

ARBOR REALTY TRUST INC  
Form 10-Q  
May 06, 2016  
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**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 March 31, 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)

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**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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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: 51,381,405 outstanding as of May 5, 2016.



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**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; changes in interest rates; the quality and size of the investment pipeline and the rate at which we can invest our cash; impairments in the value of the collateral underlying our loans and investments; legislative/regulatory changes; the availability and cost of capital for future investments; competition; and other risks detailed from time to time in our reports filed with the Securities and Exchange Commission ( SEC ). Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect management's views as of the date of this report. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement. For a discussion of our critical accounting policies, see Management's Discussion and Analysis of Financial Condition and Results of Operations of Arbor Realty Trust, Inc. and Subsidiaries Significant Accounting Estimates and Critical Accounting Policies in our Annual Report on Form 10-K for the year ended December 31, 2015 (the 2015 Annual Report ).

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

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

	<b>March 31, 2016 (Unaudited)</b>	<b>December 31, 2015</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 145,132,766	\$ 188,708,687
Restricted cash (includes \$18,113,410 and \$46,695,819 from consolidated VIEs, respectively)	20,124,435	48,301,244
Loans and investments, net (includes \$1,005,837,830 and \$968,970,064 from consolidated VIEs, respectively)	1,581,621,970	1,450,334,341
Available-for-sale securities, at fair value	411,525	2,022,030
Investments in equity affiliates	34,927,586	30,870,235
Real estate owned, net	31,698,213	60,845,509
Real estate held-for-sale, net	28,590,235	8,669,203
Due from related party (includes \$36,451 and \$36,451 from consolidated VIEs, respectively)	435,552	8,082,265
Other assets (includes \$7,109,833 and \$6,969,201 from consolidated VIEs, respectively)	29,478,178	29,558,430
<b>Total assets</b>	<b>\$ 1,872,420,460</b>	<b>\$ 1,827,391,944</b>
<b>Liabilities and Equity:</b>		
Credit facilities and repurchase agreements	\$ 183,926,292	\$ 136,252,135
Collateralized loan obligations (includes \$759,734,287 and \$758,899,661 from consolidated VIEs, respectively)	759,734,287	758,899,661
Senior unsecured notes	93,955,461	93,764,994
Junior subordinated notes to subsidiary trust issuing preferred securities	157,305,257	157,117,130
Mortgage note payable real estate owned		27,155,000
Mortgage note payable real estate held-for-sale	27,112,443	
Due to related party (includes \$1,061,877 and \$0 from consolidated VIEs, respectively)	2,406,027	3,428,333
Due to borrowers	42,020,339	34,629,595
Other liabilities (includes \$1,240,211 and \$1,224,193 from consolidated VIEs, respectively)	44,605,843	51,054,321
<b>Total liabilities</b>	<b>1,311,065,949</b>	<b>1,262,301,169</b>
Commitments and contingencies		
<b>Equity:</b>		
Arbor Realty Trust, Inc. stockholders equity:		
Preferred stock, cumulative, redeemable, \$0.01 par value: 100,000,000 shares authorized; 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	89,295,905	89,295,905

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preference; 1,260,000 shares issued and outstanding; 8.50% Series C, \$22,500,000 aggregate liquidation preference; 900,000 shares issued and outstanding		
Common stock, \$0.01 par value: 500,000,000 shares authorized; 51,381,405 and 50,962,516 shares issued and outstanding, respectively	513,814	509,625
Additional paid-in capital	617,921,438	616,244,196
Accumulated deficit	(142,631,782)	(136,118,001)
Accumulated other comprehensive loss	(3,744,864)	(4,840,950)
Total equity	561,354,511	565,090,775
Total liabilities and equity	\$ 1,872,420,460	\$ 1,827,391,944

See Notes to Consolidated Financial Statements.

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## ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended March 31,	
	2016	2015
Interest income	\$ 25,818,465	\$ 27,209,395
Interest expense	12,748,613	13,927,367
Net interest income	13,069,852	13,282,028
<b>Other revenue:</b>		
Property operating income	5,331,532	8,450,343
Other income, net	89,763	36,000
Total other revenue	5,421,295	8,486,343
<b>Other expenses:</b>		
Employee compensation and benefits	4,328,342	4,290,206
Selling and administrative	2,655,476	2,897,810
Acquisition costs	3,109,910	
Property operating expenses	4,316,555	6,385,088
Depreciation and amortization	877,533	1,438,677
Provision for loan losses (net of recoveries)	(15,000)	982,680
Management fee - related party	2,700,000	2,675,000
Total other expenses	17,972,816	18,669,461
Income before gain on acceleration of deferred income, loss on termination of swaps, gain on sale of real estate and income from equity affiliates	518,331	3,098,910
Gain on acceleration of deferred income		11,009,162
Loss on termination of swaps		(4,289,450)
Gain on sale of real estate	607,553	3,984,364
Income from equity affiliates	1,897,442	3,095,913
Net income	3,023,326	16,898,899
Preferred stock dividends	1,888,430	1,888,430
Net income attributable to common stockholders	\$ 1,134,896	\$ 15,010,469
Basic earnings per common share	\$ 0.02	\$ 0.30
Diluted earnings per common share	\$ 0.02	\$ 0.30
Dividends declared per common share	\$ 0.15	\$ 0.13
Weighted average number of shares of common stock outstanding:		
Basic	51,045,219	50,544,575
Diluted	51,095,128	50,832,736

See Notes to Consolidated Financial Statements.



Table of Contents**ARBOR REALTY TRUST, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Net income	\$ 3,023,326	\$ 16,898,899
Unrealized (loss) gain on securities available-for-sale, at fair value	(58,789)	58,789
Unrealized loss on derivative financial instruments, net	(209,789)	(741,571)
Reclassification of net realized loss on derivatives designated as cash flow hedges into loss on termination of swaps		4,285,995
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings	1,364,664	1,730,927
Comprehensive income	4,119,412	22,233,039
Less:		
Preferred stock dividends	1,888,430	1,888,430
Comprehensive income attributable to common stockholders	\$ 2,230,982	\$ 20,344,609

See Notes to Consolidated Financial Statements.

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

Three Months Ended March 31, 2016

	Preferred Stock Shares	Preferred Stock Value	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
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
Stock-based compensation			419,890	4,199	1,677,232			1,681,431
Forfeiture of unvested restricted stock			(1,001)	(10)	10			
Distributions common stock						(7,644,227)		(7,644,227)
Distributions preferred stock						(1,888,430)		(1,888,430)
Distributions preferred stock of private REIT						(4,450)		(4,450)
Net income						3,023,326		3,023,326
Unrealized loss on securities available-for-sale							(58,789)	(58,789)
Unrealized loss on derivative financial instruments, net							(209,789)	(209,789)
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings							1,364,664	1,364,664
Balance March 31, 2016	3,711,500	\$ 89,295,905	51,381,405	\$ 513,814	\$ 617,921,438	\$ (142,631,782)	\$ (3,744,864)	\$ 561,354,511

See Notes to Consolidated Financial Statements.

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

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating activities:</b>		
Net income	\$ 3,023,326	\$ 16,898,899
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	877,533	1,438,677
Stock-based compensation	1,681,431	1,692,066
Gain on acceleration of deferred income		(11,009,162)
Loss on termination of swaps		4,289,450
Gain on sale of real estate	(607,553)	(3,984,364)
Gain on sale of securities	(15,491)	
Provision for loan losses (net of recoveries)	(15,000)	982,680
Amortization and accretion of interest, fees and intangible assets, net	852,174	1,527,715
Income from equity affiliates	(1,897,442)	(3,095,913)
Changes in operating assets and liabilities	(61,383)	(6,468,321)
Net cash provided by operating activities	\$ 3,837,595	\$ 2,271,727
<b>Investing activities:</b>		
Loans and investments funded, originated and purchased, net	(283,857,810)	(329,471,068)
Payoffs and paydowns of loans and investments	159,039,238	174,980,791
Deferred fees	2,842,917	1,450,479
Investment in real estate, net	(391,691)	(894,119)
Contributions to equity affiliates	(2,448,122)	(13,259,007)
Proceeds from sale of real estate, net	9,347,975	18,482,352
Proceeds from sale of available-for-sale securities	1,567,207	
Net cash used in investing activities	\$ (113,900,286)	\$ (148,710,572)
<b>Financing activities:</b>		
Proceeds from repurchase agreements, credit facilities and notes payable	105,388,934	409,849,941
Paydowns and payoffs of repurchase agreements, loan participations and credit facilities	(57,939,994)	(191,260,767)
Proceeds from mortgage note payable real estate owned		27,155,000
Paydowns and payoffs of mortgage note payable real estate	(42,557)	(30,984,357)
Proceeds from collateralized loan obligations		219,000,000
Payoffs and paydowns of collateralized debt obligations		(232,650,676)
Payoffs and paydowns of collateralized loan obligations		(177,000,000)
Change in restricted cash	27,771,209	190,312,724
Payments on swaps and margin calls to counterparties		(290,000)
Receipts on swaps and returns of margin calls from counterparties	930,000	1,270,000
Distributions paid on common stock	(7,644,227)	(6,562,050)
Distributions paid on preferred stock	(1,888,430)	(1,888,430)
Distributions paid on preferred stock of private REIT	(4,450)	(3,894)
Payment of deferred financing costs	(83,715)	(5,491,908)
Net cash provided by financing activities	\$ 66,486,770	\$ 201,455,583
Net (decrease) increase in cash and cash equivalents	\$ (43,575,921)	\$ 55,016,738
Cash and cash equivalents at beginning of period	188,708,687	50,417,745
Cash and cash equivalents at end of period	\$ 145,132,766	\$ 105,434,483



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## ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Continued)

	Three Months Ended March 31,	
	2016	2015
Supplemental cash flow information:		
Cash used to pay interest	\$ 11,097,134	\$ 12,091,253
Cash used for taxes	\$ 60,887	\$ 215,331
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
Investment transferred from real estate owned, net to real estate held-for-sale, net	\$ 28,590,235	\$
Mortgage note payable real estate owned transferred to real estate held-for-sale	\$ 27,112,443	\$

See Notes to Consolidated Financial Statements.

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**ARBOR REALTY TRUST, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**March 31, 2016**

**Note 1 Description of Business**

Arbor Realty Trust, Inc. is a Maryland corporation that was formed in 2003 to invest in a diversified portfolio of structured finance assets in the multifamily and commercial real estate markets, primarily consisting of bridge and mezzanine loans, including junior participating interests in first mortgages, preferred and direct equity. We may also directly acquire real property and invest in real estate-related notes and certain mortgage-related securities. We conduct substantially all of our operations through our operating partnership, Arbor Realty Limited Partnership ( ARLP ), and ARLP 's subsidiaries. We are externally managed and advised by Arbor Commercial Mortgage, LLC ( ACM or our Manager ). We organize and conduct our operations to qualify as a real estate investment trust ( REIT ) for federal income tax purposes.

***Proposed Acquisition of our Manager 's Agency Platform***

On February 25, 2016, we entered into an asset purchase agreement ( Purchase Agreement ) to acquire the agency platform (the ACM Agency Business ) of our Manager for \$250.0 million (the Proposed Acquisition ). The purchase price is to be paid 50% in cash and 50% in units of limited partnership interest in ARLP which are redeemable for cash, or at our option, for shares of our common stock on a one-for-one basis ( OP Units ). The equity component of the purchase price consists of 19.23 million OP Units which was based on a stock price of \$6.50 per share. Each of the OP Units will be paired with a share of our newly-designated special voting preferred stock which will entitle ACM to 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 common stock distributions. The purchase price is subject to potential adjustment based on changes in the value of ACM 's servicing portfolio being acquired on the closing date. ACM has offered the option, at the discretion of the special committee of our Board of Directors, to provide for up to \$50.0 million of financing to satisfy a portion of the cash consideration to be paid by us. All ACM employees directly related to the ACM Agency Business (approximately 230 employees) will become our employees following the consummation of the Proposed Acquisition.

The ACM Agency Business is comprised of its (i) underwriting, originating, selling and servicing multifamily mortgages under the Federal National Mortgage Association ( Fannie Mae ) delegated underwriting and servicing ( DUS ), U.S. Department of Housing and Urban Development ( HUD )/Federal Housing Administration ( FHA ), Government National Mortgage Association ( GNMA ), Federal Home Loan Mortgage Corporation ( Freddie Mac ) and conduit/commercial mortgage-backed securities ( CMBS ) programs, and (ii) certain assets and liabilities primarily consisting of the mortgage servicing rights related to the agency servicing portfolio, agency loans held for sale, warehouse financing of agency loans held for sale and other assets and liabilities directly related to the ACM Agency Business.

In addition, pursuant to the Purchase Agreement, ACM has provided a two year option for us 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.

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The transaction contemplated pursuant to the Purchase Agreement will require certain government and government-sponsored enterprise ( GSE ) approvals as well as a vote of our stockholders and other third party approvals. To date, the Federal Trade Commission has granted us early termination of the mandatory waiting period for our Hart-Scott-Rodino filing, we filed our definitive proxy statement with the SEC and we have scheduled our special shareholder meeting to vote on the Proposed Acquisition for June 1, 2016. We are also pursuing the other approvals needed to close the Proposed Acquisition. This transaction is expected to close by the third quarter of 2016; however, there can be no assurances that this transaction will be completed during this period or at all. In connection with evaluating this potential transaction, we incurred advisory fees totaling \$3.1 million during the three months ended March 31, 2016 and fees totaling \$7.6 million to date.

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**ARBOR REALTY TRUST, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**March 31, 2016**

**Note 2 Summary of Significant Accounting Policies**

*Basis of Presentation and Principles of Consolidation*

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. As a result of this guidance, we have separately disclosed parenthetically the assets and liabilities of our collateralized loan obligation ( CLO ) subsidiaries on our consolidated balance sheets. Entities in which we have significant influence are accounted for primarily under the equity method.

As a REIT, we are generally not subject to federal income tax on our REIT taxable income that we distribute to our stockholders, provided that we distribute at least 90% of our REIT taxable income and meet certain other requirements. As of March 31, 2016 and 2015, we were in compliance with all REIT requirements and, therefore, have not provided for income tax expense for the three months ended March 31, 2016 and 2015. Certain of our assets that produce non-qualifying income are owned by our taxable REIT subsidiaries, the income of which is subject to federal and state income taxes. During the three months ended March 31, 2016 and 2015, we did not record any provision for income taxes for these taxable REIT subsidiaries as we expect any income to be offset by available federal and state net operating loss carryforwards.



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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*

As of March 31, 2016, our significant accounting policies, which are detailed in our 2015 Annual Report, have not changed materially.

### *Recently Issued Accounting Pronouncements*

In March 2016, the Financial Accounting Standards Board ( FASB ) amended its guidance on stock compensation, which is intended to simplify several aspects of the accounting for share-based payment award transactions. The guidance is effective for the first quarter of 2017 and we are currently evaluating the impact it may have on our consolidated financial statements.

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**ARBOR REALTY TRUST, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**March 31, 2016**

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 are currently evaluating the impact it may have 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 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 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 a material impact on our consolidated financial statements.

In April 2015, the FASB amended its guidance on the balance sheet presentation of debt issuance costs. The guidance was effective for the first quarter of 2016. We early adopted this guidance in the fourth quarter of 2015 and it did not have a material effect 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.

**Note 3 Loans and Investments**

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The following table sets forth the composition of our loan and investment portfolio:

	<b>March 31, 2016</b>	<b>Percent of Total</b>	<b>Loan Count</b>	<b>Wtd. Avg. Pay Rate (1)</b>	<b>Wtd. Avg. Remaining Months to Maturity</b>	<b>Wtd. Avg. First Dollar LTV Ratio (2)</b>	<b>Wtd. Avg. Last Dollar LTV Ratio (3)</b>
Bridge loans	\$ 1,481,287,587	88%	112	5.46%	18.1	0%	76%
Mezzanine loans	44,251,715	3%	11	8.55%	26.9	30%	79%
Junior participation loans	62,256,582	4%	2	4.50%	8.2	85%	87%
Preferred equity investments	89,539,476	5%	10	7.29%	27.9	44%	85%
	1,677,335,360	100%	135	5.60%	18.5	7%	77%
Unearned revenue	(8,966,815)						
Allowance for loan losses	(86,746,575)						