIVE THOUSAND United States Dollars (U.S.\$43,875,000), or such other principal sum as is equal to the aggregate principal amount of the Class C Notes identified from time to time on the records of the Trustee and Schedule A hereto as being represented by this [Rule 144A] [Regulation S] Global Security, on the Payment Date occurring in September 2026 (the “Stated Maturity Date”), to the extent not previously paid, in accordance with the Indenture referred to below unless the unpaid principal of this Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise and (b) the Class C Interest Distribution Amount allocable to this Note in accordance with the Indenture payable initially on October 17, 2016, and thereafter monthly on the 15th day of each calendar month (or if such day is not a Business Day, then on the next succeeding Business Day) (each, a “Payment Date”). Interest on the Class C Notes shall accrue at the Class C Note Interest Rate and shall be computed on the basis of the actual number of days in the related Interest Accrual Period divided by 360. The interest so payable on any Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) prior to the applicable Payment Date.

The obligations of the Issuer and the Co-Issuer under this Note and the Indenture are limited recourse obligations of the Issuer and non-recourse obligations of the Co-Issuer payable solely from the Loan Obligations and other Assets pledged by the Issuer as security for the Notes under the Indenture, and in the event the Loan Obligations and such other Assets are insufficient to satisfy such obligations, any claims of the Holders of the Notes shall be extinguished, all in accordance with the Indenture.

The payment of interest on this Note is senior to the payments of the principal of, and interest on, the Preferred Shares. Except as set forth in the Indenture, the payment of principal of this Note is subordinate to the payments of principal of and interest on the Class A Notes and the Class B Notes and no payments of principal on the Class C Notes will be made until the Class A Notes and the Class B Notes are paid in full. The principal of this Note shall be due and payable no later than the Stated Maturity Date unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise; *provided, however*, that, except as set forth in the Indenture, the payment of principal of this Note may only occur after principal on the Class A Notes and 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 A Notes and the Class B Notes and other amounts in accordance with the Priority of Payments, all in accordance with the Indenture.

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- (2) For Regulation S Global Security.
 - (3) For Rule 144A Global Security.
 - (4) For Regulation S Global Security.
 - (5) For Rule 144A Global Security.

Payments in respect of principal and interest and any other amounts due on any Payment Date on this Note shall be payable by the Trustee or a Paying Agent, subject to any laws or regulations applicable thereto, 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, as provided in the Indenture.

Interest will cease to accrue on this Note, or in the case of a partial repayment, on such part, from the date of repayment or the Stated Maturity Date, unless payment of principal is improperly withheld or unless a Default is otherwise made with respect to such payments of principal.

Notwithstanding the foregoing, the final payment of interest and principal due on this Note shall be made only upon presentation and surrender of this Note (except as otherwise provided in the Indenture) at the Corporate Trust Office of the Trustee or at the office of the Paying Agent.

The Holder of this Note shall be treated as the owner hereof for all purposes.

Except as specifically provided herein and in the Indenture, neither the Issuer nor the Co-Issuer shall be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority thereof or therein.

Unless the certificate of authentication hereon has been executed by the Trustee or by the Authenticating Agent by the manual signature of one of their Authorized Officers, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Note is one of a duly authorized issue of Class C Secured Floating Rate Notes Due 2026, of the Issuer and the Co-Issuer (the "Class C Notes"), limited in aggregate principal amount to U.S.\$43,875,000 issued under an indenture dated as of August 18, 2016 (the "Indenture") by and among the Issuer, the Co-Issuer, U.S. Bank National Association, as trustee (in such capacity and together with any successor trustee permitted under the Indenture, the "Trustee"), paying agent, calculation agent, transfer agent, custodial securities intermediary, backup advancing agent and notes registrar and Arbor Realty SR, Inc., as advancing agent. Also authorized under the Indenture are (a) U.S.\$183,625,000 Class A Senior Secured Floating Rate Notes Due 2026, (the "Class A Notes") and (b) U.S.\$22,750,000 Class B Secured Floating Rate Notes Due 2026, (the "Class B Notes" and, together with the Class A Notes and the Class C Notes, the "Notes").

Concurrently with the issuance of the Notes, the Issuer also will issue preferred shares (the "Preferred Shares"), under the Issuer's memorandum and articles of association as part of its issued share capital.

Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Co-Issuer, the Trustee, the Advancing Agent, the Holders of the Notes and the Preferred Shares and the terms upon which the Notes and the Preferred Shares are, and are to be, executed, authenticated and delivered.

Payments of principal of the Class C Notes shall be payable in accordance with Section 11.1(a) of the Indenture.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

Pursuant to Section 9.1(a) of the Indenture, the Notes are subject to redemption by the Issuer at the direction of the Loan Obligation Manager (such redemption, a "Clean-up Call Redemption"), in whole but not in part, at a price equal to the applicable Redemption Price, upon notice given in the manner provided in the Indenture, on any Payment Date on or after the Payment Date on which the Aggregate Outstanding Amount of the Notes has been reduced to 10% of the Aggregate Outstanding Amount of the Notes on the Closing Date; *provided* that the funds available to be used for such redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(b) of the Indenture, the Notes and the Preferred Shares shall be redeemable, in whole but not in part, by Act of a Majority of the Preferred Shares 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; *provided* that the funds available to be used for such Tax Redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(c) of the Indenture, the Notes and the Preferred Shares are subject to redemption, in whole but not in part, by the Issuer at a price equal to the applicable Redemption Prices, on any Payment Date occurring after the end of the Non-call Period at the direction of the Issuer (such redemption, an “Optional Redemption”) by Act of a Majority of the Preferred Shares delivered to the Trustee; *provided* that the funds available to be used for such Optional Redemption will be sufficient to pay the Total Redemption Price.

Notes for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest on the applicable Redemption Date (unless the Issuer shall default in the payment of the Redemption Price and accrued interest thereon).

Pursuant to Section 9.5 of the Indenture, if any of the Note Protection Tests applicable to any Class of Notes is not satisfied as of the most recent Measurement Date the Notes shall be redeemed in accordance with the Priority of Payments set forth in the Indenture, only, and to the extent necessary, to cause each of the Note Protection Tests to be satisfied.

If an Event of Default shall occur and be continuing, the Class C Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

At any time after 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 provided in the Indenture, a Majority of each Class of Notes (voting as a separate Class), 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) of the Indenture, by written notice to the Issuer, the Co-Issuer and the Trustee, may rescind and annul such declaration and its consequences if certain conditions set forth in the Indenture are satisfied.

The Indenture may be amended and supplemented under the circumstances, and in accordance with the conditions, set forth therein.

The Notes are 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 \$500 in excess thereof.

The principal of each Note shall be payable on the Stated Maturity Date, unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise.

The term “Issuer” as used in this Note includes any successor-in-interest to the Issuer under the Indenture and the term “Co-Issuer” as used in this Note includes any successor-in-interest to the Co-Issuer under the Indenture.

Each purchaser and any subsequent transferee of this Note or any interest herein shall, by virtue of its purchase or other acquisition of this Note or any interest herein, be deemed to have agreed to treat this Note as debt for U.S. federal income tax purposes.

In connection with the purchase of this Note, the Holder and each beneficial owner thereof agrees that: (A) none of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Placement Agent, the Trustee, the Collateral Administrator or any of their respective affiliates is acting as a fiduciary or financial or investment advisor for such Holder or beneficial owner; (B) such Holder or beneficial owner is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral)

of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates other than any statements in the final offering memorandum for such Notes, and such Holder or beneficial owner has read and understands such final offering memorandum; (C) such Holder or beneficial owner has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates.

Each Holder, by its acquisition of an interest in the Notes, shall be deemed to have represented to the Issuer, the Co-Issuer, the Loan Obligation Manager, the CLO Servicer, the Placement Agent and the Trustee that either (A) no part of the funds being used to pay the purchase price for such Notes constitutes an asset of any "employee benefit plan" (as defined in Section 3(3) of ERISA) or "plan" (as defined in Section 4975(e)(1) of the Code) that is subject to Title I of ERISA or Section 4975 of the Code or any other employee benefit plan or plan which is subject to any federal, state or local law ("Similar Law") that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (each a "Benefit Plan"), or an entity whose underlying assets include plan assets of any such Benefit Plan, or (B) if the funds being used to pay the purchase price for such Notes include plan assets of any Benefit Plan, its purchase and holding will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or in the case of any Benefit Plan subject to Similar Law, will not constitute or result in a non-exempt violation of Similar Law.

Title to Notes shall pass by registration in the Register kept by the Trustee, acting through its Corporate Trust Office.

No service charge shall be made to a Holder for any registration of transfer or exchange of this Note, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

No right or remedy conferred herein or in the Indenture upon or reserved to the Trustee or to the Holder hereof 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 thereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder or under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

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.

THE HOLDER OF THIS NOTE AGREES NOT TO CAUSE THE FILING OF A PETITION IN BANKRUPTCY AGAINST THE ISSUER, THE CO-ISSUER OR ANY PERMITTED SUBSIDIARY IN ANY APPLICABLE OR RELEVANT 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.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THE NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the Co-Issuers have caused this Note to be duly executed.

Dated as of August 18, 2016

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LTD., as Issuer

By: _____
Name:
Title:

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LLC, as Co-Issuer

By: _____
Name:
Title:

C-1-7

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authenticating Agent

C-1-8

ASSIGNMENT FORM

For value received _____

hereby sell, assign and transfer unto _____

Please insert social security or
other identifying number of assignee

Please print or type name
and address, including zip code,
of assignee:

the within Note and does hereby irrevocably constitute and appoint
substitution in the premises.

Attorney to transfer the Note on the books of the Issuer with full power of

Date:

Your Signature:

(Sign
exactly as
your name
appears on
this Note)

SCHEDULE A

This Note shall be issued in the original principal balance of U.S.\$[•](6)[•](7) on the Closing Date. The following exchanges of a part of this [Rule 144A] [Regulation S] Global Security have been made:

Date of Exchange	Amount of Decrease in Principal Amount of this Global Security	Amount of Increase in Principal Amount of this Global Security	Principal Amount of this Global Security following such decrease (or increase)	Signature of authorized officer of Trustee or securities Custodian

- (6) Rule 144A Global Security
- (7) Regulation S Global Security

**FORM OF CLASS C SECURED FLOATING RATE NOTE DUE 2026
DEFINITIVE NOTE**

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED OR QUALIFIED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND NEITHER THE ISSUER NOR THE CO-ISSUER HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT: (A) (I) TO, OR FOR THE ACCOUNT OR BENEFIT OF, A PERSON THAT IS BOTH (1)(X) A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), OR (Y) SOLELY IN THE CASE OF A NOTE ISSUED AS A DEFINITIVE NOTE, AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR", WITHIN THE MEANING OF CLAUSES (1), (2), (3), OR (7) OF RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT, OR AN ENTITY IN WHICH ALL OF THE EQUITY OWNERS ARE SUCH ACCREDITED INVESTORS, AND (2) A "QUALIFIED PURCHASER," AS DEFINED IN SECTION 2(a)(51) OF THE 1940 ACT AND THE RULES THEREUNDER (A "QUALIFIED PURCHASER"), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (OR, IN THE CASE OF NOTES HELD IN RELIANCE ON RULE 144A, NOT LESS THAN U.S.\$100,000) (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF) FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE; OR (II) TO AN INSTITUTION THAT IS NOT A "U.S. PERSON" IN AN "OFFSHORE TRANSACTION," AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF A DEFINITIVE NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE CO-ISSUER, AS APPLICABLE, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME, THE ISSUER AND THE CO-ISSUER, AS APPLICABLE, DETERMINE OR ARE NOTIFIED THAT THE HOLDER OF SUCH NOTE WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF THIS NOTE VOID AND REQUIRE THAT THIS NOTE BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER AND THE CO-ISSUER, AS APPLICABLE.

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD.
ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC

CLASS C SECURED
FLOATING RATE NOTE DUE 2026

No. IAI -
CUSIP No. []
ISIN: []

U.S.\$[]

Each of ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD., a Cayman Islands exempted company with limited liability (the “Issuer”) and ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC, a Delaware limited liability company (the “Co-Issuer”) for value received, hereby promises to pay to [] or its registered assigns (a) upon presentation and surrender of this Note (except as otherwise permitted by the Indenture referred to below), the principal sum of [] United States Dollars (U.S.\$[]) on the Payment Date occurring in September 2026 (the “Stated Maturity Date”), to the extent not previously paid, in accordance with the Indenture referred to below unless the unpaid principal of this Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise and (b) the Class C Interest Distribution Amount allocable to this Note in accordance with the Indenture payable initially on October 17, 2016, and thereafter monthly on the 15th day of each calendar month (or if such day is not a Business Day, then on the next succeeding Business Day) (each, a “Payment Date”). Interest on the Class C Notes shall accrue at the Class C Note Interest Rate and shall be computed on the basis of the actual number of days in the related Interest Accrual Period divided by 360. The interest so payable on any Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) prior to the applicable Payment Date.

The obligations of the Issuer and the Co-Issuer under this Note and the Indenture are limited recourse obligations of the Issuer and non-recourse obligations of the Co-Issuer payable solely from the Loan Obligations and other Assets pledged by the Issuer as security for the Notes under the Indenture, and in the event the Loan Obligations and such other Assets are insufficient to satisfy such obligations, any claims of the Holders of the Notes shall be extinguished, all in accordance with the Indenture.

The payment of interest on this Note is senior to the payments of the principal of, and interest on, the Preferred Shares. Except as set forth in the Indenture, the payment of principal of this Note is subordinate to the payments of principal of and interest on the Class A Notes and the Class B Notes and no payments of principal on the Class C Notes will be made until the Class A Notes and the Class B Notes are paid in full. The principal of this Note shall be due and payable no later than the Stated Maturity Date unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise; *provided, however*, that, except as set forth in the Indenture, the payment of principal of this Note may only occur after principal on the Class A Notes and 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 A Notes and the Class B Notes and other amounts in accordance with the Priority of Payments, all in accordance with the Indenture.

Payments in respect of principal and interest and any other amounts due on any Payment Date on this Note shall be payable by the Trustee or a Paying Agent, subject to any laws or regulations applicable thereto, 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, as provided in the Indenture.

Interest will cease to accrue on this Note, or in the case of a partial repayment, on such part, from the date of repayment or the Stated Maturity Date, unless payment of principal is improperly withheld or unless a Default is otherwise made with respect to such payments of principal.

Notwithstanding the foregoing, the final payment of interest and principal due on this Note shall be made only upon presentation and surrender of this Note (except as otherwise provided in the Indenture) at the Corporate Trust Office of the Trustee or at the office of the Paying Agent.

The Holder of this Note shall be treated as the owner hereof for all purposes.

Except as specifically provided herein and in the Indenture, neither the Issuer nor the Co-Issuer shall be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority thereof or therein.

Unless the certificate of authentication hereon has been executed by the Trustee or by the Authenticating Agent by the manual signature of one of their Authorized Officers, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Note is one of a duly authorized issue of Class C Secured Floating Rate Notes Due 2026, of the Issuer and the Co-Issuer (the "Class C Notes"), limited in aggregate principal amount to U.S.\$43,875,000 issued under an indenture dated as of August 18, 2016 (the "Indenture") by and among the Issuer, the Co-Issuer, U.S. Bank National Association, as trustee (in such capacity and together with any successor trustee permitted under the Indenture, the "Trustee"), paying agent, calculation agent, transfer agent, custodial securities intermediary, backup advancing agent and notes registrar and Arbor Realty SR, Inc., as advancing agent. Also authorized under the Indenture are (a) U.S.\$183,625,000 Class A Senior Secured Floating Rate Notes Due 2026 (the "Class A Notes") and (b) U.S.\$22,750,000 Class B Secured Floating Rate Notes Due 2026 (the "Class B Notes" and, together with the Class A Notes and the Class C Notes, the "Notes").

Concurrently with the issuance of the Notes, the Issuer also will issue preferred shares (the "Preferred Shares"), under the Issuer's memorandum and articles of association as part of its issued share capital.

Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Co-Issuer, the Trustee, the Advancing Agent, the Holders of the Notes and the Preferred Shares and the terms upon which the Notes and the Preferred Shares are, and are to be, executed, authenticated and delivered.

Payments of principal of the Class C Notes shall be payable in accordance with Section 11.1(a) of the Indenture.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

Pursuant to Section 9.1(a) of the Indenture, the Notes are subject to redemption by the Issuer at the direction of the Loan Obligation Manager (such redemption, a "Clean-up Call Redemption"), in whole but not in part, at a price equal to the applicable Redemption Price, upon notice given in the manner provided in the Indenture, on any Payment Date on or after the Payment Date on which the Aggregate Outstanding Amount of the Notes has been reduced to 10% of the Aggregate Outstanding Amount of the Notes on the Closing Date; *provided* that the funds available to be used for such redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(b) of the Indenture, the Notes and the Preferred Shares shall be redeemable, in whole but not in part, by Act of a Majority of the Preferred Shares 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; *provided* that that the funds available to be used for such Tax Redemption will be sufficient to pay the Total Redemption Price.

Pursuant to Section 9.1(c) of the Indenture, the Notes and the Preferred Shares are subject to redemption, in whole but not in part, by the Issuer at a price equal to the applicable Redemption Prices, on any Payment Date occurring after the end of the Non-call Period at the direction of the Issuer (such redemption, an

“Optional Redemption”) by Act of a Majority of the Preferred Shares delivered to the Trustee; *provided* that the funds available to be used for such Optional Redemption will be sufficient to pay the Total Redemption Price.

Notes for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest on the applicable Redemption Date (unless the Issuer shall default in the payment of the Redemption Price and accrued interest thereon).

Pursuant to Section 9.5 of the Indenture, if any of the Note Protection Tests applicable to any Class of Notes is not satisfied as of the most recent Measurement Date the Notes shall be redeemed in accordance with the Priority of Payments set forth in the Indenture, only, and to the extent necessary, to cause each of the Note Protection Tests to be satisfied.

If an Event of Default shall occur and be continuing, the Class C Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

At any time after 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 provided in the Indenture, a Majority of each Class of Notes (voting as a separate Class), 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) of the Indenture, by written notice to the Issuer, the Co-Issuer and the Trustee, may rescind and annul such declaration and its consequences if certain conditions set forth in the Indenture are satisfied.

The Indenture may be amended and supplemented under the circumstances, and in accordance with the conditions, set forth therein.

The Notes are 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 \$500 in excess thereof.

The principal of each Note shall be payable on the Stated Maturity Date, unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise.

The term “Issuer” as used in this Note includes any successor-in-interest to the Issuer under the Indenture and the term “Co-Issuer” as used in this Note includes any successor-in-interest to the Co-Issuer under the Indenture.

Each purchaser and any subsequent transferee of this Note or any interest herein shall, by virtue of its purchase or other acquisition of this Note or any interest herein, be deemed to have agreed to treat this Note as debt for U.S. federal income tax purposes.

In connection with the purchase of this Note, the Holder and each beneficial owner thereof agrees that: (A) none of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Placement Agent, the Trustee, the Collateral Administrator or any of their respective affiliates is acting as a fiduciary or financial or investment advisor for such Holder or beneficial owner; (B) such Holder or beneficial owner is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates other than any statements in the final offering memorandum for such Notes, and such Holder or beneficial owner has read and understands such final offering memorandum; (C) such Holder or beneficial owner has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Co-Issuers, the Loan Obligation Manager, the CLO Servicer, the Trustee, the Collateral Administrator, the Placement Agent or any of their respective affiliates.

Each Holder, by its acquisition of an interest in the Notes, shall be deemed to have represented to the Issuer, the Co-Issuer, the Loan Obligation Manager, the CLO Servicer, the Placement Agent and the Trustee that either (A) no part of the funds being used to pay the purchase price for such Notes constitutes an asset of any “employee benefit plan” (as defined in Section 3(3) of ERISA) or “plan” (as defined in Section 4975(e)(1) of the Code) that is subject to Title I of ERISA or Section 4975 of the Code or any other employee benefit plan or plan which is subject to any federal, state or local law (“Similar Law”) that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (each a “Benefit Plan”), or an entity whose underlying assets include plan assets of any such Benefit Plan, or (B) if the funds being used to pay the purchase price for such Notes include plan assets of any Benefit Plan, its purchase and holding will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or in the case of any Benefit Plan subject to Similar Law, will not constitute or result in a non-exempt violation of Similar Law.

Title to Notes shall pass by registration in the Register kept by the Trustee, acting through its Corporate Trust Office.

No service charge shall be made to a Holder for any registration of transfer or exchange of this Note, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

No right or remedy conferred herein or in the Indenture upon or reserved to the Trustee or to the Holder hereof 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 thereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder or under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

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.

THE HOLDER OF THIS NOTE AGREES NOT TO CAUSE THE FILING OF A PETITION IN BANKRUPTCY AGAINST THE ISSUER, THE CO-ISSUER OR ANY PERMITTED SUBSIDIARY IN ANY APPLICABLE OR RELEVANT 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.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THE NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the Co-Issuers have caused this Note to be duly executed.

Dated as of August 18, 2016

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LTD., as Issuer

By: _____
Name:
Title:

ARBOR REALTY COMMERCIAL REAL ESTATE
NOTES 2016-FL1, LLC, as Co-Issuer

By: _____
Name:
Title:

C-2-6

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authenticating Agent

C-2-7

ASSIGNMENT FORM

For value received _____
hereby sell, assign and transfer unto

Please insert social security or
other identifying number of assignee

Please print or type name
and address, including zip code,
of assignee:

the within Note and does hereby irrevocably constitute and appoint
substitution in the premises.

Attorney to transfer the Note on the books of the Issuer with full power of

Date:

Your Signature:

(Sign exactly as
your name
appears on this
Note)

FORM OF TRANSFER CERTIFICATE FOR TRANSFER FROM A RULE 144A
GLOBAL SECURITY OR A DEFINITIVE NOTE TO A REGULATION S GLOBAL SECURITY
(Transfers pursuant to Article 2 of the Indenture)

U.S. Bank National Association
111 Fillmore Ave East

St. Paul, Minnesota 55107-1402

Attn: Bondholder Services — EP-MN-WS2N — Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd.

Re: Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd., as Issuer and Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC, as Co-Issuer of: the Class A Senior Secured Floating Rate Notes, Due 2026, the Class B Secured Floating Rate Notes, Due 2026 and the Class C Secured Floating Rate Notes, Due 2026 (the “Transferred Notes”)

Reference is hereby made to the Indenture, dated as of August 18, 2016 (the “Indenture”) by and among Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd., as Issuer and Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC, as Co-Issuer of the Class A Notes, the Class B Notes and the Class C Notes, U.S. Bank National Association, as Trustee, and Arbor Realty SR, Inc., as Advancing Agent. Capitalized terms used but not defined herein will have the meanings assigned to such terms in the Indenture and if not defined in the Indenture then such terms will have the meanings assigned to them in Regulation S (“Regulation S”), or Rule 144A (“Rule 144A”), under the United States Securities Act of 1933, as amended (the “Securities Act”), and the rules promulgated thereunder, or as defined under the Investment Company Act of 1940, as amended (the “1940 Act”), and the rules promulgated thereunder.

This letter relates to the transfer of U.S.\$[•] aggregate principal amount of [Class A][Class B][Class C] Notes being transferred in exchange for an equivalent beneficial interest in a Regulation S Global Security of the same Class in the name of [name of transferee] (the “Transferee”).

In connection with such request, the Transferee hereby certifies that such transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Offering Memorandum, dated August 5, 2016, and hereby represents, warrants and agrees for the benefit of the Issuer, the Co-Issuer, the Trustee, the Loan Obligation Manager and their counsel that:

- (i) at the time the buy order was originated, the Transferee was outside the United States;
- (ii) the Transferee is not a U.S. Person (“U.S. Person”), as defined in Regulation S;
- (iii) the transfer is being made in an “offshore transaction” (“Offshore Transaction”), as defined in Regulation S, pursuant to Rule 903 or 904 of Regulation S;
- (iv) the Transferee will notify future transferees of the transfer restrictions;
- (v) the Transferee understands that the Notes, including the Transferred Notes, are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes, including the Transferred Notes, have not been and will not be registered or qualified under the Securities Act or the securities laws of any state or other jurisdiction, and, if in the future the owner decides to reoffer, resell, pledge or otherwise transfer the Transferred Notes, such Transferred Notes may only be reoffered, resold, pledged or otherwise transferred only in accordance with the Indenture and the legend on such Transferred Notes. The Transferee acknowledges that no representation is made by the Issuer, the Co-Issuer or the Placement Agent, as the case may be, as to the availability of any exemption from registration or qualification under the Securities Act or any state or other securities laws for resale of the Transferred Notes;

(vi) the Transferee is not purchasing the Transferred Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act or the securities laws of any state or other jurisdiction. The Transferee understands that an investment in the Transferred Notes involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances. The Transferee has had access to such financial and other information concerning the Issuer, the Co-Issuer and the Transferred Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Transferred Notes, including, without limitation, an opportunity to ask questions of and request information from the Loan Obligation Manager, the Placement Agent, the Issuer and the Co-Issuer, including without limitation, an opportunity to access to such legal and tax representation as the Transferee deemed necessary or appropriate;

(vii) in connection with the purchase of the Transferred Notes: (A) none of the Issuer, the Co-Issuer, the Placement Agent, the Loan Obligation Manager, the Trustee, the Collateral Administrator or any of their respective affiliates is acting as a fiduciary or financial or investment adviser for the Transferee; (B) the Transferee is not relying (for purposes of making any investment decision or otherwise) upon any written or oral advice, counsel or representations of the Issuer, the Co-Issuer, the Placement Agent, the Loan Obligation Manager, the Trustee, the Collateral Administrator or any of their respective affiliates, other than any statements in the final offering memorandum relating to such Transferred Notes and any representations expressly set forth in a written agreement with such party; (C) the Transferee has read and understands the final offering memorandum relating to the Transferred Notes (including, without limitation, the descriptions therein of the structure of the transaction in which the Transferred Notes are being issued and the risks to purchasers of the Notes); (D) none of the Issuer, the Co-Issuer, the Placement Agent, the Loan Obligation Manager, the Trustee, the Collateral Administrator or any of their respective affiliates has given to the Transferee (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (including legal, regulatory, tax, financial, accounting, or otherwise) of the Transferee's purchase of the Transferred Notes; (E) the Transferee has consulted with its own legal, regulatory, tax, business, investment, financial, accounting and other advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuer, the Co-Issuer, the Placement Agent, the Trustee, the Loan Obligation Manager, the Collateral Administrator or any of their respective affiliates; (F) the Transferee will hold and transfer at least the minimum denomination of such Transferred Notes; (G) the Transferee was not formed for the purpose of investing in the Transferred Notes; and (H) the Transferee is purchasing the Transferred Notes with a full understanding of all of the terms, conditions and risks thereof (economic and otherwise), and is capable of assuming and willing to assume (financially and otherwise) these risks;

(viii) the Transferee understands that the Transferred Notes will bear the applicable legend set forth on such Transferred Notes;

(ix) the Transferee represents that either (a) it is not and is not investing on behalf of an "employee benefit plan" (as defined in Section 3(3) of ERISA) or "plan" (as defined in Section 4975(e)(1) of the Code) that is subject to Title I of ERISA or Section 4975 of the Code, or any other employee benefit plan or plan which is subject to any federal, state or local law ("Similar Law") that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (each a "Benefit Plan") or an entity whose underlying assets include plan assets of any such Benefit Plan or (b) its purchase and holding of the Transferred Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of a Benefit Plan subject to Similar Law, do not result in a non-exempt violation of Similar Law;

(x) Except to the extent permitted by the Securities Act and the 1940 Act and any rules thereunder as in effect and applicable at the time of any such offer, the Transferee will not, at any time, offer to buy or offer to sell the Transferred Notes by any form of general solicitation or advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine

or similar medium or broadcast over television or radio or at a seminar or meeting whose attendees have been invited by general solicitations or advertising;

(xi) the Transferee is not a member of the public in the Cayman Islands, within the meaning of Section 175 of the Cayman Islands Companies Law (2013 Revision);

(xii) the Transferee understands that (A) the Issuer, the Co-Issuer, the Trustee or the Paying Agent will require certification acceptable to them (1) as a condition to the payment of principal of and interest on any Notes without, or at a reduced rate of, U.S. withholding or backup withholding tax, and (2) to enable the Issuer, the Co-Issuer, the Trustee and the Paying Agent to determine their duties and liabilities with respect to any taxes or other charges that they may be required to pay, deduct or withhold from payments in respect of such Notes or the holder of such Notes under any present or future law or regulation of the Cayman Islands or 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, which 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); (B) the Issuer, the Co-Issuer, the Trustee or the Paying Agent may require certification acceptable to them 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; (C) if the Issuer is no longer a Qualified REIT Subsidiary but is instead considered to be a foreign corporation for U.S. federal income tax purposes, the Issuer, the Co-Issuer, the Trustee or the Paying Agent will require the Transferee to provide the Issuer, the Co-Issuer, the Trustee or the Paying Agent with any correct, complete and accurate information that may be required for the Issuer, the Co-Issuer, the Trustee or the Paying Agent to comply with FATCA requirements and will take any other actions necessary for the Issuer, the Co-Issuer, the Trustee or the Paying Agent to comply with FATCA requirements and, in the event the Transferee fails to provide such information or take such actions, (1) the Issuer, the Co-Issuer, the Trustee and the Paying Agent are authorized to withhold amounts otherwise distributable to the Transferee as compensation for any amount withheld from payments to the Issuer, the Co-Issuer, the Trustee or the Paying Agent as a result of such failure, (2) to the extent necessary to avoid an adverse effect on the Issuer or any other holder of Notes as a result of such failure, the Issuer, the Co-Issuer, the Trustee and the Paying Agent will have the right to compel the Transferee to sell its Notes or, if the Transferee does not sell its Notes within 10 Business Days after notice from the Issuer, the Co-Issuer, the Trustee or the Paying Agent, 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 Transferee as payment in full for such Notes and (3) the Issuer may also assign each such Note a separate CUSIP or CUSIPs in the Issuer's sole discretion; (D) if the Transferee is a "foreign financial institution" or other foreign financial entity subject to FATCA and does not provide the Issuer, Co-Issuer, Trustee or Paying Agent with evidence that it has complied with the applicable FATCA requirements, the Issuer, Co-Issuer, Trustee or Paying Agent will be required to withhold amounts under FATCA on payments to the Transferee; and (E) the Transferee agrees to provide any certification requested pursuant to this paragraph and to update or replace such form or certification in accordance with its terms or its subsequent amendments;

(xiii) the Transferee acknowledges that it is its intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal, state and local income and franchise tax and any other income taxes, for so long as a direct or indirect wholly owned disregarded subsidiary of the Arbor Parent owns 100% of the Preferred Shares and the Issuer Ordinary Shares, the Issuer will be treated as a Qualified REIT Subsidiary and the Notes will be treated as indebtedness solely of the Arbor Parent; the Transferee agrees to such treatment and agrees to take no action inconsistent with such treatment;

(xiv) if the Transferee is not a “United States person” (as defined in Section 7701(a)(30) of the Code), it hereby represents that (i) either (A) it is not a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business (within the meaning of Section 881(c)(3)(A) of the Code), a 10% shareholder of the Issuer within the meaning of Section 871(h)(3) of the Code or a controlled foreign corporation within the meaning of Section 957(a) of the Code that is related to the Issuer within the meaning of Section 881(c)(3) of the Code, or (B) it is a person that is eligible for benefits under an income tax treaty with the United States that completely eliminates U.S. federal income taxation of U.S. source interest not attributable to a permanent establishment in the United States, and (ii) it is not purchasing the Notes in order to reduce its U.S. federal income tax liability pursuant to a tax avoidance plan;

(xv) the Transferee understands that the Notes have not been approved or disapproved by the SEC or any other governmental authority or agency or any jurisdiction and that neither the SEC nor any other governmental authority or agency has passed upon the adequacy or accuracy of the final offering memorandum relating to the Notes. The Transferee further understands that any representation to the contrary is a criminal offense;

(xvi) the Transferee will, prior to any sale, pledge or other transfer by such Transferee of any Note (or interest therein), obtain from the prospective transferee, and deliver to the Trustee, a duly executed transferee certificate addressed to each of the Trustee, the Issuer, the Co-Issuer and the Loan Obligation Manager in the form of the relevant exhibit attached to the Indenture, and such other certificates and other information as the Issuer, the Co-Issuer, the Loan Obligation Manager or the Trustee may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in the Indenture;

(xvii) the Transferee agrees that no Note may be purchased, sold, pledged or otherwise transferred in an amount less than the minimum denomination set forth in the Indenture. In addition, the Transferee understands that the Notes will be transferable only upon registration of the transferee in the Notes Register of the Issuer following delivery to the Notes Registrar of a duly executed transfer certificate and any other certificates and other information required by the Indenture;

(xviii) the Transferee is aware and agrees that no Note (or beneficial interest therein) may be reoffered, resold, pledged or otherwise transferred (i) to a transferee taking delivery of such Note represented by a Rule 144A Global Security except (A) to a transferee that the Transferee reasonably believes is a QIB, purchasing for its account or the account of another QIB, to which notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another person the sale to which is exempt under the Securities Act, (B) to a transferee that is a Qualified Purchaser, and (C) such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction, (ii) to a transferee taking delivery of such Note represented by a Regulation S Global Security except (A) to a transferee that is a non-U.S. Person acquiring such interest in an Offshore Transaction in accordance with Rule 903 or Rule 904 of Regulation S, (B) to a transferee that is not a U.S. resident (within the meaning of the 1940 Act), (C) such transfer is made in compliance with the other requirements set forth in the Indenture and (D) such transfer is made in accordance with any applicable securities laws of any state of the United States and any other jurisdiction or (iii) if such transfer would have the effect of requiring the Issuer, the Co-Issuer or the pool of Assets to register as an “investment company” under the 1940 Act;

(xix) the Transferee understands that there is no assurance that the Notes will be approved for listing or that such listing will be maintained and that there is no secondary market for the Notes and that no assurances can be given as to the liquidity of any trading market for the Notes and that it is unlikely that a trading market for the Notes will develop. The Transferee further understands that, although the Placement Agent may from time to time make a market in the Notes, the Placement Agent is not under any obligation to do so and, following the commencement of any market-making, may discontinue the same at any time. Accordingly, the Transferee must be prepared to hold the Notes until the Stated Maturity Date;

(xx) the Transferee agrees that (i) any sale, pledge or other transfer of a Note (or any beneficial interest therein) made in violation of the transfer restrictions contained in the Indenture, or made based upon any false or inaccurate representation made by the Transferee or a transferee to the Issuer, the Trustee or the

Notes Registrar, will be void and of no force or effect and (ii) none of the Issuer, the Trustee and the Notes Registrar has any obligation to recognize any sale, pledge or other transfer of a Note (or any beneficial interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation;

(xxi) the Transferee approves and consents to any direct trades between the Issuer and the Loan Obligation Manager and/or its affiliates that is permitted under the terms of the Indenture and the Loan Obligation Management Agreement; and

(xxii) the Transferee acknowledges that the Issuer, the Co-Issuer, the Trustee, the Notes Registrar, the Loan Obligation Manager, the Placement Agent and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of the Notes are no longer accurate, the Transferee will promptly notify the Issuer, the Co-Issuer, the Trustee, Notes Registrar, the Loan Obligation Manager and the Placement Agent.

(xxiii) the Notes will bear a legend to the following effect unless the Issuer and the Co-Issuer determine otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED OR QUALIFIED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND NEITHER THE ISSUER NOR THE CO-ISSUER HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT: (A) (I) TO, OR FOR THE ACCOUNT OR BENEFIT OF, A PERSON THAT IS BOTH (1)(X) A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), OR (Y) SOLELY IN THE CASE OF A NOTE ISSUED AS A DEFINITIVE NOTE, AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR", WITHIN THE MEANING OF CLAUSES (1), (2), (3), OR (7) OF RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT, OR AN ENTITY IN WHICH ALL OF THE EQUITY OWNERS ARE SUCH ACCREDITED INVESTORS, AND (2) A "QUALIFIED PURCHASER," AS DEFINED IN SECTION 2(a)(51) OF THE 1940 ACT AND THE RULES THEREUNDER (A "QUALIFIED PURCHASER"), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (OR, IN THE CASE OF NOTES HELD IN RELIANCE ON RULE 144A, NOT LESS THAN U.S.\$100,000) (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF) FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE; OR (II) TO AN INSTITUTION THAT IS NOT A "U.S. PERSON" IN AN "OFFSHORE TRANSACTION," AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF A GLOBAL SECURITY WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE CO-ISSUER, AS APPLICABLE, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME THE ISSUER AND THE CO-ISSUER, AS APPLICABLE, DETERMINE OR ARE NOTIFIED THAT THE HOLDER OF SUCH BENEFICIAL INTEREST IN SUCH GLOBAL SECURITY WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF SUCH INTEREST IN SUCH GLOBAL SECURITY VOID AND REQUIRE THAT SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER AND THE CO-ISSUER, AS APPLICABLE.

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN

INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE CO-ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

THIS NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS NOTE MAY NOT BE EXCHANGED OR TRANSFERRED IN WHOLE OR IN PART FOR A NOTE REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THAT DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

(xxiv) The owner understands and agrees that an additional legend in substantially the following form will be placed on each Note in the form of a Regulation S Global Security:

AN INTEREST IN THIS NOTE MAY NOT BE HELD BY A PERSON THAT IS A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AT ANY TIME. IN ADDITION, AN INTEREST IN THIS NOTE MAY BE HELD ONLY THROUGH EUROCLEAR OR CLEARSTREAM, LUXEMBOURG AT ANY TIME.

You, the Issuer, the Co-Issuer and the Loan Obligation Manager are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

[Name of Transferee]

By: _____
Name:
Title:

Dated: _____

cc: Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd.
Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC

FORM OF TRANSFER CERTIFICATE FOR TRANSFER FROM A REGULATION S
GLOBAL SECURITY OR A DEFINITIVE NOTE TO A RULE 144A GLOBAL SECURITY
(Transfers pursuant to Article 2 of the Indenture)

U.S. Bank National Association
111 Fillmore Ave East

St. Paul, Minnesota 55107-1402

Attn: Bondholder Services — EP-MN-WS2N — Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd.

Re: Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd., as Issuer and Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC, as Co-Issuer of: the Class A Senior Secured Floating Rate Notes, Due 2026, the Class B Secured Floating Rate Notes, Due 2026 and the Class C Secured Floating Rate Notes, Due 2026 (the “Transferred Notes”)

Reference is hereby made to the Indenture dated as of August 18, 2016 (the “Indenture”), by and among Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd., as Issuer and Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC, as Co-Issuer of the Class A Notes, the Class B Notes and the Class C Notes, U.S. Bank National Association, as Trustee, and Arbor Realty SR, Inc., as Advancing Agent. Capitalized terms used but not defined herein will have the meanings assigned to such terms in the Indenture and if not defined in the Indenture then such terms will have the meanings assigned to them in Regulation S (“Regulation S”), or Rule 144A (“Rule 144A”), under the United States Securities Act of 1933, as amended (the “Securities Act”), and the rules promulgated thereunder, or as defined under the Investment Company Act of 1940, as amended (the “1940 Act”), and the rules promulgated thereunder.

This letter relates to the transfer of U.S.\$[•] aggregate principal amount of [Class A][Class B][Class C] Notes being transferred in exchange for an equivalent beneficial interest in a Rule 144A Global Security of the same Class in the name of [name of transferee] (the “Transferee”).

In connection with such request, the Transferee hereby certifies that such transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Offering Memorandum dated August 5, 2016 and hereby represents, warrants and agrees for the benefit of the Issuer, the Co-Issuer and the Trustee that:

- (i) the Transferee is a “qualified institutional buyer” as defined in Rule 144A (a “QIB”), and a “qualified purchaser” as defined in the 1940 Act and the rules promulgated thereunder (a “Qualified Purchaser”);
- (ii) (A) the Transferee is acquiring a beneficial interest in such Transferred Notes for its own account or for an account that is both a QIB and a Qualified Purchaser and as to each of which the Transferee exercises sole investment discretion, and (B) the Transferee and each such account is acquiring not less than the minimum denomination of the Transferred Notes;
- (iii) the Transferee will notify future transferees of the transfer restrictions;
- (iv) the Transferee is obtaining the Transferred Notes in a transaction pursuant to Rule 144A;
- (v) the Transferee is obtaining the Transferred Notes in accordance with any applicable securities laws of any state of the United States and any other applicable jurisdiction;
- (vi) the Transferee understands that the Notes, including the Transferred Notes, are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes, including the Transferred Notes, have not been and will not be registered or qualified under the Securities Act or the securities laws of any state or other jurisdiction, and, if in the future the owner decides to reoffer, resell, pledge or otherwise transfer the Transferred Notes, such Transferred Notes may only be reoffered, resold, pledged or otherwise transferred only in accordance with the Indenture and the

legend on such Transferred Notes. The Transferee acknowledges that no representation is made by the Issuer, the Co-Issuer or the Placement Agent, as the case may be, as to the availability of any exemption from registration or qualification under the Securities Act or any state or other securities laws for resale of the Transferred Notes;

(vii) the Transferee is not purchasing the Transferred Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act or the securities laws of any state or other jurisdiction. The Transferee understands that an investment in the Transferred Notes involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances. The Transferee has had access to such financial and other information concerning the Issuer, the Co-Issuer and the Transferred Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Transferred Notes, including, without limitation, an opportunity to ask questions of and request information from the Loan Obligation Manager, the Placement Agent, the Issuer and the Co-Issuer, including without limitation, an opportunity to access to such legal and tax representation as the Transferee deemed necessary or appropriate;

(viii) in connection with the purchase of the Transferred Notes: (A) none of the Issuer, the Co-Issuer, the Placement Agent, the Loan Obligation Manager, the Trustee, the Collateral Administrator or any of their respective affiliates is acting as a fiduciary or financial or investment adviser for the Transferee; (B) the Transferee is not relying (for purposes of making any investment decision or otherwise) upon any written or oral advice, counsel or representations of the Issuer, the Co-Issuer, the Placement Agent, the Loan Obligation Manager, the Trustee, the Collateral Administrator or any of their respective affiliates, other than any statements in the final offering memorandum relating to such Transferred Notes and any representations expressly set forth in a written agreement with such party; (C) the Transferee has read and understands the final offering memorandum relating to the Transferred Notes (including, without limitation, the descriptions therein of the structure of the transaction in which the Transferred Notes are being issued and the risks to purchasers of the Notes); (D) none of the Issuer, the Co-Issuer, the Placement Agent, the Loan Obligation Manager, the Trustee, the Collateral Administrator or any of their respective affiliates has given to the Transferee (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (including legal, regulatory, tax, financial, accounting, or otherwise) of the Transferee's purchase of the Transferred Notes; (E) the Transferee has consulted with its own legal, regulatory, tax, business, investment, financial, accounting and other advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuer, the Co-Issuer, the Placement Agent, the Loan Obligation Manager, the Trustee, the Collateral Administrator or any of their respective affiliates; (F) the Transferee will hold and transfer at least the minimum denomination of such Transferred Notes; (G) the Transferee was not formed for the purpose of investing in the Transferred Notes; and (H) the Transferee is purchasing the Transferred Notes with a full understanding of all of the terms, conditions and risks thereof (economic and otherwise), and is capable of assuming and willing to assume (financially and otherwise) these risks;

(ix) the Transferee understands that the Transferred Notes will bear the applicable legend set forth on such Transferred Notes;

(x) the Transferee represents that either (a) it is not and is not investing on behalf of an “*employee benefit plan*” (as defined in Section 3(3) of ERISA) or “*plan*” (as defined in Section 4975(e)(1) of the Code) that is subject to Title I of ERISA or Section 4975 of the Code, or any other employee benefit plan or plan which is subject to any federal, state or local law (“*Similar Law*”) that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (each a “*Benefit Plan*”) or an entity whose underlying assets include plan assets of any such Benefit Plan or (b) its purchase and holding of the Transferred Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of a Benefit Plan subject to Similar Law, do not result in a non-exempt violation of Similar Law;

(xi) except to the extent permitted by the Securities Act and the 1940 Act and any rules thereunder as in effect and applicable at the time of any such offer, the Transferee will not, at any time, offer to buy or offer to sell the Transferred Notes by any form of general solicitation or advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio or at a seminar or meeting whose attendees have been invited by general solicitations or advertising;

(xii) the Transferee is not a member of the public in the Cayman Islands, within the meaning of Section 175 of the Cayman Islands Companies Law (2013 Revision);

(xiii) the Transferee understands that (A) the Issuer, the Co-Issuer, the Trustee or the Paying Agent will require certification acceptable to them (1) as a condition to the payment of principal of and interest on any Notes without, or at a reduced rate of, U.S. withholding or backup withholding tax, and (2) to enable the Issuer, the Co-Issuer, the Trustee and the Paying Agent to determine their duties and liabilities with respect to any taxes or other charges that they may be required to pay, deduct or withhold from payments in respect of such Notes or the holder of such Notes under any present or future law or regulation of the Cayman Islands or 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, which 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); (B) the Issuer, the Co-Issuer, the Trustee or the Paying Agent may require certification acceptable to them 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; (C) if the Issuer is no longer a Qualified REIT Subsidiary but is instead considered to be a foreign corporation for U.S. federal income tax purposes, the Issuer, the Co-Issuer, the Trustee or the Paying Agent will require the Transferee to provide the Issuer, the Co-Issuer, the Trustee or the Paying Agent with any correct, complete and accurate information that may be required for the Issuer, the Co-Issuer, the Trustee or the Paying Agent to comply with FATCA requirements and will take any other actions necessary for the Issuer, the Co-Issuer, the Trustee or the Paying Agent to comply with FATCA requirements and, in the event the Transferee fails to provide such information or take such actions, (1) the Issuer, the Co-Issuer, the Trustee and the Paying Agent are authorized to withhold amounts otherwise distributable to the Transferee as compensation for any amount withheld from payments to the Issuer, the Co-Issuer, the Trustee or the Paying Agent as a result of such failure, (2) to the extent necessary to avoid an adverse effect on the Issuer or any other holder of Notes as a result of such failure, the Issuer, the Co-Issuer, the Trustee and the Paying Agent will have the right to compel the Transferee to sell its Notes or, if the Transferee does not sell its Notes within 10 Business Days after notice from the Issuer, the Co-Issuer, the Trustee or the Paying Agent, 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 Transferee as payment in full for such Notes and (3) the Issuer may also assign each such Note a separate CUSIP or CUSIPs in the Issuer's sole discretion; (D) if the Transferee is a "foreign financial institution" or other foreign financial entity subject to FATCA and does not provide the Issuer, Co-Issuer, Trustee or Paying Agent with evidence that it has complied with the applicable FATCA requirements, the Issuer, Co-Issuer, Trustee or Paying Agent will be required to withhold amounts under FATCA on payments to the Transferee; and (E) the Transferee agrees to provide any certification requested pursuant to this paragraph and to update or replace such form or certification in accordance with its terms or its subsequent amendments;

(xiv) the Transferee acknowledges that it is its intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal, state and local income and franchise tax and any other income taxes, for so long as a direct or indirect wholly owned disregarded subsidiary of the Arbor Parent owns 100% of the Preferred Shares and the Issuer Ordinary Shares, the Issuer will be treated as a Qualified REIT Subsidiary

and the Notes will be treated as indebtedness solely of the Arbor Parent; the Transferee agrees to such treatment and agrees to take no action inconsistent with such treatment;

(xv) if the Transferee is not a “United States person” (as defined in Section 7701(a)(30) of the Code), it hereby represents that (i) either (A) it is not a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business (within the meaning of Section 881(c)(3)(A) of the Code), a 10% shareholder of the Issuer within the meaning of Section 871(h)(3) of the Code or a controlled foreign corporation within the meaning of Section 957(a) of the Code that is related to the Issuer within the meaning of Section 881(c)(3) of the Code, or (B) it is a person that is eligible for benefits under an income tax treaty with the United States that completely eliminates U.S. federal income taxation of U.S. source interest not attributable to a permanent establishment in the United States, and (ii) it is not purchasing the Notes in order to reduce its U.S. federal income tax liability pursuant to a tax avoidance plan;

(xvi) the Transferee understands that the Notes have not been approved or disapproved by the SEC or any other governmental authority or agency or any jurisdiction and that neither the SEC nor any other governmental authority or agency has passed upon the adequacy or accuracy of the final offering memorandum relating to the Notes. The Transferee further understands that any representation to the contrary is a criminal offense;

(xvii) the Transferee will, prior to any sale, pledge or other transfer by such Transferee of any Note (or interest therein), obtain from the prospective transferee, and deliver to the Trustee, a duly executed transferee certificate addressed to each of the Trustee, the Issuer, the Co-Issuer and the Loan Obligation Manager in the form of the relevant exhibit attached to the Indenture, and such other certificates and other information as the Issuer, the Co-Issuer, the Loan Obligation Manager or the Trustee may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in the Indenture;

(xviii) the Transferee agrees that no Note may be purchased, sold, pledged or otherwise transferred in an amount less than the minimum denomination set forth in the Indenture. In addition, the Transferee understands that the Notes will be transferable only upon registration of the transferee in the Notes Register of the Issuer following delivery to the Notes Registrar of a duly executed transfer certificate and any other certificates and other information required by the Indenture;

(xix) the Transferee is aware and agrees that no Note (or beneficial interest therein) may be reoffered, resold, pledged or otherwise transferred (i) to a transferee taking delivery of such Note represented by a Rule 144A Global Security except (A) to a transferee that the Transferee reasonably believes is a QIB, purchasing for its account or the account of another QIB, to which notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another person the sale to which is exempt under the Securities Act, (B) to a transferee that is a Qualified Purchaser, and (C) such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction, (ii) to a transferee taking delivery of such Note represented by a Regulation S Global Security except (A) to a transferee that is a non-U.S. Person acquiring such interest in an Offshore Transaction in accordance with Rule 903 or Rule 904 of Regulation S, (B) to a transferee that is not a U.S. resident (within the meaning of the 1940 Act), (C) such transfer is made in compliance with the other requirements set forth in the Indenture and (D) such transfer is made in accordance with any applicable securities laws of any state of the United States and any other jurisdiction or (iii) if such transfer would have the effect of requiring the Issuer, the Co-Issuer or the pool of Assets to register as an “investment company” under the 1940 Act;

(xx) the Transferee understands that there is no assurance that the Notes will be approved for listing or that such listing will be maintained and that there is no secondary market for the Notes and that no assurances can be given as to the liquidity of any trading market for the Notes and that it is unlikely that a trading market for the Notes will develop. The Transferee further understands that, although the Placement Agent may from time to time make a market in the Notes, the Placement Agent is not under any obligation to do so and, following the commencement of any market-making, may discontinue the same at any time. Accordingly, the Transferee must be prepared to hold the Notes until the Stated Maturity Date;

(xxi) the Transferee agrees that (i) any sale, pledge or other transfer of a Note (or any beneficial interest therein) made in violation of the transfer restrictions contained in the Indenture, or made based upon any false or inaccurate representation made by the Transferee or a transferee to the Issuer, the Trustee or the Notes Registrar, will be void and of no force or effect and (ii) none of the Issuer, the Trustee and the Notes Registrar has any obligation to recognize any sale, pledge or other transfer of a Note (or any beneficial interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation;

(xxii) the Transferee approves and consents to any direct trades between the Issuer and the Loan Obligation Manager and/or its affiliates that is permitted under the terms of the Indenture and the Loan Obligation Management Agreement;

(xxiii) the Transferee acknowledges that the Issuer, the Co-Issuer, the Trustee, the Notes Registrar, the Loan Obligation Manager, the Placement Agent and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of the Notes are no longer accurate, the Transferee will promptly notify the Issuer, the Co-Issuer, the Trustee, Notes Registrar, the Loan Obligation Manager and the Placement Agent; and

(xxiv) the Notes will bear a legend to the following effect unless the Issuer and the Co-Issuer determine otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED OR QUALIFIED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND NEITHER THE ISSUER NOR THE CO-ISSUER HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT: (A) (I) TO, OR FOR THE ACCOUNT OR BENEFIT OF, A PERSON THAT IS BOTH (1)(X) A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), OR (Y) SOLELY IN THE CASE OF A NOTE ISSUED AS A DEFINITIVE NOTE, AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR", WITHIN THE MEANING OF CLAUSES (1), (2), (3), OR (7) OF RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT, OR AN ENTITY IN WHICH ALL OF THE EQUITY OWNERS ARE SUCH ACCREDITED INVESTORS, AND (2) A "QUALIFIED PURCHASER," AS DEFINED IN SECTION 2(a)(51) OF THE 1940 ACT AND THE RULES THEREUNDER (A "QUALIFIED PURCHASER"), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (OR, IN THE CASE OF NOTES HELD IN RELIANCE ON RULE 144A, NOT LESS THAN U.S.\$100,000) (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF) FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE; OR (II) TO AN INSTITUTION THAT IS NOT A "U.S. PERSON" IN AN "OFFSHORE TRANSACTION," AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF A GLOBAL SECURITY WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE CO-ISSUER, AS APPLICABLE, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME THE ISSUER AND THE CO-ISSUER, AS APPLICABLE, DETERMINE OR ARE NOTIFIED THAT THE HOLDER OF SUCH BENEFICIAL INTEREST IN SUCH GLOBAL SECURITY WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF SUCH INTEREST IN SUCH GLOBAL SECURITY VOID AND REQUIRE THAT

SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER AND THE CO-ISSUER, AS APPLICABLE.

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE CO-ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

THIS NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS NOTE MAY NOT BE EXCHANGED OR TRANSFERRED IN WHOLE OR IN PART FOR A NOTE REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THAT DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

You, the Issuer, the Co-Issuer and the Loan Obligation Manager are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

[Name of Transferee]

By: _____
Name:
Title:

Dated: _____

cc: Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd.
Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC

FORM OF TRANSFER CERTIFICATE FOR TRANSFER FROM A REGULATION S GLOBAL
SECURITY, RULE 144A GLOBAL SECURITY OR A DEFINITIVE NOTE TO A DEFINITIVE NOTE
(Transfers pursuant to Article 2 of the Indenture)

U.S. Bank National Association
111 Fillmore Ave East

St. Paul, Minnesota 55107-1402

Attn: Bondholder Services — EP-MN-WS2N — Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd.

Re: Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd., as Issuer and Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC, as Co-Issuer of: the Class A Senior Secured Floating Rate Notes, Due 2026, the Class B Secured Floating Rate Notes, Due 2026 and the Class C Secured Floating Rate Notes, Due 2026 (the “Transferred Notes”)

Reference is hereby made to the Indenture dated as of August 18, 2016 (the “Indenture”), by and among Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd., as Issuer and Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC, as Co-Issuer of the Class A Notes, the Class B Notes and the Class C Notes, U.S. Bank National Association, as Trustee, and Arbor Realty SR, Inc., as Advancing Agent. Capitalized terms used but not defined herein will have the meanings assigned to such terms in the Indenture and if not defined in the Indenture then such terms will have the meanings assigned to them in Regulation S (“Regulation S”), or Rule 144A (“Rule 144A”), under the United States Securities Act of 1933, as amended (the “Securities Act”), and the rules promulgated thereunder, or as defined under the Investment Company Act of 1940, as amended (the “1940 Act”), and the rules promulgated thereunder.

This letter relates to the transfer of U.S.\$[•] aggregate principal amount of [Class A][Class B][Class C] Notes being transferred in exchange for a Definitive Note of the same Class in the name of [name of transferee] (the “Transferee”).

In connection with such request, the Transferee hereby certifies that such transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Offering Memorandum dated August 5, 2016 and hereby represents, warrants and agrees for the benefit of the Issuer, the Co-Issuer and the Trustee that:

(i) the Transferee is an institution that is an “accredited investor” as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act or any entity in which all of the equity owners are such “accredited investors” (an “IAI”) who is also a “qualified purchaser” as defined in Section 2(a)(51) of the 1940 Act and the rules promulgated thereunder (a “Qualified Purchaser”);

(ii) the Transferee is acquiring the Notes for its own account (and not for the account of any other Person) in a minimum denomination of U.S.\$250,000 and in integral multiples of U.S.\$500 in excess thereof;

(iii) the Transferee understands that the Notes have not been and will not be registered or qualified under the Securities Act or the securities laws of any state or other jurisdiction, and, if in the future the Transferee decides to reoffer, resell, pledge or otherwise transfer the Notes, such Notes may be reoffered, resold, pledged or otherwise transferred only in accordance with the provisions of the Indenture and the legends on such Notes, including the requirement for written certifications. In particular, the Transferee understands that the Notes may be transferred only to a person that is (A) both (a)(i) a “qualified institutional buyer” as defined in Rule 144A (a “QIB”) who purchases such Notes in reliance on the exemption from Securities Act registration provided by Rule 144A, or (ii) solely in the case of Notes that are issued in the form of Definitive Securities, an IAI; and (b) a Qualified Purchaser or a corporation, partnership, limited liability company or other entity (other than a trust), each shareholder, partner, member or other equity owner of which is a Qualified Purchaser, or (B) an institution that is not a “U.S. person” as defined in Regulation S (a “U.S. Person”), and is acquiring the Notes in an “offshore transaction” as defined in Regulation S (an “Offshore Transaction”), in reliance on the exemption from registration provided by Regulation S.

The Transferee acknowledges that no representation is made as to the availability of any exemption from registration or qualification under the Securities Act or any state or other securities laws for resale of the Notes;

(iv) in connection with the Transferee's purchase of the Notes: (a) none of the Issuer, the Co-Issuer, the Placement Agent, the Loan Obligation Manager, the Trustee, the Collateral Administrator or any of their respective affiliates is acting as a fiduciary or financial or investment adviser for the Transferee; (b) the Transferee is not relying (for purposes of making any investment decision or otherwise) upon any written or oral advice, counsel or representations of the Issuer, the Co-Issuer, the Placement Agent, the Loan Obligation Manager, the Trustee, the Collateral Administrator or any of their respective affiliates, other than any statements in the final offering memorandum relating to such Transferred Notes and any representations expressly set forth in a written agreement with such party; (c) the Transferee has read and understands the final offering memorandum relating to such Transferred Notes (including, without limitation, the descriptions therein of the structure of the transaction in which such Transferred Notes are being issued and the risks to purchasers of the Transferred Notes); (d) none of the Issuer, the Co-Issuer, the Placement Agent, the Loan Obligation Manager, the Trustee, the Collateral Administrator or any of their respective affiliates has given to the Transferee (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (including legal, regulatory, tax, financial, accounting, or otherwise) of the Transferee's purchase of the Transferred Notes; (e) the Transferee has consulted with its own legal, regulatory, tax, business, investment, financial, accounting and other advisers to the extent it has deemed necessary, and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuer, the Co-Issuer, the Placement Agent, the Loan Obligation Manager, the Trustee, the Collateral Administrator or any of their respective affiliates; (f) the Transferee will hold and transfer at least the minimum denomination of such Transferred Notes; (g) the Transferee was not formed for the purpose of investing in the Transferred Notes; and (h) the Transferee is a sophisticated investor and is purchasing the Transferred Notes with a full understanding of all of the terms, conditions and risks thereof (economic and otherwise), and it is capable of assuming and willing to assume those risks;

(v) the Transferee is acquiring the Notes as principal solely for its own account for investment and not with a view to the resale, distribution or other disposition thereof in violation of the Securities Act or the securities laws of any state or other jurisdiction; it is not a (A) partnership, (B) common trust fund, or (C) special trust, pension, profit-sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants may designate the particular investments to be made; it agrees that it shall not hold any Notes for the benefit of any other person, that it shall at all times be the sole beneficial owner thereof for purposes of the 1940 Act and all other purposes and that it shall not sell participation interests in the Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Notes;

(vi) the Transferee represents that either (a) it is not and is not investing on behalf of an "employee benefit plan" (as defined in Section 3(3) of ERISA) or "plan" (as defined in Section 4975(e)(1) of the Code) that is subject to Title I of ERISA or Section 4975 of the Code, or any other employee benefit plan or plan which is subject to any federal, state or local law ("Similar Law") that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (each a "Benefit Plan") or an entity whose underlying assets include plan assets of any such Benefit Plan or (b) its purchase and holding of the Transferred Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of a Benefit Plan subject to Similar Law, do not result in a non-exempt violation of Similar Law;

(vii) the Transferee will treat its Notes as debt of the Issuer for United States federal and, to the extent permitted by law, state and local income and franchise tax purposes unless otherwise required by any relevant taxing authority;

(viii) the Transferee is a "United States person" within the meaning of Section 7701(a)(30) of the Code, and has submitted a properly completed and signed IRS Form W-9 containing its name, address and U.S. taxpayer identification number (or applicable successor form); or it is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, and has submitted a properly completed and signed applicable IRS Form W-8 (or applicable successor form);

(ix) the Transferee acknowledges that it is its intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal, state and local income and franchise tax and any other income taxes, for so long as a direct or indirect wholly owned disregarded subsidiary of the Arbor Parent owns 100% of the Preferred Shares and the Issuer Ordinary Shares, the Issuer will be treated as a Qualified REIT Subsidiary and the Notes will be treated as indebtedness solely of the Arbor Parent; the Transferee agrees to such treatment and agrees to take no action inconsistent with such treatment;

(x) if the Transferee is not a “United States person” (as defined in Section 7701(a)(30) of the Code), it hereby represents that (i) either (A) it is not a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business (within the meaning of Section 881(c)(3)(A) of the Code), a 10% shareholder of the Issuer within the meaning of Section 871(h)(3) of the Code or a controlled foreign corporation within the meaning of Section 957(a) of the Code that is related to the Issuer within the meaning of Section 881(c)(3) of the Code, or (B) it is a person that is eligible for benefits under an income tax treaty with the United States that completely eliminates U.S. federal income taxation of U.S. source interest not attributable to a permanent establishment in the United States, and (ii) it is not purchasing the Notes in order to reduce its U.S. federal income tax liability pursuant to a tax avoidance plan;

(xi) the Transferee understands that (A) the Issuer, the Co-Issuer, the Trustee or the Paying Agent will require certification acceptable to them (1) as a condition to the payment of principal of and interest on any Notes without, or at a reduced rate of, U.S. withholding or backup withholding tax, and (2) to enable the Issuer, the Co-Issuer, the Trustee and the Paying Agent to determine their duties and liabilities with respect to any taxes or other charges that they may be required to pay, deduct or withhold from payments in respect of such Notes or the holder of such Notes under any present or future law or regulation of the Cayman Islands or 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, which 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); (B) the Issuer, the Co-Issuer, the Trustee or the Paying Agent may require certification acceptable to them 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; (C) if the Issuer is no longer a Qualified REIT Subsidiary but is instead considered to be a foreign corporation for U.S. federal income tax purposes, the Issuer, the Co-Issuer, the Trustee or the Paying Agent will require the Transferee to provide the Issuer, the Co-Issuer, the Trustee or the Paying Agent with any correct, complete and accurate information that may be required for the Issuer, the Co-Issuer, the Trustee or the Paying Agent to comply with FATCA requirements and will take any other actions necessary for the Issuer, the Co-Issuer, the Trustee or the Paying Agent to comply with FATCA requirements and, in the event the Transferee fails to provide such information or take such actions, (1) the Issuer, the Co-Issuer, the Trustee and the Paying Agent are authorized to withhold amounts otherwise distributable to the Transferee as compensation for any amount withheld from payments to the Issuer, the Co-Issuer, the Trustee or the Paying Agent as a result of such failure, (2) to the extent necessary to avoid an adverse effect on the Issuer or any other holder of Notes as a result of such failure, the Issuer, the Co-Issuer, the Trustee and the Paying Agent will have the right to compel the Transferee to sell its Notes or, if the Transferee does not sell its Notes within 10 Business Days after notice from the Issuer, the Co-Issuer, the Trustee or the Paying Agent, 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 Transferee as payment in full for such Notes and (3) the Issuer may also assign each such Note a separate CUSIP or CUSIPs in the Issuer’s sole discretion; (D) if the Transferee is a “foreign financial institution” or other foreign financial entity subject to FATCA and does not provide the Issuer, Co-Issuer, Trustee or Paying Agent with evidence that it has complied with the applicable FATCA requirements, the Issuer, Co-Issuer, Trustee or Paying Agent will be required to withhold amounts under FATCA on payments to the Transferee; and (E) the Transferee agrees to provide any certification requested pursuant to this paragraph and to update or replace such form or certification in accordance with its terms or its subsequent amendments;

(xii) the Transferee agrees not to seek to commence in respect of the Issuer, or cause the Issuer to commence, a bankruptcy proceeding before a year and a day has elapsed since the payment in full to the holders of the Notes issued pursuant to the Indenture or, if longer, the applicable preference period (plus one day) then in effect;

(xiii) the Transferee acknowledges that, to the extent required by the Issuer, as determined by the Issuer or the Loan Obligation Manager on behalf of the Issuer, the Issuer may, upon notice to the Trustee, impose additional transfer restrictions on the Notes to comply with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act") and other similar laws or regulations, including, without limitation, requiring each transferee of a Note to make representations to the Issuer in connection with such compliance;

(xiv) the Transferee acknowledges that, each investor or prospective investor will be required to make such representations to the Issuer, as determined by the Issuer or the Loan Obligation Manager on behalf of the Issuer, as the Issuer will require in connection with applicable AML/OFAC obligations, including, without limitation, representations to the Issuer that such investor or prospective investor (or any person controlling or controlled by the investor or prospective investor; if the investor or prospective investor is a privately held entity, any person having a beneficial interest in the investor or prospective investor; or any person for whom the investor or prospective investor is acting as agent or nominee in connection with the investment) is not (i) an individual or entity named on any available lists of known or suspected terrorists, terrorist organizations or of other sanctioned persons issued by the United States government and the government(s) of any jurisdiction(s) in which the Partnership is doing business, including the List of Specially Designated Nationals and Blocked Persons administered by OFAC, as such list may be amended from time to time; (ii) an individual or entity otherwise prohibited by the OFAC sanctions programs; or (iii) a current or former senior foreign political figure or politically exposed person, or an immediate family member or close associate of such an individual. Further, such investor or prospective investor must represent to the Issuer that it is not a prohibited foreign shell bank;

(xv) the Transferee acknowledges that, each investor or prospective investor will also be required to represent to the Issuer that amounts invested with the Issuer were not directly or indirectly derived from activities that may contravene U.S. Federal, state or international laws and regulations, including, without limitation, any applicable anti-money laundering laws and regulations;

(xvi) the Transferee acknowledges that, by law, the Issuer, the Placement Agent, the Loan Obligation Manager or other service providers acting on behalf of the Issuer, may be obligated to "freeze" any investment in a Note by such investor. The Issuer, the Placement Agent, the Loan Obligation Manager or other service providers acting on behalf of the Issuer may also be required to report such action and to disclose the investor's identity to OFAC or other applicable governmental and regulatory authorities;

(xvii) the Transferee understands that the Issuer, the Trustee and the Placement Agent will rely upon the accuracy and truth of the foregoing representations, and it hereby consents to such reliance; and

(xviii) the Definitive Notes will bear a legend to the following effect unless the Issuer and the Co-Issuer determine otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED OR QUALIFIED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND NEITHER THE ISSUER NOR THE CO-ISSUER HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT: (A) (I) TO, OR FOR THE ACCOUNT OR BENEFIT OF, A PERSON THAT IS BOTH (1)(X) A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), OR (Y) SOLELY IN THE CASE OF A NOTE ISSUED AS A DEFINITIVE NOTE, AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR", WITHIN THE MEANING OF CLAUSES (1), (2), (3), OR (7) OF RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT, OR AN ENTITY IN WHICH ALL OF THE EQUITY OWNERS ARE SUCH ACCREDITED INVESTORS, AND (2) A "QUALIFIED PURCHASER," AS DEFINED IN SECTION 2(a)(51) OF THE 1940 ACT AND THE RULES THEREUNDER (A "QUALIFIED PURCHASER"), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.\$250,000 (OR, IN THE CASE OF NOTES HELD IN RELIANCE ON RULE 144A, NOT LESS THAN U.S.\$100,000) (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF) FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE; OR (II) TO AN INSTITUTION THAT IS NOT A "U.S. PERSON" IN AN "OFFSHORE TRANSACTION," AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S IN A PRINCIPAL AMOUNT OF

NOT LESS THAN U.S.\$250,000 (AND INTEGRAL MULTIPLES OF U.S.\$500 IN EXCESS THEREOF), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF A DEFINITIVE NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE CO-ISSUER, AS APPLICABLE, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME, THE ISSUER AND THE CO-ISSUER, AS APPLICABLE, DETERMINE OR ARE NOTIFIED THAT THE HOLDER OF SUCH NOTE WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF THIS NOTE VOID AND REQUIRE THAT THIS NOTE BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER AND THE CO-ISSUER, AS APPLICABLE.

You, the Issuer, the Co-Issuer and the Loan Obligation Manager are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

[Name of Transferee]

By: _____
Name:
Title:

Dated: _____

cc: Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd.
Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC

FORM OF TRUSTEE REPORT REGARDING THE LOAN OBLIGATION FILE

LOAN OBLIGATION SCHEDULE / CLOSING DOCUMENT CHECKLIST

Loan Number _____ Date _____

Check one: Initial delivery Trailing documents Final delivery

CRITICAL DOCUMENTS:

	DOCUMENT NAME	REQUIRED	ENCLOSED	STATUS
A.	Promissory Note	(1)	(2)	(3)
B.	Allonge(s)/Endorsement(s) Endorsed to List complete chain			
C.	Participation Certificate			
D.	Participation Agreement			
E.	Letter(s) of Credit (list separately) Beneficiary Is this an Essential Letter of Credit(4)			
F.	Letter of Credit Rider to the Closing Checklist List all terms including Beneficiary, Amount, Expiration Date, Transferability, Issuing Bank and Address			
G.	Assignment of Letters of Credit Assignee			
H.	Ground Lease Include Amendments, Modifications and Extensions			
I.	Memorandum of Lease (Ground Lease)			
J.	Ground Lease Estoppel			

- (1) Indicate whether or not the document is part of the loan structure.
- (2) Applies to this delivery only - do not list if documents were previously sent.
- (3) Indicate if the document is an original, jurisdiction certified copy or copy. For Recordable documents - Indicate if the document is recorded, sent for recordation, not sent for recordation.
- (4) Essential Letters of Credit are in an amount greater to the lesser of (i) 5% of the principal amount of the loan or (ii) \$500,000.

BASIC AND TRANSFER DOCUMENTS

	<u>DOCUMENT NAME</u>	<u>REQUIRED</u>	<u>ENCLOSED</u>	<u>STATUS</u>
1.	Mortgage(s)/Deed(s) of Trust and Security Agreement			
2.	Interim Assignment of Mortgage/Deed of Trust Assignee (if any)			
3.	Assignment of Mortgage/Deed of Trust Assignee Blank or Trust			
4.	Consolidation Agreement List all underlying notes			
5.	Assignment(s) of Leases and Rents			
6.	Interim Assignment of Assignment of Leases and Rents Assignee (if any)			
7.	Assignment of Assignment of Leases and Rents Assignee Blank or Trust			
8.	Title Policy			
9.	Preliminary Evidence of Title Type			
10.	UCC-1 Financing Statement - State =			
11.	Interim UCC-3 Assignment State = Assignee =			
12.	Interim UCC-3 Assignment State = Assignee =			
13.	UCC-1 Financing Statement - Fixture Filing Jurisdiction =			
14.	UCC-3 Assignment Fixture Filing Jurisdiction = Assignee =			
15.	UCC-3 Assignment Jurisdiction = Assignee - Blank or Trust			
16.	UCC-1 Financing Statement - Other Filing Jurisdiction =			
17.	UCC-3 Assignment Other Filing Jurisdiction = Assignee =			
18.	UCC-3 Assignment Other filing Jurisdiction = Assignee - Blank or Trust			
19.	Loan Agreement			

- 20. Reserve or Escrow Agreement
List if multiple Agreements
- 21. Cash Management Arrangements
 - a. Cash Management Agreement
 - b. Lockbox Agreement
 - c. Property Account/Clearing Account Agreement
 - d. Investment Property/Deposit Account Control Agreement
- 22. Security Agreement (if separate from Mortgage)
- 23. Guaranty/Indemnity Agreement (applies to all non-recourse events)
- 24. Environmental Indemnity

SPECIALIZED PROPERTY DOCUMENTS

	<u>DOCUMENT NAME</u>	<u>REQUIRED</u>	<u>ENCLOSED</u>	<u>STATUS</u>
25.	List all other collateral(5) being delivered such as: For Franchise Loans Franchise Agreement			
26.	For Hotels Comfort Letters/Tri-Party Letters (list all parties)			

OTHER DOCUMENTS

	<u>DOCUMENT NAME</u>	<u>REQUIRED</u>	<u>ENCLOSED</u>	<u>STATUS</u>
27.	List each document			
28.	List each document			

(5) The Checklist documents should match the headings listed on the individual documents. Documents should be sent in the order listed on the Checklist.

FORM OF TRUST RECEIPT

Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd.
(the "Issuer")

Arbor Realty Collateral Management, LLC
(the "Loan Obligation Manager")

Re: Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd.

Ladies and Gentlemen:

In accordance with the provisions of the Indenture, dated as of August 18, 2016, by and among the Issuer, Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC, as Co-Issuer, Arbor Realty SR, Inc., as Advancing Agent, and U.S. Bank National Association, as Trustee, Paying Agent, Calculation Agent, Transfer Agent, Custodial Securities Intermediary, Backup Advancing Agent and Notes Registrar (the "Indenture"), the undersigned, as the Custodial Securities Intermediary, hereby certifies that it has received the documents identified on Schedule A hereto with respect to the Initial Loan Obligations identified on such schedule and that it is holding all such documents in its capacity as the Custodial Securities Intermediary subject to the terms of the Indenture. Capitalized terms used but not defined in this Receipt have the meanings assigned to them in the Indenture.

The Custodial Securities Intermediary makes no representations as to, and shall not be responsible to verify, (i) the validity, legality, enforceability, due authorization, recordability, sufficiency, or genuineness of any of the documents in its custody relating to a Loan Obligation, or (ii) the collectability, insurability, effectiveness or suitability of any such documents in its custody relating to a Loan Obligation.

U.S. BANK NATIONAL ASSOCIATION, solely in its capacity
as Trustee and Custodial Securities Intermediary

By: _____
Name:
Title:

FORM OF REQUEST FOR RELEASE
REQUEST FOR RELEASE OF DOCUMENTS AND RECEIPT

To: U.S. Bank National Association

In connection with the administration of the Loan Obligations held by you as the Custodial Securities Intermediary on behalf of the Issuer, we request the release, to the Loan Obligation Manager of [specify document] for the Loan Obligation described below, for the reason indicated.

Borrower's Name, Address & Zip Code: _____ **Ship Files To:** _____

Name:

Address:

Telephone Number:

Loan Obligation Description:

Current Outstanding Principal Balance:

Reason for Requesting Documents (check one):

- 1. Purchased Asset Paid in Full. The Loan Obligation Manager hereby certifies that all amounts received in connection therewith that are required to be remitted by the borrower or other obligors thereunder have been paid in full and that any amounts in respect thereof required to be remitted to the Trustee pursuant to the Indenture have been so remitted.
- 2. Purchased Asset Liquidated By _____. The Loan Obligation Manager hereby certifies that all proceeds of insurance, condemnation or other liquidation have been finally received and that any amounts in respect thereof required to be remitted to the Trustee pursuant to the Indenture have been so remitted.
- 3. Other (explain) _____.

If box 1 or 2 above is checked, and if all or part of the Underlying Instruments was previously released to us, please release to us our previous request and receipt on file with you, as well as any additional documents in your possession relating to the specified Loan Obligation.

If box 3 above is checked, upon our return of all of the above documents to you as the Custodial Securities Intermediary, please acknowledge your receipt by signing in the space indicated below and returning this form.

If box 3 above is checked, it is hereby acknowledged that a security interest pursuant to the Uniform Commercial Code in the Loan Obligation described above and in the proceeds of said Loan Obligation has been granted to the Trustee pursuant to the Indenture.

If box 3 above is checked, in consideration of the aforesaid delivery by the Custodial Securities Intermediary, the Loan Obligation Manager hereby agrees to hold said Loan Obligation in trust for the Trustee, as provided under

and in accordance with all provisions of the Indenture and the Loan Obligation Management Agreement, and to return said Loan Obligation to the Custodial Securities Intermediary no later than the close of business on the twentieth (20th) Business Day following the date hereof or, if such day is not a Business Day, on the immediately preceding Business Day.

The Loan Obligation Manager hereby acknowledges that it shall hold the above-described Loan Obligation and any related Underlying Instruments in trust for, and as the bailee of, the Trustee, and shall return said Loan Obligation and any related documents only to the Custodial Securities Intermediary.

Capitalized terms used but not defined in this Request have the meanings assigned to them in the Indenture, dated as of August 18, 2016, by and among Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd., as Issuer, Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC, as Co-Issuer, Arbor Realty SR, Inc. as Advancing Agent, and U.S. Bank National Association, as Trustee, Paying Agent, Calculation Agent, Transfer Agent, Custodial Securities Intermediary, Backup Advancing Agent and Notes Registrar.

**ARBOR REALTY COLLATERAL MANAGEMENT,
LLC**

By: _____
Name:
Title:

Acknowledgment of documents returned:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Name:
Title:

Date:

FORM OF NRSRO CERTIFICATION

[Date]

Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd.
c/o MaplesFS Limited
P.O. Box 1093, Queensgate House
Grand Cayman, KY1-1102 Cayman Islands

U.S. Bank National Association
190 South LaSalle Street, 8th Floor
Chicago, Illinois 60603

Attention: Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd. and Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC

In accordance with the requirements for obtaining certain information pursuant to the Indenture, dated as of August 18, 2016 (the "Indenture"), by and among Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd. (the "Issuer"), as Issuer, Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC, as Co-Issuer, Arbor Realty SR, Inc., as Advancing Agent, and U.S. Bank National Association (the "Trustee"), as Trustee, the undersigned hereby certifies and agrees as follows:

1. The undersigned, a Nationally Recognized Statistical Rating Organization, has provided the Issuer with the appropriate certifications under Rule 17g-5(e) as promulgated under the Exchange Act.
2. The undersigned has access to the 17g-5 Website.
3. The undersigned shall be deemed to have recertified to the provisions herein each time it accesses the 17g-5 Information on the 17g-5 Website.

Capitalized terms used but not defined herein shall have the respective meanings assigned thereto in the Indenture.

IN WITNESS WHEREOF, the undersigned has caused its name to be signed hereto by its duly authorized signatory, as of the day and year written above.

Nationally Recognized Statistical Rating Organization

Name:

Title:

Company:

Phone:

Email:

H-2

Representations and Warranties

All capitalized terms used in this schedule to Exhibit I will have the meanings assigned to such terms in the applicable Loan Obligations Purchase Agreement.

- (1) Whole Loan; Ownership of Loan Obligations. Except for the Loan Obligations identified in Annex A to the Offering Memorandum as a Senior Participation, each Closing Date Loan Obligation is a whole loan and not a participation interest in a Mortgage Loan. Each Additional Loan Obligation and Replacement Loan Obligation 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 Loan Obligation 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 Loan Obligation other than any servicing rights appointment or similar agreement. Seller has full right and authority to sell, assign and transfer each Loan Obligation, and the assignment to Purchaser constitutes a legal, valid and binding assignment of such Loan Obligation free and clear of any and all liens, pledges, charges or security interests of any nature encumbering such Loan Obligation.

- (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 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 Cut-off 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 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) to the applicable Loan Obligations Purchase Agreement, 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 which 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 Cut-off 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 and materialmens 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 the applicable Loan Obligations Purchase Agreement, 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, 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 personalty 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. 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 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 Cut-off 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.

- (12) Condemnation. As of the date of origination and to the Seller's knowledge as of the Cut-off Date, there is no proceeding pending, and, to the Seller's knowledge as of the date of origination and as of the Cut-off 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 Cut-off 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, an adverse outcome of which would reasonably be expected to 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 Cut-off Date of the Mortgage Loan set forth on the mortgage loan schedule attached as Exhibit A to the applicable Loan Obligations Purchase 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 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 X 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.

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 or "A3" (or the equivalent) from Moody's Investors Service, Inc. or "A-" by Standard & Poor's Ratings Service 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 Cut-off 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 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 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 current use of such Mortgaged Property or for which insurance or endorsements 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 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 Cut-off 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 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 Cut-off 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 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

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 payment 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 Seller's knowledge, do not, as of the Cut-off 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 the applicable Loan Obligations Purchase Agreement; 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 in the

related Loan Documents, such as a qualified equityholder, (v) transfers of stock or similar equity units in publicly traded companies or (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 the applicable Loan Obligations Purchase Agreement, or (vii) as set forth on Schedule 1(b) to the applicable Loan Obligations Purchase Agreement by reason of any mezzanine debt that existed at the origination of the related Mortgage Loan, or future permitted mezzanine debt as set forth on Schedule 1(c) to the applicable Loan Obligations Purchase Agreement 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 on Schedule 1(d) to the applicable Loan Obligations Purchase Agreement, 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 Cut-off Date Stated Principal Balance in excess of \$5 million provide that the borrower is a Single-Purpose Entity, and each Mortgage Loan with a Cut-off 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 Cut-off 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 each Loan Obligations Purchase 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.

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 Seller, its successors and assigns, 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 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 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 taking or loss, 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

- (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 Exhibit I.
- (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 Exhibit I. 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 Cut-off Date, no borrower, guarantor or tenant occupying a single-tenant property is a debtor in 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 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 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 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) Loan Obligation Schedule. The information pertaining to each Loan Obligation that is set forth in the schedule attached as Exhibit A to the Loan Obligations Purchase Agreement is true and correct in all material respects as of the Cut-off Date and contains all information required by the Loan Obligations 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 the applicable Loan Obligations Purchase Agreement.
- (41) Advance of Funds by the Seller. After origination, no advance of funds has been made by Seller to the related borrower other than in accordance with the Loan Documents, and, to 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 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. 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 Loan Obligation 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 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;

(v) Each other participant (each, a "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 Loan Obligation upon request therefor by the related servicer or lead and control participant (the "Lead Participant");

(vi) Each participation agreement is effective to convey the participation interest to the related participants and is not intended to be or effective as a loan or other financing secured by the Loan Obligation 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 pursuant to the 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.

For purposes of these representations and warranties, the phrases "the Seller's knowledge" or "the Seller's belief" and other words and phrases of like import shall mean, except where otherwise expressly set forth herein, the actual state of knowledge or belief 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.

LOAN OBLIGATION PURCHASE AGREEMENT

This LOAN OBLIGATION PURCHASE AGREEMENT (this "Agreement") is made as of August 18, 2016 by and between Arbor Realty SR, Inc., a Maryland corporation (the "Seller"), and Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd., an exempted company incorporated in the Cayman Islands with limited liability (the "Issuer" and, in some instances, the "Purchaser").

WITNESSETH:

WHEREAS, the Issuer desires to purchase from the Seller and the Seller desires to sell to the Issuer an initial portfolio of loan obligations (the "Initial Portfolio");

WHEREAS, in connection with the sale of such obligations to the Issuer, the Seller desires to release any interest it may have in the loan obligations and desires to make certain representations and warranties regarding the loan obligations;

WHEREAS, the Issuer and Arbor Realty Commercial Real Estate Notes 2016-FL1, LLC, a Delaware limited liability company (the "Co-Issuer"), intend to issue (a) the U.S.\$183,625,000 Class A Senior Secured Floating Rate Notes Due 2026 (the "Class A Notes"), (b) the U.S.\$22,750,000 Class B Secured Floating Rate Notes Due 2026 (the "Class B Notes") and (c) the U.S.\$43,875,000 Class C Secured Floating Rate Notes Due 2026 (the "Class C Notes") and, collectively with the Class A Notes and Class B Notes, the "Notes"), pursuant to an indenture, dated as of August 18, 2016 (the "Indenture"), by and among the Issuer, the Co-Issuer, 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") and Arbor Realty SR, Inc., as advancing agent;

WHEREAS, pursuant to its Governing Documents, certain resolutions of its Board of Directors and a preferred shares paying agency agreement, the Issuer also intends to issue the U.S.\$74,750,000 aggregate notional amount preferred shares (the "Preferred Shares") and, together with the Notes, the "Securities");

WHEREAS, the Issuer intends to pledge the obligations purchased hereunder by the Issuer to the Trustee as security for the Notes;

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.

“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 Mortgage 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 Mortgage Property is located to reflect the assignment of the Mortgage to the Mortgagee.

“Borrower”: The Borrower under a Mortgage Loan.

“Collateral File”: With respect to any Loan Obligation, 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 Loan Obligations conveyed hereunder, which is attached hereto as Schedule 1(a).

“Junior Participation”: One or more junior participation interests (or B Notes) in a Whole Loan.

“Loan Documents”: The documents evidencing a Mortgage Loan.

“Loan Obligation”: Each Whole Loan or Participation identified on Exhibit A hereto.

“Mortgage”: With respect to each Loan Obligation, 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 Mortgage Property.

“Mortgagee”: With respect to each Mortgage Loan, the party secured by the related Mortgage.

“Mortgage File”: The file containing the Loan Documents.

“Mortgage Loan”: With respect to (1) each Loan Obligation that is a Whole Loan, such Whole Loan and (2) with respect to each Loan Obligation 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 Loan Obligation that is a Participation, the participation agreement or sub-participation agreement that governs the rights and obligations of the holders of such Participation and the related Non-Acquired Participations.

“Reference Date”: With respect to each Loan Obligation and Mortgage Loan, the later of July 1, 2016, or the related origination date.

“Senior Participation”: A senior participation interest in a Whole Loan.

“Servicing File”: The file maintained by the servicer with respect to each Loan Obligation

“Stated Principal Balance”: With respect to each Loan Obligation and Mortgage Loan, the outstanding principal balance thereof.

“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.

“Whole Loan”: A mortgage loan secured by a first mortgage lien on a multi-family property.

2. Purchase and Sale of the Loan Obligations.

(a) Set forth in Exhibit A hereto is a list of Loan Obligations and certain other information with respect to each of the Loan Obligations. The Seller agrees to sell to the Issuer, and the Issuer agrees to purchase from the Seller, all of the Loan Obligations at an aggregate purchase price of U.S.\$275,422,500 (the “Purchase Price”). Immediately prior to such sale, the Seller hereby conveys and assigns all right, title and interest it may have in such Loan Obligation to the Issuer.

(b) Delivery or transfer of the Loan Obligations shall be made on or about August 18, 2016 (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 Loan Obligations 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:

(i) immediately prior to the sale of the Loan Obligations to the Issuer, the Seller shall own the Loan Obligations, 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 Loan Obligations to the Issuer as contemplated herein, the Issuer shall receive good and marketable title to the Loan Obligations, 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 Loan Obligations in good faith without notice of any adverse claim, and upon the delivery or transfer of the Loan Obligations to the Issuer as contemplated herein, the Issuer shall acquire ownership in the Loan Obligations in good faith without notice of any adverse claim;

(iii) the Seller has not assigned, pledged or otherwise encumbered any interest in the Loan Obligations (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 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 Loan Obligations owned by it constitutes fair consideration and reasonably equivalent value for such Loan Obligations.

(c) the Seller further represents and warrants to the Issuer that:

(i) the Underlying Instruments with respect to each Loan Obligation do not prohibit the Issuer from granting a security interest in and assigning and pledging such Loan Obligation to the Trustee;

(ii) the information set forth with respect to the Loan Obligations in Schedule A of the Indenture is true and correct;

(iii) none of the Loan Obligations will cause the Issuer to have payments subject to foreign or United States withholding tax;

(iv) with respect to each Loan Obligation, except as set forth in the Exception Schedule, the representations and warranties set forth in Schedule 1(a) 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 Loan Obligation together with an assignment in blank and all other assignment documents reasonably necessary to evidence the transfer of the Loan Obligation including, where applicable, UCC assignments and any other Underlying Instrument and copies of any other documents related to the Loan Obligation in the Seller's possession, including copies of any related mortgage loan documents if the Loan Obligation is a Mortgage Loan, related to such Loan Obligation the delivery of which is necessary to perfect the security interest of the Trustee in such Loan Obligation and (B) copies of the Underlying Instruments.

(d) For purposes of the representations and warranties set forth in Schedule 1(a), 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 Loan Obligation, 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 Loan Obligation 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 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 Loan Obligation, 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 the holders 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 Loan Obligation Manager, on behalf of the Issuer, 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 Loan Obligation 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(c) 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 Loan Obligation 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.

(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) 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 Loan Obligations 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 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 Loan Obligations from the Seller to the Issuer and the beneficial interest in and title to the Loan Obligations 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 Loan Obligations 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 Loan Obligations 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 2016-FL1, Ltd.
c/o MaplesFS Limited
P.O. Box 1093
Queensgate House
Grand Cayman, KY1-1102 Cayman Islands
Attention: The Directors
Telephone Number: (345) 945-7099
Facsimile Number: (345) 945-7100

with a copy to the Loan Obligation 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 Obligations and to the extent the proceeds of the Pledged Obligations, when applied in accordance with the Priority of Payments, are insufficient to 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 Loan Obligations 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.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Loan Obligations Purchase Agreement as of the day and year first above written.

ARBOR REALTY SR, INC.

By: _____
Name:
Title:

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD.

By: _____
Name:
Title:

Exhibit A

LIST OF LOAN OBLIGATIONS

160 Van Brunt Street
Madison at Adams Farm
Park Plaza
Matthews Crossing
Champions Club
440 West 47th Street
Grand Tower
Oaks of Kingsbridge
Highland Portfolio
Elkhart Portfolio
Sands at St. Lucie
McEver Vineyards
Brookside Manor Apartments
St. Andrews
Peachtree Place
Avalon Square
Riverline Self Storage
Longtown Self Storage

SCHEDULE 1(a)

**REPRESENTATIONS AND WARRANTIES RE:
LOAN OBLIGATIONS**

- (1) **Whole Loan: Ownership of Loan Obligations.** Except for the Loan Obligations identified on Annex A to the Offering Memorandum as a Senior Participation or as a Junior Participation, each Closing Date Loan Obligation is a whole loan and not a participation interest in a Mortgage Loan. Each Additional Loan Obligation and Replacement Loan Obligation 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 Loan Obligation 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 Loan Obligation other than any servicing rights appointment or similar agreement. Seller has full right and authority to sell, assign and transfer each Loan Obligation, and the assignment to Purchaser constitutes a legal, valid and binding assignment of such Loan Obligation free and clear of any and all liens, pledges, charges or security interests of any nature encumbering such Loan Obligation.
- (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 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 Cut-off 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 been waived, impaired, modified, altered, satisfied, canceled, subordinated or rescinded in any respect
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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 which 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 Cut-off 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 and materialmens liens (which are the subject of the representation in paragraph (5) above), and equipment
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and other personal property financing). Except as set forth in Schedule 1(b), 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, 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 personalty 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. 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 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 Cut-off 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.
- (12) Condemnation. As of the date of origination and to the Seller's knowledge as of the Cut-off Date, there is no proceeding pending, and, to the Seller's knowledge as of the date of origination and as of the Cut-off
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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 Cut-off 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, an adverse outcome of which would reasonably be expected to 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 Cut-off 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 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 X 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.

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 or "A3" (or the equivalent) from Moody's Investors Service, Inc. or "A-" by Standard & Poor's Ratings Service 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 Cut-off 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 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 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
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removal of which would not materially and adversely affect the value or current use of such Mortgaged Property or for which insurance or endorsements 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 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 Cut-off 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 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 Cut-off 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 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.
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- (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 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 payment 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 Seller's knowledge, do not, as of the Cut-off 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); 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
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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 in the related Loan Documents, such as a qualified equityholder, (v) transfers of stock or similar equity units in publicly traded companies or (vi) a substitution or release of collateral within the parameters of paragraph (26) herein or the exceptions thereto set forth in Schedule 1(a), or (vii) as set forth on Schedule 1(b) hereto by reason of any mezzanine debt that existed at the origination of the related Mortgage Loan, or future permitted mezzanine debt as set forth on Schedule 1(c) hereto 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 on 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 Cut-off Date Stated Principal Balance in excess of \$5 million provide that the Borrower is a Single-Purpose Entity, and each Mortgage Loan with a Cut-off 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 Cut-off 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.

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 Seller, its successors and assigns, 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;
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- (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 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 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;
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- (k) In the case of a total or substantially total taking or loss, 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
- (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(a).
- (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(a). 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 Cut-off Date, no Borrower, guarantor or tenant occupying a single-tenant property is a debtor in 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 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
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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 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 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) Loan Obligation Schedule. The information pertaining to each Loan Obligation that is set forth in the schedule attached as Exhibit A to this Agreement is true and correct in all material respects as of the Cut-off Date and contains all information required by this 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).
- (41) Advance of Funds by the Seller. After origination, no advance of funds has been made by Seller to the related Borrower other than in accordance with the Loan Documents, and, to 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 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. 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.
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(43) Floating Interest Rates. Each Mortgage Loan bears interest at a floating rate based on LIBOR.

(44) Participations. With respect to each Loan Obligation 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 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;

(v) Each other participant (each, a "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 Loan Obligation upon request therefor by the related servicer or lead and control participant (the "Lead Participant");

(vi) Each participation agreement is effective to convey the participation interest to the related participants and is not intended to be or effective as a loan or other financing secured by the Loan Obligation 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 pursuant to the 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.

For purposes of these representations and warranties, the phrases "the Seller's knowledge" or "the Seller's belief" and other words and phrases of like import shall mean, except where otherwise expressly set forth herein, the actual state of knowledge or belief 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.

SCHEDULE 1(a)**EXCEPTIONS TO REPRESENTATIONS AND WARRANTIES**

Representation numbers referred to below relate to the corresponding Closing Date Loan Obligation representations and warranties set forth in Section 1(a) to this Agreement.

Loan Obligation	Representation	Exception
160 Van Brunt Street	(10) Condition of Property	No engineering report or property condition report has been prepared with respect to the Mortgaged Property within the last 12 months prior to the origination of the Mortgage Loan. In connection with certain renovations being completed at the Mortgaged Property, construction engineers have inspected the property as a condition to draws on renovation funds.
Matthews Crossing	(16) Insurance	United Specialty Insurance Company, which is rated "A:VIII" by A.M. Best Company, Inc. and not rated by S&P, has been approved as an insurance provider for the related Mortgaged Property.
160 Van Brunt Street	(16) Insurance	New York Marine & General, which is rated "A:IX" by A.M. Best Company, Inc., has been approved as an insurance provider for the related Mortgaged Property.
440 West 47th Street	(16) Insurance	Insurance premiums have been financed, and as a result the insurance policy could lapse in the event that the related borrower misses a payment on the financing.
Brookside Manor Apartments	(25) Recourse Obligations	The Mortgage Loan is fully recourse to the related guarantor.
Madison at Adams Farm Champions Club	(36) Organization of Borrower	Madison at Adams Farm and Champions Club have common sponsors.
Park Plaza Grand Tower	(36) Organization of Borrower	Park Plaza and Grand Tower have one common sponsor.
Matthews Crossing Highland Portfolio Elkhart Portfolio	(36) Organization of Borrower	Matthews Crossing, Elkhart Portfolio and Highland have a common sponsor.
St. Andrews Peachtree Place	(36) Organization of Borrower	St. Andrews and Peachtree Place have a common sponsor.

Loan Obligation	Representation	Exception
Riverline Self Storage Longtown Self Storage	(36) Organization of Borrower	Riverline Self Storage and Longtown Self Storage have common sponsors.

SCHEDULE 1(b)

Existing Mezzanine Debt

<u>Loan Obligation</u>	<u>Amount of Existing Mezzanine Debt</u>
160 Van Brunt	\$ 4,600,000

SCHEDULE 1(c)

Future Mezzanine Debt

Elkhart Portfolio

SCHEDULE 1(d)

Crossed Loan Obligations

None.

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD.
CLASS A NOTES, CLASS B NOTES AND CLASS C NOTES

Placement Agreement

Dated as of August 5, 2016

J.P. Morgan Securities LLC
383 Madison Avenue, 8th Floor
New York, New York 10179

Ladies and Gentlemen:

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LTD. (the “Issuer”) and ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC (the “Co-Issuer” and, together with the Issuer, the “Co-Issuers”), propose to issue their \$183,625,000 Class A Senior Secured Floating Rate Notes Due 2026 (the “Class A Notes”), their \$22,750,000 Class B Secured Floating Rate Notes Due 2026 (the “Class B Notes”) and their \$43,875,000 Class C Secured Floating Rate Notes Due 2026 (the “Class C Notes”) and, together with the Class A Notes and the Class B Notes, the “Notes”). The Issuer intends to issue 74,750 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 Notes pursuant to this Placement Agreement (this “Agreement”).

The Notes shall be issued pursuant to an Indenture, to be dated as of August 18, 2016 (the “Indenture”), among the Co-Issuers, Arbor Realty SR, Inc. (including any successor by merger, the “Seller” or “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 Shares Paying Agency Agreement, dated as of August 18, 2016 (the “Preferred Shares Paying Agency Agreement”), among the Issuer, U.S. Bank National Association, as preferred shares paying agent (the “Preferred Shares 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.

On the Closing Date, the Issuer will purchase the Loan Obligations described and listed in Annex A to the Offering Memorandum (collectively, the “Loan Obligations”) and, with all other assets pledged to the Trustee on behalf of the Secured Parties pursuant to the Indenture, the “Collateral”) from the Parent.

The Co-Issuers, the Parent and the Placement Agent agree as follows:

1. Appointment of Placement Agent; Offer and Sale of Notes.

(a) The Co-Issuers and the Parent hereby appoint the Placement Agent to act as placement agent in connection with the offer and sale of the 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 and the Parent agree to sell or 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 Notes. In connection with acting as placement agent hereunder, the Placement Agent shall have the right (but not the obligation) to purchase the Notes and resell the Notes pursuant to the terms of this Agreement. Each of the Co-Issuers, the Parent and the Placement Agent agrees that, as to any and all of the 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 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 in the event that any purchase or sale is not consummated for any reason. The Co-Issuers and the 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 Parent. The Co-Issuers shall direct the Placement Agent to remit the aggregate purchase price for the 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 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 Parent is obligated to so register or qualify the 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 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 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 to persons each of whom it reasonably believes to be a Qualified Purchaser within the meaning of the Investment Company Act of 1940 and 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 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 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 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) 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 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 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, 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 Notes, without the prior consent of the Co-Issuers and the Parent, any written communication that constitutes an offer to sell or solicitation of an offer to buy the Notes.

(c) In connection with the issuance of the Notes, the Co-Issuers and the Parent have prepared an Offering Memorandum, dated August 5, 2016 (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 Parent to the Placement Agent pursuant to the terms of this Agreement. At or prior to the time when sales of the Notes were first made, which was approximately 1:00 PM (prevailing Eastern time) on August 5, 2016 (the “Time of Sale”), the Co-Issuers and the Parent have prepared the following documents: a Preliminary Offering Memorandum, dated August 2, 2016 (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 Parent and the Placement Agent determine that, as to any investors in the 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 statement therein, in the light of the circumstances under which it was made, not misleading and the Placement Agent terminates its old purchase contracts and enters into new purchase contracts with investors in the 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 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 Notes to the Placement Agent, acting on behalf of the purchasers of the applicable Notes, by causing DTC to credit such Notes to the account of the Placement Agent (or its designee) at DTC. The 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 Notes to be made available to the Placement Agent for inspection at least twenty-four (24) hours prior to the Closing Date at the offices of Cadwalader, Wickersham & Taft LLP at 200 Liberty Street, New York, New York 10281 (the “Closing Location”). The time and date of delivery of the Notes shall be 10:00 a.m., New York City time, on August 18, 2016, 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 Parent (jointly and severally) agree to pay to the Placement Agent the Advisory, Structuring and Placement Agent Fee set forth on Schedule I hereto.

(e) The Notes sold to Institutional Accredited Investors that are not QIBs, 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), shall be delivered in definitive certificated form to or upon the instructions of the Placement Agent, acting on behalf of the applicable purchasers of the Notes, against payment of the purchase price therefor by wire transfer of immediately available funds. The 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 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 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 Parent with respect to the offering and sale of the 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 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 Parent or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Co-Issuers and the 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 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 Parent or any other person. Each of the Co-Issuers and the 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 or the Parent 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 “flip” book or similar marketing

materials or any term sheet or similar marketing materials and any and all other summaries, reports, documents, in written or electronic form, (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(a) below), it has not obtained any Due Diligence Report (as defined in Section 3(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 Parent.

(d) Organization and Good Standing. Each of the Co-Issuers and the Parent has been duly organized and is a validly existing organization 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 (as defined in Section 2(g) below) 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 and the Parent 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 Notes. The 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 Shares Paying Agency Agreement, the Loan Obligations Purchase Agreement, the Loan Obligation 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, Co-Issuer or Parent is a party has been duly authorized by the Issuer, Co-Issuer and Parent, as applicable, and when duly executed and delivered in accordance with its terms by each of the parties thereto (other than the Co-Issuers or the Parent, as applicable), will constitute a valid and legally binding agreement of the Co-Issuers or the Parent, as applicable, enforceable against the Co-Issuers or the Parent, 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 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 or Parent is (A) in violation of its charter, by-laws 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, Co-Issuer and Parent of the Basic Documents 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 or similar organizational documents of the Issuer, Co-Issuer or Parent; 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, Co-Issuer or Parent 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 or Parent 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 Notes by the Placement Agent or any purchase and resale of the 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, Co-Issuer or Parent is a party or to which any property of the Issuer, Co-Issuer or Parent is the subject that, individually or in the aggregate, if determined adversely to such Issuer, Co-Issuer or Parent, could reasonably be expected to have a material adverse effect on (A) the ability of any of the Issuer, Co-Issuer or 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; to the knowledge after due inquiry of the Co-Issuers and the Parent, no such investigations, actions, suits or proceedings are threatened or contemplated by any Governmental Authority or threatened by others.

(l) Title to Assets. Parent will, at the Closing Date, own and transfer the Loan Obligations, free and clear of any lien, mortgage, pledge, charge, security interest or other encumbrance, and, at the Closing Date, Parent will have full power and authority to sell the Loan Obligations to the Issuer under the Loan Obligations Purchase Agreement and deliver the Loan Obligations 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 (C) 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.

(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, (i) 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”) or (ii) are relying on the exemptions from the requirements of the Investment Company Act pursuant to Section 3(c)(5)(C) thereof or Rule 3a-7 thereunder.

(n) Integration. None of Issuer, Co-Issuer, or 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 Issuer, Co-Issuer, or Parent or any of their respective affiliates or any other person acting on its or their behalf (other than, in the case of the 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 Notes in the manner contemplated by this 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 Issuer, Co-Issuer, or 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 and the Parent contained in the Basic Documents, respectively, shall be true and correct as of the Closing Date in all material respects.

(t) 17g-5 Compliance. The Arbor Realty Trust, Inc. ("ART") has executed and delivered a written representation to Moody's Ratings Services 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 of the Exchange Act, and ART has complied with each such representation in all material respects.

3. Representations and Warranties of the Parent. The Parent represents and warrants to the Placement Agent that:

(a) The Parent has 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 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.

(b) Any certification on Form ABS Due Diligence-15E received by the 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 Parent as required by Rule 17g-5.

(c) The Parent (A) 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 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 each Form 15G to the SEC on EDGAR at least five Business Days before the Time of Sale as required by Rules 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.

4. Further Agreements of the Co-Issuers and the Parent. Each of the Co-Issuers and the 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 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.

(c) Notice to the Placement Agent. The Co-Issuers and the 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 the Co-Issuers or the 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 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 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 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.

(e) Blue Sky Compliance. The Co-Issuers and the Parent will use commercially reasonable efforts to qualify the 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 Notes; provided that none of the Co-Issuers and the 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 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 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 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 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 Notes by the Rating Agencies are conditional upon the furnishing of documents or the taking of any other action by the Co-Issuers or the Parent, the Co-Issuers and the Parent shall use their commercially reasonable efforts to furnish such documents and take any other such action.

(i) No Integration. None of the Co-Issuers and the 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 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 Parent or any of their respective affiliates or any person acting on its or their behalf (other than, with respect to the 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 Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Co-

Issuers and the 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 Notes and prospective purchasers of the 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 Notes to be eligible for clearance and settlement through DTC.

(m) Sale Treatment. Parent agrees that its transfer of the Loan Obligations shall be reflected on its balance sheet and other financial statements as a sale and/or contribution of the Loan Obligations to the Issuer and not as a financing. Issuer agrees that the transfer to the Issuer of the Loan Obligations shall be reflected on Issuer's balance sheet and other financial statements as the purchase and/or acquisition of such Loan Obligations by Issuer from the Parent and not as a loan to Issuer from Parent. Parent is not selling the Loan Obligations and the Co-Issuers are not selling the Notes with any intent to hinder, delay or defraud any of the creditors of the Parent or the Co-Issuers, as applicable.

(n) Rule 17g-5 Compliance. The Co-Issuers, ART and the 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.

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 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 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 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 Notes on the terms and in the manner contemplated by this Agreement, the Time of Sale Information and the Offering Memorandum.

(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 Parent. The Placement Agent shall have received on and as of the Closing Date a certificate of an executive officer of the 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 Parent has 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 the Parent, as applicable.

(e) Officer's Certificate of the Loan Obligation 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 Parent. Cadwalader, Wickersham & Taft LLP, special counsel to the Co-Issuers and the 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 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 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 Delaware Limited Liability Company Act and 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 Clifford Chance US 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 Shares Paying Agent, the Loan Obligation Manager, the CLO Servicer, Arbor Realty SR, Inc. and ARMS Equity. Prior to the placement of the 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 Shares Paying Agent, the Loan Obligation 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 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 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 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 Parent shall have furnished to the Placement Agent such other certificates and documents as the Placement Agent may reasonably request.

(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.

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.

(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.

(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 use of counsel chosen by the Indemnifying Person to represent the Indemnified Person would present such counsel with a conflict of interest. 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 Notes and the total fees, discounts and commissions received by the Placement Agent in connection therewith bear to the aggregate offering price of the 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 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 Parent if, after the execution and delivery of this Agreement and prior to the Closing Date (a) 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; (b) 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 (c) 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 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 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 Notes by the Placement Agent, any advertising expenses and other expenses incurred by the Placement Agent in connection with offering or reoffering the Notes and/or entering into purchase contracts with investors in the Notes; (v) the fees and expenses of the counsel to the Co-Issuers, the 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 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 Loan Obligations; and (xii) all other costs and expenses incident to the performance of the obligations of the Co-Issuers and the 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 Notes for delivery to the Placement Agent, (iii) the Issuer, Co-Issuer, or Parent fail or refuse to comply with this Agreement, or (iv) the Placement Agent fails to place the Notes, each of the Issuer, the Co-Issuer, and the 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 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 Parent and the Placement Agent contained in this Agreement or made by or on behalf of the Co-Issuers, the Parent or the Placement Agent pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the 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 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 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: ABS Syndicate, fax: 212-834-6754, email: andy.cherna@jpmorgan.com, with copies to J.P. Morgan Securities LLC, 383 Madison Avenue, 32nd Floor, New York, New York 10179, Attention: Bianca A. Russo, fax: (917) 464-6116, email: russo_bianca@jpmorgan.com, and Clifford Chance US LLP, 31 West 52nd Street, New York, New York 10019, Attention: Steven T. Kolyer, fax: (212) 878-8375, email: steven.kolyer@cliffordchance.com. Notices to the Issuer shall be given to it at Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd., c/o MaplesFS Limited, Queensgate House, P.O. Box 1093, Queensgate House, KY1 1102, Grand Cayman, Cayman Islands, Attention: The Directors, telephone: (345) 945 7099, fax: (345) 945 7100 with a copy to the Parent at the address below. Notices to ART or the 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 2016-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 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 covenants and 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 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 (I) 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 2016-FL1, LTD.

By: _____
Name:
Title:

[Signatures continue on following page]

[Placement Agreement]

CO-ISSUER:

ARBOR REALTY COMMERCIAL REAL ESTATE NOTES 2016-FL1, LLC

By: _____

Name:

Title:

[Signatures continue on following page]

[Placement Agreement]

PARENT:

ARBOR REALTY SR, INC.

By: _____

Name:

Title:

[Signatures continue on following page]

[Placement Agreement]

ART:

ARBOR REALTY TRUST, INC.

By: _____

Name:

Title:

[Signatures continue on following page]

[Placement Agreement]

Accepted: _____, 2016

PLACEMENT AGENT:

J.P. MORGAN SECURITIES LLC

By: _____

Name:

Title:

[Placement Agreement]

SCHEDULE I

NOTES

		Initial Note Principal Balance	Interest Rate	Ratings (Moody's/ DBRS)
Class A Notes	U.S.\$	183,625,000	One-month LIBOR + 1.70%	Aaa(sf)/AAA(sf)
Class B Notes	U.S.\$	22,750,000	One-month LIBOR + 2.95%	Baa2(sf)/AA(sf)
Class C Notes	U.S.\$	43,875,000	One-month LIBOR + 5.50%	NR/BBB(low)(sf)

The aggregate combined Advisory, Structuring and Placement Agent Fee paid to the Placement Agent is U.S.\$2,502,500.

Sch. I-1

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 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 Notes, and will offer and sell the 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 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 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 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 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 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 (2013 Revision), to subscribe for the 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:

(A) it has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Co-Issuers and (B) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom;

(B) it, in relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, has not made and will not make an offer of the Notes which are the subject of the offering contemplated by the Offering Memorandum as completed by the accompanying prospectus to the public in that Relevant Member State other than: (A) to any legal entity which is a "qualified investor" as defined in the Prospectus Directive; (B) to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the Placement Agent nominated by the issuing entity for any such offer; or (C) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that, no such offer of the Notes referred to in (A) to (C) above shall require the Co-Issuers or the Placement Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this Section 1(b)(viii), (1) the expression an "offer of the Notes which are subject of the offering contemplated by the Offering Memorandum to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, (2) the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including by the 2010 PD Amending Directive to the extent implemented in each Relevant Member State) and includes any relevant implementing measure in the

Relevant Member State, and (3) the expression “2010 PD Amending Directive” means Directive 2010/73/EU; and

(C) The 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 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 Notes, or possession or distribution of the Time of Sale Information, the Offering Memorandum or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

ANNEX B

Subsequent Time of Sale Information

Annex B-1

EXHIBIT A

ARBOR REALTY COLLATERAL MANAGEMENT, LLC
Officer's Certificate

The undersigned, Paul Elenio, pursuant to Section 5(e) of that certain Placement Agreement dated as of August 5, 2016 by and among Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd., Arbor Realty Commercial Real Estate Notes 2016-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 Loan Obligation 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 Loan Obligation 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 Loan Obligation Manager or on the ability of the Loan Obligation Manager to perform its obligations thereunder, or on the validity or enforceability of, the Loan Obligation Management Agreement and the provisions of the Indenture applicable to the Loan Obligation Manager; the Loan Obligation Manager has full power and authority to execute, deliver and perform the Loan Obligation Management Agreement and its obligations thereunder and the provisions of the Indenture applicable to it; the Loan Obligation Management Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding agreement of the Loan Obligation 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 Loan Obligation 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 Loan Obligation Manager to perform its duties under the Loan Obligation 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 Loan Obligation Manager, threatened which could reasonably be expected to have a material adverse effect upon the ability of the Loan Obligation Manager to perform its duties under the Loan Obligation Management Agreement or the Indenture;

(c) Neither the execution and delivery of the Loan Obligation Management Agreement nor the performance by the Loan Obligation 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 Loan Obligation 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 Loan Obligation Manager is a party or is bound,

(iii) any law, decree, order, rule or regulation applicable to the Loan Obligation Manager of any court or regulatory, administrative or governmental agency, body or authority or arbitrator having jurisdiction over the Loan Obligation 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 Loan Obligation Manager or the ability of the Loan Obligation Manager to perform its obligations under the Loan Obligation 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 Loan Obligation Manager of its duties under the Loan Obligation 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 Assets; and

(g) The Loan Obligation 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.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this day of , 2016.

ARBOR REALTY COLLATERAL MANAGEMENT, LLC

By: _____
Name:
Title:

[Officer Certificate pursuant to Placement Agreement]

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 August 5, 2016, by and among Arbor Realty Commercial Real Estate Notes 2016-FL1, Ltd., Arbor Realty Commercial Real Estate Notes 2016-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 Loan Obligation 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 Loan Obligation Purchase Agreement and the provisions of the Indenture applicable to Seller; Seller has full power and authority to execute, deliver and perform the Loan Obligation Purchase Agreement and its obligations thereunder and the provisions of the Indenture applicable to it; the Loan Obligation 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 Loan Obligation 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 Loan Obligation Purchase Agreement or the Indenture;

(c) Neither the execution and delivery of the Loan Obligation 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

a party or is bound, (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 Loan Obligation 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 Loan Obligation Purchase Agreement and under the Indenture, except such as have been duly made or obtained; and

(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.

(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 Seller has complied in all material respects with all agreements and satisfied all conditions on its 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 Seller.

Capitalized terms not set forth herein shall have the meaning ascribed thereto in the Indenture.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this day of , 2016.

ARBOR REALTY SR, INC.

By: _____
Name:
Title:

[Officer Certificate pursuant to Placement Agreement]

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: November 9, 2016

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: November 9, 2016

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 September 30, 2016 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.

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

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

Date: November 9, 2016

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

